WEEK 24

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STORIES TO READ FROM FNArena

Friday, 12 June 2026

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FNArena FINANCIAL NEWS, ANALYSIS & DATA

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AUSTRALIA

The Market In Numbers - 6 Jun 2026

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	06 Jun 2026	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2026)	Financial Year To Date (FY26)
NZ50	13161.970	-0.62%	-0.62%	1.94%	-2.85%	4.44%
All Ordinaries	8855.90	-1.22%	-1.22%	1.98%	-1.85%	0.94%
S&P ASX 200	8625.10	-1.22%	-1.22%	1.69%	-1.02%	0.97%
S&P ASX 300	8566.90	-1.24%	-1.24%	1.85%	-1.33%	1.10%
Communication Services	1624.30	-1.59%	-1.59%	-4.02%	-6.69%	-12.34%
Consumer Discretionary	3525.20	-1.03%	-1.03%	4.73%	-11.72%	-14.91%
Consumer Staples	12006.60	1.68%	1.68%	-4.27%	3.35%	-0.93%
Energy	10574.40	1.55%	1.55%	-6.97%	26.40%	21.89%
Financials	8994.70	-2.09%	-2.09%	-3.18%	-3.66%	-5.61%
Health Care	23227.20	1.01%	1.01%	-16.22%	-31.26%	-44.17%
Industrials	8195.50	0.45%	0.45%	4.12%	-2.73%	-1.48%
Info Technology	1909.30	7.68%	7.68%	22.64%	-11.36%	-34.18%
Materials	24486.40	-2.35%	-2.35%	12.48%	15.93%	54.41%
Real Estate	3534.90	-2.49%	-2.49%	8.03%	-10.87%	-9.33%
Utilities	9753.30	1.14%	1.14%	-6.91%	0.99%	6.69%
A-REITs	1644.70	-2.43%	-2.43%	9.09%	-9.92%	-8.16%
All Technology Index	3021.50	6.41%	6.41%	18.70%	-11.04%	-25.28%
Banks	3816.70	-2.68%	-2.68%	-7.24%	-6.19%	-5.12%
Gold Index	15965.60	-1.99%	-1.99%	-4.16%	-14.50%	38.14%
Metals & Mining	8479.40	-2.53%	-2.53%	12.51%	16.69%	62.42%

The World

Index	06 Jun 2026	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2026)	Financial Year To Date (FY26)
FTSE100	10368.05	-0.40%	-0.40%	1.88%	4.30%	18.34%
DAX30	24759.05	-1.38%	-1.38%	9.17%	1.10%	3.55%
Hang Seng	24961.95	-0.88%	-0.88%	0.70%	-3.45%	3.70%
Nikkei 225	66588.12	0.39%	0.39%	30.40%	32.28%	64.47%
NZ50	13161.970	-0.62%	-0.62%	1.94%	-2.85%	4.44%
DJIA	50866.78	-0.32%	-0.32%	9.77%	5.17%	15.36%
S&P500	7383.74	-2.59%	-2.59%	13.10%	7.07%	19.00%
Nasdaq Comp	25709.43	-4.68%	-4.68%	19.08%	9.78%	26.21%

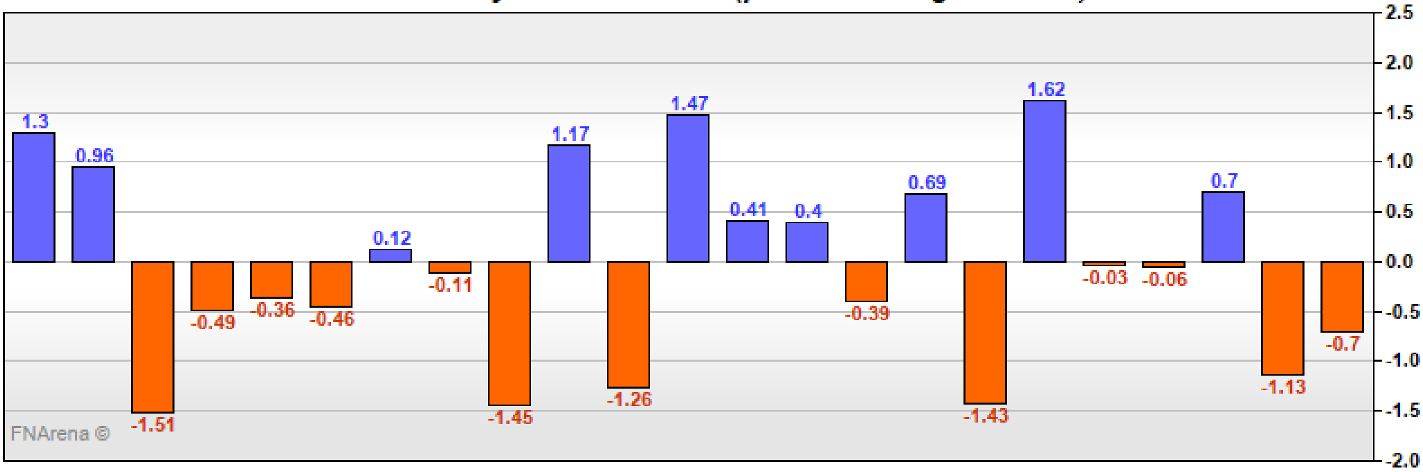
Metals & Minerals

Index	06 Jun 2026	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2026)	Financial Year To Date (FY26)
Gold (oz)	4502.25	-0.55%	-0.55%	-0.79%	2.64%	36.34%
Silver (oz)	74.13	-2.36%	-2.36%	5.73%	-4.87%	104.76%
Copper (lb)	6.5290	1.63%	1.63%	19.04%	14.91%	28.13%
Aluminium (lb)	1.6641	-0.16%	-0.16%	6.89%	24.42%	41.12%
Nickel (lb)	8.3371	-1.92%	-1.92%	8.06%	11.35%	22.26%
Zinc (lb)	1.6276	0.73%	0.73%	12.08%	16.79%	28.92%
Uranium (lb) weekly	85.00	0.59%	0.59%	2.10%	3.66%	8.07%
Iron Ore (t)	101.96	-6.49%	-6.49%	-4.10%	-4.83%	7.91%

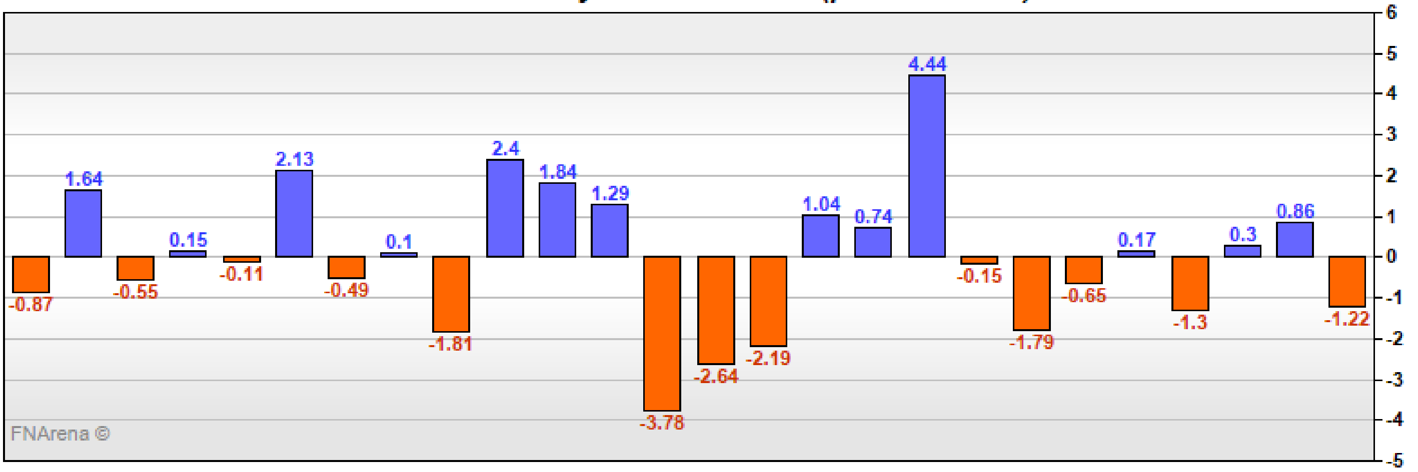
Energy

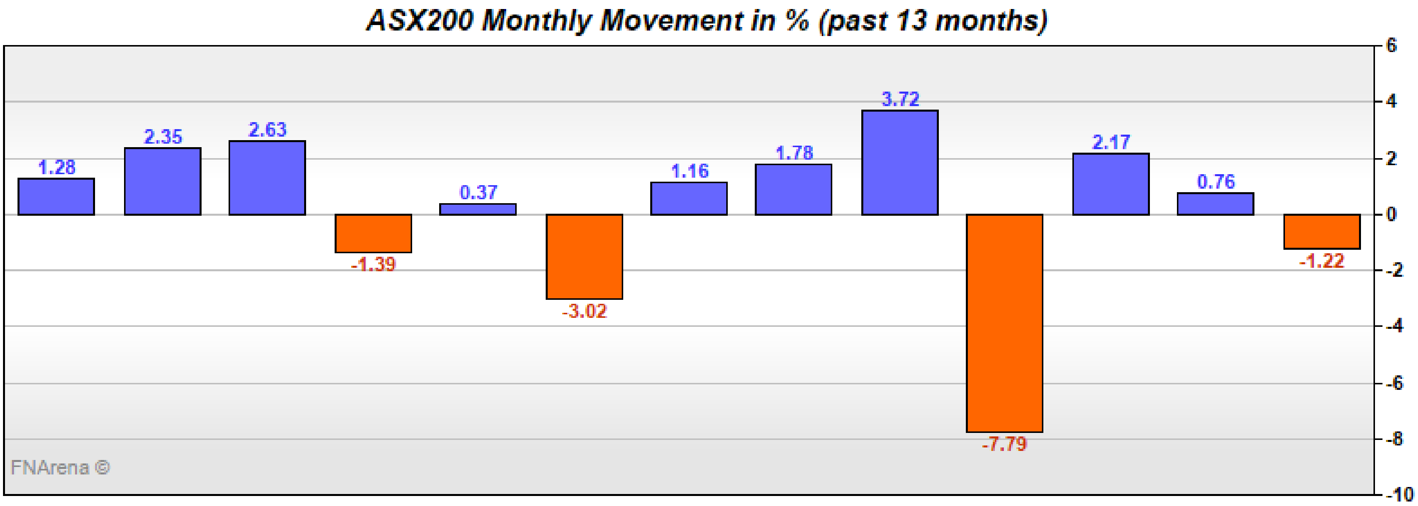
Index	06 Jun 2026	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2026)	Financial Year To Date (FY26)
West Texas Crude	92.99	5.04%	5.04%	-11.42%	61.95%	41.93%
Brent Crude	95.21	3.09%	3.09%	-12.39%	56.47%	42.53%

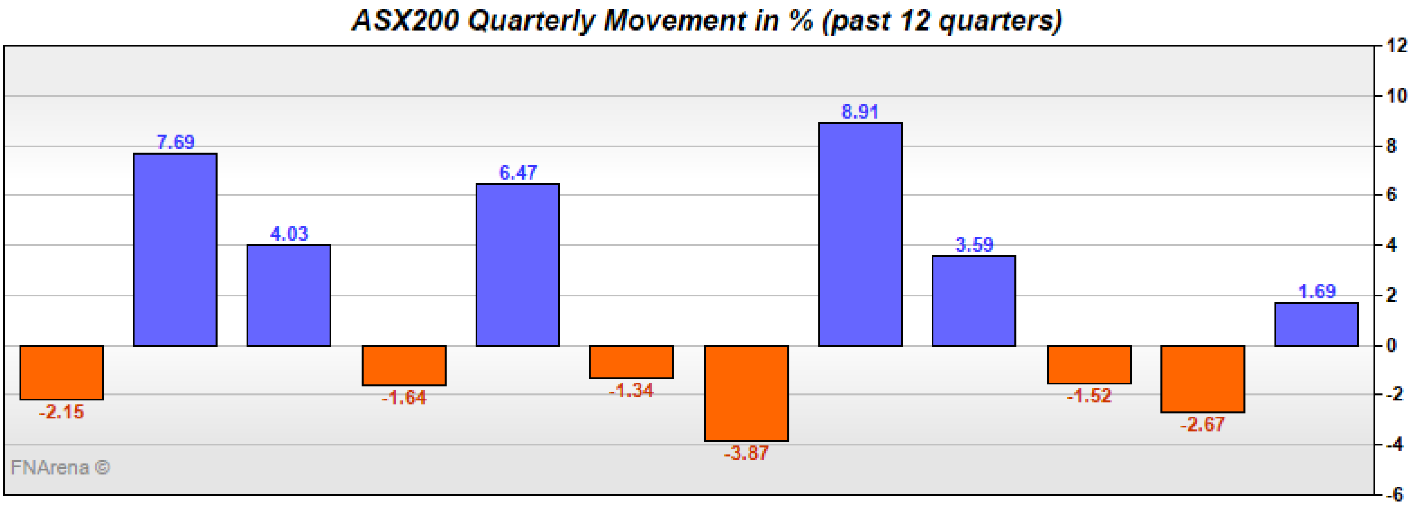
ASX200 Daily Movement in % (past 23 trading sessions)



ASX200 Weekly Movement in % (past 26 weeks)







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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AUSTRALIA

The Breakdown Of Australia's Consumer Playbook

Current dynamics in Australia put question marks around traditional assumptions about what is still defensive among consumer-oriented business models. Investors take note.

By Lily Brown

Under attack from multiple factors, consumer spending habits and trends are changing

When "Defensive" Stops Defending: The Breakdown of Australia's Consumer Playbook

Australia's consumer sector is entering a phase where long-held assumptions about defensiveness are starting to break down.

For years, the equity market playbook for an economic downturn was simple: hide in discount retail, fast food, and low-cost discretionary brands.

These segments were treated as reliable earnings stabilisers; safe havens where under-pressure households would trade down to cheaper alternatives, preserving volumes for value operators.

That assumption is now facing its toughest test. Recent earnings and trading updates suggest the conditions that once made low-cost consumer operators reliably defensive —predictable input costs, flexible wage dynamics, and a resilient "cheap treat" consumer— no longer hold in the same way.

For investors, the implication is increasingly clear: defensiveness is no longer a sector label.

It is an execution outcome.

A structural spending cliff, not a standard trade-down

The starting point is a change in how households are allocating constrained income.

In earlier downturns, consumers typically traded down from premium to value segments. Today, the pressure is broader: higher interest rates, persistent services inflation, and elevated energy costs have compressed discretionary capacity across income cohorts.

ABS consumption data continue to show aggregate spending resilience, but the composition has shifted toward essentials and services, rather than discretionary categories.

This matters because it removes the stabilising assumption behind value retail models: that trade-down demand is both predictable and elastic.

Instead, value retailers are now exposed to a more difficult outcome — absolute demand fatigue at the lower end of the spending spectrum, not just substitution effects.

The margin constraint: When low-cost meets sticky inflation

The second pressure point is cost structure.

Low-price business models rely on high turnover and tight operating discipline. But that model becomes fragile when wage inflation and logistics costs remain elevated, while pricing power remains structurally limited.

Labour cost pressure in Australia's consumer-facing sectors remains a key constraint, particularly in quick-service restaurants, retail and distribution-heavy businesses. Unlike previous cycles, these pressures are not being offset by productivity gains.

The result is a narrowing operating corridor. This is the core reason the traditional "discount = defensive" framework is breaking down.

Sector reality: Where the old playbook is failing, and where it is evolving

The breakdown of the trade-down playbook changes how specific ASX consumer exposures must be evaluated. The vulnerability is highly visible across three specific segments:

<u>Quick service restaurants: Trade-down without pricing power</u>

The QSR segment shows the clearest stress test of the old defensive assumption.

Domino's Pizza Enterprises ((DMP)) illustrates the demand sensitivity that now defines the sector. Attempts to reduce promotional intensity to protect margins resulted in direct volume loss, culminating in a -9.3% decline in ANZ underlying EBIT.

The key takeaway is not pricing failure, but elasticity risk in a constrained consumer environment.

By contrast, Collins Foods ((CKF)) highlights how portfolio structure now matters as much as demand exposure. KFC Australia continued to capture trade-down traffic, supporting 5.6% YTD sales growth.

However, this came alongside a decisive withdrawal from underperforming formats, including the full exit of Taco Bell Australia.

In other words, survival is increasingly dependent on portfolio pruning along with traffic capture.

<u>Discount and retail: Execution has replaced category safety</u>

The clearest evidence of the structural shift is within discount retail itself.

Wesfarmers ((WES)) provides a split-screen case study of what now drives performance.

Kmart continues to outperform, with revenue rising 3.3% to $6.3 billion and earnings up 7%, supported by vertically integrated sourcing, private-label strength (Anko), and supply-chain efficiency. This is not defensiveness by category, but by design.

But within the same portfolio, Target continues to underperform, with management explicitly attributing weaker results to “more difficult trading conditions in apparel”.

The divergence highlights a key point: value retail is no longer a category shield — it is an operational contest.

A similar distinction appears in broader retail leadership:

JB Hi-Fi ((JBH)) demonstrates that “discretionary” is no longer synonymous with “fragile.” FY26 first-half group sales of $6.1 billion (up 7.3%) and NPAT growth of 7.1% reflect strong execution, inventory discipline, and pricing strategy rather than reliance on consumer strength.

In contrast, Lovisa Holdings ((LOV)) should be viewed differently. Its 23.3% revenue growth and 85-store expansion reflects global store rollout dynamics and operating leverage rather than domestic consumer resilience.

It is better understood as a self-funded international growth compounder, not a barometer of Australian defensiveness.

Low-cost discretionary and auto: When volume elasticity disappears

The most visible breakdown of the trade-down model is occurring in lifestyle-linked discretionary categories.

Super Retail Group ((SUL)) highlights the shift clearly. While group sales rose 3.3%, like-for-like growth slowed to just 0.4%, revealing underlying demand stagnation.

At the same time, gross margins eased and corporate costs rose 10%, driven by logistics duplication and input inflation.

The core issue is not category weakness, but the inability of volume to outrun cost escalation.

In automotive aftermarket retail, Bapcor ((BAP)) reinforces a different dimension of the problem: execution risk.

Despite operating in a structurally resilient category (vehicle maintenance), this company has faced earnings downgrades, operational issues, inventory inefficiencies and a $200 million equity raising following a first-half net loss of -$104.8 million.

The takeaway is clear: category resilience does not compensate for operational failure.

The erosion of “defensive” as a valuation anchor

Historically, defensive consumer stocks commanded a premium based on predictable earnings, stable demand, and low volatility.

That framework is now breaking down. What is emerging instead is a market where:

- cost inflation is persistent rather than cyclical
- demand is structurally more uneven
- and operational execution determines outcomes more than sector classification.

This is creating a sharp dispersion between companies that can actively manage cost structures and supply chains, and companies that rely on structural category assumptions that no longer hold.

Bottom line: Defensiveness is earned, not inherited

Australia’s consumer sector is no longer divided neatly into defensive and cyclical categories. Instead, it is dividing into operators that can convert structural pressure into controlled outcomes, and those that cannot.

The old playbook of rotating into discount retail or fast food as a blanket hedge against economic slowdown is becoming less reliable.

The new determinant is operational quality: supply-chain control, pricing architecture, automation intensity and portfolio discipline.

Companies such as JB Hi-Fi and Kmart demonstrate that strong execution can still generate growth in a weak consumer environment.

Meanwhile, Domino’s, Target and Bapcor show that low price points or defensive category exposure offer no guarantee of earnings stability.

For investors, the implication is direct:

Defensiveness has not disappeared, but it is now conditional, company-specific, and continuously tested.

AUSTRALIA

Lottery Corp Bets On Digital

Lottery Corp's digital-led transformation is centred on product innovation, customer engagement and data-driven growth. Analysts see significant earnings upside.

- **Lottery Corp’s digital migration represents earnings upside**
- **Higher digital channel margins, AI to increase participation**
- **Around 4.3m unregistered customers being targeted**
- **Victorian licence renewal considered an “outstanding outcome”**

By Mark Woodruff

Last week's investor briefing revealed big ambitions by management at The Lottery Corp

Australia's largest lottery and keno operator, Lottery Corp ((TLC)), is seeking to evolve from a traditional lottery provider into a digitally led entertainment platform spanning both retail and digital channels.

The strategy is centred on product innovation, enhancing the customer experience and leveraging data analytics and artificial intelligence to drive engagement and growth.

Last week’s 2026 investor day presentation indicated three new standalone business verticals (Lotteries, Digital, Keno) will replace the prior structure from July 1.

This change is expected to generate around $10m in annualised savings on a full run-rate basis, which will be reinvested into digital capability, AI and product development.

Citi supports management's decision not to provide hard targets, particularly given Managing Director & Chief Executive Officer Wayne Pickup is still early in his tenure.

Following the May 5 announcement of the Victorian licence extension to 2068, Morgans highlights over 90% of lotteries turnover is now licenced until at least 2050.

The company owns and operates a portfolio of well-known brands, including Powerball, Oz Lotto, Saturday Lotto, Lucky Lotteries, Set for Life, Instant Scratch-Its and Keno, operating under long-term licences across Australia.

Lottery remains the company’s core business, with management aiming for “a more consistent model that uses product, brand, and portfolio liquidity to engage players across life stages, connect with younger adult cohorts, and grow a deeper base of known, returning customers".

Management noted lottery turnover has grown at a compound annual rate of 3.5% over the past 20 years, broadly in line with underlying population growth and inflation.

The ambition is to accelerate revenue growth beyond these historical levels through ongoing game innovation, including enhancements to Set for Life in September 2027 and Oz Lotto next year, alongside initiatives aimed at increasing player participation and engagement.

In a network difficult to replicate, management notes, Lottery Corp has around 7,100 retail and licensed venue points of sale across Australian communities. Lottery has 3,862 outlets, while Keno has 3,260 licensed venues.

Social gaming product Keno is sold mainly through pubs, clubs, hotels, casinos, and TAB venues, with a wide venue network in several states.

Lottery Corp's performance is driven by jackpot cycles, retail traffic, digital adoption, and regulatory settings. The business is generally viewed as defensive compared with other consumer stocks because demand for lottery products tends to be relatively steady.

Revenue growth is driven by population growth, higher jackpot activity, product innovation and increasing digital penetration, with online sales now representing a significant proportion of turnover.

A capital-light business model and high-margin earnings (with upside from digital growth) support management's targeted reinvestment and 80%-100% profit (NPATA) payout from FY27.

Near-term cash flows will be reinvested into digital, AI, product and customer capability.

Targeting unregistered customers

AI is being embedded into how the company grows customer value by providing clear pathways to grow participation and engagement. Ongoing retail investments are intended to convert the circa 4.3m unregistered player base through convenient digital touchpoints.

In FY25, the company had around 8.6m active customers across its lottery network. Of these, approximately 4.3m were active registered Lottery customers, including digital, omni and retail customers.

Digital customers purchase tickets online or through the app, omni-channel customers engage across both digital and retail channels, and registered retail customers buy tickets in-store but have identified themselves through membership or loyalty programs.

The implication is that roughly **half of the company's 8.6m active customers remain unregistered**.

While these customers may regularly purchase lottery products through retail outlets, they do so anonymously, limiting the company's ability to market directly to them, personalise offers, analyse purchasing behaviour or encourage more frequent participation.

Costs in check

Management emphasised the company's capital-light, high-cash-flow business model.

Near-term operating expense guidance was trimmed by -$10m at the midpoint and all existing guidance was reaffirmed.

Macquarie notes the cost base has remained broadly stable at $300m-$310m over the past three years, representing around 8% of revenue, with approximately half of total costs attributable to personnel.

Overall, UBS believes the updated strategy places greater emphasis on growth initiatives than cost reduction in the near term, while maintaining management's commitment to keeping cost growth below normalised revenue growth.

Upside from digital migration

Macquarie anticipates operating leverage to improve over time, supported by enhancements to digital products and more effective use of artificial intelligence and data analytics.

The digital sales mix reached 41.2% in the first half of FY26 despite the weakest jackpot environment since de-merger, Morgans observes.

The analyst notes this remains well below the approximately 55% digital penetration achieved in comparable markets such as Finland and Sweden.

Closing even half that gap over the next three to four years would generate around $45m in additional earnings with minimal incremental costs.

The superior economics of digital channels are also noted, where operating margins are around 20.5% compared with approximately 8.2% for retail sales.

According to company management, each one percentage point increase in digital mix would contribute around $6m in earnings, providing a meaningful earnings lever as customer migration to digital platforms continues.

Keno

Online Keno will be discontinued from 1 January 2027 following federal policy changes, with the -$25m earnings headwind reflected in brokers forecasts.

Potentially providing some offset, UBS highlights the new bring-your-own-device (BYOD) distribution model, which allows customers to participate using their personal devices.

This broker believes this model could improve venue economics by removing the need for traditional terminals, while also increasing the proportion of registered players and enhancing customer data capture.

Morgans explains management's strategy for Keno is centred on modernising the legacy gaming platform and introducing bring-your-own-device (BYOD) functionality to convert anonymous venue patrons into registered customers.

Refreshing the product offering and strengthening brand appeal is also part of the plan, along with improving productivity across the existing venue network before pursuing selective expansion opportunities.

Morgans notes venue penetration remains relatively low in key markets, at around 18% in Victoria and 25% in the ACT, compared with an addressable national market of approximately 8,000-9,000 pubs and clubs, leaving significant scope for future growth.

Extension of Victorian licence

In an “outstanding outcome”, in Ord Minnett’s view, given the typical 10-year renewal terms previously, Lottery Corp recently won a 40-year extension of its licence in Victoria until 2068 for a fee of -$1.145bn payable to the state government.

Representing approximately 30% of lottery revenue and 20% of group earnings, the licence's renewal is described as significantly de-risking the company's long-term cash flows.

At the time, Morgan Stanley noted the licence renewal extends the company’s average remaining licence duration to 25 from 18 years and strengthens the long-term visibility of cash flows.

Accordingly, management announced a **new dividend payout policy** of 80%-100% of net profit before amortisation charges from FY27 versus 80%-100% of net profits prior, supported by stronger licence security and cash generation.

Outlook

Morgans remains attracted to Lottery Corp's long-dated licences, infrastructure-style characteristics, proven pricing power and largely variable cost structure, which supports margin resilience through economic cycles.

Macquarie sees scope for share price appreciation through earnings growth and a potential valuation re-rating as management executes on its strategy.

Clear opportunities are noted to drive higher Lottery and Keno volumes, while improved operating leverage should emerge as costs remain tightly controlled, in this broker’s opinion.

Remaining focused on the longer-term investment case, Jarden retains a positive outlook as the licence base becomes materially de-risked and FY26 is expected to represent a cyclical earnings low point.

Commenting after the Victorian licence extension, Morgan Stanley noted while Lottery Corp provides a good defensive hedge in a volatile market, better upside opportunities present elsewhere within the broker’s gaming coverage, namely Light & Wonder ((LNW)) and Aristocrat Leisure ((ALL)).

Following the investor day presentation, the average target price of six daily covered brokers researching Lottery Corp in the FNArena database fell by a mere -3c to $5.86. It should be noted both Ord Minnett and Morgan Stanley have not (yet) updated.

The average target implies 7%-plus upside to the $5.46 target price at the close of ASX trading on June 10.

There are three Buy ratings, two Hold ratings and Morgans is at Accumulate, midway between Buy and Hold in its rating system.

Outside daily coverage, Jarden maintains its Overweight rating (same positioning as Morgans) and raises its target by 5c to $5.65.

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AUSTRALIA

AI Helps Accelerate Wesfarmers' Ambitions

Wesfarmers' Strategy Day highlighted growth in retail categories and digitalisation through AI adoption.

- **Wesfarmers' retail stable to add more categories**
- **Impact to be felt by competing retailers**
- **Productivity to be improved with AI tools**
- **Continues to enjoy premium valuation**

By Greg Peel

Wesfarmers is implementing AI tools to accelerate existing strategies across its diverse operations

Morgan Stanley's annual Australian Household survey, released this week, found Australian consumers remain cautious, value-led and selective.

Financial pressure has eased from peak levels, but affordability continues to drive behaviour, particularly for lower-income households.

Essentials remain the clear priority, with grocery the only major category showing positive net spend intentions, while most discretionary categories have turned more negative versus twelve months ago.

The main shift, Morgan Stanley found, is consumers are no longer simply cutting back, rather they are actively switching, trading down and changing where they shop.

No great surprise.

The survey supports greater resilience for food, namely Woolworths Group ((WOW)) and Coles Group ((COL)) (although Aldi is benefiting from switching behaviour), and value-exposed retailers, such as Wesfarmers ((WES)), with its stable of value retailers Bunnings, Kmart/Target, Officeworks and Priceline.

Discretionary retailers, including JB Hi-Fi ((JBH)), Harvey Norman ((HVN)), Super Retail ((SUL)), Accent Group ((AX1)) and Myer Holdings ((MYR)), remain exposed to deferral risk and promotional pressure.

Alcohol sales remain structurally soft, impacting Endeavour Group ((EDV)) and Treasury Wine Estate ((TWE)), while health-led consumption remains a consumer priority, supporting the diverse likes of Bega Cheese ((BGA)) and Sigma Healthcare ((SIG)).

It is with this backdrop in mind that Wesfarmers held its annual Strategy Day. As usual, there was no trading update accompanying management's plans going forward.

Retail Expansion

Bunnings continues to take share from Woolworths and Coles in the pets and household cleaning categories, Citi notes. The expansion into Auto (parts and accessories) puts some pressure on Super Cheap Auto (Super Retail), mostly in car care.

The pending entry into branded whitegoods over the next twelve months has the potential to impact JB Hi-Fi and Harvey Norman, though Citi notes the offer is likely to be at the value end of the market and this category often involves on-floor discounting, which doesn't play into the Bunnings model.

Kmart's K Home concept may impact Harvey Norman if rolled out though Citi sees it as mostly a challenge to Ikea. Officeworks' expansion into the smart home, wearables and gaming categories further encroaches on JB Hi-Fi's turf.

While the implementation of an incentive model for staff will help, Citi still expects this move to have a limited impact on JB Hi-Fi given that competitor's strong shopping centre footprint is more conducive to these categories (as opposed to Officeworks' destination locations).

Ord Minnett points out the division trading under the Kmart and Target brands is aiming to double earnings over the next five to ten years. Aside from K Home, Kmart/Target will increase growth in its ubiquitous Anko brand globally and locally -- Anko Global already has five stores in the Philippines and Fiji is on the cards.

Kmart/Target will also see investment in warehouse systems and its next generation fulfilment centres. Freight and input costs are under pressure but are being offset somewhat by strength in the Australian dollar.

Regarding the store network, Wesfarmers plans 100-plus new property projects for Bunnings to FY30. Kmart's Plan C format will expand from 16 to 40 stores by end-FY27, Officeworks will add three new stores in FY27, and Anko Philippines will open five new stores by FY27.

Ord Minnett explains Kmart's Plan C Involves moving checkout registers and service desks back to the front of the store near the exit after the "much-loathed" 2015 changes that placed them in the centre of the store.

Digitalisation

There was a clear focus at the Strategy Day across the retail segments on building the digital ecosystem, Macquarie notes, including:

i) Implementing AI tools to support revenue and cost initiatives;

ii) improving omni-channel capabilities;

iii) integrating its ecosystem across brands (including loyalty); and

iv) unlocking value from retail media.

Through this, the business aims to achieve customer wallet share gains via cross-shopping and incremental basket growth, with collection and implementation of data key to driving returns and reinvestment.

Retail media was highlighted as an opportunity across several segments (especially Bunnings), where it can use its network/loyalty programs to leverage its high weekly foot traffic across broad customer cohorts.

Morgan Stanley notes AI adoption was a common thematic highlighted across the group, with applications spanning customer engagement, merchandising, pricing, inventory management, supply chain, and productivity.

AI is being used to accelerate existing strategies.

Wesfarmers' productivity agenda leverages investments in data, automation, and digital infrastructure to drive productivity gains.

Key initiatives, including enhanced demand forecasting and AI-enabled workflow tools, help offset inflationary pressures.

There's More

For WesCEF (chemicals, energy & fertiliser), ammonium nitrate and sodium cyanide capacity expansions are to be realised from FY27.

Management expects higher ammonia prices to be a headwind in the June quarter FY26, before turning into a net earnings tailwind from the September quarter FY27 given contract pricing lag.

For Lithium, Mt Holland is operating at nameplate concentrate capacity, and refinery ramp-up continues. Management expects a final investment decision (FID) on the Mt Holland mine and concentrator expansion, which would double spodumene production capacity in the first half of FY27.

In Health, strong revenue growth in Priceline chemists is helping to improve franchise economics. Management expects Health to become a more meaningful earnings contributor over time, complemented by expansion in loyalty, health services, and online.

Valuation Premium

The quality and relative defence of Wesfarmers was evidenced again at the Strategy Day, Macquarie comments, led by Bunnings and Kmart. Since Macquarie upgraded the stock to Buy in January, owning Wesfarmers shares has returned a negative -2% versus the discretionary sector at -11%.

With lack of valuation support and no near-term catalysts driving additional earnings upside, Macquarie downgrades back to Neutral, ticking up its target to $85.00 from $84.00.

UBS has taken its target to $84.00 from $81.00 but retains Neutral, believing resilient earnings and the strong return on capital growth outlook for Bunnings and Kmart are reflected in Wesfarmers' elevated multiple, leaving a balanced risk reward.

Ord Minnett raises its sum-of-the-parts based target price on Wesfarmers to $75.00 from $70.00 to factor in higher earnings multiples, but reiterates a Hold recommendation on valuation grounds.

Morgan Stanley retains Equal-weight and a $78.70 target, along with a "cautious" industry view.

Last month, Morgans upgraded its rating to Accumulate from Trim with an $81.10 target but is yet to update post the Strategy Day.

Least impressed is Citi.

Wesfarmers continues to expand into almost every retail category, thereby increasing the addressable market. This not only buffers earnings, Citi suggests, but also puts some pressure on retailers across Citi's coverage.

Still, Citi sees a greater share of future earnings growth relying on lower quality, lower multiple businesses than in the last 5-10 years. The broker sees this putting some downside pressure on the overall group PE multiple, particularly in combination with question marks over the housing outlook.

Citi reiterates its Sell rating and standout $69.00 target price.

The consensus target among the six brokers monitored daily by FNArena covering Wesfarmers is $78.80, -6.5% below yesterday's closing share price of $84.31.

Management's update on internal plans and ambitions has been well-received in an otherwise directionless market, with the shares trading below $80 prior to the Strategy Day.

Also; Citi's low marker price target weighs down the average for the other peers where targets range between $75 and $85.

Outside of daily monitoring, Jarden suggests Wesfarmers' Strategy Day provided a consistent, clear message with no trading updates and a strategic agenda that was more iterative than a step-change.

The overall tone was one of optimism and readiness to be a leader across digital, AI and data, as opposed to the conglomerate's historical position as a fast-follower (such as online).

Jarden came away more positive, but while seeing the company as well positioned to take share via its “everyday low pricing” and scale, retains a Neutral rating on valuation grounds.

Jarden has a $75.30 target.

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.

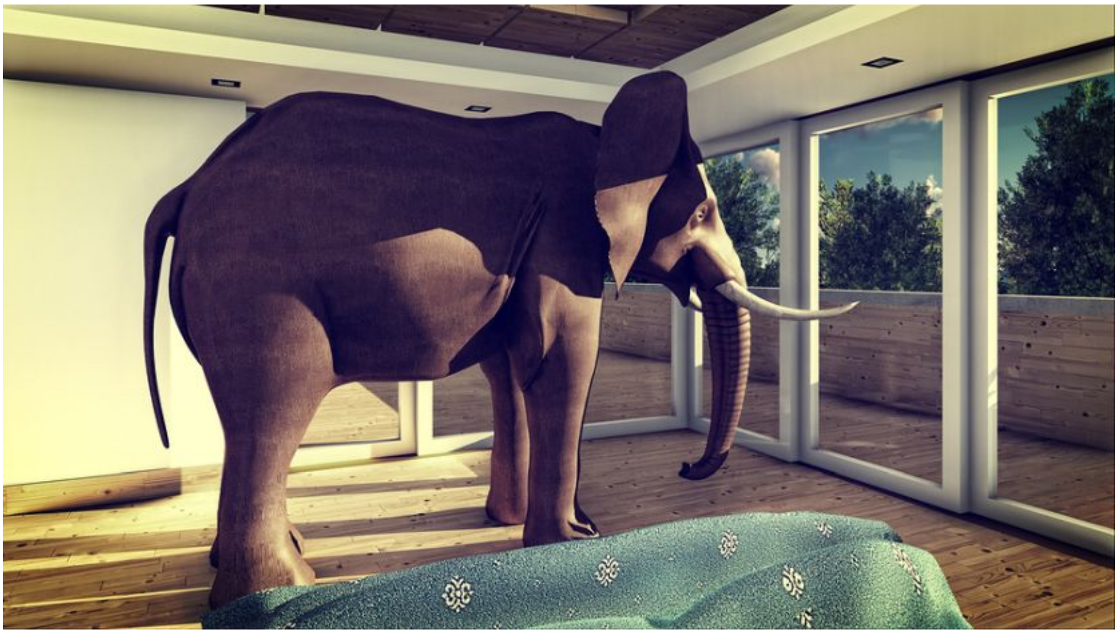
FNArena is proud about its track record and past achievements: Ten Years On

RUDI'S VIEWS

Rudi's View: Market Momentum & Investor Dilemmas

Are markets fundamentally changing? If so, investors might need to change their approach and strategy too.

By Rudi Filapek-Vandyck, Editor



Maybe the real question to ask is not bull or bear, or even bubble or not, but are markets now operating differently?

The two charts below showing the price of spot silver over the past two years in USD and AUD respectively are indicative of how financial markets are nowadays operating.

After underperforming its bigger brother gold bullion, at some point in 2025 silver caught the upward momentum wave of ever more enthusiastic buyers, and that price simply flew to the moon and beyond.

I remember sitting in front of my desktop pc, staring at my social media feed, with one eye focused on online news elsewhere, and thinking: is there anyone still around (outside of my lonely self) who's not on board this runaway train?

As per usual, there were all kinds of narratives accommodating the newfound mass interest in silver --some fundamental, some technicals, some cyclical, some macro, and some industrial-- but what everyone who was not on board was able to see (that's me again) is that it had as much to do with human psychology, the comfort and justification when in group, and the attraction of a strong uptrend in price.

Let me correct that last sentence: by the time I was making my observation, silver had long out-rallied whatever original justification there was and its uptrend had become a momentum-led crowded trade.

There was always going to be a sizeable bend in that uptrend, but picking the exact pivot is easier done with the assistance of Harry Hindsight.

The speculation-driven blow-off peak was reached in January this year. Five months of hindsight clearly show things got a bit crazy back then. Also note; in the run up the silver price more than doubled in about three months.

Silver - Spot - USD - 2 years - June 2026

What has transpired since:

- The price of silver is now circa -30% below its peak, but also some 40% up still from when the last leg took off
- Silver outperformed gold to the upside, and has since heavily underperformed (that's how a more risky asset traditionally behaves)
- Measured in AUD the correction from the peak is closer to -50% (showing the extra complication from FX)
- Those narratives... funny, but I rarely still see them popping up
- Gold held its elevated pricing for longer, but has since also succumbed to a (less severe) downtrend

True proponents of having exposure to silver still believe the longer-term investment thesis continues to have merit, but how does one reconcile this with what has happened over the past nine months?

That's every investor's dilemma right now.

Obvious options available are:

- Sitting in cheaply priced market laggards, ignoring what's happening elsewhere, while remaining confident the market's pendulum will swing your way at some point
- Sitting in cash, waiting for such 'bubbles' to pop, expecting post-peak prices to exaggerate to the downside
- Playing momentum with the crowds, doing your utmost best not to stay on board for too long or get sucked in with the deflating downtrend

In a share market as polarised as in 2026, fundamentals, sentiment and technicals mix rather easily to form the next runaway rally, as has also happened with hardware linked to data centre buildouts since March.

That momentum is now deflating in June. If the silver experience can be our guide, a sharp pull back should be expected, with a big chunk of the prior uptrend to remain in place.

Since September last year, gold has experienced two sharp corrections that subsequently saw its rally resume, but the aftermath of the third correction is now taking a lot longer to digest.

Arguably, the forward-looking context for gold has become less ebullient over that period (higher oil means higher inflation means higher bond yields, a negative for gold in the here and now).

That Super Cycle (The Other One)

Given the firm underlying fundamentals underpinning hardware demand to satisfy the multi-billions of investments into data centres, those memory-chip companies that have been all the rage post March should enjoy solid buying support for much longer but excess enthusiasm will just as easily accumulate and this implies hefty pull backs along the way.

Like the one we're witnessing this month.

Until the fundamental outlook changes, of course, but it appears such change seems implausible in the near term.

As things stand, hyperscalers Amazon, Alphabet, Microsoft et al, alongside the emerging AI development giants of Anthropic and OpenAI, remain committed in their hundreds of billions in spending on the infrastructure buildout of the new, world-changing technology.

Such strong demand has effectively created a super cycle for hardware providers that simply cannot increase supply by major leaps in a short time. That's the proposition in a nutshell.

Outcome: super cycle for the whole sector on much higher product pricings.

Of course, as every critic watching from the sidelines will assure us, this dynamic will not remain in place forever. Those voices are correct. But 'forever' is not what drives market momentum in the here and now.

One can also see this on the ASX, where, strictly taken, there are no genuine competitors or peers to companies like Sandisk, Samsung, SK Hynix, and the like, but that doesn't stop local traders to jump on Weebit Nano ((WBT)), BrainChip ((BRN)), or BluGlass ((BLG)).

(Never let the lack of solid fundamentals ruin a great momentum story).

One other --equally speculative-- potential future opportunity was highlighted by Morgan Stanley on Monday through Centuria Capital's ((CNI)) 50%-owned ResetData business' intention to build its own GPU-as-a-Service offering (success not guaranteed).

A less speculative, more fundamental based strategy in Australia is to play that data centre super cycle demand through local engineers and contract services providers with the likes of SRG Global ((SRG)) and Tasmea ((TEA)) increasingly seeking exposure, thus diluting their more traditional sources of income, like mining and energy.

It's the same operational switch that has --quite literally-- put a rocket under Megaport's ((MP1)) share price in recent months. And make no mistake, that's equally the reason why shares in Dicker Data ((DDR)) are now trading above $11 instead of below $8.50.

Caution Does Look Apposite

Whether the many sceptics like it or not (and they so do not like it), but ongoing strong fundamentals stemming from the ongoing AI infrastructure buildout is what has underpinned share markets while cost-of-living pressures and a lasting stand-off in the Middle East would suggest otherwise.

But this is not a time to be overly complacent, as also evident from the examples mentioned. It's but a small base that is driving major indices and there's a whole lot of speculation and momentum constantly accumulating in those trends that keep keeping on.

The more momentum accumulates, the higher the chances of a swift and sharp retreat. Whatever happens in the US will not go unnoticed in Australia (you get the idea).

Momentum has become the trade of the moment. Valuations are elevated (at least for those momentum-driven parts); more so in the US and in selected Asian markets than locally in Australia.

Bearish commentary is now multiplying at the speed of light.

Mid-term years in the US are supposed to be a disappointing experience. That can still be this year's outcome. Note **Michael Howell**, the world's most eminent expert on global liquidity, is seemingly getting more worried by the day.

Global liquidity is shrinking, which usually puts risk assets under pressure, albeit at a delay. The downtrend in Bitcoin is but one indicator.

Investors are probably best served by preparing for a more rocky time ahead. This is not a forecast per se, but more of a common sense approach.

On Thursday last week, I wrote **Longview Economics**' market signals are now signalling caution looks best for (up to) four months ahead.

Over the weekend Chief Market Strategist Chris Watling has repeated his prediction the coming number of weeks might look a whole lot different from the uptrend that preceded (at least in the US).

Key support levels to watch for the S&P500 according to Longview include:

- 7,043 -> the late January intraday day highs (approx. -5.1% pullback from current levels);
- 7,187 -> the S&P500s 50 day moving average (approx. -3.0% pullback from current levels); &
- 6,885 -> the S&P500s 200 day moving average (approx. -7.5% pullback from current levels).

On a broader macro level, the most important dilemma for investors is whether share market dynamics from, say, the past two years are indicative of how markets and money flows are changing, or whether this is simply the final excess that typifies this particular bull market?

I think it's the former. Markets have changed. It's up to each of us individually to take note and respond.

FNArena Talks

Our latest video interview features myself being interviewed by FNArena's Danielle Ecuyer about the grand themes that featured in my presentation to investors in Toowoomba.

The slides of that presentation are available through the Special Reports section on the website.

https://fnarena.com/index.php/fnarena-talks/2026/06/05/changing-markets-changing-economies/

On Youtube: https://youtube.com/watch?v=Xyw02XFryKI

Also: Danielle's interview with Michael Howell earlier in the year:

https://fnarena.com/index.php/fnarena-talks/2026/03/26/global-debt-liquidity-refinancing/

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Dividend Investing, The Smart Way_250(1)

Cover Investing in GenAi - medium sized

(This story was written on Tuesday, 9th June 2026. 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: Diversified Asset Allocators

Listed investors such as WH Soul Pattinson and Wesfarmers have proven strong wealth creators over long periods of time

By Rudi Filapek-Vandyck, Editor

Boasting a total return in excess of 1300% over the past twenty years (CAGR of 14.31% annually) or 430% over the past ten (CAGR 18.15% p.a.), I don't think there is much debate among local investors whether owning shares in WA-based conglomerate Wesfarmers ((WES)) has been a smart move or not.

My personal memory involves discussing the company with investors prior to one of my presentations. I told them I had just purchased shares on behalf of the All-Weather Model Portfolio at around $31.

Some of those investors shared with me they were still holding out, but would purchase shares as soon as they'd hit the $30 mark.

The latter never happened and the anecdote always remained with me. With the share price yet again surging above $80 after management's latest briefing with local investment professionals this week, I hope those investors still bought shares, but I don't think they did.

Sometimes the trick to making successful investment decisions is to not get hoodwinked by the here and now. Or how not to miss out on an extremely profitable investment when another dollar off the purchase price doesn't matter in the long run.

That's exactly what I told those investors at the time, by the way. I had to look up the timing of all this happening. The price chart on the ASX website tells me it was either in 2020, when covid spooked the market, or in late 2018-early 2019.

I think it was the latter.

The one portfolio holding that shares a lot of commonalities with Wesfarmers is Washington H Soul Pattinson ((SOL)), sometimes referred to as Australia's equivalent of Warren Buffett's Berkshire Hathaway, other times 'Soul Pats' is presented as this country's only true blue dividend aristocrat.

This company's self-proclaimed claim to fame is it never missed a dividend since listing in 1903 with ordinary dividends increasing in every year since 1998.

More importantly, Soul Pattinson has turned itself into a modern diversified investment vehicle now carrying investments in listed equities (local and elsewhere), private companies, private credit, and real assets.

The unwinding and absorbing of the cross shareholding with Brickworks and the acquisition of Milton in 2021 convinced me this was a dusty, old style franchise that was actively transforming itself into something bigger and better.

In a market that is desperately struggling for sustainable direction, Soul Pats shares are trading near an all-time record high.

I think I got that one right.

As your typical buy-and-hold investor --I do like to own equity in high quality companies that are able to create added-value over long periods of time-- I've come to appreciate the benefits of holding Wesfarmers and WH Soul Pattinson in the portfolio.

Sure, there are differences, and in both cases big swings in share prices have on occasion occurred, but the correct way to view these companies, in my humble opinion, is not by using labels such as 'retail' or 'coal', but to see them as savvy investors who tend to do a better job at it than your 13-in-a-dozen listed funds manager.

Conglomerate, a label often used to describe Wesfarmers, seems equally faulty. I think diversified capital allocators is probably the best suited label. It's what these businesses do, and do well.

When Soul Pattinson starts selling down its shareholding in long-held investments in TPG Telecom ((TPG)) locally and in Singapore-based Tuas ((TUA)), my own personal rule is other investors should think twice about owning shares in these companies.

Personally, I have been surprised by how long that equity ownership in TPG Telecom remained in place. It's not as if that company had been shooting the lights out, to put it mildly, but then I am not part of that investment committee and performances are not solely judged on one single investment decision.

That's the power of such portfolios.

The FNArena-Vested Equities All-Weather Model Portfolio currently owns shares in Wesfarmers and WH Soul Pattinson, but there are two other peers on the ASX I believe that should equally have investors' interest.

New Zealand-headquartered Infratil ((IFT)) has featured in our stories a number of times in recent years, while SGH Ltd ((SGH)), once upon a time known as Seven Group Holdings, has equally grown up, so to speak, over the past five years or so.

Goes without saying, they are all the same at the core, but different in execution and outcomes. Infratil is now inextricably linked to the global data centres narrative while SGH has a more distinct cyclical character.

The latter's share price is equally under pressure because of ongoing attempt to acquire BlueScope Steel ((BSL)), which prefers to travel solo.

I have now added a new addition to my curated lists on the website, to show this type of diversified asset allocators remains on my personal radar.

I'd be hesitant to add Infratil to the Portfolio, but that's because of similar exposure through Goodman Group ((GMG)) and NextDC ((NXT)).

Shares in SGH are currently trading more than -20% below FNArena's consensus price target of $50.11.

The case for Infratil was recently laid out in the following story:

https://fnarena.com/index.php/2026/05/28/cdc-renewables-power-infratils-potential/

An in-depth story on SGH Ltd will be published in the week ahead.

We have equally a follow-up on Wesfarmers' investor briefings in preparation.

My curated lists via the All-Weathers section:
https://fnarena.com/index.php/analysis-data/all-weather-stocks/

Best Buys & Conviction Calls

Morningstar's latest update on Best Buy ideas on the ASX has seen the removal of NZ-based Meridian Energy ((MEZ)) following a steady share price appreciation since March.

Insurance broker AUB Group ((AUB)) and wooden pallet champion Brambles ((BXB)) have been added.

As such, the selection of Best Stock Ideas now consists of the following:

Auckland International Airport ((AIA))
Amcor ((AMC))
ASX Ltd ((ASX))
AUB Group ((AUB))
Brambles ((BXB))
Domino's Pizza Enterprises ((DMP))
Dexus ((DXS))
Endeavour Group ((EDV))
James Hardie Industries ((JHX))
Ramsay Health Care ((RHC))
SiteMinder ((SDR))
Spark New Zealand ((SPK))
Woodside Energy ((WDS))
WiseTech Global ((WTC))

For those investors not yet familiar with Morningstar's style of identifying great investments, the focus tends to be on cheaply valued businesses regardless of the immediate outlook, inherent quality or specific circumstances.

Some stocks selected can remain on that list for a long time or might eventually be removed without re-rating towards fair value. Bapcor springs to mind and it's not as if Dexus or Ramsay Health Care were only yesterday included either.

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P.S. I - All paying members at FNArena are being reminded they can set an email alert for my Rudi's View stories. Go to My Alerts (top bar of the website) and tick the box in front of 'Rudi's View'. You will receive an email alert every time a new Rudi's View story has been published on the website.

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

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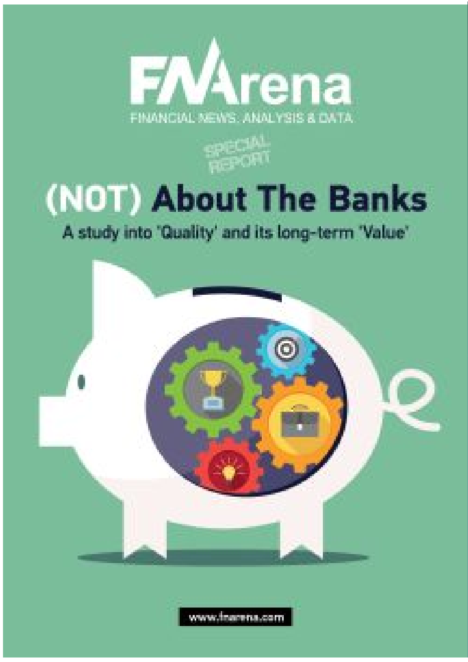

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SMALL CAPS

Treasury Wine Heads Back To The Future

A bold new strategy from Treasury Wine Estates seems familiar, and execution risk leads to a mostly cautious approach from brokers.

- **Treasury Wine Estates to resize, reshape**
- **Brand portfolio will reduce to under 30 from 76**
- **Earnings guidance ahead of consensus**
- **Execution risk weighs on analysts' minds**

By Greg Peel

A successful turnaround would represent a significant reward for Treasury Wine shareholders, but it will take time without a guaranteed outcome

At Treasury Wine Estates' ((TWE)) investor day, relatively new CEO Sam Fischer outlined a fresh strategy for the future for the global wine merchant –- a strategy, Ord Minnett points out, that is very similar to those outlined by former chief executives.

Key targets Fischer is aiming for are a wider gross margin and a higher return on capital employed (ROCE).

The strategy targets lifting Power Brands' (Penfolds, DAOU, Matua) and Regional Heroes' (Frank Family Vineyards, Beaulieu Vineyard, Stags' Leap Winery, Wynns, Squealing Pig, Pepperjack and Coldstream Hills) contribution from 68% to 90% of group net sales revenue (NSR) over five years, while reducing its total brand count from 76 to fewer than 30.

Treasury Wine has structured its future portfolio around three clear category drivers, being luxury red wine, luxury white wine, and modern refreshment.

Advertising & Promotional (A&P) investment will increase to around 10% of net sales revenue from FY28 (up from 8.5% in FY26), with Power Brands targeted at 12% NSR and Regional Heroes at 8% NSR, funded by progressively redirecting spend away from non-priority labels.

The upweighted investment in key brands will drive future growth.

Again echoing his predecessors, Fischer also announced a strategic review of the Americas operations, including the possibility of a full sale of the business.

Shorter-term actions to improve performance in the US include the sale of vineyard leases, not renewing grape supply contracts, and consolidating production facilities.

Given the above-mentioned deleverage effect, Ord Minnett warns this will result in higher cost-of-goods-sold (COGS) per unit case and weigh on margins, at least in the short term.

For the next one to two years, Macquarie expects the stock to be driven by management's ability to execute against depletions driving customer inventory de-stocking in China/US, and progress toward de-leveraging back to below 2.0x.

On the former, management is confident on China inventory rebalancing completing in FY27, while the US is expected to complete in FY28.

This ambition remains subject to broader market conditions. Though depletions have showed signs of improvement recently, it still points to the business repositioning for one to two years, Macquarie notes.

On the latter, leverage will continue to rise with the group guiding to a peak of 2.9x in FY26, targeting a return to under 2.0x by FY28. Given the timeframes on these, Macquarie watches for progress before looking to position for a longer-term recovery.

Leverage reduction will be achieved on proceeds from brand and supply asset rationalisation, lower capex and the continued suspension of dividends.

UBS notes the board will consider a resumption of dividends as leverage trends toward target.

Guidance

FY26 earnings before interest tax and self-generating and regenerating assets (EBITS) guidance is $480-490m, slightly ahead of consensus. Importantly, Penfolds' depletions momentum continued in April and US Luxury depletions were up 4% in April/May.

FY27 EBITS are expected to be at least equivalent to FY26 given Treasury Wine's continued focus on rebalancing China and US customer inventory levels. FY28 is expected to show the first signs of revenue growth with customer inventory rebalanced.

The company's multi-year transformation program --Ascent-- is focused on four key areas: where Treasury Wine will win (Power Brands and Regional Heroes in the most attractive geographies and segments); transforming how it operates; shaping a future-fit supply chain; and delivering consistent, high quality financial returns.

Cost improvement benefits will commence in FY27, with a full realisation of $100m by FY29.

Pleasingly for Macquarie, the near-term earnings profile has been partly de-risked with EBITS guidance. Thereafter nevertheless, the pathway for growth remains unclear.

Treasury Wine has outlined a target to increase its EBITS margin to 25% in the long term, from 19% in FY26. Progress towards these ambitions will occur alongside a reduction in the number of brands by over -60%, refocusing growth drivers, reducing investment (capex) and a broader lift in A&P spend (as a percentage of NSR).

Macquarie warns execution risk remains over the long term.

In Ord Minnett's view, a targeted EBITS margin of more than 25% is very ambitious, considering Treasury Wine has not been able to grow the top line of that equation --revenue-- in the past decade, even with the accretion from acquisitions.

Then there is the problem of network deleverage. Those non-core brands amount to three-quarters of the volumes and almost one-third of sales revenue, Ord Minnett notes, making margin growth difficult without a commensurate reduction in the cost base.

Given the destocking costs and negative currency translation effects, these forecasts nevertheless suggest to Ord Minnett a solid underlying performance, if they are achieved.

Morgan Stanley also has concerns.

FY27 remains a transition year as Treasury Wine continues to rebalance inventory in China and the US, reduce non-core brands and right-size its production footprint.

At the same time, Morgan Stanley's prediction is lower production volumes, higher A&P investment, fixed-cost deleveraging and supply-chain dis-synergies are likely to weigh on margins, before the benefits of cost-out and restructuring are fully realised.

Benefit of the Doubt?

Treasury Wine owns quality assets and brands, Morgans notes, including the iconic Penfolds brand.

Despite facing cyclical macro and structural headwinds, Morgans thinks new management will ultimately turnaround the company and deliver acceptable earnings growth, returns and strengthen the balance sheet.

Morgans also singles out Sam Fischer's strong track record in retaining a Buy rating and lifting its target price to $5.95 from $5.30.

Citi came away from the investor day incrementally more constructive on Treasury Wine's medium-term prospects, with new management delivering a message that addressed many key investor concerns.

Treasury Wine is planning to be a more focused, transparent, consumer-centric company, Citi notes, with fewer brands and higher margins.

Citi's initial view of the investor day presentation is positive, as there is no earnings downgrade to FY26 or FY27 consensus forecasts, the longer-term margin targets suggest upside to consensus, and the company is undertaking a strategic review into the US.

The latter will be music to the ears of many shareholders, this broker suggests.

Citi is effusive enough to lift its target to $5.50 from $4.25 and upgrade to Buy from Neutral.

Thereafter, brokers are slightly more sceptical.

Morgan Stanley maintains an Equal-weight rating with successful execution of the reset required before this broker can underwrite a return to sustainable growth. Morgan Stanley's target rises to $5.10 from $4.86.

UBS retains Neutral, despite sound elements of the transformation plan, due to execution risk, industry risk, both structural and cyclical, the company's specific challenges, being excess inventory and gearing, and recent share price performance.

UBS' target rises to $5.00 from $4.50.

Progress on de-stocking and leverage are likely to be positive catalysts. However, Macquarie believes investors can be patient ahead of evidence of a meaningful fundamental recovery across the business, with effective reinvestment of Ascent program savings key.

Macquarie retains Neutral and lifts its target to $4.80 from $4.50.

We note price targets are becoming progressively lower, which leads us to Ord Minnett, who maintains a target price of $4.50 and retains a Hold recommendation on valuation grounds.

The consensus target among the six brokers monitored daily by FNArena covering Treasury Wine Estate is now $5.10, up from $4.69. But the range is wide, from $4.50 (Ord Minnett) to $5.95 (Morgans).

There are two Buy and four Hold or equivalent ratings among the six.

Jarden has maintained an Overweight rating and $5.00 target.

Treasury Wine is a global leader in its field but, in recent times, Jarden believes management has made short-term decisions to detriment of the business longer term, compounded by US distributor issues and China regulation.

The new CEO is taking decisive action and a customer-led approach, via rebuilding trust in the supply chain which, in time, should yield returns, Jarden suggests, with a path identified on simplifying the business and lifting return on invested capital.

If asset sales occur, earnings bottom and non-core volume exits, Jarden sees the PE multiple opportunity as "potentially material".

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

SMALL CAPS

Nufarm's Turnaround Story Gains Momentum

Nufarm's interim results suggest an approaching inflection point, with stronger margins in Crop Protection and improved earnings and guidance for Seed Technologies.

- **Nufarm’s interim result sparked a share price rally**
- **Margin expansion in Crop Protection offset weaker sales**
- **Cash generation improves, net debt falls**
- **Risks include elevated raw material pricing & El Nino**

By Mark Woodruff

Despite ongoing risks and uncertainties, Nufarm shares may well be priced too cheaply

After a tough couple of years, mainly due to cyclical factors, crop protection and seed technologies company Nufarm ((NUF)) at the close of last month released results for the half year ended 31 March showing margin improvement in Crop Protection and a material uplift in earnings from Seed Technologies.

While the company’s shares bounced in reaction, uncertainty remains in the form of elevated raw material prices, upcoming El Nino weather impacts and delivering on management’s de-gearing targets.

Consistent with previous guidance, management states Nufarm is “well placed to deliver strong growth in underlying earnings and a significant reduction in leverage for the full year”.

Morgans explains management, including new CEO Rico Christensen, is targeting higher-quality earnings through a greater emphasis on higher-value products and markets, stronger cash generation and lower leverage.

Compared to the year prior, underlying earnings (EBITDA) rose by 18% to $243m, broadly in line with guidance, while operating profit increased by 35% to $52m.

Free cash flow (FCF) improved by $193m, while net debt fell by -$135m to $1.23bn.

Management maintained underlying earnings and leverage guidance for FY26 and upgraded guidance for Seed Technologies, now expecting strong earnings growth from Hybrid Seeds, alongside a $40m uplift from Emerging Platforms, compared with previous guidance of $30m.

Morgans explains the uplift for Seed Technologies reflects the expanded carinata offtake agreement with BP and stronger Omega-3 performance, driven by both pricing and operating cost improvements.

Guidance may well prove conservative, in the broker's view, given the sharp rise in active ingredient and fish oil prices in recent months.

Nufarm's $50m cost-saving program continues to target efficiencies through asset and portfolio rationalisation, operational improvements and changes to the operating model.

The benefits are expected to be realised progressively, with the full annualised run-rate targeted by the end of FY27.

In a nutshell, Nufarm helps farmers and businesses meet the global challenges of food, feed, fibre and fuel production.

The company operates on two main divisions: Crop Protection, which supplies agricultural chemicals, and Seeds Technologies, which develops proprietary seed genetics including omega-3 canola and bioenergy crop carinata.

Crop protection

Crop Protection, which generates the vast majority of revenue and earnings, serves broadacre cropping, horticulture and specialty agriculture markets across Australia, North America, Europe and Asia.

Management explained portfolio mix and a focus on costs improved the gross margin in the Crop Protection segment, highlighting strong margin and earnings growth in Europe Crop Protection.

While Crop Protection revenue was more than -10% below the consensus forecast, UBS explains a stronger-than-expected margin expansion of 1.6 percentage points limited the earnings shortfall to around -4% relative to consensus.

Such margin improvement is considered a reflection of a sharper focus on higher-value products over volume growth in commoditised markets. Elevated portfolio rationalisation is also viewed as a key differentiator that may allow Nufarm to maintain a superior Crop Protection margin profile relative to peers.

Underlying earnings in Crop Protection remained strong, with constant-currency earnings rising 6%, despite foreign exchange and weather-related headwinds.

Regionally, within the APAC region, Australia was affected by dry conditions, while Indonesia and broader Asian operations contributed growth.

North America benefited from strength in Turf & Ornamental and Canada, while Europe delivered 19% growth in underlying earnings.

Nufarm management views the latter as evidence of structural margin improvement.

Seeds Technologies

Within Seeds Technologies, Omega-3 Canola (nutritional) and Carinata (Energy) are usually regarded as the key long-term value drivers.

A refocused Seeds strategy is delivering growth in the Hybrid Seeds division and an improved performance in Emerging Platforms such as biofuel and Omega-3.

Omega-3 canola is a genetically modified canola that produces long-chain omega-3 fatty acids, traditionally sourced from wild-caught fish and fish oil.

Aquaculture, particularly salmon farming, is the largest consumer of omega-3 oils for feed. Unlike conventional fish oil, which is derived from finite wild fish stocks, Nufarm's omega-3 product is grown using conventional agricultural methods.

Omega-3 oils improve fish growth and health, disease resistance, and the nutritional quality of the fish for consumers.

Macquarie points to a sharp rally in fish oil prices, from around US$2,700/t to more than US$4,000/t, driven by a -36% cut to Peru's first-half 2026 catch quotas.

This broker's forecast $10m uplift in Emerging Platforms earnings is based on prevailing spot prices, though realised pricing is expected to lag the market due to sales timing and a greater proportion of contracted volumes.

Carinata, a non-food oilseed crop, is grown on existing farmland after main crop harvest and before the next season's planting, when fields are typically bare and exposed to erosion and carbon loss, to help protect land, sequester carbon, regenerate soil, and improve conditions for the following main crop.

Producing oil suitable for conversion into renewable fuels, carinata is primarily grown as a feedstock for sustainable aviation fuel, along with other low-carbon biofuels.

The company's Nuseed division has a 10-year strategic offtake and market development agreement with BP for Nuseed carinata oil.

A turnaround in Emerging Platforms, led by Omega-3 and complemented by strong Hybrid Seeds growth, drove earnings more than 30% above the consensus estimate, UBS explains.

This division is gaining momentum, highlighted by a further $10m EBITDA guidance upgrade, driven by expanded carinata offtake with BP and improved Omega-3 performance. UBS views this as a **potential inflection point** for Nufarm.

It's thought an uptick in licensing revenue could be meaningful to margins within Seed Technologies.

Crop Protection volumes could also exceed expectations, reflecting trends highlighted by global peers, while further upside may emerge if recent strength in agricultural chemical pricing continues.

Risks

While encouraged by recent improvements, Citi wants to see further evidence of sustained earnings quality and a more disciplined competitive environment.

Elevated raw material prices and the potential return of El Nino weather patterns are also seen as key risks to the company's outlook.

Macquarie adds second-half de-gearing still needs to be delivered and also highlights the El Nino risk in the next few months.

Outlook

Buy-rated Bell Potter highlights Nufarm's progress on cost-out initiatives, supported by improving crop protection market conditions and the above-mentioned near-doubling in fish oil prices.

Despite these positives, Bell Potter highlights the stock continues to trade at a circa -25% valuation discount to global crop protection and seed sector peers.

UBS raises its target price for Nufarm by 70c to $3.50, reflecting valuation roll-forward and substantial upgrades to forecasts beyond FY27.

UBS highlight earnings growth momentum and sees scope for further margin expansion, supported by disciplined cost management and capital allocation. Structurally lower leverage, forecast at 2.0x in FY26, further strengthens the investment case.

This broker upgrades its rating to Buy from Hold equivalent, joining fellow daily covered brokers in the FNArena database, Bell Potter (target $3.60) and Morgans ($4.15).

Citi and Macquarie remain Hold-rated with targets of $2.95 and $2.70, respectively, with the latter preferring Buy-rated Elders ((ELD)) and GrainCorp ((GNC)) in the agricultural space.

Following interim results, the average target of these five brokers rose to $3.44 from $3.23, implying circa 18.60% upside to the $2.90 closing share price on June 10th.

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

TREASURE CHEST

Treasure Chest: REA Group

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Today's idea is 'REA Group'

By Danielle Ecuyer

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts.

Whose Idea Is It?

Bell Potter

The subject:

REA Group ((REA)).

An interest rate hiking cycle and the Federal Government's proposed Budget changes for Australian property investors have created potentially adverse headwinds for Australia's premier online real estate portal through lower listing volumes and falling dwelling prices.

This poses the obvious question: are forecasters ringing the bell on real estate stalwart REA Group following what some analysts have described as the most significant government policy change to Australia’s property and housing market in some thirty years?

More info:

The answer to the above question is a definitive yes, albeit with shades of grey when it comes to how much bad news is already discounted in the share price and just how much house prices are likely to fall.

Bell Potter's latest view on REA has resulted in a considerable downgrade in terms of target price, valuation, rating and underlying projections.

Drawing upon prior periods of falling national dwelling prices in FY19 and FY23, the analyst highlights REA experienced listing declines of -8% and -12%, respectively. Those downturns resulted in residential segment revenue and group EPS declining by -9% and -8%, respectively, on a half-yearly basis.

The Budget tax changes around investment properties and the possibility of an additional RBA rate hike, following three cash rate hikes, are likely to have already dampened the two leading indicator markets, Melbourne and Sydney, where dwelling prices are nearing year-on-year declines as of May.

Both major markets typically lead the national housing cycle.

While REA has achieved positive residential revenue growth despite listing declines in eight of eleven interim and full-year results since 1H17, residential revenue declines resulted in group EPS falling in all three periods (1H20, 2H20 and 2H23).

Bell Potter points to a lag between changes in dwelling values and earnings.

Bell Potter has downgraded estimates for FY27 listings to -10% from -2%, previously, on the expectation the RBA hikes the cash rate again by September, followed by a cut around September/October 2027.

Notably, both owner-occupier and investor lending volumes experienced declining momentum in the recent March quarter, as measured by annual growth. Bell Potter anticipates a further fall in the growth rate or even a negative outcome by June.

Investor lending constituted some 40% of total new lending in FY26 up to March.

While the four-year fall in listings between FY17 and FY20 was offset by net yield growth, Bell Potter argues declines in average dwelling prices are a more important leading indicator for residential revenue, which contributes around 70% of group revenue. The flow-on effect would be a more sizeable impact on EPS.

Although management has some scope to manage operating costs, Bell Potter believes falling average dwelling prices will have a negative impact on volumes and most probably group EPS.

The stock is downgraded to Sell from Buy with a sharply reduced target price of $137 from $217, previously. The reduction reflects both a lower ascribed PER valuation multiple of 28x from 40x and a higher weighted average cost of capital.

The valuation of around 28x FY27 PER is typical of levels at which REA has historically traded during periods when EPS growth declines.

Bell Potter's EPS forecast of -2% growth sits well below the consensus forecast of 14% EPS growth. Compared to classified peers on the ASX, REA also appears more expensive at 1.7x EV/FCF in FY27 versus Seek ((SEK)) at 0.8x and Car Group ((CAR)) at 1.3x.

A more moderate downgrade from UBS

UBS has come to similar conclusions after analysing what transpired during the macroprudential tightening cycle of FY18-FY19 when news headlines were dominated by the Banking Royal Commission.

UBS expects dwelling prices to fall by around -3% to -5% over the next year and forecasts another 25bps RBA rate increase, most likely in August, with rates remaining 'higher-for-longer' into 2027.

The outlook is more nuanced, with overseas inflation rising and other central banks likely to shift to a rate hiking cycle.

On the downside, UBS stresses the possibility the Australian housing market weakens "materially" due to the lagged effect of interest rate hikes, as well as the Budget measures. If house prices were to fall significantly, UBS explains the risk of RBA rate cuts in 2027 would increase.

Updated modeling has downgraded FY27 volume growth to -8% from flat, with an incremental softening of -2% into FY28 for a cumulative decline of -10%. The forecast decline is marginally higher than that experienced during the FY18-FY19 cycle.

Structurally, UBS proposes a shift towards more owner-occupiers, who have historically held dwellings for shorter periods than investors, might result in greater transaction churn over the longer term.

REA is still expected to grow revenue per listing by a strong 11% in FY27, but the broker is becoming slightly more cautious because agents appear less willing to increase spending on premium advertising products than they were a year ago.

Growth is increasingly reliant on the company's ability to push through price increases rather than sell more premium products.

Earnings growth forecasts have been lowered by UBS on average by -9% over FY27-FY28 due to reduced volumes. The target price has been reduced by -23% to $165 from $213, previously, reflecting a lower earnings growth outlook and a reduced EBITDA valuation multiple of 18x from 22x.

Notably, the current REA share price implies volumes will fall by around -17% over the near term, which the UBS analyst considers overly negative.

In the absence of a near-term re-rating of the stock, UBS downgrades its rating to Neutral from Buy. Compared to global peers, REA is seen trading on a relatively full valuation multiple at 19x FY26 EBITDA against a rising risk of falling volumes and yields.

Morgan Stanley is prepared to buck the trend

In contrast, as argued by Morgan Stanley, the best time to invest in REA shares is during periods of cyclical weakness in listings. This analyst estimates around 90%-plus of all residential real estate sold in Australia is listed on the platform.

The link between the market, notably house prices, and what is transposed into listings is not deemed a linear relationship, Morgan Stanley argues.

REA is not directly "leveraged" to house prices, though historical precedent shows positive housing price growth generally coincides with stronger listings, while falling prices typically result in weaker transaction volumes and listings.

While noting the group's 15% CAGR in revenue over the last decade, listing growth has not been the main driver. Morgan Stanley estimates total listings over the last 15 years have been broadly flat, with revenue growth driven primarily by monetisation of total "For Sale" listings through price rises, depth and premium products, and higher agent subscriptions.

Like UBS, this broker emphasises price, yield and new products as the key drivers of revenue growth.

Morgan Stanley's base case for REA is new listing growth of negative -3% y/y in FY26 and 1% positive growth in both FY27 and FY28.

Any plus/minus 1% change in listings equates to a plus/minus 1% change in FY27 earnings (EBITDA) forecasts, on this broker's modeling.

On a 12-month view, industry feedback has suggested the proposed Budget changes may result in an increase in residential activity as investors move to beat the proposed new deadlines, either through buying or selling investment properties.

Over the longer term, industry feedback suggests falling house prices because of the proposed Budget changes may diminish property's appeal as an asset class. Declining house prices, less investor interest and more owner-occupiers may result in reduced turnover of total housing stock.

Morgan Stanley believes the greater risk to listings comes from RBA cash rate hikes. The broker accepts some near-term headwinds to volumes and consensus estimates, but retains confidence in its target price of $230 and

Buy rating.

FNArena's daily monitored brokers, including Bell Potter, UBS and Morgan Stanley, have a consensus target price of $195.264 with four Buy ratings, two Hold ratings and one Sell rating.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 05-06-26

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

By Mark Woodruff

Guide:

The FNArena database tabulates the views of seven major Australian and international stockbrokers: Citi, Bell Potter, Macquarie, Morgan Stanley, Morgans, Ord Minnett, 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 June 1 to Friday June 5, 2026
Total Upgrades: 4
Total Downgrades: 9
Net Ratings Breakdown: Buy 66.37%; Hold 27.05%; Sell 6.59%

For the week ending Friday, June 5, 2026, FNArena recorded four upgrades and nine downgrades in ratings for individual ASX-listed stocks from seven brokers monitored daily.

Falls in average target prices (valuations) broadly match increases in the tables below, while declining average earnings forecasts materially outweigh the positive adjustments.

The average broker target for network-as-a-service and infrastructure-as-a-service provider Megaport increased by 18% last week.

The Megaport share price has rallied to close last Friday at $18.48 from around $10.00 in mid-May on increasing market confidence around infrastructure-as-a-service contract wins stemming from the company's acquisition of Latitude.sh in November last year, as summarised at
https://fnarena.com/index.php/2026/05/19/latitude-contracts-transform-megaports-outlook/

Since this May 19 article, the company has simultaneously announced even larger AI-infrastructure contract wins of $459m along with a $827m capital raise to fund circa -$370m of expenditure for high-performance Nvidia GPUs, network, and storage infrastructure.

Another -$350m will be spent establishing an on-demand GPU Pool, providing enterprise customers access to AI infrastructure through both contracted and consumption-based commercial models.

UBS' conclusion is Megaport's acquisition of Latitude has materially strengthened the company's earnings outlook, with contracts secured since November carrying annual recurring revenue 6.4 times larger than the acquired business.

The broker highlighted accelerating AI and cloud demand, cross-selling opportunities with the network business, and balance sheet capacity to support further contract wins and growth investment.

Morgan Stanley suggested to investors "don't fight the momentum", given an around 20% internal rate of return on contracts, with the stock offering AI exposure with shorter lead times and lower capex requirements than data centres and neoclouds.

Equally, Citi felt Megaport's latest contract wins provide a meaningful earnings tailwind, noting management's outlook may prove conservative, particularly if demand remains strong and growth in the core Network business continues to accelerate.

Diversified engineering, construction and maintenance services company SRG Global also announced a series of contracts last week to the value of $1.85bn across water, defence, energy, industrial marine and data centre sectors, resulting in a 12% lift in average target by brokers.

Management upgraded FY26 earnings guidance to the top end of the $164m-168m range and provided first-time FY27 guidance for between $190m-200m.

Bell Potter increased its target to $4.25 from $3.15 on more favourable medium- and long-term earnings assumptions and a lower assumed weighted average cost of capital.

This broker retained its Buy rating, arguing the company's 27% premium to industrial services peers looks justified.

The average target for Sims, one of the world's largest metal recycling and circular economy companies, increased by nearly 10% last week after Morgan Stanley raised its target to $24.00 from $15.50.

The business is involved in collecting, processing and selling ferrous and non-ferrous scrap metal, as well as providing electronics recycling and data destruction services.

The broker upgraded its rating to Equal-weight from Underweight, noting the structural improvement in IT asset recovery and re-sale business Sims Lifecycle Services (SLS) amid stronger-for-longer Double Data Rate 4 (DDR4) pricing and higher scrap pricing.

Yet, the broker remains cautious about capitalising the current DDR4-driven resale margins. DDR4 is the fourth-generation DRAM memory standard used in computers, servers and data centres.

While part of the earnings growth at SLS appears durable, the current DDR4-related resale margins are not viewed as representative of sustainable medium-term earnings power.

Sims also appears second on the week's table for positive change to average earnings with a rise of circa 11%, behind the 12% rise for transport-fuels exposure Ampol.

The ACCC has approved Ampol’s acquisition of EG Australia's 512 service stations, subject to 41 sites being on-sold to independent operator Metro Petroleum in order to alleviate concerns about reduced competition.

Ampol will take up the option to swap the planned scrip portion for cash, which means the final price paid to EG Group will be slightly higher at $1.115bn.

Ord Minnett notes management commentary on the company's financial performance and balance sheet augurs well for the first half results due in August, although limited information provided means it was not possible for this analyst to translate into hard numbers.

Ord Minnett has now assumed special dividends will resume in 2027, likely commencing with the 2026 results in February, implying an attractive dividend yield.

On the flipside, Lendlease Group heads up the week's list for negative change to forecast earnings as Morgan Stanley lowered its target to $3.25 from $3.89 following news the Milano Santa Giulia North development site in Italy had been divested for a loss of -$175m.

It’s felt management is unlikely to achieve its target of reducing gearing to around 15% by the end of June 2026, unless the group receives a significant amount of cash from uncontracted asset sales over the coming weeks.

This broker also sees a risk that gearing at year’s end exceeds the 32.9% reported at the first half result, highlighting ongoing balance sheet pressure despite recent asset sale activity.

Ord Minnett calculated a reduced valuation for the group’s capital release unit (CRU) established to divest offshore assets, prompting a reduction in target to $2.85 from $3.05.

GrainCorp and Peter Warren Automotive appear in third and fourth positions, respectively, with average falls of -27% and -21%, respectively.

Bell Potter lowered its forecasts for GrainCorp following the June crop report by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), which projects a -27% year-on-year decline in the east coast winter crop. A -19% fall in southeastern canola production is also forecast.

This broker expects lower crop receivals and reduced canola crush volumes, although stronger crush margins should provide a partial offset.

In contrast, Ord Minnett viewed the ABARES forecast as a significant positive, having anticipated a much weaker outlook due to below-average rainfall, elevated El Nino risks and ongoing fertiliser cost and availability pressures stemming from the Middle East conflict.

Peter Warren Automotive is a predominantly east coast dealership operator focused on NSW and Queensland, while Eagers Automotive is the dominant automotive retailer across Australia and New Zealand, offering broader geographic, brand and earnings diversification.

As discussed here https://fnarena.com/index.php/2026/06/04/eagers-automotive-geared-for-better-second-half/ Eagers continues to outperform despite weakening sector conditions. Peter Warren Automotive, by contrast, reported a sharp decline in new vehicle margins and issued FY26 guidance well below market expectations.

Peter Warren also suffered the second largest fall (-10%) in consensus target, behind the -22% fall for Tourism Holdings Rentals. Management at the latter revised FY26 net profit guidance to NZ$40-NZ$43m from NZ$43-$47m, reflecting the conflict in the Middle East.

The business has been affected by both global disruption to international travel and weaker consumer confidence.

Tourism Holdings is the world's largest recreational vehicle rental operator, renting, selling and manufacturing motorhomes, campervans and caravans across A&NZ, North America and Europe.

In the coming days an article will be published on the FNArena website explaining broker views on Australia's largest natural gas infrastructure business APA Group, which received a 4% increase in average target from brokers last week.

As a teaser, the group offers not only potential share price upside from rising energy demand driven by AI and data centre growth, but also what Morgan Stanley considers the safest dividend yield across its ASX research coverage.

Total Buy ratings remain historically elevated at 66.37%, with Sell ratings at just 6.59%, leaving 27.05% on Neutral/Hold.

Upgrade

ENDEAVOUR GROUP LIMITED ((EDV)) Upgrade to Buy from Neutral by Citi .B/H/S: 2/3/1

Citi lowers its target for Endeavour Group by -20c to $3.25 and upgrades to Buy from Neutral, despite elevated near-term uncertainty. The group's investor day also provided limited quantitative targets beyond cost reduction initiatives.

Putting aside these negatives, the broker sees potential for market share gains in the Retail division under new management's price leadership strategy and believes the company's scale positions it well in a competitive market.

Citi also identifies Coles Group's ((COL)) upcoming FY26 result in August as a potential catalyst, with the supermarket group currently reviewing the role of large-format liquor stores within its broader retail network.

GRAINCORP LIMITED ((GNC)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/2/0

Ord Minnett upgrades GrainCorp to Buy from Accumulate, with an unchanged target price of $7.25.

The analyst points to rainfall across northern NSW and Queensland over the last two weeks, which should support the FY27 winter crop after being highlighted as a potential concern at the 1H26 result on May 14.

While the crop is still likely to be smaller than FY26, the broker no longer expects a poor outcome.

SIMS LIMITED ((SGM)) Upgrade to Equal-weight from Underweight by Morgan Stanley .B/H/S: 2/2/0

Morgan Stanley observes Sims is executing strongly as the shares have rallied 75% over the past year. The broker upgrades to Equal-weight from Underweight, noting the structural improvement in SLS amid stronger-for-longer DDR4 pricing and higher scrap pricing.

Yet the broker is cautious about capitalising the current DDR4-driven resale margins, questioning whether these are sustainable in terms of medium-term earnings.

Commentary explains SLS is primarily an IT asset recovery and re-sale business that is benefiting from structural tailwinds including AI-driven server replacement and increasing hyper-scale activity. The target is raised to $24.00 from $15.50.

TREASURY WINE ESTATES LIMITED ((TWE)) Upgrade to Buy from Neutral by Citi .B/H/S: 1/5/0

Following Treasury Wine Estates's investor day, Citi raises its target to $5.50 from $4.25 and upgrades to Buy from Neutral.

The broker is now more constructive on the medium-term outlook, with management outlining plans to simplify the portfolio, improve transparency and sharpen its consumer focus.

The company aims to reduce its brand portfolio to fewer than 30 labels from 76 while targeting a long-term earnings (EBITS) margin above 25%, compared with Citi's prior FY26 forecast of 19%.

A summary of the broker's initial research yesterday follows.

Citi's initial reaction to the release of Treasury Wine Estates' investor day presentation is positive, noting the absence of any downgrade to FY26 or FY27 earnings expectations. Longer-term margin targets also imply upside to market forecasts, note the analysts.

Management will pursue a strategic and operational review of the Americas division. Early findings highlight strong luxury brand positioning but challenges from elevated inventory and excess supply chain capacity.

Citi expects the touted review to be well received by investors.

Management is targeting group earnings (EBITS) margins above 25% over the longer term, while inventory destocking is expected to conclude in China by FY27 and in the US by FY28.

FY26 earnings guidance is expected to be in the range of $480m-$490m while FY27 earnings are expected to be at least equivalent to FY26. Citi notes consensus sits at $490m for FY27.

Downgrade

ABACUS STORAGE KING ((ASK)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/3/0

Bell Potter lowers its target for Abacus Storage King by -20c to $1.50 and downgrades to Hold from Buy.

These changes result from the broker's review of the implications of the REIT's proposed internalisation and emerging softness across the self-storage sector.

The proposed internalisation involves Abacus acquiring management rights from Abacus Group ((ABG)) and bringing management in-house.

Management has guided to around 6% funds from operations (FFO) accretion in FY26 from internalisation. The broker is more conservative, forecasting 4.8% earnings accretion in FY27 as higher interest costs partially offset management fee savings.

The analysts also highlight increased competition and discounting within the self-storage market, with rental growth remaining subdued and transaction activity muted amid higher funding costs.

BRAZILIAN RARE EARTHS LIMITED ((BRE)) Downgrade to Hold from Speculative Buy by Ord Minnett .B/H/S: 0/1/0

Ord Minnett downgrades Brazilian Rare Earths to Hold from Speculative Buy as the share price has advanced too far relative to the expected spin-out of the bauxite project in July and the Monte Alto scoping study in July-August.

The analyst estimates the spin-out of the Amargosa bauxite project is worth $1.20 per share, while management remains upbeat about the upcoming scoping study.

Following the rise in the share price from $5.50 in May, the broker would prefer to wait until the data is announced.

The target price is lifted to $6.95 from $6.25.

COLLINS FOODS LIMITED ((CKF)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 3/4/0

Morgan Stanley includes mid single-digit increases in FY27 for food and wages inflation, and revisits quick service operators to see which is best positioned in inflationary environment. Volume growth remains an offset, benefiting those that are still growing traffic.

Operators are already finding pricing challenging, which means they will need to find alternative ways to preserve margins. Historically these operators have been able to offset inflation through menu pricing yet pricing power has eroded.

The broker downgrades Collins Foods to Equal-weight from Overweight, given it is fully exposed to restaurant-level economics, and reduces the target to $9.30 from $11.20. In-Line industry view unchanged.

DEXUS ((DXS)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 1/3/1

Ord Minnett downgrades Dexus to Hold from Accumulate, with an unchanged target price of $7.20, following the Supreme Court ruling against the REIT over the sale process of shares in Australia Pacific Airports Corp (APAC), the owner of Melbourne and Launceston airports.

The ruling articulated that Dexus would need to sell its 27% stake to the other APAC shareholders, subject to a market-value assessment and whether Dexus appeals the decision, the broker states.

The loss of the APAC contribution had already been included in the broker's earnings forecasts.

No additional changes were made to forecasts, but as APAC generated around 44%-55% of segment earnings for infrastructure management, the analyst queries whether management might exit the sector.

HARVEY NORMAN HOLDINGS LIMITED ((HVN)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/4/1

Macquarie assesses the outlook for the Australian consumer has weakened materially. This has been driven by economic/policy measures domestically as well as geopolitical events.

Modelling suggests expenditure growth of 1.5% FY27, well below the long-run average.

The broker favours relative defensive stocks and expects grocery to be the net beneficiary as consumers pull back from other categories.

Macquarie downgrades Harvey Norman to Neutral from Outperform, assessing furniture and apparel will be the major drag on growth. Target is reduced to $4.50 from $6.60.

INGHAMS GROUP LIMITED ((ING)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 1/2/1

Macquarie assesses the outlook for the Australian consumer has weakened materially. This has been driven by economic/policy measures domestically as well as geopolitical events.

Modelling suggests expenditure growth of 1.5% FY27, well below the long-run average.

The broker favours relative defensive stocks and expects grocery to be the net beneficiary as consumers pull back from other categories.

Macquarie downgrades Inghams Group to Underperform from Neutral as cyclical headwinds are compounding a competitive environment. Target is steady at $1.80.

PARAGON CARE LIMITED ((PGC)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/1/0

Paragon Care now expects FY26 revenue of $3.7bn and EBITDA in the range of $95-$100m, including the 3-month contribution from Haju Medical.

Bell Potter, in assessing the slight downgrade from prior guidance of $97-$107m, is not surprised given the increased costs of logistics and supplier price increases as a result of the conflict in the Middle East.

Administrators of Infinity Group have advised of a preliminary settlement estimate to Paragon Care in the range of $11.7-$15.8m.

The company had previously provided for the entire $49m. The estimated settlement follows submissions of offers for various pharmacies within the group, most of which continue to trade.

The broker notes the second half was difficult for the company in spite of two accretive acquisitions amid inflationary pressures in the core Australian business.

Rating is downgraded to Hold from Buy and the target is lowered to $0.17 from $0.30.

SCENTRE GROUP ((SCG)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 3/1/1

Macquarie downgrades Scentre Group to Underperform from Neutral due to valuation following a 12.7% rise in the stock from a low of $3.32. The analyst highlights the stock is now trading at a 9.3% premium to pro forma NTA of $3.45.

Funds from operations forecasts are lifted by around 2% for 2026 to reflect the redemption of $1.8bn in 2030 subordinated notes and a lower average debt margin.

Management has reconfirmed guidance of "at least 23.73 cents per security", and the broker remains comfortable with a forecast around 1% above guidance.

The target price is raised by 6.8% to $3.45.

SUPERLOOP LIMITED ((SLC)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/2/0

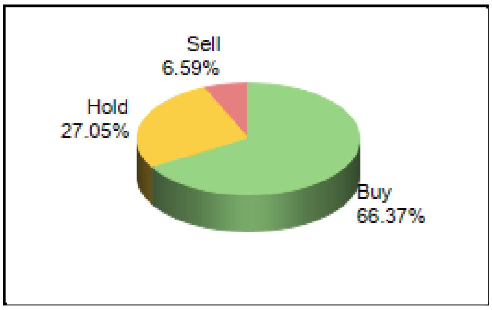
Macquarie notes Superloop upgraded FY26 earnings (EBITDA) guidance to $118m-$122m from $112m-$120m. The midpoint of the upgrade aligns with consensus, but is lower than the analyst's forecast of $123m.

Notably, targets for FY29 were described as supercharged, with revenue over $1bn and around $200m in underlying earnings (EBITDA), implying a CAGR in EPS of 35%. The analyst forecasts Superloop can achieve these targets through organic growth.

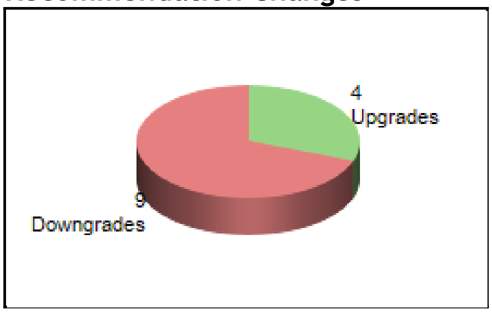
Management lifted prices only on the sub-100Mbps plans and raised them by more than competitors. The analyst highlights the Smart Communities valuation is "longer-dated".

EPS forecasts are raised by 6.6% for FY27, with a lift in the target price by 5.7% to $3.70. The stock is downgraded to Neutral from Outperform.

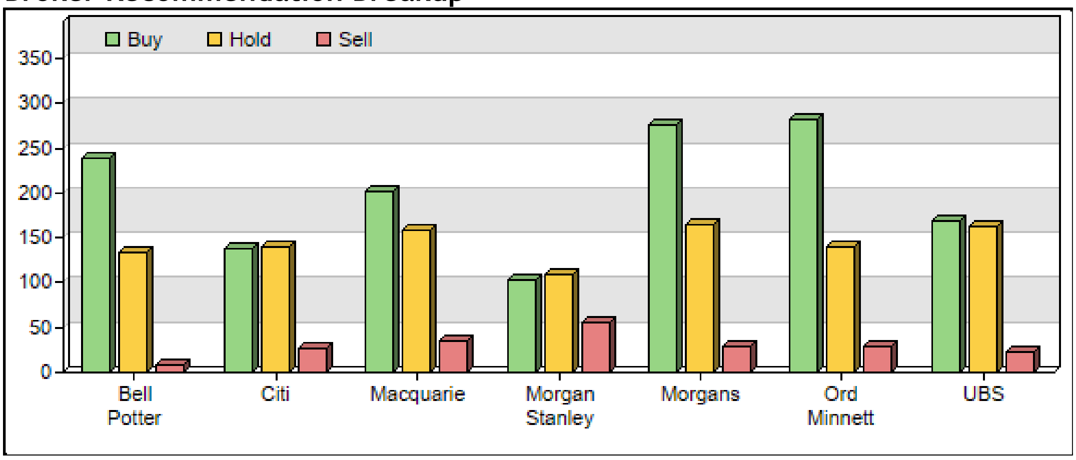
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ENDEAVOUR GROUP LIMITED	Buy	Neutral	Citi
2	GRAINCORP LIMITED	Buy	Buy	Ord Minnett
3	SIMS LIMITED	Neutral	Sell	Morgan Stanley
4	TREASURY WINE ESTATES LIMITED	Buy	Neutral	Citi
Downgrade				
5	ABACUS STORAGE KING	Neutral	Buy	Bell Potter
6	BRAZILIAN RARE EARTHS LIMITED	Neutral	Buy	Ord Minnett
7	COLLINS FOODS LIMITED	Neutral	Buy	Morgan Stanley
8	DEXUS	Neutral	Buy	Ord Minnett
9	HARVEY NORMAN HOLDINGS LIMITED	Neutral	Buy	Macquarie

10	INGHAMS GROUP LIMITED	Sell	Neutral	Macquarie
11	PARAGON CARE LIMITED	Neutral	Buy	Bell Potter
12	SCENTRE GROUP	Sell	Neutral	Macquarie
13	SUPERLOOP LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	MP1	MEGAPORT LIMITED	19.433	16.408	18.44%	6
2	SRG	SRG GLOBAL LIMITED	3.550	3.183	11.53%	3
3	SGM	SIMS LIMITED	24.200	22.075	9.63%	4
4	TWE	TREASURY WINE ESTATES LIMITED	5.102	4.742	7.59%	6
5	ALD	AMPOL LIMITED	39.367	37.267	5.64%	3
6	SLC	SUPERLOOP LIMITED	3.680	3.510	4.84%	5
7	PLS	PLS GROUP LIMITED	5.814	5.593	3.95%	7
8	APA	APA GROUP	9.373	9.028	3.82%	6
9	BSL	BLUESCOPE STEEL LIMITED	30.817	30.100	2.38%	3
10	SIG	SIGMA HEALTHCARE LIMITED	3.286	3.229	1.77%	7

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	THL	TOURISM HOLDINGS LIMITED	2.580	3.290	-21.58%	3
2	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	1.610	1.780	-9.55%	3
3	HVN	HARVEY NORMAN HOLDINGS LIMITED	5.242	5.708	-8.16%	6
4	SFR	SANDFIRE RESOURCES LIMITED	18.033	19.200	-6.08%	6
5	CKF	COLLINS FOODS LIMITED	10.907	11.507	-5.21%	7
6	LLC	LENDLEASE GROUP	4.348	4.558	-4.61%	4
7	ASK	ABACUS STORAGE KING	1.517	1.583	-4.17%	3
8	GNC	GRAINCORP LIMITED	6.043	6.218	-2.81%	4
9	NEC	NINE ENTERTAINMENT CO. HOLDINGS LIMITED	1.140	1.173	-2.81%	3
10	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	19.814	20.300	-2.39%	7

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	ALD	AMPOL LIMITED	372.600	331.500	12.40%	3
2	SGM	SIMS LIMITED	104.567	94.500	10.65%	4
3	TPG	TPG TELECOM LIMITED	6.475	6.225	4.02%	5
4	SLC	SUPERLOOP LIMITED	7.360	7.160	2.79%	5
5	TWE	TREASURY WINE ESTATES LIMITED	31.050	30.760	0.94%	6
6	BOQ	BANK OF QUEENSLAND LIMITED	52.500	52.100	0.77%	6
7	ASX	ASX LIMITED	275.640	273.840	0.66%	6
8	CHC	CHARTER HALL GROUP	102.375	101.800	0.56%	5
9	SRG	SRG GLOBAL LIMITED	12.850	12.800	0.39%	3
10	NEC	NINE ENTERTAINMENT CO. HOLDINGS LIMITED	8.833	8.800	0.38%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	LLC	LENDLEASE GROUP	-20.700	-9.367	-120.99%	4
2	MP1	MEGAPORT LIMITED	-2.850	-1.875	-52.00%	6
3	GNC	GRAINCORP LIMITED	12.425	17.075	-27.23%	4
4	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	9.133	11.500	-20.58%	3
5	THL	TOURISM HOLDINGS LIMITED	16.107	17.406	-7.46%	3
6	BPT	BEACH ENERGY LIMITED	16.483	17.557	-6.12%	7
7	PLS	PLS GROUP LIMITED	17.320	18.320	-5.46%	7
8	APA	APA GROUP	18.250	18.867	-3.27%	6
9	TLC	LOTTERY CORPORATION LIMITED	16.425	16.980	-3.27%	6

10	PFP	PROPEL FUNERAL PARTNERS LIMITED	16.200	16.733	-3.19%	3

Technical limitations

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WEEKLY REPORTS

Uranium Week: Spot Above US$100/lb Soon?

Citi joins the ranks of brokers calling for an U308 spot price above US$100/lb as producers are hit with supply constraints and elevated sulphuric acid prices.

- **U308 production outlook cut for 2026-2027 as headwinds bite across major producers**
- **Demand continues to rise for nuclear power generation**
- **Short interests load up on Lotus Resources**

By Danielle Ecuyer

Wet weather, electrical faults and sulphuric acid challenges

Citi has reiterated its “tactical” bullish view on uranium with an expectation U308 spot prices will trade above US$100/lb over the next three months.

Higher prices are expected to be supported by positive tailwinds from both demand and supply-side dynamics.

Citi's commodities team has lowered 2026-2027 U308 supply forecasts by -3mlbs to -4mlbs due to lower than previously anticipated production outlooks from Australia, Africa, Canada and Kazakhstan.

Boss Energy’s ((BOE)) Honeymoon production has been lowered to 1.4mlbs from 1.8mlbs due to weather impacts.

The Kayelekera mine in Malawi, majority owned by **Lotus Resources** ((LOT)), stopped operations for two weeks due to a fire which impacted electrical panels. The mine also relies on Middle East sulphuric acid supplies, which have been disrupted. The expected production forecast has been lowered to 1.35mlbs this year.

Cameco’s McArthur River mine in Canada has experienced flood-related issues and the broker has cut its expected output by -2mlbs. The mine represents around 10% of global production capacity and, while production has been restored, it was shut down for almost four weeks.

Challenges around sulphuric acid supplies are flagged to impact some of the more geographically distant Kazakhstan mines, which Citi believes will be challenged to increase production. The total Kazakhstan output forecast has been reduced by around -1.5mlbs.

Regarding sulphuric acid, the analyst observes around 47% of the world’s supply was moved through the Strait of Hormuz in 2025 and around 40% of sulphuric acid is used by the mining sector.

Determining the reliance of the uranium sector on sulphuric acid is difficult, as much of the usage depends on the uranium grade for each mine and other inputs such as the leaching process, Citi points out.

Nevertheless, the price of sulphuric acid has risen 60% against the period prior to the start of the US/Iran war.

Citi sees U308 mine production rising to 203.7mlbs by 2030 from 174.7mlbs.

Turning to the demand outlook, the broker forecasts 51 nuclear reactors will be constructed between now and 2030, including 29 in China, with India, Bangladesh, Russia, France, South Korea, Turkey, the US, Slovakia and Egypt also expanding nuclear energy capacity.

Citi forecasts nuclear energy capacity to be boosted by 45GWe of power by 2030 from 415GWe capacity in 2026. Over the next 10 years, nuclear energy capacity has the potential to grow by 40%.

The geopolitical impacts of the Middle East war have challenged the security of global energy markets with potential positive impacts on the nuclear energy industry.

Big Tech's rapacious demand for energy across the hyperscaler and data centre build-out is also boosting demand for nuclear energy in the US.

Noting spot U308 prices have been trading in a range between US$83/lb and US$87/lb, the current long-term U308 price (US$93/lb) has almost achieved its all-time high registered in 2007/2008 of US$95/lb, when the spot price peaked at US$136/US$138lb.

Volumes on the spot market have been relatively “light” thus far in 2026, Citi remarks, with speculators responsible for around 30%-40% of total transacted quantities.

The Sprott Physical Uranium Trust (SPUT) has acquired 7mlbs year-to-date and has the capacity to acquire a further 2mlbs.

Citi believes activity will increase substantially in H2 this year, pointing to the World Nuclear Fuel Market and World Nuclear Association conferences.

What happened in the week that was for U308

Industry consultants TradeTech highlight a US$1/lb lift in the spot price, last seen at US$86/lb, with three transactions conducted.

Over the last two weeks, the U308 spot price is up 1.8%, 4.9% year-to-date, and up 20.3% from the prior year.

Discussion at the World Nuclear Fuel Market (WNFM) conference reinforced growing confidence in the long-term outlook for nuclear energy, with industry participants broadly agreeing increasing electrification will require a significant expansion of nuclear power generation, TradeTech explains.

Delegates emphasised the need to strengthen the nuclear fuel supply chain through faster permitting and licensing processes, policy support, funding and investment in new fuel production capacity.

TradeTech noted confidence among utilities has improved markedly, with buyers increasingly looking beyond near-term requirements and seeking uranium supplies across the mid-term, long-term and even post-2035 periods.

This shift reflects greater certainty around reactor life extensions, power upgrades and new-build programs globally. Increased confidence has contributed to the rise in long-term uranium prices to their highest level since 2008.

The industry consultants highlighted no transactions or new demand appeared in the term U308 market.

The TradeTech Mid-term price indicator stands at US$87/lb and the Long-term price indicator at US$95/lb.

Short interests and what the brokers say

Short interest rose in Lotus Resources for the week to June 1, according to ASIC data. The stock is the second most shorted on the ASX, behind an ASX-listed bond issued by the Asian Development Bank.

The short position in Lotus rose 1.39% to 19.90%. Boss is in fifth position at 14% and Paladin Energy ((PDN)) in twelfth position at 10.70%. The latter two short positions were broadly unchanged over the prior week.

FNArena's daily monitored brokers have a consensus target price on Paladin of $13.193 with five Buy-equivalent ratings, one Hold and one Sell.

Boss has a consensus target price of $1.571 with two Buy-equivalent ratings and four Hold-equivalent ratings.

Lotus has a consensus target price of $2.00 with two Buy-equivalent ratings (one ascribed Speculative) and one Hold rating.

More weekly U308 updates from FNArena:

https://fnarena.com/index.php/2026/06/02/uranium-week-u308-spot-price-slips-in-may/

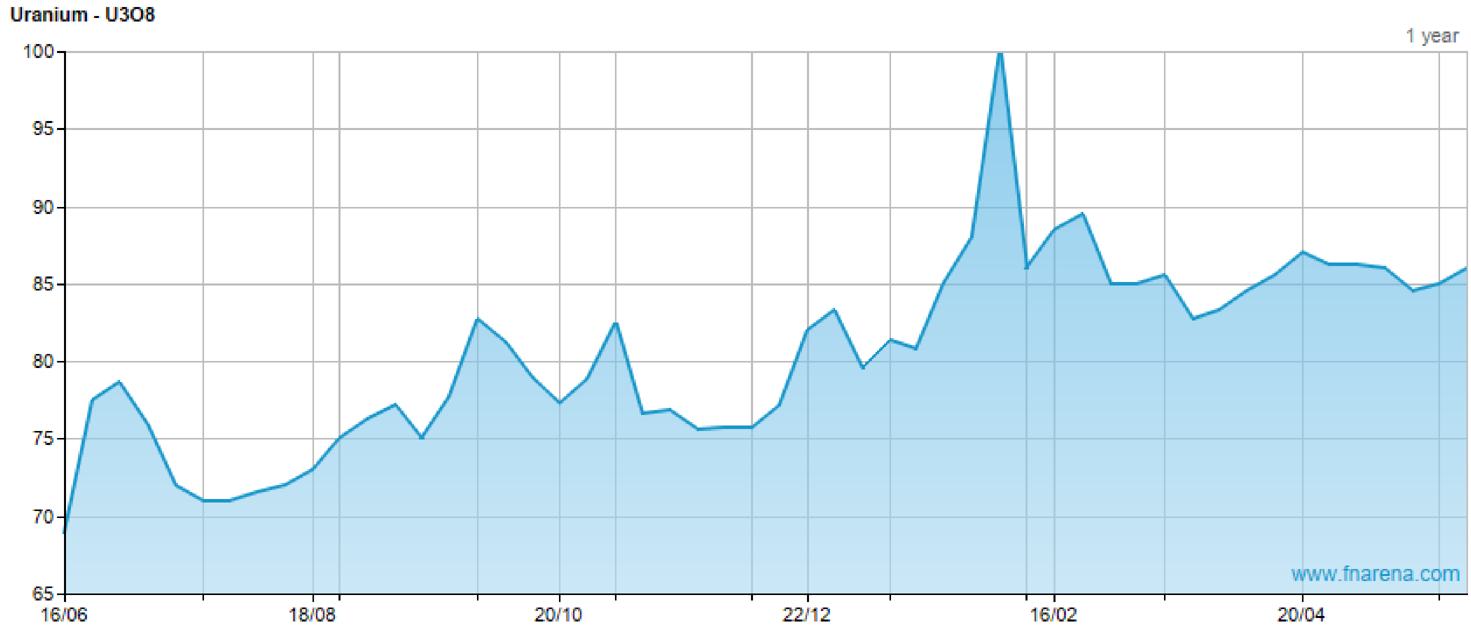
https://fnarena.com/index.php/2026/05/26/uranium-week-structural-bull-cycle-intact/

https://fnarena.com/index.php/2026/05/19/uranium-week-paladin-trips-over-higher-costs/

https://fnarena.com/index.php/2026/05/12/uranium-week-shorts-surge-in-u308-stocks/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	05/06/2026	0.0500	▼- 5.66%	$0.16	$0.05			
AEE	05/06/2026	0.1200	0.00%	$0.28	$0.11			
AGE	05/06/2026	0.0400	0.00%	$0.06	$0.02		$0.070	▲75.0%
AKN	05/06/2026	0.0200	▲20.00%	$0.03	$0.01			
ASN	05/06/2026	0.0500	▼- 5.56%	$0.13	$0.04			
BKY	05/06/2026	0.4500	▼- 8.25%	$0.70	$0.37			
BMN	05/06/2026	3.6400	▲ 0.28%	$5.25	$2.23		$4.800	▲31.9%
BOE	05/06/2026	1.2700	▼- 1.92%	$4.75	$1.07	18.0	$1.571	▲23.7%
BSN	05/06/2026	0.0300	▼- 5.71%	$0.08	$0.01			
C29	05/06/2026	0.0300	▲ 3.85%	$0.04	$0.01			
CXO	05/06/2026	0.2700	▼-15.63%	$0.39	$0.08		$0.300	▲11.1%
CXU	05/06/2026	0.0600	▲21.28%	$0.07	$0.01			
DEV	05/06/2026	0.1900	▼- 5.00%	$0.28	$0.07			
DYL	05/06/2026	1.5800	▼- 1.25%	$2.97	$1.28	-57.1	$2.202	▲39.4%
EL8	05/06/2026	0.2600	▲ 4.00%	$0.50	$0.24			
HAR	05/06/2026	0.1300	▲ 4.00%	$0.25	$0.05			
I88	05/06/2026	0.1300	▼-10.71%	$0.76	$0.08			
KOB	05/06/2026	0.0300	▲ 3.03%	$0.09	$0.03			
LAM	05/06/2026	0.6700	▲ 4.69%	$0.93	$0.56			
LOT	05/06/2026	0.5900	▼- 3.28%	$3.20	$0.58		$2.000	▲239.0%
MEU	05/06/2026	0.1000	▼- 4.00%	$0.19	$0.04			
NXG	05/06/2026	15.9400	▲ 0.25%	$20.47	$9.66	-122.0	$20.367	▲27.8%
ORP	05/06/2026	0.0700	▲ 7.46%	$0.08	$0.02			
PDN	05/06/2026	11.0500	▼- 2.21%	$15.10	$6.03	-217.1	$13.193	▲19.4%
PEN	05/06/2026	0.3700	▼- 3.90%	$1.08	$0.28			
SLX	05/06/2026	6.0400	▼- 0.17%	$10.85	$3.12			
TOE	05/06/2026	0.5700	▲ 5.56%	$0.63	$0.17			
WCN	05/06/2026	0.0200	▲ 7.14%	$0.03	$0.01			



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WEEKLY REPORTS

In Brief: Helloworld, Rox & Hillgrove Resources

This week's In Brief focuses on the growth outlook for emerging producers Rox (gold) and Hillgrove (copper), and an improving booking trend for Helloworld despite the ongoing Middle East conflict.

- **Helloworld sees quick recovery in leisure travel demand once the war is over**
- **Rox's Youanmi development gains momentum following $568m funding package**
- **Kanmantoo site visit confirms Hillgrove Resources' transformed outlook**

By Danielle Ecuyer

This week's quote comes from Oxford Economics:

"Some survey and news-based indicators suggest that apart from the post-pandemic period, supply chain stress may be at its most intense since at least the early 1990s.

"However, we think the surge in the widely-watched Global Supply Chain Pressures Index likely mainly reflects firms bringing forward orders on fears of shortages, rather than actual bottlenecks.

"Also, the persistent strength of news-based measures may reflect editorial policy favouring stories on inflation rather than fundamental supply chain conditions."

Middle East war a flesh wound

At **Helloworld's** ((HLO)) latest June trading update, the adverse impacts of the Middle East war were laid bare for investors.

As detailed by Shaw and Partners, significant numbers of flights via the Middle East to the UK and Europe have been cancelled or re-booked, with airline capacity restricted over March and April.

Middle East carriers have lowered flights per week to 82 currently from 150 previously. There were none during March.

The ongoing war has weighed on Helloworld's earnings and outlook. Prior to the outbreak of conflict, the broker notes, forward air sales ticketed to leave in 4Q26 were tracking above last year by around 29% for Australia and 16% for New Zealand.

Cancellations and re-bookings have resulted in 4Q26 being on track for a decline of some -4% on the same time last year for both Australia and New Zealand.

Management pointed out around -$170m worth of total transaction value had been re-booked or cancelled. Around 50% of the customers re-booked on alternative carriers while utilising, where possible, non-refundable bookings for hotels, cruises, insurance and car hire.

In the fourth quarter, Helloworld has experienced a shift in income away from the Middle East carriers to lower-yielding deals with some of its Asian carrier partners.

Lower total transaction value has resulted in Shaw downgrading earnings forecasts for FY26 and now estimating underlying earnings (EBITDA) of $58.2m against revised guidance of $57m-$62m. EPS forecasts are downgraded by around -19% for FY26, FY27 and FY28.

On a more upbeat note, management expects demand for leisure travel will rebound to prior levels once the war is over within 60-90 days.

The broker points to forward bookings from July onwards being up low double digits on a year earlier. The travel agent has flagged a similar final dividend to FY25 in FY26.

Target price is lowered to $2.30 from $2.80 with a Buy rating retained.

Jarden also updated following management's FY26 earnings (EBITDA) guidance cut of around -12% at the midpoint.

This analyst believes management is positioned well to traverse the current challenges, underpinned by its exposure to the over 55-year-old demographic, which typically spends more per trip.

An uptick in July bookings y/y, with a resilient product mix, including more premium seats sold at 53% of sales and a move to higher-yield non-air sales (cruises, insurance, car hire) at 37% of sales versus 34% last year, are also highlighted as positives.

Jarden retains an Overweight rating.

A new sparkle in the sky

Rox Resources ((RXL)) could be Australia's next new gold miner. The company recently updated investors on its 100% owned Youanmi Gold Project in WA.

The ramp-up in mining across several fronts has commenced, including stripping starting at Youanmi Decline, which has been rehabilitated to offer a cost-efficient access route to the main ore nodes. A third ore source is being developed at the Pollard Decline.

At United North, underground mining is progressing ahead of the definitive feasibility study (DFS) assumptions. Development rates are above plan and an ore drive development is being conducted. Rest-of-mine stockpiles are being built up and, positively, Canaccord Genuity observes mineralisation is broadly aligned with the DFS model. Assay results remain outstanding.

Underground diamond drilling has started, with management aiming for a 12-month forward mining inventory once production is ramped up around June 2027.

The processing plant is also moving ahead, with Rox putting in place a fixed-price engineering, procurement and construction contract with Interquip.

Civil works are expected to start soon, with bulk earthworks nearly finished.

The expected capex as slated in the DFS stands at -$383m, with the Canaccord analyst assuming -$400m.

Positively, Youanmi is well funded post completion of a $200m placement, an $18m share purchase plan and a $350m debt package.

Canaccord believes Rox is developing one of the highest-grade underground mines in Australia and flags it will be Australia's next newest gold miner.

Speculative Buy rating retained with a $1.30 target price. At spot pricing the net asset value (NAV) stands at $0.95.

Hillgrove's transformation

Post a site visit to the Hillgrove Resources ((HGO)) Kanmantoo copper operation, Moelis has come away more upbeat and believes the investment case has improved materially since the mine restart.

Stronger production performance, an improved balance sheet and a growing resource inventory make Hillgrove a better investment proposition. The analyst argues it is no longer the same company that restarted Kanmantoo on a constrained budget several years ago.

Exploration success and the addition of new ore sources, with Nugent already contributing production and Emily Star expected to receive formal approval later in 2026, have boosted the outlook.

Moelis assumes Emily Star will require around -$25m in capital and reach steady-state production within 15-18 months of development.

The site visit also reinforced confidence in production, cost control and operational execution, with management viewed as highly capable and supported by a stable local workforce.

The operation is now generating sustainable free cash flow and is positioned to remain cash flow positive throughout the forecast period.

A key takeaway from the site visit was the growing optionality available to the company. Rising cash generation should allow Hillgrove to fund exploration and growth projects internally while also providing a buffer against operational disruptions.

Moelis forecasts Hillgrove could be cash sufficient by 2029 to effectively back its current enterprise value. If higher copper prices remain, that milestone could be brought forward by one year.

The analyst believes this growing financial flexibility should help alleviate lingering investor concerns around funding risk, a factor that has historically weighed on valuation.

Moelis was also more encouraged by the exploration potential at Kanmantoo than previously appreciated.

While mineralisation appears concentrated within a defined structural corridor, the company has identified numerous nearby targets that remain underexplored.

As Hillgrove is now entering a period where it is generating more cash flow, this can in turn translate into more significant exploration. This increases the potential for resource growth beyond the current mine plan and provides additional catalysts for the share price.

The earnings outlook has improved, with Moelis upgrading forecasts to reflect better mine sequencing, increased by-product credits from Nugent and the formal inclusion of Emily Star as a future production source.

Forecast net profit rises to $34.4m in FY26 from a previous estimate of $28.6m, while FY27's increases to $40.3m from $30.2m.

Moelis reckons the market has not fully reflected the company's reduced risk profile or improved long-term outlook, leaving the shares trading at a substantial discount to its valuation.

Buy rated with an 8.5c target price.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 12-06-26

A summary of the highlights from Broker Call Extra updates throughout the week past

Broker Rating Changes (Post Thursday Last Week)

Upgrade

EAGERS AUTOMOTIVE LIMITED ((APE)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

Moelis has upgraded Eagers Automotive to Buy from a Hold rating with a $26.35 target following a weaker-than-expected 1H26 result, largely attributed to timing impacts from the CanadaOne acquisition delay, a weaker Canadian dollar, and constrained supply from BYD and Toyota limiting deliveries despite record order intake.

The broker notes the A&NZ order bank has surged 70% since December 2025, supporting a stronger 2H26 as supply conditions improve, though higher interest costs provide a partial offset.

CanadaOne continues to outperform in a weak Canadian market, with significant industry consolidation opportunities seen supporting medium-term double-digit growth.

FY26-FY28 EPS estimates have been trimmed -3-8% to reflect the CanadaOne settlement delay, higher interest costs, and the closure of underperforming operations.

EPS forecasts are revised to 106.0c for FY26 and 126.2c for FY27, with DPS at 80.2c and 93.6c.

TREASURY WINE ESTATES LIMITED ((TWE)) Overweight by Jarden.B/H/S: 0/0/0

Jarden maintains an Overweight rating for Treasury Wine Estates with a $5.00 target price following incremental strategic disclosures at the 2026 Strategy Day.

Structural portfolio optimization will consolidate the current line-up from 76 brands down to fewer than 30 priority brands within five years.

Near-term projections point to FY26 earnings before interest, tax, and SGARA (EBITS) arriving between $480m and $490m, representing a stabilizing floor for the business.

Extended inventory rebalancing timelines across Americas distribution channels prompt a -9% to -10% reduction to FY27 and FY28 earnings estimates.

The report concludes decisive cost-out execution and streamlined logistics structures position the business to safely peak net leverage at 2.9x before returning below target thresholds by FY28.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	EAGERS AUTOMOTIVE LIMITED	Buy	Neutral	Moelis
2	TREASURY WINE ESTATES LIMITED	Buy	Neutral	Jarden

Price Target Changes (Post Thursday Last Week)

Company		Last Price	Broker	New Target	Old Target	Change
29M	29Metals	$0.25	Canaccord Genuity	0.30	0.25	20.00%
APE	Eagers Automotive	$21.74	Moelis	26.35	28.37	-7.12%
ATH	Alterity Therapeutics	$0.01	Canaccord Genuity	0.95	0.02	5837.50%
CBE	Cobre	$0.28	Canaccord Genuity	0.35	0.25	40.00%
CYM	Cyprium Metals	$0.36	Canaccord Genuity	0.85	0.65	30.77%
HGO	Hillgrove Resources	$0.05	Moelis	0.09	0.08	13.33%
HLO	Helloworld Travel	$1.39	Shaw and Partners	2.30	2.80	-17.86%
IEL	IDP Education	$2.28	Jarden	5.20	6.00	-13.33%
PFP	Propel Funeral Partners	$3.08	Jarden	4.25	5.00	-15.00%
QOR	Qoria	$0.25	Canaccord Genuity	0.42	0.50	-16.00%
RCL	ReadCloud	$0.07	Research as a Service (RaaS)	0.34	0.36	-5.56%
RSG	Resolute Mining	$1.00	Canaccord Genuity	3.05	3.15	-3.17%
SEK	Seek	$13.54	Jarden	23.25	23.50	-1.06%
SLC	Superloop	$3.60	Canaccord Genuity	3.95	3.74	5.61%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

AIS AERIS RESOURCES LIMITED

Industrial Metals – Overnight Price: $0.41

Canaccord Genuity rates ((AIS)) as Initiation of coverage with Buy (1) –

Canaccord Genuity initiates coverage on Aeris Resources with a Buy rating and a $0.70 target price, highlighting diversified base and precious metal exposure through the Tritton copper operations in New South Wales and Cracow gold mine in Queensland.

Combined copper equivalent output is forecast to expand from 42kt in FY25 to 50kt in FY29, peaking at 76kt in FY32.

Core mine life extensions are targeted organically through an active 80,000m drilling campaign alongside the recent regional asset acquisition of Peel Mining.

The broker anticipates strong localized financial flexibility, projecting the gold division to generate $53m in free cash flow during FY26 to fund deep development steps at Golden Plateau.

The analyst framework incorporates further optionality and latent growth upside from regional landholdings at Jaguar and Stockman, finding the stock highly attractive at 0.63x price to net asset value.

This report was published on June 6, 2026.

Target price is **$0.70** Current Price is **$0.41** Difference: **$0.285**
If **AIS** meets the Canaccord Genuity target it will return approximately **69%** (excluding dividends, fees and charges).
Current consensus price target is **$0.77**, suggesting upside of **82.7%**(ex-dividends)

Forecast for FY26:

Current consensus EPS estimate is **13.4**, implying annual growth of **186.9%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **3.1**.

Forecast for FY27:

> Current consensus EPS estimate is **16.1**, implying annual growth of **20.1%**.
> Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
> Current consensus EPS estimate suggests the PER is **2.6**.

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

AR1 AUSTRAL RESOURCES AUSTRALIA LIMITED

Copper – Overnight Price: $0.09

Shaw and Partners rates ((AR1)) as Buy (1) –

Shaw and Partners maintains a Buy rating for Austral Resources Australia with a $0.42 target price as the company systematically de-risks its multi-stage copper production pipeline.

Refurbishment and engineering schedules at the 3mtpa Rocklands processing facility progress on-time and on-budget ahead of an anticipated mid-2027 operational restart.

Procurement uncertainties have been mitigated following the strategic purchase of an unused SAG mill for site integration by late July.

Strong balance sheet parameters showcase $83m in net cash, marking a significant corporate turnaround after a multi-year listing suspension.

Shaw posits concurrent development of wholly owned oxide and sulphide assets positions the entity as a unique copper consolidation vehicle to capture structural deficits in global seaborne markets.

This report was published on June 5, 2026.

Target price is **$0.42** Current Price is **$0.09** Difference: **$0.333**
If **AR1** meets the Shaw and Partners target it will return approximately **383%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY26:

> Shaw and Partners forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 10.80** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 0.81**.

Forecast for FY27:

> Shaw and Partners forecasts a full year **FY27** dividend of **0.00** cents and EPS of **1.60** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.44**.

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

CNB CARNABY RESOURCES LIMITED

Mining – Overnight Price: $0.60

Moelis rates ((CNB)) as Buy (1) –

Carnaby Resources has released the results of follow-up drilling to test the width of its recent discovery called Miniboom.

Additional drilling at a less acute angle to mineralisation has revealed 26m at 3% copper and 0.3g/t gold and 50m at 2.5% copper and 0.3g/t gold.

Follow-up drilling at Trek 1 has also been accomplished with 85m at 1.4% copper and 0.4g/t gold.

Moelis notes the additional drilling at Miniboom could support meaningful additional tonnage and continued success at Trek 1 underscores its view on the prospectivity of the region. Buy rating and $0.95 target.

This report was published on June 9, 2026.

Target price is **$0.95** Current Price is **$0.60** Difference: **$0.345**
If **CNB** meets the Moelis target it will return approximately **57%** (excluding dividends, fees and charges).

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

CTE CRYOSITE LIMITED

Medical Equipment & Devices – Overnight Price: $1.06

Research as a Service (RaaS) rates ((CTE)) as No Rating (-1) –

Cryosite has published a trading update for the year to April 30 that shows strong revenue and earnings growth. Revenue was up 22% while EBITDA was up 28%.

Research as a Service (RaaS) notes operating leverage is starting to show and growth in underlying demand, particularly in the ultra-frozen and cryogenic segment, was a highlight.

The company has refinanced its debt facility, extending to 2030 to provide greater certainty.

Research as a Service (RaaS) research doesn't carry any targets, ratings or recommendations. Investors can draw conclusions from valuations and commentary.

This report was published on June 9, 2026.

Current Price is **$1.06**. Target price not assessed.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

PFP PROPEL FUNERAL PARTNERS LIMITED

Consumer Products & Services – Overnight Price: $3.19

Jarden rates ((PFP)) as Overweight (2) –

Jarden maintains an Overweight rating for Propel Funeral Partners with its target price reduced to $4.25 from $5.00 following an update to near-term earnings parameters.

Full-year operational EBITDA is guided to a revised range of $54.5m to $56.5m, reflecting soft like-for-like funeral volume contractions across metropolitan markets.

Incremental margin pressure stems from a structural -$0.7m foreign exchange headwind within the group's New Zealand business division.

Partially offsetting the volume softness is newly announced regional acquisition activity totaling $9m, which is modeled to be 1% earnings per share accretive.

Financial year projections encompass -10% to -12% downward revisions to normalised earnings estimates, though the long-term investment thesis remains supported by a defensive property portfolio and industry consolidation optionality, the report concludes.

This report was published on June 4, 2026.

Target price is **$4.25** Current Price is **$3.19** Difference: **$1.06**
If **PFP** meets the Jarden target it will return approximately **33%** (excluding dividends, fees and charges).
Current consensus price target is **$5.50**, suggesting upside of **72.4%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **12.90** cents and EPS of **14.90** cents.
At the last closing share price the estimated dividend yield is **4.04%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.41**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **16.2**, implying annual growth of **9.5%**.
Current consensus DPS estimate is **13.4**, implying a prospective dividend yield of **4.2%**.
Current consensus EPS estimate suggests the PER is **19.7**.

Forecast for FY27:

Jarden forecasts a full year **FY27** dividend of **13.40** cents and EPS of **15.50** cents.
At the last closing share price the estimated dividend yield is **4.20%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.58**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **18.1**, implying annual growth of **11.7%**.
Current consensus DPS estimate is **14.9**, implying a prospective dividend yield of **4.7%**.
Current consensus EPS estimate suggests the PER is **17.6**.

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

PYC PYC THERAPEUTICS LIMITED

Pharmaceuticals & Biotech/Lifesciences – Overnight Price: $1.24

Canaccord Genuity rates ((PYC)) as Buy (1) –

Canaccord Genuity maintains a Buy rating for PYC Therapeutics with a $2.84 target price following the disclosure of Novartis' Phase III trial design metrics for competitor asset farabursen.

The newly detailed global regulatory protocol incorporates an expanded sample size of approximately 950 patients alongside dual active dosing configurations to systematically de-risk clinical effect size assumptions.

Prolonged competitor commercialization timelines are considered highly beneficial by the broker, potentially allowing an accelerated opportunity to narrow the operational timing gap.

If early clinical candidate PYC-003 delivers clean biomarker data from early 2027 onwards, the structural investment thesis suggests a leaner, more precise development pathway.

Underlying financial modeling remains completely intact, driven by long-term peak US sales projection of US$3bn by FY35.

This report was published on June 6, 2026.

Target price is **$2.84** Current Price is **$1.24** Difference: **$1.605**
If **PYC** meets the Canaccord Genuity target it will return approximately **130%** (excluding dividends, fees and charges).

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

RCL READCLOUD LIMITED

Education & Tuition – Overnight Price: $0.07

Research as a Service (RaaS) rates ((RCL)) as No Rating (-1) –

ReadCloud has delivered its first half results with sales and fee revenue of $8.5m and EBITDA from continuing operations of $2.1m. Research as a Service (RaaS) notes this covers the seasonal peak period of the Australian school curriculum, being the start of the year.

Growth is being led by the VET-in-schools business. E-books delivered a flat result albeit well-positioned for resuming growth amid new school signings and the reinvigoration of the domestic reseller model as well as international sales, the analyst points out.

The CEO, Andrew Skelton, has resigned and the CFO, Luke Murphy, will stand in on an interim basis.
The valuation is slightly reduced, being derived from organic earnings growth, to $0.34 from $0.36. Forecasts are now considered more stable and predictable after the exit of the industry training business.

Research as a Service (RaaS) research standard doesn't carry any targets, ratings or recommendations. Investors can draw conclusions from valuations and commentary.

This report was published on June 10, 2026.

Target price is **$0.34** Current Price is **$0.07** Difference: **$0.275**
If **RCL** meets the Research as a Service (RaaS) target it will return approximately **423%** (excluding dividends, fees and charges).
The company's fiscal year ends in September.

Forecast for FY26:

Research as a Service (RaaS) forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.00**.

Forecast for FY27:

Research as a Service (RaaS) forecasts a full year **FY27** dividend of **0.00** cents and EPS of **1.10** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.91**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

SEK SEEK LIMITED

Jobs & Skilled Labour Services – Overnight Price: $12.95

Jarden rates ((SEK)) as Buy (1) –

Jarden maintains a Buy rating for Seek with its target price reduced to $23.25 following modeling adjustments across regional recruitment indicators.

A proprietary tracker highlights persistent annual pricing strength across standard domestic ads, signaling potential upside risk to short-term entry yield guidance.

Revisions incorporate expanded baseline pricing power parameters, though this benefit is partially offset by a downgrade to financial year FY27 volume assumptions from flat to a contraction of -2.5%.

The localized volume reduction reflects macroeconomic indicators suggesting the Australian labor market is past its peak, the broker observes, pushing projected national unemployment to 4.8% by June 2027.

A forecast two-year normalized earnings per share compound annual growth rate of 21% through to FY29 underpins the positive structural investment thesis.

This report was published on June 4, 2026.

Target price is **$23.25** Current Price is **$12.95** Difference: **$10.3**
If **SEK** meets the Jarden target it will return approximately **80%** (excluding dividends, fees and charges).
Current consensus price target is **$21.81**, suggesting upside of **68.4%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **51.40** cents and EPS of **55.50** cents.
At the last closing share price the estimated dividend yield is **3.97%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **23.33**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **55.3**, implying annual growth of **-19.5%**.
Current consensus DPS estimate is **53.3**, implying a prospective dividend yield of **4.1%**.
Current consensus EPS estimate suggests the PER is **23.4**.

Forecast for FY27:

Jarden forecasts a full year **FY27** dividend of **63.40** cents and EPS of **66.40** cents.
At the last closing share price the estimated dividend yield is **4.90%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.50**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **68.0**, implying annual growth of **23.0%**.
Current consensus DPS estimate is **61.3**, implying a prospective dividend yield of **4.7%**.
Current consensus EPS estimate suggests the PER is **19.0**.

Market Sentiment: **0.8**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

WEEKLY REPORTS

The Short Report - 12 Jun 2026

FNArena's weekly update on short positions in the Australian share market.

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

Summary:

Week Ending June 4th, 2026 (most recent data available through ASIC).

10%+

ATBHQ	Asian Development Bank 2029 note 4.35%	160.00%
LOT	Lotus Resources	20.81%
TLX	Telix Pharmaceuticals	14.92%
DMP	Domino's Pizza Enterprises	14.91%
BOE	Boss Energy	14.00%
TWE	Treasury Wine Estates	12.83%
GYG	Guzman y Gomez	12.72%
DRO	DroneShield	12.14%
CAR	CAR Group	11.72%
FLT	Flight Centre Travel	11.24%
4DX	4DMedical	11.15%
PDN	Paladin Energy	10.76%
ZIP	Zip Co	10.74%
EDV	Endeavour Group	10.38%
PLS	PLS Group	10.33%
LYC	Lynas Rare Earths	10.03%

In: ATBHQ, 4DX, PLS, LYC
Out: BAP, PNV

9.0-9.9%

BAP	Bapcor	9.80%
BPT	Beach Energy	9.65%
GDG	Generation Development	9.48%
ELD	Elders	9.47%
CUV	Clinuvel Pharmaceuticals	9.34%
HLS	Healius	9.27%
IPH	IPH Ltd	9.15%

In: BAP, ELD, IPH
Out: LYC, 4DX, BRG

8.0-8.9%

MSB	Mesoblast	8.78%

RIO	Rio Tinto	8.75%
BRG	Breville Group	8.74%
IPX	IperionX	8.63%
TPW	Temple & Webster	8.57%
CTD	Corporate Travel Management	8.50%
ACL	Australian Clinical Labs	8.47%
NXT	NextDC	8.36%
PNV	PolyNovo	8.08%
SLX	Silex Systems	8.03%

In: BRG, TPW, PNV
Out: IPH, ELD, NAN

7.0-7.9%

ING	Inghams Group	7.89%
PWH	PWR Holdings	7.71%
NAN	Nanosonics	7.64%
LIC	Lifestyle Communities	7.57%
BMN	Bannerman Energy	7.47%
ILU	Iluka Resources	7.40%
SDR	SiteMinder	7.31%
WTC	WiseTech Global	7.18%
HMC	HMC Capital	7.16%
CU6	Clarity Pharmaceuticals	7.07%

In: NAN, SDR, HMC
Out: TPW

6.0-6.9%

NEU	Neuren Pharmaceuticals	6.50%
SHL	Sonic Healthcare	6.34%
WEB	Web Travel	6.30%
DGT	DigiCo Infrastructure REIT	6.16%
GMD	Genesis Minerals	6.01%
RHC	Ramsay Health Care	6.00%

In: SHL, WEB, RHC
Out: HMC, SDR, LLC, PLS, CCP, JIN

5.0-5.9%

DYL	Deep Yellow	5.96%
TYR	Tyro Payments	5.91%
MP1	Megaport	5.88%
JIN	Jumbo Interactive	5.80%
AUB	AUB Group	5.77%
LLC	Lendlease Group	5.42%
MMS	McMillan Shakespeare	5.35%
A4N	Alpha HPA	5.28%
FFM	FireFly Metals	5.25%
PXA	Pexa Group	5.22%

CAT	Catapult Sports	5.18%
GEM	G8 Education	5.08%
VUL	Vulcan Energy Resources	5.00%

In: JIN, LLC, VUL
Out: SHL, RHC, MYR, DTL

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.3	NAB	1.6	1.8
ANZ	0.8	0.8	NST	1.1	0.8
BHP	1.3	1.4	QBE	1.0	0.8
BXB	0.3	0.2	RIO	9.0	8.7
CBA	2.0	2.1	TCL	1.8	1.8
COL	1.2	1.2	TLS	1.0	0.9
CSL	0.8	0.7	WBC	1.6	1.8
FMG	2.1	2.2	WDS	2.7	2.6
GMG	2.1	2.1	WES	1.3	1.1
MQG	0.5	0.4	WOW	2.3	2.3

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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