WEEK 25

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 20 June 2025

FNArena Visits NextDC's S3 Data Centre

Rudi's View: CBA, Life360, ResMed, Zip & More

Smart Platform Underpins SiteMinder Optimism

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 14 Jun 2025

The Market In Numbers: Look under the bonnet and what do you see?

For most investors, whatever goes on in financial markets is experienced through their own portfolio and personal matters of interest.

The below detailed overview in raw numbers and calculations might assist with assessing trends and currents that might not be apparent from daily volatility and movements.

All index data are ex dividends. Commodities are in USD.

Australia & NZ

Index	14 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12552.870	-0.08%	1.08%	2.31%	-4.26%	7.13%
All Ordinaries	8770.60	0.33%	1.27%	8.91%	4.16%	9.44%
S&P ASX 200	8547.40	0.37%	1.34%	8.98%	4.76%	10.04%
S&P ASX 300	8474.60	0.33%	1.28%	8.90%	4.64%	9.94%
Communication Services	1841.20	0.40%	0.97%	13.37%	13.14%	22.65%
Consumer Discretionary	4113.20	0.69%	0.78%	9.14%	5.16%	17.14%
Consumer Staples	12569.50	1.37%	1.33%	7.80%	6.80%	1.55%
Energy	8625.20	6.49%	8.38%	8.63%	0.03%	-14.02%
Financials	9318.90	0.04%	1.98%	11.96%	8.18%	21.70%
Health Care	41319.80	-0.40%	-1.74%	1.95%	-7.94%	-6.63%
Industrials	8385.70	-0.08%	1.17%	8.06%	9.67%	23.11%
Info Technology	2895.20	-0.44%	0.53%	28.11%	5.63%	23.65%
Materials	16401.70	-0.42%	0.21%	2.67%	1.72%	-2.82%
Real Estate	3976.90	1.12%	2.56%	14.10%	5.73%	11.61%
Utilities	9645.80	4.68%	4.14%	6.48%	6.79%	3.89%
A-REITs	1828.40	1.21%	2.77%	14.78%	6.40%	12.57%
All Technology Index	3969.20	-0.85%	-0.79%	19.59%	4.30%	26.49%
Banks	3956.60	0.17%	2.18%	12.75%	9.71%	23.83%
Gold Index	13222.90	4.20%	3.61%	20.41%	56.97%	79.72%
Metals & Mining	5433.50	-0.56%	-0.25%	2.94%	3.38%	-2.11%

The World

Index	14 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8850.63	0.14%	0.89%	3.12%	8.29%	8.41%
DAX30	23516.23	-3.24%	-2.01%	6.10%	18.12%	28.96%
Hang Seng	23892.56	0.42%	2.59%	3.34%	19.11%	34.84%
Nikkei 225	37834.25	0.25%	-0.34%	6.22%	-5.16%	-4.42%
DJIA	42197.79	-1.32%	-0.17%	0.47%	-0.81%	7.87%
S&P500	5976.97	-0.39%	1.10%	6.51%	1.62%	9.46%
Nasdaq Comp	19406.83	-0.63%	1.53%	12.18%	0.50%	9.44%

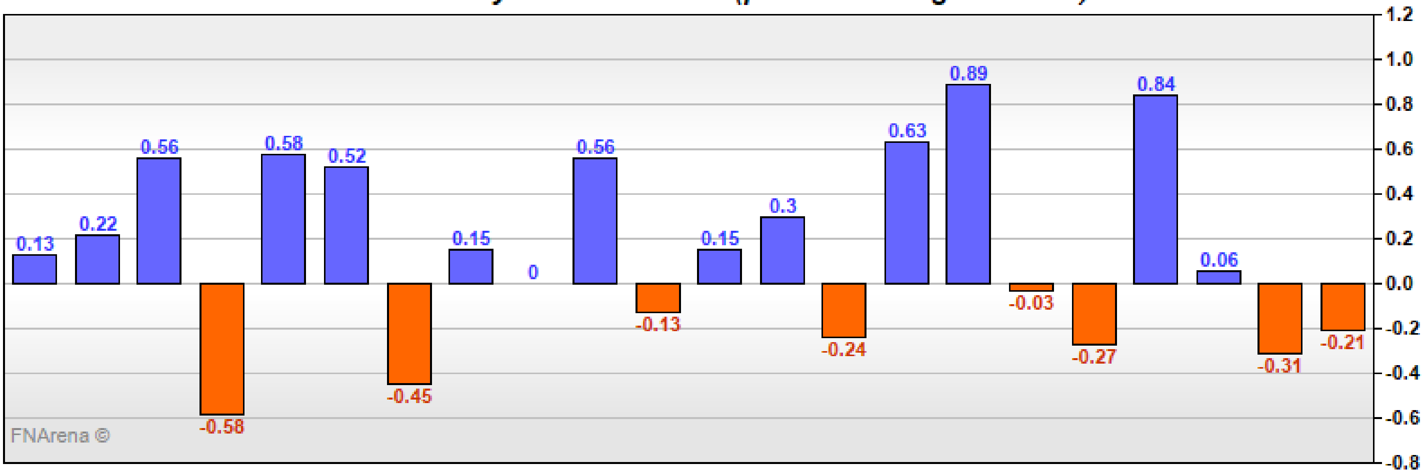
Metals & Minerals

Index	14 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	3407.42	0.92%	1.96%	8.97%	29.72%	45.74%
Silver (oz)	36.35	1.54%	8.70%	3.92%	20.28%	24.28%
Copper (lb)	4.8420	-1.42%	3.68%	-6.03%	18.20%	11.73%
Aluminium (lb)	1.1441	1.71%	2.91%	-0.34%	0.09%	1.74%
Nickel (lb)	6.7786	-2.26%	-1.09%	-6.79%	-5.13%	-12.85%
Zinc (lb)	1.2000	-1.65%	-1.12%	-6.62%	-11.20%	-9.51%
Uranium (lb) weekly	71.50	-0.69%	-0.69%	11.72%	-0.69%	-14.11%
Iron Ore (t)	95.46	-0.25%	-3.84%	-8.01%	-8.07%	-10.37%

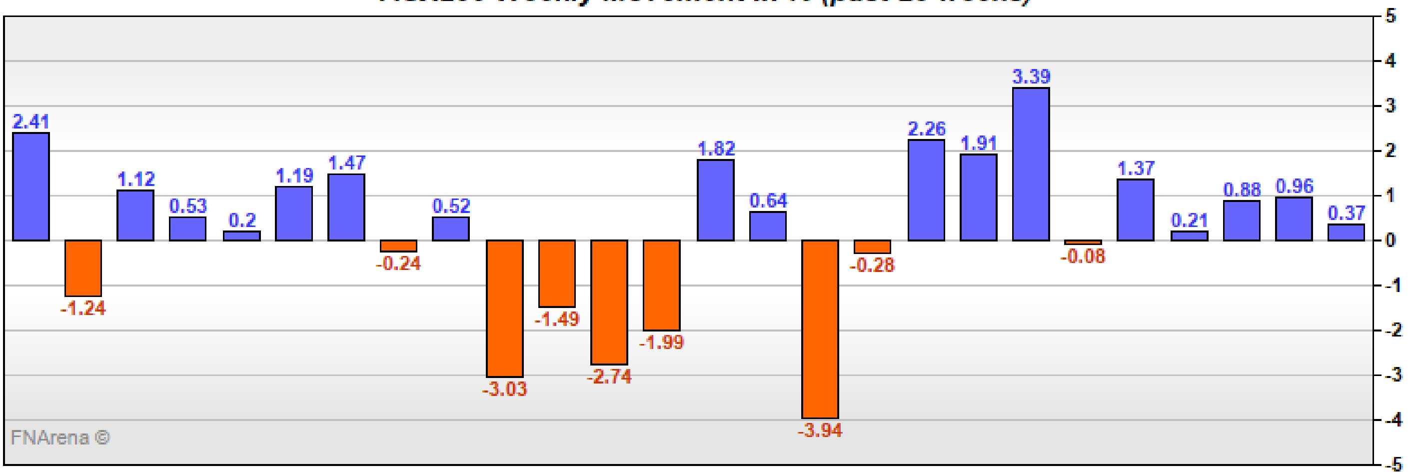
Energy

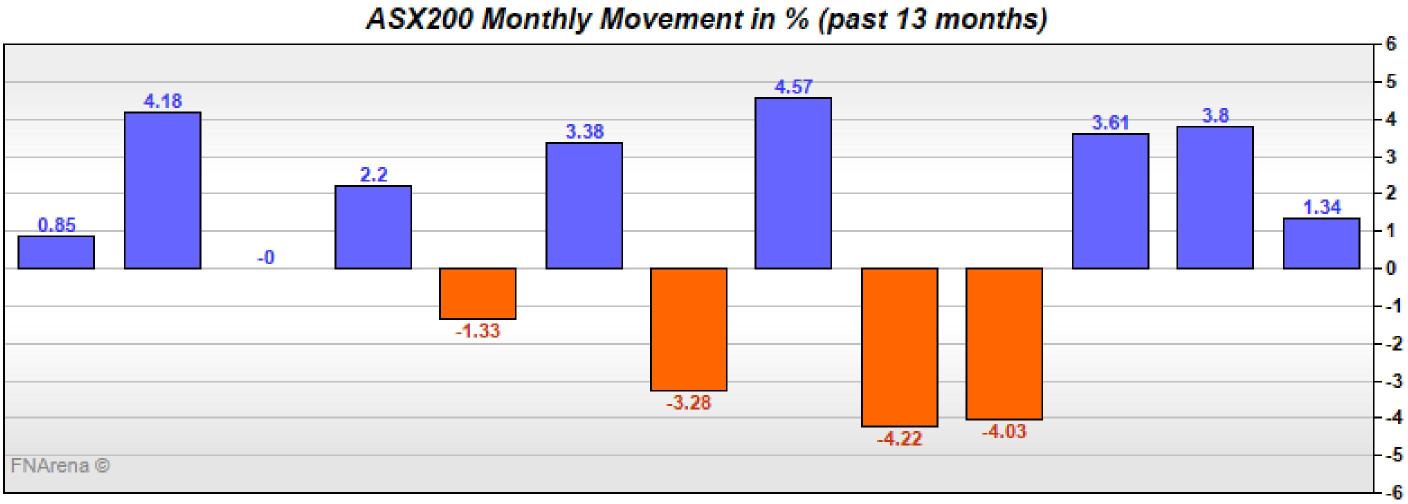
Index	14 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	68.79	8.74%	12.92%	-0.82%	-0.99%	-15.97%
Brent Crude	70.17	7.56%	10.77%	-3.56%	-3.29%	-17.87%

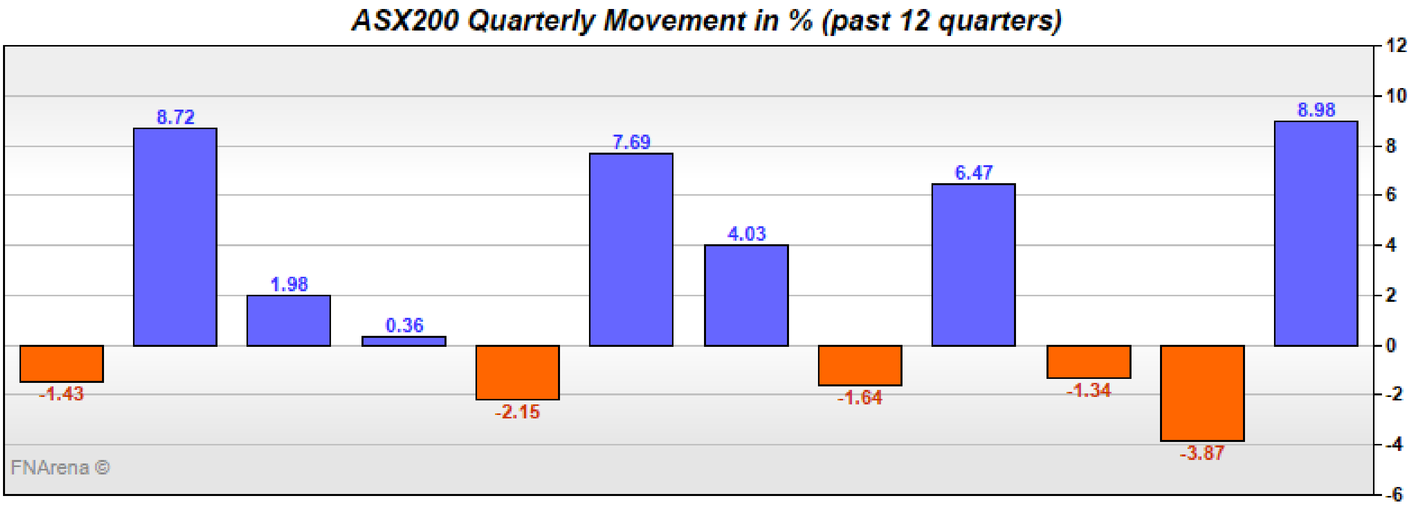
ASX200 Daily Movement in % (past 22 trading sessions)



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.

FNArena is not responsible for any glitches, omissions or data errors. This feature is not investment advice. It is offering a quick status on raw price movements for information purposes only.

AUSTRALIA

BHP Props Up Aurizon

Aurizon Holdings has won a long term copper haulage contract with BHP, but is it enough to stem the company's tide of negative revisions?

-Aurizon Holdings wins copper haulage contract from BHP in South Australia
-Share price has been on a long trajectory southwards since pre-covid
-BHP contract more of a longer-term contributor
-Multiple risks remain for existing contracts

By Greg Peel

Over the past twelve months, the share price of bulk haulage company Aurizon Holdings ((AZJ)) has fallen -14%, against the ASX200 rising 11% in the same period.

Market sentiment has suffered from negative newsflow regarding Aurizon's Bulk strategy, such as volume weakness and counterparty credit risks, along with weaker cyclical Grain performance in the first half.

Coal volumes for May have been impacted by ongoing production issues at Anglo American and wet weather in NSW. Macquarie expects the Goonyella rail corridor will be circa -12% below the target levels, and Blackwater/Moura -8%.

The drag on "below rail" (rail network) is irrelevant as the recovery mechanism will see it come back two years later, however it is likely to impact "above rail" (rolling stock) haulage volumes, Macquarie notes.

If this were not enough, Aurizon's contract with Karara Mining Ltd's (KML) troubled iron ore mine in WA is up for repricing in FY28, and its contract with Incitec Pivot's ((IPL)) Phosphate Hill fertiliser mine is uncertain as Incitec contemplates a closure.

It's always darkest just before dawn. This week BHP Group ((BHP)) and Aurizon signed off on a significant, long-duration transport agreement. Is it enough to reverse the trend?

Olympic Medal

Aurizon has successfully negotiated a broader supply contract for BHP Copper at Olympic Dam and its associated mines in South Australia.

The contract involves rail and truck movements, albeit the latter is one third of the revenue and is outsourced to an existing BHP contractor. The contract life is around 11-15 years, subject to contractual review and performance, which is materially longer than other contracts in the bulk portfolio.

The opportunity lays in BHP preparing to make a final investment decision (FID) to grow Olympic Dam's smelting capacity to up to 80%.

This will dramatically increase the inputs required for transport, although Macquarie points out export tonnage falls (copper cathode is lighter than concentrate). It does provide a pathway for growth in the medium term (2030-2035).

The contract implies a revenue run-rate of $150mpa on average over the first ten years, moving 1.3mtpa of freight to/from BHP's sites (including 300-400kt copper). Aurizon's capital required is expected to be around -$100m, but given some utilisation of existing assets/invested capital, UBS notes, not all of it will be new investment, with a new rail freight terminal at Pimba (near Woomera SA) the largest single investment at -$40m.

The contract commences in October, hence there will be a part-period contribution in FY26, with full run rate to be achieved in FY28 following completion of the Pimba terminal.

Stability, But Growth?

Following a period of pronounced negative revision momentum for Aurizon's Bulk segment, Jarden posits the addition of the BHP Copper Haulage contract can help stabilise earnings ahead of any organic earnings improvement anticipated in FY26, based on the broker's forecasts.

Jarden estimates the contract could add between $20-25m of earnings (EBITDA) by FY28, when it is assumed full service and contracted margin will be reached.

Jarden still sees three key elements required before becoming more constructive on the investment outlook: 1) evidence that the Bulk division weakness has stabilised; 2) greater capital discipline with "growth" capex attributed towards Bulk and Containerised Freight expansion; and 3) improving cash generation/capital returns from the underlying Coal and Network businesses.

Jarden maintains a Neutral rating, lowering its target to $3.15 from $3.20.

Macquarie estimates the contract will add some 1% to profit. The BHP win is a positive, this broker suggests, but the upcoming repricing of the KML contract may see much of this growth eaten away, (pricing is dependent on underlying iron ore prices) and there remains a risk that Phosphate Hill is closed.

April/May coal volumes are still hurting, Macquarie notes. This creates a drag, albeit it is one-off in nature. The broker still struggles to see enough evidence the bulk strategy is delivering. Nonetheless, the implied yield of 6-7% should support the share price.

Macquarie retains its Neutral rating, increasing its target to $3.39 from $3.32.

Assuming around 5% growth per annum comprised of 1) inflation; and 2) BHP South Australian copper volume growth of 2-3% pa, Citi estimates the sales contribution would be circa $120-130m in first full year. In aggregate, capital required would be -$100m, of which at least -$40m is new/incremental; and assuming a cost of capital at 10%, this implies a $10m contribution to earnings, or about 1% in FY26.

Incorporating a partial year and interest, Citi estimates a largely immaterial impact on profit. A Neutral rating and $3.40 target are retained.

Based on existing strategy commentary, Aurizon targets low double-digit returns from Bulk investments, UBS notes, implying a $15-20m earnings contribution from the BHP contract.

UBS had already forecast some $100m earnings growth from FY25 to FY28, so this contract (and other contract wins) are conceivably already required to meet segment forecasts.

Therefore, from an earnings perspective, the BHP contact is positive but not obviously incremental and UBS hasn't made changes to forecasts and/or valuation.

UBS has a Neutral rating and $3.20 target.

Shares in Aurizon Holdings peaked pre-covid near $6 in 2019 and have been on an elongated downsloping trajectory since. They briefly touched below $2.90 in May, a level not witnessed since 2010. The company listed in November 2010 as QR National Ltd and changed its name to Aurizon Holdings in 2012.

One fact Aurizon Holdings can boast about is it has grown into Australia's largest rail freight operator.

On current consensus forecasts, FY25 should hardly show any growth, but FY26 should welcome a more decisive acceleration to the tune of 19%. The implied dividend yield of 5.8% for the running financial year is expected to jump to 7% as the resumption of growth is expected to also accommodate a higher dividend payout (to 21.6c).

AUSTRALIA

Cochlear Downgrades Ahead Of New Launches

A decline in Services revenue had led to another profit downgrade from Cochlear, but brokers look ahead to new product launches.

-Decline in Services revenue leads Cochlear to downgrade FY25 guidance
-Nucleus 8 upgrade cycle disappoints due to cost of living
-New smart implants announced
-Improvement expected in FY26

By Greg Peel

Hearing device specialist Cochlear ((COH)) has downgraded FY25 profit guidance to $390-400m from a prior $410-430m and compared to consensus of $411-413m, representing a -3.7% downgrade at the midpoint. It's the company's third consecutive earnings miss.

Over the last few months, Cochlear's downgrade appeared to be well anticipated, Jarden suggests, but could have been worse, had the Aussie not weakened against the euro post the US Liberation Day tariff announcement.

The downgrade was prompted by declining market share in various developed market geographies (including the US) at the same time that market growth slowed. In the US, market share was lost to Advanced Bionics and Med-El as both competitors became more aggressive given the delay in the availability of Cochlear's new product.

As developed markets lost momentum, emerging markets filled the void with some lumpy sales that enabled Cochlear to maintain its circa 15% implant unit growth in the second half.

This introduced some unexpected gross margin deterioration, Jarden notes, as a result of the step-up in tender units. The upgrade cycle of the Nucleus 8 failed to improve as management had guided for in the second half, which management blames on cost of living pains, especially as insurers increase "out of pocket cost" which saw a spike in upgrade cancellations.

The upshot was a greater than expected decline in Services revenue, albeit Ord Minnett notes two prior years of strong growth. Services revenue is now expected to fall by a low double-digit percentage versus previous guidance for a single-digit percentage decline.

<u>New Products</u>

At the same time, Cochlear launched its new Nucleus Nexa System, a smart cochlear implant (CI) system that allows firmware to be upgraded via both the implant and sound processor, with internal memory that can store patient information allowing easy switching to new sound processors.

Management notes the system offers direct streaming from smartphones and would eventually allow streaming from smart TVs and laptops. It is also the smallest sound processor on the market and has an all-day battery life.

Nucleus Nexa, Cochlear's next generation CI portfolio, set to launch mid-June in Europe and Asia Pacific, incorporates a full product system upgrade with a new CI with three electrode designs, plus associated behind-the-ear (BTE) and off-the-ear (OTE) sound processors. Key features include internal CI memory, upgradeable CI firmware, and --as pointed out by management-- it's the smallest BTE sound processor with the longest battery life available.

Conservatively, UBS has assumed Nucleus Nexa lifts Cochlear's global CI market share by 3% to 63% by FY28 based on previous CI product releases.

Separately, the sound processor replacement rate should recover over the next two years, UBS suggests, mainly driven by better marketing into an aging installed base with the replacement/upgrade point reaching around nine years, and Cochlear ending support for older models over the next six months. UBS' analysis also points to a modest boost in replacement rate from new Kanso 3 OTE sound processor, which incorporates the latest sound technology from the Nucleus 8 BTE.

Ongoing work to identify and connect with recipients, combined with the introduction of the new OTE Nucleus Kanso 3 Sound Processor, is expected to lift Services revenue in FY26.

Morgans nonetheless notes the new Kanso 3 Sound Processor is launching outside the typical three-to-five year cost reimbursement cycle for upgrades, and appears to be an OTE equivalent of the BTE Nucleus 8 sound processor, launched in December 2022, a more commonly used option, so may be construed as being more about convenience than medical necessity from a cost reimbursement point of view.

While the Cochlear Nucleus Nexa introduces several enhancements, it is based on the existing Nucleus 8 platform, Morgans notes, with improvements appearing incremental and more about refining the user experience, as opposed to technological advancements in hearing capabilities that Nucleus 8 introduced over the Nucleus 7, potentially limiting gains compared to prior launches.

Morgans anticipates the release of Nucleus 9 in 2027.

Looking Ahead

Despite management's guidance downgrade, Jarden is feeling more optimistic on Cochlear now the negative market update is behind us. As a result, the broker forecasts an underlying profit compound annual growth rate (CAGR) of 17.7% over the next three years after rebasing FY25 profit to 2.3% growth.

The company has a net-cash balance sheet and a US tariff exemption which helps support the stock. Considering the raft of new product launches, Jarden is encouraged by the ability for the launches to reignite growth for the company. The broker had already anticipated earnings upside from these launches and has moderated its expectations, especially now FY25 earnings have been rebased.

Jarden has revised down underlying profit forecasts in FY25-27 to reflect the downgrade. While this still represents a favourable backdrop, a rebound in first half FY26 earnings is not guaranteed, Jarden warns.

Notwithstanding, Jarden has lifted its price target to $270.28 from $264.71, retaining Neutral.

While new CI system launches tend to precede re-rates, Morgans remains cautious, given an out-of-cycle launch and user-focused enhancements increasing cost reimbursement risk. Morgans rates Cochlear Hold with a target of $281.36, down from $285.55.

Cochlear's business is in a strong position, Ord Minnett believes, bolstered by a total addressable market for cochlear implants that is expected to hit almost US$5bn by 2030, high barriers to entry due to technology requirements and the industry's oligopolistic structure, plus the company's competitive advantage in terms of product.

These appealing attributes have nevertheless been priced in, Ord Minnett suggests, leading the broker to maintain a Hold recommendation and target of $285.00.

In line with guidance, UBS has lowered its FY25 profit forecast due to reduced Service revenue. However, forecast profit is unchanged in FY26 and increases in FY27, underpinned by a faster recovery in Services revenue as the sound processor replacement rate lifts, on top of slightly stronger CI revenue from global market share gains.

UBS' forecast earnings CAGR lifts to 14% from 10% versus the ten-year median (excluding covid impact) of 15% per annum. The broker also expects Services revenue to lift by 40% over the next three years underpinned by CI installed base unit growth of 26% and a recovery in the sound processor replacement rate, helped by upgrades to the new Kanso 3 OTE sound processor.

UBS' higher earnings growth profile lifts its target to $325.00 from $285.00 and suggests Cochlear can support a one-year forward PE in the low 40x. UBS has thus upgraded to Buy from Neutral.

On the flipside, Morgan Stanley has issued only a brief update on Cochlear's announcements, and retains an Underweight rating and $267.00 target.

AUSTRALIA

Sigma Healthcare: Synergies, Margins In Focus

New research on Sigma Healthcare highlights management's conservative cost synergy target, as well as potential market share gains and operating leverage.

-Jarden's research highlights Sigma Healthcare's strong growth potential
-Higher-than-expected cost synergies complement the potential from offshore expansion
-Product expansion via Ultra Beauty, Optical, Media, and Health Services
-FY25 results in August should provide a clearer picture

By Mark Woodruff

Following the union with Chemist Warehouse, pharmacy retail and wholesale giant Sigma Healthcare ((SIG)) appears positioned for sustained growth, driven by ongoing market share gains, operating leverage, and the realisation of substantial cost synergies.

This is the view of broker Jarden, which initiated research coverage earlier this month, highlighting the company's enhanced scale and earnings potential post-transaction.

Just as important: the broker's growth projections exclude any substantial contribution from international markets.

Jarden assigns just 24c per share in value to offshore operations, despite early signs of traction and a total addressable market estimated at over $60bn, five times the size of the Australian market.

Announced in December 2023 and completed in February 2025, the merger between Sigma Healthcare and Chemist Warehouse was effectively a reverse takeover, with Sigma acquiring Chemist Warehouse for -$700m in cash and issuing approximately 9.91bn new shares.

As part of the transaction, Chemist Warehouse co-founders Jack Gance, Sam Gance, and Mario Verrocchi were appointed to the Sigma board, while CEO Vikesh Ramsunder remained at the helm of the newly combined entity.

Shares in the merged company began trading on the ASX on February 13, and have fluctuated between around $2.70 and $3.34 since, closing yesterday at $3.24.

Initial trading was buoyed by merger optimism and inflows from passive investors, driving an immediate price rally, while subsequent profit-taking by early stakeholders was largely absorbed by ongoing institutional demand.

Sigma operates through two core segments: Chemist Warehouse, Australia's largest retail pharmacy franchisor, which supplies wholesale front-of-store consumer goods and markets a portfolio of owned, private label, and exclusive brands; and Wholesale, which delivers full-line wholesale and distribution services across prescription medicines, over-the-counter products, and front-of-store ranges to more than 3,500 pharmacies nationwide.

Growth potential

By FY30, management intends to expand internationally to 220 stores from 83 today, (a conservative target in Jarden's view), with the number in Australia expected to increase to around 690 from 586.

Morgan Stanley explains Sigma, via the Chemist Warehouse banner, has exposure to international markets including New Zealand, Ireland, China, and Dubai.

In these regions, operations are structured through partnerships in which local entities partly own or operate the networks, in accordance with jurisdiction-specific ownership regulations.

Apart from being a leading retailer in Australia with an emerging global presence, the business is complemented by wholesale distribution (the old Sigma) and health and digital services. The broker sees an opportunity to better leverage data and expand into adjacencies such as Ultra Beauty, Optical, and Media, along with health services.

Ultra Beauty is Sigma's premium beauty retail concept, initially launched in 2018 as a shop-in-shop experience within Chemist Warehouse stores, focusing on luxury fragrances, cosmetics, and skincare products. In 2025, management expanded the concept with Amcal Ultra stores.

Optical refers to Optometrist Warehouse, Chemist Warehouse's dedicated optometry retail brand, now part of Sigma Healthcare following the 2025 merger. The brand aims to disrupt the optometry market by offering affordable eye care and optical products.

Media activities focus on brand marketing, digital presence, and content strategy to support Sigma's retail and pharmacy brands, including Amcal, Chemist Warehouse, Ultra Beauty, and Optometrist Warehouse.

Health services is the underappreciated opportunity, suggests Jarden, via creating a broader health ecosystem through online health services, partnerships with insurers, loyalty, and creating a digital currency akin to that from South African-founded Discovery Limited.

The key earnings driver, highlights Jarden's research, is the Chemist Warehouse earnings margin, though this can be difficult to decipher as the margin is split via media, goods, fees, own brand, rebates, services, property management and franchisee agreements.

Highlighting leverage associated with Chemist Warehouse, the broker explains every 100bps move in FY32 margin has a 12cps valuation impact.

<u>Cost synergies</u>

Management anticipates achieving annual cost synergies of approximately $60m within five years, primarily through the consolidation of logistics and distribution networks.

In initiating coverage last month, Morgan Stanley described the $60m target as conservative, highlighting **potential upside both in the scale and timing of synergy realisation**.

This broker believes completion of the combined group's strategic plan, expected to be unveiled alongside the FY25 results in August, could prompt an upward revision of the cost synergy estimate.

<u>Reporting timelines so far and upcoming</u>

On March 20, Sigma released its FY25 results for the 12 months ending 31 January 2025, representing its final standalone performance prior to the Chemist Warehouse merger completed in February.

Citi noted earnings (EBIT) of $68m landed within the February guidance range of $64-70m, supported by the commencement of the new Chemist Warehouse supply agreement on July 1, 2024, alongside continued wholesale growth through the Amcal and Discount Drug Stores networks.

While no dividend was declared for FY25, the board expressed confidence in the outlook for the merged entity, flagging a future dividend payout ratio of 50-70% of net profit.

Later, on May 6 Sigma issued an operational update covering Chemist Warehouse's FY25 performance for the nine months to March 31, offering investors a snapshot of the newly merged entity's key metrics.

Normalised earnings growth was broadly in line with Chemist Warehouse Group's 36% increase for the first half, noted Citi.

The integration was progressing well, according to company management, with ongoing progress towards the targeted $60m in annual cost synergies.

The next financial report (for the 12 months to June 30) will fully consolidate Chemist Warehouse's results with Sigma's, giving a clearer picture of the merged business's health and performance.

Outlook

There are five daily covered brokers in the FNArena database conducting research on Sigma Healthcare consisting of two Buy (or equivalent) ratings, two Holds and Macquarie on Underperform.

The average target of $2.96 comes in around -9% below the closing share price on June 18 of $3.24.

Outside of daily monitoring, a summary of Jarden's new research coverage (Overweight; target $3.30) can be found under Stock Analysis on the FNArena website.

AUSTRALIA

Better Times Ahead For Sonic Healthcare?

New research coverage on Sonic Healthcare suggests better times are ahead, supplemented by new technologies including artificial intelligence and genetic engineering.

-After five years of disappointment, new research suggests Sonic's future looks brighter
-Growth and margin improvement further boosted by AI & genetic testing
-Increasing efficiency via Franklin.ai and PathologyWatch
-Bell Potter sees 110bps of margin upside across FY25-27

By Mark Woodruff

Loyal shareholders in global healthcare services provider Sonic Healthcare ((SHL)) have had little to be excited about in the post-covid years. The share price surged to an all-time record high above $47 in 2021 (when societal lockdowns coloured the overall environment) but it has subsequently embarked on an elongated slide south that has pulled the price back to the mid-$20s.

Underlying, relentless margin pressure has pulled back the company's earnings per share to a pre-covid level, hence it seems but appropriate to see the share price equally at a pre-2020 number.

Cold comfort, no doubt, for those shareholders, but Sonic Healthcare's challenges have been mimicked by most of its peers across the healthcare sector globally. In Australia, previous can-do-no-wrong stalwarts such as CSL ((CSL)) and Cochlear ((COH)) have presented their shareholders with similar underwhelming performances, and let's not even mention Ramsay Health Care ((RHC)) or Healius ((HLS)).

But that was then, and the past does not necessarily provide investors with a blue print for the future. New research by Bell Potter suggests those suffering loyal shareholders in Sonic Healthcare might soon have something to smile about.

In initiating coverage yesterday, the broker points to macro-economic drivers such as population ageing, rising healthcare expenditure, advancing medical technologies, and growing demand for personalised and precision medicine as key tailwinds for the industry.

In Sonic's case, the research notes demand is also being driven by the normalisation of core operations post-covid, the integration of FY24 acquisitions, and business restructuring aligned with shifting volume patterns.

A cornerstone of Sonic's growth strategy remains its consistent acquisitive expansion, having taken over around 100 businesses globally to become the largest pathology provider in Australia, Germany, Switzerland, and the UK, and the third largest in the US.

Recent investments in automation, artificial intelligence, and operational scale are expected to deliver incremental efficiencies and underpin margin improvement.

While AI's transformative impact is still emerging, Bell Potter considers Sonic the most advanced AI-integrator in its coverage and believes current earnings expectations may underestimate the company's future potential.

<u>Business split</u>

Pathology operations in Australia, Germany, and the US accounted for approximately 65% of group revenue when Morgan Stanley initiated its own research coverage in March. In total, Pathology accounts for 85% of group revenue.

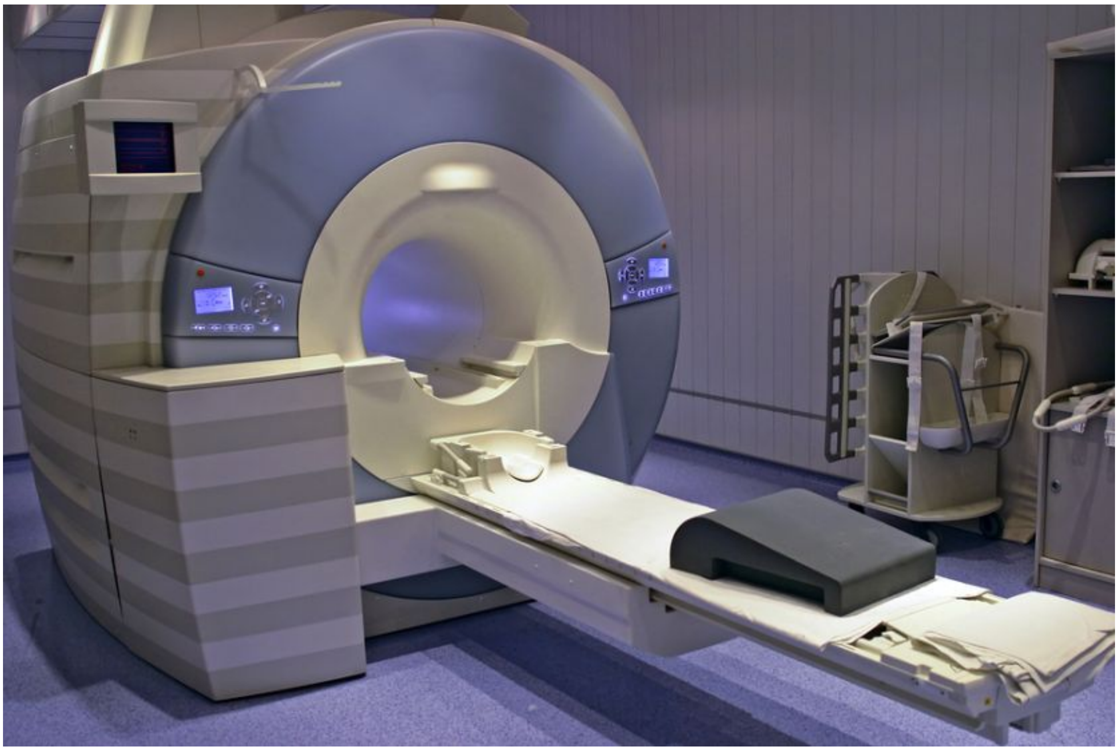
Since entering the US pathology market in 2005, Sonic has completed around 19 acquisitions, yet its expansion has remained regional rather than nationwide.

The US pathology landscape remains highly fragmented and offers ongoing acquisition opportunities, though competition from dominant national players, namely Quest Diagnostics and Laboratory Corporation of

America, remains intense. The difficult operating environment prompted the analyst at Ord Minnett to suggest management should consider divesting its US assets.

Domestically, Sonic is also Australia's second-largest radiology provider by revenue (10% of group revenue). It also operates a clinical services arm, Sonic Clinical Services, which generates around 5% of group revenue.

Clinical Services partners with over 2,000 general practitioners across 200 medical centres and delivers services spanning general practice, occupational and remote health, aged care, and clinical trials.



Margins and AI

A suite of technologies is now being invoked by management to improve both operational performance and efficiency, which Bell Potter anticipates will flow through to margins over time. Two recent examples include Franklin.ai and PathologyWatch (more on these later).

Morgan Stanley sees three core drivers for healthcare AI adoption: revenue enhancement through improved diagnostic yield; cost reduction via more efficient development processes; and better workforce utilisation.

Management at Sigma notes prior margin compression was due to post-covid normalisation and inflation, but Sonic is now considered well-positioned for expansion through labour optimisation, operating leverage, and digital efficiencies.

Bell Potter agrees, anticipating 110bps of margin improvement between FY25-FY27.

Overcoming staff shortages

One of the most pressing operational challenges for Sonic, and the industry at large, is the shortage of skilled pathologists and laboratory staff.

Retirement trends and preference for higher-paying roles outside the lab are driving attrition, notes Bell Potter, while rising case volumes exacerbate burnout.

Management is actively tackling this issue through digital transformation and strategic investment in AI.

Sonic's 49% joint venture with Harrison.ai, called Franklin.ai, is developing AI decision-support tools in pathology. At Morgans Stanley's recent 7th Australia Investment Summit, a speaker from Harrison.ai highlighted how AI is transforming healthcare across multiple dimensions.

The first product is a decision support tool for the clinical evaluation of prostate cancer, with initial deployment occurring in the second quarter of FY25 in Australia. In time, the aim is to market 'Prostate Digital' on the global stage.

Early user feedback reports a 30% efficiency gain and enhanced diagnostic confidence, observes Bell Potter. The tool is expected to launch in Australia in Q2 FY26, with plans for broader global deployment pending regulatory approvals.

Bell Potter notes Sonic holds a 12% stake in Harrison.ai, also giving the company exposure to a radiology decision support AI solution, Annalise.ai.

In November 2023, Sonic deepened its digital pathology presence by acquiring PathologyWatch in the US for -US$130m.

This company specialises in dermatopathology. Importantly, Bell Potter explains the acquisition offers an integrated digital pathology platform, which management believes will accelerate digital transformation across its entire anatomical pathology business, an internal revenue stream of around $1bn.

Management sees potential for digital workflows to expand across all sub-specialties globally, boosting margins and diagnostic accuracy.

Beyond AI, Sonic's genetic testing operations, currently less than 10% of revenue, are poised for significant growth.

Following the sequencing of the human genome, the genetic testing market is forecast to grow at a 22.6% CAGR, expanding from a current US$12bn industry to US$92bn by 2034, highlights Bell Potter.

Sonic is expected to benefit as this segment scales and contributes meaningfully to its revenue base.

Interim Results

In February, Sonic Healthcare's first-half FY25 revenue, earnings, and net profit proved broadly in line with consensus, supported by stronger pathology and imaging revenue.

Pathology revenue rose 8% year-on-year, with standout contributions from Australia, the UK, and Europe, though margins yet again proved slightly below expectations.

Imaging revenue lifted 12%, benefiting from Medicare indexation and greenfield site contributions, while margins were flat year-on-year.

Group earnings (EBITDA) margins improved by 60bps to 17.8% but missed Jarden's forecast by -50bps as cost savings from closing collection centres and the US revenue collection system disappointed.

The Pathology and Imaging margins expanded by 50bps and 20bps, respectively, highlighted the analyst at Citi, with "Others" contributing the balance.

Management has been aggressively rolling out an enhanced revenue collection system across its US operations, aiming to improve billing efficiency, reduce bad debts, and increase cash collection rates.

Jarden is anticipating organic operating leverage in FY26 partly from realisation of the US enhanced collection system savings target of US$20m-25m, along with synergies from acquisitions in the US, Germany, and Switzerland.

Management's FY25 earnings guidance of $1.70-1.75bn (constant currency) was re-affirmed.

Valuation and outlook

Bell Potter points out Sonic Healtcare trades around -13% below its long-term average EV/EBITDA multiple. Its premium relative to the ASX200 has narrowed to 13% compared to a historical 27%.

Near-term catalysts, according to the broker, include the completion of the LADR acquisition in Germany (one of the country's top five lab networks, with an extensive footprint across the country) and the release of FY25 results.

Promisingly, after years of trying to right-size the cost base to better reflect the post-covid world, labour costs are "just about there", with operating leverage returning and profitability improving.

Now Bell Potter has joined research coverage with a Buy rating, all seven daily monitored brokers in the FNArena database actively cover the company. Morgans is also a Buy (or equivalent), four others are on Hold (once bitten, twice shy?), while Ord Minnett has a Lighten rating.

The average target of the seven is now $29.34, up from $27.8, due to Bell Potter's leading $33.70 target. This average implies around 11.7% upside to the $26.27 closing share price on June 19.

Outside of daily coverage, Jarden is Neutral-rated with a $29.84 target.

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ESG FOCUS

ESG Focus: The Little Big Things -16-06-2025

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

Latest updates and news on major ESG issues against the background of shifting macro and political sands.

-Estimated impacts on GDP and industry according to variable decarbonisation pathways
-Latest environmental and climate related news in May
-Carbon capture and storage, part of the low emission energy solution for data centres
-Emission targets and decarbonisation plans post Labor's Federal electoral victory
-Sustainability flows of funds down, but not out

By Danielle Ecuyer

Introduction to NGFS and its Focus

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) was established in 2017 and is a voluntary commitment from a group of Central Bankers and Supervisors to develop and share best practices and contribute to environmental and climate risk management in the financial sector.

The NGFS consists of 145 members across 90 countries, with 22 observers. Membership covers 100% of global systemic banks and 80% of international active insurance groups. The latest NGFS works focus on climate-related shocks that, according to Morgan Stanley, could have *"significant economic disruptions within five years"*.

The significance of this work lays in the near-term nature of the time frame, which encompasses the usual holding period for investors, opposed to longer-term frameworks and models up to 2050.

The scenarios modeled are *"Highway to Paris"* ,*"Sudden Wake-Up Call"*, *"Diverging Realities"* and *"Disasters and Policy Stagnation"* ; all are designed to allow investors to consider and risk-adjust possible outcomes out to 2030.

Scenario Summaries by Morgan Stanley

Morgan Stanley's summary for the scenarios is as follows:

-Highway to Paris: Transition risk only, orderly transition including carbon taxes reinvested into green subsidies and investments. Short-term impacts on economic growth are offset by higher returns on investment, with consumers and investors tilting toward the green sector. High-polluting sectors will experience rising credit risks and capital costs.

-Sudden Wake-Up Call: Transition risk only, disorderly transition. A scenario in which there is a "Climate Minsky Moment" when a wave of financial instability arises as asset prices adjust quickly to a sudden alteration in policy preferences to a green focus. A steep rise in carbon prices results in supply shocks.

-Diverging Realities: Both transition and physical risk. The bifurcation of the world with developed economies advancing to net-zero transition (North America, Europe, Oceania, and parts of Asia) contrasted with the rest of the world beset by extreme weather events, which impact global trade, supply chains, and spillover to the developed economies' cost of transition.

-Disasters and Policy Stagnation: Physical risk only. Extreme weather events transpire over 2026 and 2027 resulting in capital destruction, lower productivity, and flow-on economic impacts.

Economic Impact Summary

Summarising the possible impacts across multiple factors, Morgan Stanley details:

-GDP will decline by up to -2.68% under Diverging Realities, with the Highway to Paris scenario at -0.46% GDP impact by 2030.

-Renewable energy investment increases by 79% to around US$800bn by 2030 in both Highway to Paris and Sudden Wake-Up Call from a baseline of US$214bn. Under Diverging Realities, investment rises 45% to US$292bn.

-The weighted carbon price under a baseline scenario in 2030 is US$54, but NGFS estimates under Sudden Wake-Up Call, the weighted carbon price would rise to US$163 in 2030.

-Credit risk significantly rises for high-emission sectors in Highway to Paris, Sudden Wake-Up Call, and Diverging Realities, while credit risk for green sectors falls in Highway to Paris due to increased investments.

-Physical risk causes short-term spikes in default probabilities across all sectors, with capital-intensive sectors like coal production, power supply, and agriculture being notably impacted.

-Trade overall is negatively affected in physical risk scenarios and becomes more severe and long-lasting in the Diverging Realities scenario.

Corporate ESG News in May

Macquarie's Australian monthly ESG focus detailed some of the latest corporate updates, including **SGH Ltd**'s ((SGH)) Investor Day, where the company formerly known as Seven Group Holdings outlined its revised emission targets due to the inclusion of Boral.
SGH's interim target for Scope 1 & 2 emissions intensity reductions from the FY20 base year out to FY30 is -40% for Westrac, -30% for Boral, and -40% for Coates.

The company's ambition to achieve net-zero has been pushed out to 2050 from 2040 previously.

Macquarie has observed several companies revising emission targets due to challenges around the cost of projects, skilled labour availability, and delays in transmission infrastructure. The analyst will be looking over the August reporting season for any further evidence of this trend gaining momentum.

Westpac's Updated Climate Change Position

Westpac ((WBC)) outlined at the end of May an updated Climate Change Position Statement, which included customer transition plans for the metallurgical coal and coal-fired power generation sectors (previously it was only required for the oil and gas sector).

The bank removed the commitment to not provide project finance or bond facilitation for the expansion of oil and gas fields, with a restriction remaining on greenfield oil and gas projects.

Regarding the customer transition plan criteria for lending and bond facilitation, Westpac has moved to allow alignment to a "well below 2 degrees Celsius pathway" from 1.5 degrees Celsius previously.

Compared to **CommBank** ((CBA)) and **National Australia Ban**k ((NAB)), which also require transition plans to align well below the 2 degrees Celsius pathway, **ANZ Bank** ((ANZ)) is now the only major bank requiring 1.5 degrees Celsius alignment.

Macquarie also notes the Net Zero Banking Alliance has softened its requirement on 1.5 degrees Celsius alignment to the goal of well below two degrees Celsius, similar to Westpac.

Environmental News in May: US Legislative Actions on Green Tax Credits

The US House of Representatives narrowly passed a tax bill, known as the **'One Big Beautiful Bill,'** which proposes the early termination and phase-out of green tax credits under the Inflation Reduction Act for clean energy production, consumption, manufacturing, and investment.

-Tax credits for electric vehicles, clean hydrogen, home energy efficiency improvements, and clean energy tax credits will expire at the end of 2025.

-Wind energy components will no longer be eligible for credits from 2028, while tax credits for the manufacturing of components of clean energy will expire from 2032.

-Clean energy production and investment credits will only be available for facilities under construction and in service by the end of 2028.

-Tax credits for carbon sequestration are maintained, with credits for low-carbon transportation fuels extended by four years to the end of 2031.

The tax bill is now being considered by the US Senate, and the aim is to deliver the bill to President Trump by July 4.

Interestingly, since the Inflation Reduction Act in late 2022, some US$321bn has been invested in clean manufacturing, power production, and industrial facilities, Macquarie explains, with an outstanding US$522bn of investments.

In terms of Australia, there is longer-term opportunity, but the analyst proposes subsidies would be needed to make the economics of low-carbon energy technologies like green hydrogen commercially possible.

Australian Carbon Credit Unit Scheme (ACCU)

The Australian Government's new draft Australian Carbon Credit Unit Scheme's (ACCU) landfill gas method outlines the rules for crediting emission reductions from landfills, with **Cleanaway Waste Management** ((CWY)) the only listed company with landfill gas abatement project exposure at its Banksia, Kemps Creek, Stawell, and New Churn LFG (landfill gas) flaring projects.

Turning to renewable energy projects, VicGrid released the first draft of the 2025 Victorian Transmission Plan for the next 15 years, including seven renewable energy zones and four new transmission lines to assist Victoria's transition to 65% renewables by 2030 and 95% by 2035.

Regarding Future Made in Australia, the government announced $46m in funding to scale up the production of Maverick solar units at an Adelaide facility as part of the $1bn Solar Shot Program, which will enable 200MW production over three years and underpin 50 jobs.

Carbon Capture and Storage (CCS) Back in Focus

Renewed interest in carbon capture and storage (CCS) in the US is largely being underpinned by future growth expectations for data centers. Morgan Stanley estimates the carbon footprint from global data center build-outs to be 2.5Gt by 2030.

Within that context, the analyst believes hyperscalers will retain their commitment to try to achieve net-zero emissions, including further investment in clean tech solutions with CCS a possibility as gas-fired power generation is one of the solutions to energy generation for data centers.

The pipeline of CCS in the US is estimated to advance to 556Mtpa of capacity by 2030, with 17mtpa expected in 2025, with support from the 45Q tax credit, which has been retained in the recent IRA cut.

Natural gas production, processing, and power generation are the greatest industry emission sources, with an estimated 23% contribution to total pipeline capacity.

US legislation also allows for state primacy over Class VI permits (CO2 injection). The primacy enables states to initiate the planning process for wells. West Virginia is the fourth state to obtain primacy, following North

Dakota, Wyoming, and Louisiana. Arizona and Texas are in the last stages of obtaining primacy.

In Europe, Morgan Stanley explains the interest in CCS emanates from the incoming carbon adjustment mechanism (CBAM), which is due to commence in 2026.

The aim of CBAM is to move decarbonisation beyond the power sector to industrial sectors as carbon-free allowances are phased out. Cement production is one example where CCS is the only solution given current technologies to remove emissions.

In terms of stocks classified as 'proprietary technology providers' and 'capture solutions providers', which have the highest exposure to the technology, the stocks rated by Morgan Stanley as Overweight include Baker Hughes, Bloom Energy, Chart Industries, Exxon, GE Vernova, Linde, Mitsubishi Heavy Industries, Occidental, and Shell.

Australian Election Results and Transition Roadmap

With a super catchy title "Ready, Set, Transition", UBS emphasizes the re-election of the Australian Labor Party "cements" Australia's transition roadmap to 2030.

By way of history, in 2022, the government legislated a reduction in emissions target of -42% by 2030 with a target for renewable energy of 82% by 2030.

Currently, Australia has 40% renewable energy, with the Capacity Investment Scheme (CIS) seeking to underscore 23GW of new renewables generation and 9GW of storage, which will cover the gap to the 82% target.

UBS continues to envisage support for renewable energy capacity for AGL Energy ((AGL)), Origin Energy ((ORG)), and grid-exposed companies Downer EDI ((DOW)) and APA Group ((APA)).

Flow of Funds

RBA Capital highlights ongoing outflows from sustainable equity funds in 2025, although outflows have slowed from March lows, with headwinds for US funds due to the more challenging political backdrop and volatility for European funds due to the continued implementation of (anti)greenwashing regulations.

Europe represents around 80% of sustainable funds, and the analyst views this geography will determine the trends.

Climate transition funds continue to see inflows for 2025 based on thematic, with outflows notably more robust for Impact/SDG (Sustainable Development Goals), Clean Energy, and Environmental Solutions funds.

Outflows have been slowing for Health & Wellbeing, Sustainable Ag & Food, and Circular Economy funds.

The Nuclear Power theme was a standout in May, with most energy transition themes outperforming in the first half of the year to date, but faded when the US budget reconciliation bill was passed due to cuts to clean energy tax credits.

In terms of performance, actively managed global and US sustainable funds slightly outperformed traditional fund peers, but overall, sustainable funds are lagging year-to-date versus traditional funds.

FEATURE STORIES

FNArena Visits NextDC’s S3 Data Centre

FNArena received a bird's eye view on what it takes to develop critical infrastructure for Australia's growing demand for cloud computing and AI.

-Size, scale, design and location all matter for data centres
-S3 one of most technologically advanced data centres in Australia
-Accommodating the latest technology from Nivida for AI compute
-Defining NextDC's moat and future

By Danielle Ecuyer and Rudi Filapek Vandyck

First impressions

Approaching NextDC's ((NXT)) S3 data centre in Sydney suburb Artarmon, the building is omni-present on the landscape; the first thing that strikes is the absolute scale; the second is how just smart the building looks.

While the design aesthetic might not be the initial thought that comes to mind when visiting a major data centre, it is one of the defining features of the building in front of us.

Nothing from what we encountered in our almost 60-minute site visit skipped a beat when it came to an all-encompassing service offering and experience for customers.

Explained simply, data centres are hotels for data storage and processing across a range of customers, from SMEs to critical telco and government services, as well as cloud service providers, the BigTech hyperscalers: Amazon, Microsoft and Google, and increasingly other players like Oracle and Meta.

Like all hotels, data centres come with different levels of specs, standards, and sizes. If S3 had been built to accommodate humans, it would probably equal a six-star hotel.

In data centre terminology, S3 equates to a Tier IV Uptime facility with a Gold Star Standard, including 80MW capacity across 20,000 m3 of data halls and a rack capacity of 10,800, which is considerably larger than NextDC's existing S1 at 16MW, S2 at 30MW, and S6 at 13.5MW.

"Gold Operational Sustainability certified is best of breed in terms of its people, procedures, and operations being able to accommodate an industry-leading range of adverse situations that we have already anticipated and planned for, so we remain fully operational" explained Simon Guzowski, Vice President Investor Relations.

Located inside Artarmon's technology hub, the position is as strategic as the design of the building.

Data centres are categorised as critical pieces of infrastructure due to the potential sensitivity and significance of data housed. Tier IV translates as the **"pinnacle of data centre construction worldwide"** with complete fault tolerance to infrastructure deployed outside, which means failures in any individual equipment or distribution pathways have no impact on the overall facility.

That also transcends to the building's location, which cannot be under flight paths or in the vicinity of potentially dangerous industrial assets and manufacturing sites representing fire risk. High industry standards take into account any potential extraneous impacts that can put the building in harm's way.

Equally important, the data centre must be located to underwrite the optimum level of latency between the digital infrastructure and the customer to ensure seamless and secure access to cloud platforms, carriers, and digital services. Latency refers to the time taken for data to travel from a client (user or device) to the data centre and back.

This is why, for example, Northern Virginia in the USA has become a critical internet and cloud services hub, given the proximity to the Pentagon and other US government buildings.

Everything at and inside S3 is **"mission critical"**, encompassing the data halls and 1,500m3 of mission-critical space, all backed up by UPS (Uninterruptible Power Supply) and generator power in the event of an electricity grid failure. The 1,500m3 includes critical office space that can be used by customer teams 24/7 or, alternatively, as a disaster recovery site.

The generator power is supplied by a Rolls-Royce MTU 20V4000 DS4000 which is a high-capacity diesel generator set designed for mission-critical applications also including hospitals and industrial facilities. This *true monster of a machine* (see first image below) delivers up to 4,000 kVA (3.2 MW) of standby power and is engineered for exceptional reliability and efficiency.

All of the above combined allows NextDC to host sensitive applications such as government systems, banking infrastructure, and financial trading platforms. The adjacent S6 facility is Australia's first data centre designed exclusively for AI factories and sovereign AI.

Pricing for each customer is unique depending on requirements, but put simply; the customer pays for space and power. As the use of power or space rises, so does the price.

Mission Impossible style high security

Security is very tight on entering S3. A photo ID is taken along with a digital fingerprint, referred to as two-factor biometric fingerprint security.

Access past reception is only permitted using a special card accompanied by digital fingerprint recognition via a dual-door process. The card swipe and digital ID open door number one, whereupon one enters an enclosed structure. Once the first door closes, the next door opens to allow entry into the data centre.

Known as a "Bullet-Resistant Biometric Mantrap Portal with Interlocking Doors and Digital ID Authentication", these structures come with a suite of high security measures, including bulletproof/blast-resistant construction, to prevent unapproved personnel from entering.

<u>Inside the inner sanctum</u>

Having read extensively about racks for data centres, being able to see, and hear the infrastructure offers a level of understanding that words fail to convey.

Racks of storage units, known unsurprisingly as a rack unit which is typically 19 inches wide and accommodates 42 racks, show the Dell brand on prominent display. The racks are stacked in columns which are leased by customers (that largely prefer to remain anonymous).

NextDC provides the containers inside the data halls, with customers filling the containers with IT hardware, such as compute, storage, and security functions.

Specific cooling systems are employed to manage the heat transfer and room temperature to coordinate and balance between energy consumption and efficiency.

NextDC operates the co-location halls at 23 degrees Celsius. For context, co-location refers to the practice of housing privately owned servers and networking equipment in a third-party data centre facility, rather than within a company's own on-premises infrastructure.

NextDC is in the middle of a program called 'Project Rise', which will increase the temperature inside data halls to 25 degrees Celsius. A higher temperature allows for running cooling systems on a more efficient and environmentally friendly setting. As computers become more heat tolerant, NextDC aims to capture the improved energy (power usage) efficiency.

Vertiv in-direct, free cooling, a name some investors may have come across if investing in the US, is provided and paired with modular cooling tower infrastructure.

NextDC has also gone a step further and installed in-house, isolated metal security areas, featuring special access and a higher security spec, to service more sensitive customers, such as government agencies or cloud service providers.

The IT equipment is incredibly dense and heavy, meaning floors and walls are both reinforced to accommodate the weight, and to ensure Tier IV status.

Digging a little deeper, we established the density and weight of IT systems keeps becoming bigger. Nvidia is shipping rack-scale GB200 NVL72 systems. The current flagship system weighs more than 1.3metric tonnes per rack.

For context, the Nvidia GB200 NVL72 system integrates the latest Blackwell architecture including 36 Grace CPUs and 72 Blackwell GPUs within a single rack. It is designed to meet large-scale AI and high-performance computing workloads. One can only imagine the strength and load-bearing capacity of the construction for racks upon racks of these systems being installed.

Although NextDC did not technically quantify the load bearing capacity of each floor, we were informed every level of S3 could be filled with 1.5metres of water and the building would remain structurally sound.

To accommodate clients' IT equipment, NextDC operates two 3.5-tonne lifts to facilitate customers' delivery via the secure underground loading docks, over purpose-built pathways to the data hall for quick installation and activation.

While the size, the heat, and the scale of equipment create are one factor, most notable was the noise. Such are the decibels generated in some areas that only special soundproofing headphones can be worn.

Some customers like to run their data halls at high temperatures, such as 28 degrees Celsius, which reduces the amount of power consumed by the cooling systems, but it does require higher levels of air circulation inside the data hall, hence the noise from the fans operating uninterruptedly.

The Extra Touch

Before the tour finishes, a few extra touches for customers are unveiled. S3 houses a suite of services including bookable rooms, dedicated offices, an auditorium, chill-out and break-out suites with kitchen facilities, coffee, TV, lounge, massage chairs, and Foxtel entertainment with a pinball machine, no less.

Snacks and beverages are dispensed from a vending machine, and so are pre-packaged cables in different specs; just in case a customer runs out during installation. Bunnings around the corner is not open 24/7 for data centre customer fitouts.

The point of all these details is to illustrate the extent of the customer experience and the scale, magnitude, and investment required for a structure like S3.

Interiors are curated with NextDC's signature red and black. The colour red was inspired by founder Bevan Slattery's fondness of *The Hunt for Red October*. Slattery first co-founded Pipe Networks. After that business was sold to TPG Telecom in 2010, Slattery used the proceeds to start up NextDC, which listed on the ASX in December 2010.

Slattery departed from the company's board in 2013 to focus on two of his other investments; Megaport ((MP1)) and Superloop ((SLC)). As suggested by NextDC management, the colour and design really stand out in an industry famous for "tin sheds".

The building is a perfect example of extreme risk management and quality service offering, ensuring safety, power, and connectivity around the clock with no external inputs, if required.

When the lights go out in a hospital and backup generators ignite, NextDC will still be facilitating communication services, hence internet connectivity and smartphones will keep running uninterrupted.

The company's construction pipeline currently includes S4, a 300MW IT load, and S7, a 550MW IT load, with both to be located west of Sydney in Horsley Park and Eastern Creek.

Western Sydney is now the industry's primary expansion zone with all of NextDC, DigiCo Infrastructure REIT ((DGT)), Macquarie Technology ((MAQ)) and unlisted AirTrunk adding additional capacity in the region.

Industry Context

To put S3 and further expansion plans by NextDC in context, we line up all major ASX-listed operators with current assets and future plans (in bold).

Operator (Code)	Facility / Campus	IT MW	1st Service Year	Status & Notes
NEXTDC (NXT)	S1 Macquarie Park (SYD)	16 MW	2013	Tier III colo
	S2 Macquarie Park (SYD)	30 MW	2020	Tier IV colo
	S3 Artarmon (SYD)	80 MW	2023	Stage 1 live
	S4 Horsley Park (SYD)	**300 MW**	2026 est.	Hyperscale campus
	S7 Eastern Creek (SYD)	**550 MW**	2028 est.	Land-banked
	M1 Port Melbourne	15 MW	2012	NABERS 5
	M2 Tullamarine	120 MW	2024	Tier IV, first hall '22
	M3 West Footscray →	150 MW	2027 est.	DA approved
	Total NXT footprint	**≈280 MW live / >1.2 GW pipeline**	—	
DigiCo Infra REIT (DGT)	Ultimo West (SYD)	35 MW	2002	Ex-Global Switch
	Ultimo East (SYD)	38 MW	2014	Tier III
	Campus expansion	**→88 MW**	2026–27	DA submitted
	Total DGT	**≈73 MW live, 15 MW pending**	—	
Infratil (through CDC)	Canberra (Fyshwick/Hume 1–3)	~60 MW	2007–2023	7 DCs
	Eastern Creek (SYD EC1–4)	~64 MW	2014–2023	4 halls
	EC5–6 (SYD)	**+46 MW**	2026 est.	Under build
	Marsden Park (SYD)	**→>250 MW**	2027–30	Hyperscale zone
	NZ, Perth, Hobart, Adelaide	~50 MW	2019–2025	Multiple small sites
	Total CDC AU/NZ	**≈170 MW live / 2.5 GW pipeline**	—	

Macquarie Technology (MAQ)	IC1 CBD (SYD)	3 MW	2000	24-yr uptime record
	IC2 Macquarie Park (SYD)	6 MW	2012	Tier III
	IC3 East (SYD)	11 MW	2021	Phase-1 live
	IC3 Super West	**+32 MW**	2026 est.	Shell under build
	IC4 Bunker (Canberra)	2 MW	2015	Tier IV
	IC5 Bunker (Canberra)	2 MW	2020	Sovereign/Govt
	Total MAQ	**≈26 MW live / +32 MW**	—	

AirTrunk (Blackstone-owned)	SYD1 Western Sydney	130+ MW	2017	Hyperscale
	SYD2 Northern Sydney	120+ MW	2021	Hyperscale
	SYD3 (planned)	320 MW	DA submitted '23	Greenfields
	MEL1 Melbourne West	185 MW	Expanded '24	Hyperscale
	Total APJ platform	**700+ MW in AU**	—	
	Total APJ-wide	**1.38 GW**	—	

In addition, DXN Ltd ((DXN)) is a specialist in modular, edge data centers, focusing on small to mid-scale deployments in industrial, remote, and government settings. It operates Sydney colocation sites and modular pods in mining/Hobart/Government, with flexible, rapid-build model.

Global Data Centre Group's ((GDC)) investment portfolio includes a Perth facility, a passive equity stake in AirTrunk, and European/Asia investments via Etix. It is moving towards asset realisation and fund returns.

Our take-aways

Data centres are becoming larger and increasingly require more technological input and know-how, but this doesn't make them a bread-and-butter tech enterprise.

Over in the US, Equinix Inc, the world's largest owner-operator of data centres and interconnections, is officially labeled a REIT, and thus, according to GICS sector denominations, part of the North-American real estate sector.

NextDC is included in the local All-Tech Index, alongside 'peers' such as Life360, Catapult Group, Pro Medicus and Seek, but maybe a more appropriate comparison would be Transurban, Sydney Airport, the NBN, or APA Group, without the regular dividend payments (as the company is still very much in expansion phase).

Two other regularly voiced draw backs about investing in NextDC, and the industry at large, are the high capital intensity as well as the lack of any moat around the core business.

The capital requirements are undeniable, but can also be seen as a natural moat for existing operators, in combination with all the other requirements such as finding suitable location and access to power. Add elongated development lead times and increasing complexity and maybe investors need to update their concept of what makes a 'moat' in the modern day context?

NextDC has its own dedicated in-house team responsible for the design of all new data centres.

Another factor that stood out in conversations during our visit is once clients have established themselves inside a data centre, a significant hurdle exists to move elsewhere, even apart from the fact that contracts are typically of a longer-term duration. A typical co-location agreement runs for five years. Hyperscale cloud deals typically span 10-20 years.

High switching barriers means the industry enjoys "sticky" customers and annual recurring revenues. In some cases data centres develop a whole ecosystem with network implications, further adding to the stickiness of customers. As is all too apparent at S3, NextDC is adding reputation, quality, and customer service to further its moat.

Ultimately, the worst case scenario is one that sees more data centres built than is required to meet demand, but just about every expert forecast available to date suggests Australia's two major hubs Sydney and Melbourne look more at risk of under-supply than otherwise for the next five years at least.

Contributing to such forecasts are practical bottlenecks and long development lead times, while demand is still growing exponentially (it's called a Megatrend for good reason).

This implies data centres with secure power in Tier-1 locations should continue to enjoy pricing resilience.

The authors are shareholders in NextDC. Danielle through her own SMSF, Rudi via the FNArena-Vested Equities All-Weather Model Portfolio. Images supplied by NextDC. ChatGPT assisted with collating data centres information.

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For more reading on GenAI and data centres check out FNArena's dedicated GenAI section

https://fnarena.com/index.php/tag/gen-ai/

and

https://fnarena.com/index.php/2025/05/22/ai-investments-fuel-australias-data-centre-future/

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RUDI'S VIEWS

Rudi's View: Macquarie Technology (Stock In Focus)

In Weekly Insights this week:

-Macquarie Technology's Integrated Data Centre Services
-FNArena Talks

By Rudi Filapek-Vandyck, Editor

Small cap stocks in the US are on their worst performance relative to large-cap stocks in over twenty years with the Russell2000 index only up 24% since the beginning of 2020.

The gap with the 60% in gains achieved by the S&P500 over that period is nothing short of enormous and will have caught many investors by surprise.

There are always exceptions, of course, but the underlying trend in Australia has been similar with share market momentum in particular favouring large cap banks, technology stalwarts and AI-beneficiaries.

The **FNArena-Vested Equities All-Weather Model Portfolio** has benefited through the likes of Wesfarmers ((WES)), Goodman Group ((GMG)), and TechnologyOne ((TNE)), among others, but also included are some smaller cap companies that have not been able to keep up.

Time to highlight one of recent Portfolio additions that might require some patience, and why this company was chosen in the first place.

<u>Macquarie Technology's Integrated Data Centre Services</u>

My first contact with what was then still called Macquarie Telecom was about twenty-five years ago. That infamous Nasdaq meltdown was still in full swing.

The then small-cap challenger telco had just issued a profit warning and my attempts to get hold of someone --anyone-- for a follow-up conversation over the phone amounted to nothing.

Clearly, there was no appetite to talk to the press given the market update was a negative for the share price.

A while later I received an invitation for an in-person visit to the company's data centre in the heart of Sydney's CBD.

Under the stewardship of two founding Tudehope brothers, Macquarie Telecom, now Macquarie Technology, has always had an integrated approach focused on achieving the highest rates of customer satisfaction possible. One might argue it's a feature that sticks with higher quality companies.

Something many investors in small cap companies very much like: both founders have been CEO and MD of the company since 1992.

Those investors that remained loyal to the company have enjoyed significant rewards, but equally important; this company has changed dramatically since then, and shareholders had to wait until 2014 before positive momentum got hold of the share price in a sustainable manner.

The business itself has changed dramatically. What was back then its main purpose of existence, and of corporate survival --telco services-- has become but a side-show today.

At its core, the integrated customer servicing approach has remained, and it is what makes this company fundamentally different from more glamorous data centres and AI exposures on the ASX, including Goodman Group, NextDC ((NXT)) and Megaport ((MP1)).

Today, Macquarie Technology sees itself as a diversified Australian digital infrastructure services provider operating across four inter-related segments: Data Centres, Cloud Services, Cybersecurity (Government), and Telecom. Its specific areas of focus are the Australian government and mid-to-small cap businesses across the country.

Similar as with Goodman Group, which also didn't start off as a dedicated builder of data centres for international clients, data centres have become the main focus for investors, and are now responsible for the future outlook and investment returns for the company.

Macquarie Technology currently has five Intellicentre facilities (three in Sydney and two in Canberra) with high security and certifications for government use.

The company's strategy revolves around integration of its own data centers to offer secure cloud and hosting solutions, with 42% of Australian Federal Government agencies using its services (hence the relatively strong Canberra footprint).

The Government division works with defense and intelligence agencies under high-security clearances and remains responsible for more than 50% of total revenues and some 46% of group earnings (EBITDA).

Similar as is the case for a high quality performer such as TechnologyOne ((TNE)), a high customer retention provides Macquarie Technology with opportunities for additional sales and services. Maybe this has provided the backbone for what has been a remarkable reliability and consistency in growth and profitability in recent years.

FY24 marked the company's tenth year of consecutive improvement in EBITDA. The first half of FY25, reported in February, marked its 20th straight half-year of EBITDA growth.

At the same time, this still is a relatively small-sized enterprise with a market cap of circa $1.6bn, annual sales of no more than $363m and FY24 earnings of $109m. Building additional data centres comes with a high cost. Capital expenditure reached almost 50% of total sales in FY21 and 40% of sales in FY24.

One added advantage is the telecom unit is a reliable generator of free cash flows which assist with carrying the burden of significant investments.

Uncharacteristically, for a small-sized company in significant expansion mode, Macquarie Technology carries almost negligible debt, also due to an $100m equity raising in 2024.

Substantial investments made should allow the company to command its share from ongoing strong demand for data centre capacity, cloud computing and cybersecurity.

In the same vein, with a relatively small built and in-progress capacity, the company's service offering is not genuine competition for much larger industry players such as Amazon's AWS or NextDC; Macquarie Technology operates inside its own specialised niche, where the One-Stop-Shop concept has its advantages.

The current crown jewel in the company's growth plan is the IC3 Super West extension of its campus in Sydney's Macquarie Park where capacity will increase by some 200%, but this will still only take total campus capacity to 63MW. In comparison: NextDC is preparing for data centres with a capacity of up to 550MW.

Whereas Macquarie Technology has guided towards $162m-181m in capex for FY25, NextDC could potentially be spending $2bn.

In practical terms, all of the above means the associated risk profile is more benign, in particular when compared against more aggressive investment profiles across the industry, but future rewards will also come in a more measured manner as the company scales capacity in line with customer wins and demands.

Nevertheless, the next 2-3 years should become a lot busier with projects being finalised, and new ones started, with new customers joining and more contracts signed. Assuming execution does not encounter any unforeseen disasters, a platform should emerge for significant earnings growth.

The most important factor to add here is that none of those prospects seem to be priced-in currently.

Previously, when market momentum was chasing the AI and related data centres narrative, the share price had risen as high as almost $100 per share, which left almost no room for time, execution or risks, but now that market sentiment has deflated and turned more skeptical, that share price is arguably not priced for what logically lays ahead.

Out of FNArena's daily monitored brokers, only Morgan Stanley offers active coverage but its valuation for the data centres portfolio amounts to circa $50 per share whereas the total business currently trades at $62.

Others who cover the company tend to also have a positive assessment, agreeing with Morgan Stanley's call for significant undervaluation.

Stock Analysis on the website also includes assessments by Petra Capital, Canaccord Genuity and Wilsons.

Potentially even more important is management is currently mulling over the options available for its data centres portfolio, including joining up with financial partners and creating a separate business. One would have to assume that whatever will be decided is meant to unlock more value for shareholders.

With the structural and reformative thesis of AI intact, the All-Weather Model Portfolio recently included Macquarie Technology in addition to its exposure through Goodman Group, NextDC, and Dicker Data ((DDR)).

Investor appetite for small caps whose share price is not supported by positive momentum is currently not great, and the coming two weeks might see tax loss selling impacting on shares that have no clear direction, such as Macquarie Technology's.

But put it all together, including ongoing strong market dynamics for data centres capacity, cloud computing and cybersecurity, and the thesis remains that the balance of risks for today's shares in Macquarie Technology is to the upside, in particular if we allow time for events to play out, as is our intention.

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Long before its portfolio inclusion, Macquarie Technology had been included in my curated list for Emerging New Business Models on the dedicated section for my research into **All-Weather Performers.**

This section is accessible 24/7 to paying subscribers: https://fnarena.com/index.php/analysis-data/all-weather-stocks/

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More reading on AI and its importance for the years ahead:

https://fnarena.com/index.php/2025/06/11/rudis-view-the-ai-promise-is-broadening/

https://fnarena.com/index.php/2025/05/28/rudis-view-how-do-we-value-the-future/

FNArena Talks

Last week, Livewire Markets published a profile of myself in their Meet The Investor series.

The profile can be viewed here:

https://livewiremarkets.com/wires/the-gfc-nearly-crushed-him-literally-now-rudi-s-hunting-stocks-built-to-last

For those who prefer a PDF version:

https://fnarena.com/index.php/download-article/?n=A320A107-D95F-67B9-D3F4A54B463C7EF7

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 16th June 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: CBA, Life360, ResMed, Zip & More

By Rudi Filapek-Vandyck, Editor

The local share market, and the small cap segment in particular, might be looking rather moribund as the investment community, both local and internationally, is closely observing further developments in the Middle East, but this does not stop analysts at **Morgan Stanley** searching for possible lucrative investment ideas.

Earlier today the broker highlighted **three small cap companies** for whom it believes expectations are too benign. To add conviction to its calls, all three have received a notably higher price target, while positive ratings have been re-iterated.

Enough suspense. If you haven't read today's update of the Australian Broker Call Report yet, the three nominations are:

-Eagers Automotive ((APE))
-Temple & Webster ((TPW))
-Life360 ((360))

All three are rated '**Conviction Overweight**'.

****

Two ideas suggested by analysts at **Wilsons**:

-Sell Sonic Healthcare ((SHL)) and buy ResMed ((RMD)). The latter is a core holding in Wilsons' Model Portfolio and remains its highest conviction exposure to the local healthcare sector.

-Sell Wesfarmers ((WES)) and buy Woolworths ((WOW)). Both share lots of similarities and should, in Wilsons' view, trade on similar valuations. They do not.

A separate report, in which ongoing conviction in the AI megatrend and strong demand for data centres was repeated, Wilsons yet again nominated Goodman Group ((GMG)) as their number one favourite exposure to the investment thematic.

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Analysts at **Ord Minnett** have been busy too, trying to identify which ASX-listed deeply undervalued **small cap company** could be the next one **to receive a take-over offer**.

No less than 22 candidates have been selected.

Among Industrials ex-Financials and A-REITs:

-Camplify Holdings ((CHL))
-Experience Co ((EXP))
-NextEd Group ((NXD))
-Cosol ((COS))
-Trajan Group ((TRJ))
-Webjet Group ((WJL))

-Harmoney Corp ((HMY))
-Navigator Global Investments ((NGI))
-DUG Technology ((DUG))
-Symal Group ((SYL))

Inside the Resources sector:

-QPM Energy ((QPM))
-Brazilian Rare Earths ((BRE))
-AIC Mines ((A1M))
-Ioneer ((INR))
-Aeris Resources ((AIS))
-Iluka Resources ((ILU))
-Polymetals Resources ((POL))

Industrial Stocks that meet only two deep value criteria (all of the above meet three criteria):

-SPC Global ((SPG))
-PeopleIn ((PPE))
-Lindsay Australia ((LAU))
-Alliance Aviation Services ((AQZ))
-Monash IVF ((MVF))

For those who like to know the three filters used:

>50% discount to valuation;
<5x EV/EBITDA multiple for FY27;
Gearing ratio of < 25% based on net debt/(net debt + equity)

Those who meet only two filters have a larger gearing ratio. All stocks mentioned are rated Buy or Speculative Buy, with Iluka Resources the sole exception on Hold.

****

Ord Minnett also updated its selection of **High Conviction calls** (all nominations are made by sector analysts on a 12 month horizon):

-Aussie Broadband ((ABB))
-Brazilian Rare Earths ((BRE))
-Bubs Australia ((BUB))
-Cuscal ((CCL))
-Qoria ((QOR))
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-Vault Minerals ((VAU))
-Waypoint REIT ((WPR))
-Zip Co ((ZIP))

Since the prior update, ARB Corp ((ARB)), Electro Optic Systems ((EOS)) and Pinnacle Investment Management ((PNI)) have been removed, while Bubs Australia has been added.

****

UBS strategist Richard Schellbach recently zoomed in on the one conversation that keeps swirling around among Australian investors: what to make of **CommBank** ((CBA)) shares and their continued strength?

Some of the poignant points made:

"Commonwealth Bank's weight within the Australian market has broken through 10%, and now sits as the largest stock (by far) on the ASX. Looking back through time, we can see that such a weight is not unprecedented, and has been exceeded on occasions.

"Contrary to popular perception, the Australian equity market is no more dominated by one stock, or by mega-caps, than it has been in the past."

"Looking in a more granular way through periods where #1 stocks hit their peak weight, we find that rotating towards the less peaky names within that sector has usually been a mistake. This was particularly the case following News Corp's peak weight moment in March 2000, as well as CSL's high point in March 2020.

"Instead, we find that comparable companies also underperform the market, and hence investors might have been better placed in rotating away towards the sectors that were not participants in the weight bubble."

"We don't know what exactly will lead to CBA passing it peak, but are inclined to believe that the trigger will be something that ultimately weighs on all banks. We have previously shown how unappealing each of the big-4 Australian banks look on a PEG basis, and hence do not see the fundamentals to entice investors to rotate within the sector.

"Instead, if CBA corrects, then all else equal we would look for better rotation opportunities, eg, within local large cap Health Care names, which typically offer relatively attractive valuations, the capacity to attract flows, and the prospects for earnings to grow."

Readers looking for answers regarding CommBank's share price and who's still buying at these levels might want to check out the following: https://fnarena.com/index.php/2025/06/10/geopolitical-hedging-a-boon-for-commbank/

Best Buys & Conviction Calls

Crestone's Best Sector Ideas:

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

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

-Amcor ((AMC))
-Ampol ((ALD))
-ANZ Bank ((ANZ))
-APA Group ((APA))
-Atlas Arteria ((ALX))
-Beach Energy ((BPT))
-BHP Group ((BHP))
-Car Group ((CAR))
-Coles Group ((COL))
-Dalrymple Bay Infrastructure ((DBI))
-Iress ((IRE))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))

-Mirvac Group ((MGR))
-Pro Medicus ((PME))
-QBE Insurance ((QBE))
-RAM Essential Services ((REP))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Tabcorp Holdings ((TAH))
-Telstra Group ((TLS))

If anyone wonders whether these lists are ever updated, the answer is 'yes'. Does Crestone make regular changes? No.

****

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

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

****

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

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

Apart from their order of appearance, nothing has changed to that selection. In contrast, the other ten have seen a number of changes:

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

****

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

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

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

-Coles Group ((COL))

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

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

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

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

****

Morningstar's list of **Best Buy Ideas:**

-APA Group ((APA))
-ASX Ltd ((ASX))
-Auckland International Airport ((AIA))
-Aurizon Holdings ((AZJ))
-Bapcor ((BAP))
-Brambles ((BXB))
-Dexus ((DXS))
-Domino's Pizza Enterprises ((DMP))
-Endeavour Group ((EDV))

-Fineos Corp ((FCL))
-IDP Education ((IEL))
-IGO Ltd ((IGO))
-Ramsay Health Care ((RHC))
-SiteMinder ((SDR))
-TPG Telecom ((TPG))
-Woodside Energy ((WDS))

****

Shaw and Partners' Large Caps Model Portfolio:

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

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

-AML3D ((AL3))
-Australian Vanadium ((AVL))
-Bannerman Energy ((BMN))
-Chrysos ((C79))
-Humm Group ((HUM))
-Metro Mining ((MMI))
-Santana Minerals ((SMI))
-Southern Cross Electrical ((SXE))

****

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

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

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

Most Preferred

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

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

<u>Industrials</u>
-Brambles ((BXB))
-Coles Group ((COL))
-Collins Foods ((CKF))

-Light & Wonder ((LNW))
-REA Group ((REA))
-SGH Ltd ((SGH))
-TechnologyOne ((TNE))
-Telstra ((TLS))
-Telix Pharmaceuticals ((TLX))
-Xero ((XRO))
-Life360 ((360))

Least Preferred

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

****

Wilsons' Focus Portfolio currently contains the following:

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

****

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

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

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

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

Wilsons' number one **speculative idea**:

-Clarity Pharmaceuticals ((CU6))

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Paying subscribers have 24/7 access to my curated lists, including All-Weather Performers at: https://fnarena.com/index.php/analysis-data/all-weather-stocks/

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions.)

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

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

SMALL CAPS

Myer's Makeover Mission

Preceded by a disappointing trading update in the days prior, Myer's investor strategy day highlighted multiple new initiatives and potential sources of growth.

-Myer's strategy day highlights management's focus on 'execution over targets'
-Retailer laid out ambitious three-to-five-year roadmap
-Margin pressure, cost of doing business dominate trading update
-Synergies from Apparel Brands on track

By Mark Woodruff

During retailer Myer's ((MYR) investor strategy day in late May, its first since 2017, Executive Chair Olivia Wirth pulled no punches, declaring the era of empty promises over. The new mantra? Execution over targets.

The retailer laid out an ambitious three-to-five-year roadmap spanning loyalty schemes, private label refreshes, omni-channel investment, and a full supply chain overhaul.

Analysts saw much to like, but also flagged clear execution risks. A lot of heavy lifting remains to be done.

Key takeaways differed. Petra Capital is most upbeat about opportunities within sourcing & supply chain, while Morgan Stanley highlights progress being made on the Myer Exclusive Brands/Owned Brands portfolios.

Following interim results in March, analysts felt the investment case for Myer depended on the success of integrating the Apparel Brands' assets from Premier Investments ((PMV)) and executing a successful turnaround.

Premier swapped its non-core Apparel Brands for shares in Myer valued at $864m, in a transaction completed in January.

The acquired brands are now available via myer.com.au providing Myer with scope for revenue synergies through cross-shopping opportunities with Apparel Brands customers and ecommerce upselling.

Myer operates 56 department stores across Australia along with a significant online business (myer.com.au). The group also owns specialty fashion brands such as sass & bide, Marcs, and David Lawrence, and runs one of the country's largest loyalty programs, Myer one.

Trading update

Management at the time of interim results stressed a 'reset' was underway to position Myer for future growth. The focus was on completing the team build-out and executing revenue synergies, with further details then expected at the company's May strategy day.

Just a few business days before that marker, management issued an unaudited trading update for the first 16 weeks of the second half.

Unfortunately, the update referenced margin pressure from heightened promotional activity across the broader retail sector, increased costs of doing business (in particular, store wages and occupancy outgoing costs impacted by inflation, as well as investment in additional leadership capabilities) as well as unfavourable currency movements.

Investor strategy day

After attending the investor strategy day, Morgan Stanley feels Myer is making tangible progress on its turnaround ambition, particularly in the integration of the Apparel Brands portfolio.

It remains early days, cautions the broker, with execution risk elevated due to the complexity and the number of moving parts involved.

That said, Myer articulated a clear strategic roadmap, in the broker's view, supported by a capable leadership team committed to delivery. Encouragingly, synergy targets appear to be tracking ahead of expectations, with management expecting over $30m by the end of FY26.

Canaccord sees $30m as achievable, partly due to opportunities for leveraging the Myer one loyalty plan, while Morgan Stanley sees further upside potential as integration efforts gain momentum.

Management also noted increased costs relating for ramp-up and remediation at the new National Distribution Centre (NDC) in Victoria. Work is proceeding on ways to solve the automation and integration ramp-up issues, but in the meantime, Myer has developed an interim solution.

Myer's total sales were running comfortably ahead of the forecast at Canaccord Genuity, yet cost pressures proved worse-than-expected. While Apparel Brands sales improved since last reported figures, but they remained in negative territory.

Over 16 weeks, sales for Myer and Apparel Brands were $837.2m and $211.2m, a respective beat and miss of 1.9% and -3.7%, compared to the prior year.

Loyalty program

With 4.6m active members spending nearly three times more than non-members, Myer's loyalty program is a hidden gem.

A relaunch of Myer one in October will bring tailored offers, notes Morgan Stanley, with a focus on delivering more personalised offers aimed at increasing customer visit frequency and transaction value.

Beyond customer engagement, the program will also serve as a strategic data asset, explains the broker, enabling data-driven decision-making across the business, spanning brand curation to store layout optimisation.

Both operational efficiency and the customer experience are expected to improve.

Areas of improvement

Management is focused on re-engaging the under-30s demographic in Product & Myer brands, an area where Myer is currently underpenetrated, notes Morgan Stanley. A key initiative involves streamlining the apparel private label portfolio to eliminate brand duplication, enhance clarity, and drive stronger customer resonance.

Canaccord highlights the retirement of six underperforming brands and the transition of five brands to dual-gender offerings, reflecting a more streamlined and inclusive approach. New ranges from these revitalised brands are expected to launch by February 2026.

Such progress across Myer's Exclusive and Owned Brands portfolios reinforces the company's multi-brand strategy and its potential to drive margin expansion and differentiation, notes the analyst.

Importantly, strong execution could deliver a meaningful uplift in gross margins, with Canaccord noting potential improvements of up to 400 basis points in womenswear and 450 basis points in menswear.

These gains precede any benefit from the integration of Apparel Brands, which is expected to further enhance sourcing efficiency. With only circa 5% overlap across 332 suppliers, the combined business has significant scope to streamline the supplier base, renegotiate commercial terms, and align sourcing strategies more effectively.

Myer also anticipates leveraging its greater scale and purchasing power, particularly in high-volume categories such as denim and fabric. These efforts are well supported by favourable macro-economic tailwinds, including falling fabric input costs and emerging cost advantages in Chinese manufacturing hubs.

As foreshadowed at interim results, the year-to-date performance was negatively impacted by a sales mix shift to concession. That is, a larger proportion of in-store sales now come from third-party brands operating their own "store within a store" spaces, rather than from Myer's own inventory or exclusive brands.

Despite the negative mix shift, management re-affirmed concessions remain a critical pillar of the business model. According to Canaccord, these concessions are key drivers of both store traffic and sales, particularly given that many feature fashion-forward, globally recognised brands known for innovation and consumer appeal.

Looking ahead, the analyst understands new concession brands are set to launch in the near term, enhancing the overall in-store offering. Additionally, selected ranges from Apparel Brands will be introduced into Myer stores where strategically appropriate, supporting product diversification and category strength.

Canaccord anticipates early wins from synergies through the first half of FY26 from sources including materials (denim, linens), suppliers/factories, sorting (direct versus intermediary facility), or long lead times.

Outlook

There are two daily covered brokers in the FNArena database conducting research on Myer, but only one, Overweight-rated Morgan Stanley (target $1.05), has refreshed its views since the investor day. Ord Minnett (Accumulate, one notch below Buy; target 86 cents) last updated on 20 March.

The average target of 95.5 cents suggests 46.9% upside to Friday's closing price of 65c.

Outside of daily coverage, Petra Capital and Canaccord Genuity both have Buy ratings with respective targets of 90 cents and $1.05.

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.

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SMALL CAPS

US Defence Validates IperionX Potential

IperionX has won a significant contract with the US Department of Defence, providing a beachhead into aerospace, oil & gas, and industrial markets.

-IperionX lands significant US Dept of Defence contract
-Win validates the company's technology, offers further upside
-Bell Potter envisages titanium supply chain disruption

By Mark Woodruff

Investors may wonder what titanium and critical materials producer IperionX ((IPX), market cap $1.36bn, has in common with Nasdaq-listed Palantir Technologies (US$324bn) and private defence technology heavyweight Anduril Industries (not listed, but estimated value US$30.5bn)?

Broker Petra Capital explains IperionX is treading the same pathway adopted by both international heavyweights, using small business innovation research (SBIR) phase III contracts to scale into multi-billion-dollar federal vendors.

For a pre-revenue materials company like IperionX, the analyst highlights winning a SBIR contract with the US Department of Defence (DoD) is an **exceptionally rare and strategic milestone**.

IperionX CEO Anastasios Arima stated "*securing this first US Army task order (for US$1.3m) is a decisive step towards reshoring the nation's titanium supply chain. It marks the beginning of a long-term partnership with the Department of Defence that will deliver mission critical titanium parts and strengthen America's advanced-materials leadership. We look forward to rapidly scaling additional task orders under our US$99m contract*".

This contract compares with the company's previous largest contract with Ford Motor Company at around US$11m for the supply of manufactured metal components, announced in September last year.

Building on prior announcements

Back in April this year, management announced a definitive feasibility study (DFS) was underway for the Titan Critical Minerals Project in Tennessee, the largest US mineral resource of titanium, zircon, and rare earth mineral sands.

This DFS is seen as a major step towards developing a fully integrated, mineral-to-metal US titanium supply chain.

Part funding for the DFS is via IperionX's US Government award to re-shore such a supply chain. This brings total government funding to over US$60m.

At the time, management noted the Virginian Titanium Production Facility was on track for successful ramp-up through 2025.

The company is establishing this facility in Halifax County, Virginia, to scale its production of recycled titanium products.

The facility will be the first in the US to produce titanium metal powder entirely from recycled scrap, supporting a low-carbon circular supply chain.

When announcing US$47.1m in funding by the DoD in February, Arima noted "I*perionX's technologies, combined with the Titan project, offer a pathway for a resilient end-to-end supply chain*".

More on SBIR Phase III

Canaccord Genuity explains SBIR Phase III is a congressionally approved funding program under the industrial policy base aimed at supporting commercialisation of new technologies.

In effect, the company has entered the DoD supply chain and any US DoD agency can now directly contact IperionX with no requirement for financing approval.

Management expects initial supply projects to commence in the coming months, likely focussed on titanium fasteners, with scope to expand into higher-value aerospace components and other forged products.

The companys proprietary Hydrogen Assisted Metallothermic Reduction (HAMR) and Hydrogen Sintering and Phase Transformation (HSPT) technologies are used to recycle scrap titanium into products capable of use in military applications.

Canaccord suggests the five-year sole-source contract for titanium fasteners for ground vehicle and weapons platforms validates the company's technology at scale.

Bell Potter notes the Phase III designation signals IperionX's technologies are ready to move beyond research and development into commercial-scale production, and that the company is equipped to supply components for US defence programs.

Crucially, it secures a major customer to underpin the manufacturing ramp-up at the company's Virginia facility, while also serving as a proof point to attract future customers and funding partners.

Petra Capital believes the contract positions IperionX as a dependable supplier, enabling the receipt of product orders from DoD agencies for up to US$99m, with terms including indefinite delivery and quantity, and may be terminated in whole or in part at any time.

Titanium fasteners are used extensively in modern defence platforms, including armoured vehicles, submarines, and fighter jets.

More importantly, Petra Capital believes **the contract win provides a beachhead into aerospace, oil & gas, and industrial markets.**

Gaining sole source eligibility allows any federal agency to issue production contracts without additional tender or justification, explains the broker. It also enables IperionX to sell directly to other agencies, including the Navy, Air Force, and NASA, using the same sole-source framework, with no requirement for competitive re-bid.

Titanium Supply Chain Disruption

Initial manufacturing and supply into the contract are expected to commence in the coming months, explains Bell Potter. This will include titanium fasteners, though may encompass additional product forms including higher-value aerospace components.

The broker believes IperionX has the **potential to disrupt the traditional titanium supply chain** by significantly reducing production costs and minimising manufacturing waste.

The analysts expect production to ramp-up through 2025, positioning the company to advance commercial relationships with a range of high-profile aerospace, automotive, luxury goods and government customers.

Given a focus on domestic manufacturing and aerospace/defence-linked markets, IperionX is also expected to benefit from increased US trade barriers.

Outlook

Management at IperionX recently noted eight commercial partners were engaged on pilot-scale production and qualification programs, highlights Bell Potter, and the company has several outstanding funding applications and processes currently underway with US government-backed agencies.

At the same time, the company's R&D team is actively assessing more automated and continuous processing technologies.

Certainly, Canaccord continues to see a strong buying opportunity for IperionX shares, noting supportive US Government policies (including the tariff tailwind), potential for additional supply contracts through 2025, and significant valuation upside potential.

Canaccord and Petra Capital have Buy ratings for IperionX. Bell Potter has a Speculative Buy.

Following the SBIR contract win, Petra Capital raised its target to $8.21 from $6.95 and Bell Potter went to $6.25 from $5.90, while Canaccord remained at $6.65.

Even after a strong share price rally following the news, the shares closed at $4.62 yesterday, still well below those price targets.

SMALL CAPS

Growing Confidence in Bega Cheese

Macquarie has initiated coverage of Bega Cheese with an Outperform rating, suggesting cost-outs are key to achieving FY28 targets.

-Bega Cheese posted a strong first half beat
-Farmgate milk prices are higher for FY26, but manageable
-Cost-outs key to achieving targets
-Acquisitions on the cards

By Greg Peel

Back in February, Bega Cheese ((BGA)) reported a first half FY25 result which resoundingly beat consensus expectations, both in earnings and balance sheet strength.

Strong earnings growth was led by the Bulk segment returning to strong profitability, while pleasingly, as Morgans noted at the time, the Branded segment proved resilient despite a more difficult operating environment.

Bega's iconic household brands include its eponymously branded cheese products, Dairy Farmers milk, Dare flavoured milk, Yoplait yoghurt and a bit out of context Vegemite. The company also owns several other brands, including producers of juice, nuts and peanut butter.

Strong earnings growth was underpinned by Bulk swinging to positive earnings of $24.4m compared to a loss of -$5.6m the year before, given higher global dairy prices, greater volumes, improved mix toward higher-margin products, and materially lower cost of goods sold, reflected in a farmgate milk price (FMP) of $8.05-8.35 versus $9.20 last year.

Bega also delivered manufacturing efficiencies and further cost savings across its footprint. Branded growth was more modest at 8%, Morgans noted, but better than expected given the company was cycling 122.5% growth last year, it was difficult to raise prices, and out-of-home channels were challenging due to cost of living pressures.

Its core brands saw modest volume growth driven by innovation and promotional campaigns. Branded also benefited from productivity and efficiency improvements.

Management reiterated FY25 earnings guidance, but suggested a result at the higher end of the range. Bega also reiterated its targets for FY28 of greater than $250m earnings and a return on funds employed (ROFE) of 12%.

While management noted it was not expecting to increase its FMP again this financial year, Morgans suggested if its competitors increase their prices, there will be pressure on Bega to follow. Management did say the FY26 opening FMP is likely to be higher.

Post the result, all of Morgans, UBS and Ord Minnett retained Hold or equivalent ratings on Bega Cheese due to the stock being well-priced. Bell Potter retained Buy.

At the Farmgate

In line with regulatory requirements, earlier this month Australian Dairy processors announced FY26 FMP opening offers. Bega provided an opening FMP of $8.95/kg reflecting a 7% increase on FY25's $8.40/kg and industry average of $8.90/kg. In UBS' view, this was modestly better than market expectations of more than $9/kg.

UBS noted this will lead to a circa -$60m cost of goods sold increase for Bega in FY26, but more than offsetting this increase is the fact the commodity export selling price Bega prices against is 30% higher than this time last year. Overall, UBS viewed this as a positive for Bega most simply because the commodity export price remains above the farmgate milk price, which supports the Bulk segment earnings.

Bell Potter did not see opening FMPs as particularly misaligned with expected channel returns. Both brokers retained their prior ratings.

Cost-Out is Key

Last week Macquarie initiated coverage of Bega Cheese with an Outperform rating.

Bega has a runway to deliver cost-out in its business, Macquarie suggests, through site rationalisation and operational efficiencies which will drive gross margin improvement. The company has a track record of executing on its strategy, effectively managing costs, and reducing its manufacturing footprint in the last few years.

ROFE will be the key determinant in Macquarie's view. The broker is forecasting 11.5% by FY28 compared to management's 10-12% range, and compared to 7.9% in the first half FY25.

In Bega's consumer-facing segment, Macquarie sees category growth in high-margin categories such as yoghurt and milk-based beverages to be outpacing lower-margin categories such as regular milk, which will deliver mix benefits to Bega over the medium term.

In addition, the international export business will continue to deliver high-single digit sales growth supported by tailwinds such as population growth, higher GDP per capita, and increased penetration of modern grocery channels.

Management commentary and media reports suggest Bega is also open to acquisitions. This is an opportunity for further industry consolidation, Macquarie suggests, and would support improved capacity utilisation across

Bega's asset base, seeing synergy benefits in a transaction within the Food & Beverage space through procurement and logistics, as well as improved bargaining power with major retail customers.

In its base case, Macquarie estimates Bega has the debt capacity to conduct an acquisition in excess of $150m.

Bega is progressing well on its FY28 Strategy, Macquarie believes, with momentum in its cost-out initiatives as well as key top-line growth opportunities. The broker forecasts a four-year compound annual earnings growth rate of 33% to FY28.

Macquarie has set a target of $6.40, which brings the average targets of the now five brokers monitored daily by FNArena covering Bega Cheese to $6.13, up from $6.06 previously, on a rather wide range from $5.20 (Ord Minnett) to $7.00 (Bell Potter).

Among the five there are now two Buy or equivalent ratings and three Holds.

SMALL CAPS

Smart Platform Underpins SiteMinder Optimism

SiteMinder's new Smart Platform strategy looks poised to deliver strong medium-term growth.

-SiteMinder's new Smart Platform strategy
-Commission-based pricing, more products
-Shares rally after minor disappointment in May
-Achieving Rule of 40 would be significant catalyst

By Mark Woodruff

Macquarie last week initiated coverage on global hotel software provider SiteMinder ((SDR)), forecasting strong medium-term revenue growth, underpinned by sustained market share gains and rising adoption of the company's transactional products.

At the heart of the anticipated growth trajectory lays SiteMinder's Smart Platform strategy, which marks a step change in both scale and monetisation. By expanding its product suite from three to six offerings, and pivoting from fixed-fee to predominantly commission-based models, the company is not just adding functionality, but --in the words of Macquarie-- unlocking powerful new revenue streams.

Successful execution of this strategy will be critical to achieving management's revenue growth ambition of around 30%.

By adopting commission-based pricing, SiteMinder is positioning itself to more effectively monetise the $80bn in gross booking value (GBV) that flows through its platform annually.

Broker Jarden recently reinforced this optimism, noting much of SiteMinder's expected revenue growth is upsell-driven, requiring minimal incremental investment. Jarden also highlighted the exceptionally high gross margins attached to the company's new products, further amplifying earnings potential.

This broker's analysis highlighted SiteMinder's enterprise value (EV) to revenue multiple was so low that, in its view, investors were effectively getting the company's new products, and arguably even its transaction business, for free.

At the time of Jarden's report in early-May, SiteMinder shares were trading at $3.78 and have since rallied to $4.73.

<u>SiteMinder explained</u>

Targeting accommodation providers of all types and sizes to manage every stage of their customers' journeys, SiteMinder's hotel commerce platform encompasses solutions around direct and third-party distribution, website design and creation, analytics and market insights, property management, and payments.

Operating in around 150 countries, SiteMinder has key products in the channel management category and through its Little Hotelier product offering, an all-in-one property management system tailored for small hotels, bed & breakfasts, and inns.

Rising online booking penetration is compelling small-to-medium enterprises (SMEs) to embrace both technology and multichannel distribution strategies. This shift is driving greater demand for channel management solutions, providing a structural tailwind for SiteMinder, explains Macquarie.

SMEs are management's target market and represent around 85% of the hotel industry globally.

Travel, tourism, and hospitality market research firm Phocuswright estimates the global hotel industry is worth around US$573bn made up of more than 1m hotels, of which SiteMinder serves circa 47,000 properties (5% market share).

Positively for SiteMinder, few large-scale global competitors exist, as market fragmentation makes it challenging to achieve comprehensive connectivity across distribution channels, explains Macquarie.

At the end of the first half of FY25, around 64% of SiteMinder's revenue was subscription based, with transaction revenue the balance.

(Note: management considers transaction revenue 'recurring in nature', given it consists of usage and volume-based charges to its subscription base).

Slight disappointment in early-May

A February selloff in the share price from around $6.50 meant the risk reward was far more attractive when SiteMinder slightly disappointed the market in early-May, noted Morgans at the time.

The broker has been proven correct, with the share price eventually rallying by around $1.00 to $4.73 at the close of trade on June 17.

Morgans analysts were commenting after management held revenue guidance unchanged at $5-10m for FY25 but noted a softening in US travel during the half, which had impacted both the base transaction business and its new Smart Distribution product.

SiteMinder was not alone. Jarden noted a spate of recent downgrades by travel names including Flight Centre Travel ((FLT)) and Corporate Travel Management ((CTD)).

This broker noted the majority of global travel weakness was US centric and only circa 10% of SiteMinder's first half revenue was related to US transactions.

Analysts also highlighted SiteMinder is significantly less impacted by customers trading down and weaker corporate spend given the exposure to small and medium-sized business (SMB) travel.

This view was supported by management's guidance for annual recurring revenue (ARR) to accelerate by the end of FY25 from the 22% generated year-on-year in the first half.

While the company's update was perceived as a marginal negative and out of management's control, it did mark the third downgrade/miss in a row.

Accordingly, Morgans preferred to wait for improved execution around the delivery of Smart Platform, particularly with the required contribution from Channels-Plus in FY26 (which is second-half-weighted) to hit consensus estimates.

Broker Wilsons appeared to take the update in its stride, suggesting the withdrawal of both US-domestic and US-inbound travellers had a muted impact.

Wilsons analysts felt the key risk to SiteMinder was US-outbound to Europe, given the role the US traveller has had on the recent buoyant EU Summer seasons while the US dollar had been strong.

If anything, Wilsons was a tad disappointed the update didn't cause more of a bounce in SiteMinder shares given recent market action had implied a disaster looming based on earlier updates by travel sector peers.

Last month's Smart Products update

Channels-Plus is a cloud-based channel management solution designed to help hotels and accommodation providers seamlessly integrate their property management system (PMS) with a wide array of online travel agencies (OTAs), global distribution systems (GDS), and other booking platforms.

According to the company's May update, Channels-Plus is now used by over 3,000 hotels, up from approximately 2,000 as of December 31. Analysts at Wilsons noted this growth signals encouraging momentum following the global launch in January.

Dynamic Revenue-Plus was launched globally at the ITB travel trade show in Berlin in March. As such, Wilsons expects this offering to begin contributing meaningfully in the latter part of FY26.

Supporting hotels in optimising their distribution strategies and driving revenue growth, SiteMinder Dynamic Revenue-Plus provides actionable insights into market demand, pricing trends, and competitor performance.

Smart Distribution, a key module within the broader Smart Platform, enhances how hotels connect with global distribution partners by ensuring optimal configuration for maximum visibility and revenue generation.

In the second half, revenue performance from Smart Distribution aligned with Wilsons' expectations in the mid- to high-single-digit range.

Outlook

Anticipating rising market share, Macquarie forecasts medium-term property growth of circa 12% per annum for the company, translating to a 22% compound annual growth rate (CAGR) for revenue over FY24-27.

Management delivering upon its target for positive underlying earnings and free cash flow (FCF) in FY25 would be a significant catalyst, in this broker's opinion.

Macquarie also notes management is incentivised to progress towards the Rule of 40, which should balance growth and profitability.

In early-May, Morgan Stanley felt both valuation and expectations were modest and maintained an Overweight rating alongside a 6.80 target price.

Including Morgan Stanley, there are six daily covered brokers in the FNArena database with an average target of $6.33, implying nearly 34% upside to the latest share price.

Now Macquarie has initiated coverage at Outperform, there are five brokers with a Buy (or equivalent) rating, while Morgans is on Hold.

Outside of daily coverage, Jarden and Wilsons are both Buy-rated with respective targets of $4.45 and $6.44.

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

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

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 13-06-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday June 9 to Friday June 13, 2025
Total Upgrades: 4
Total Downgrades: 6
Net Ratings Breakdown: Buy 61.65%; Hold 31.97%; Sell 6.38%

In the week ending Friday, June 13, 2025, FNArena tracked four upgrades and six downgrades for ASX-listed companies from brokers monitored daily.

Beach Energy received two ratings downgrades from separate brokers.

Shares have rallied by around 10% since the company released quarterly results in April, but Morgans last week warned earnings remain vulnerable ahead of the June quarter result, given likely consensus downgrades and already weak sentiment.

With Waitsia Stage 2 in the Perth Basin now in a critical commissioning phase, despite consensus expecting full production by September, and Cooper Basin operations disrupted by severe fourth-quarter flooding, the broker cut its target to $1.36 from $1.55 and downgraded its rating to Hold from Accumulate.

UBS also downgraded Beach to Neutral from Buy, trimming its target to $1.35 from $1.40, citing elevated risks of further commissioning delays at the Waitsia gas plant.

Among covered Energy names, this broker now ranks Beach Energy behind Santos (top pick) and Woodside Energy in order of preference.

On a more positive note, UBS highlighted Beach's strong balance sheet, giving the Board flexibility to exceed its stated dividend policy.

Morgans also sees room for a valuation recovery, contingent on improved production delivery and a resilient earnings base, should near-term risks abate.

Turning to average target prices and earnings forecasts, here the tables below show rises and falls were broadly even last week.

After announcing the closure of loss-making Jetstar Asia, Qantas Airways received an around 8% lift in average target from brokers, with Macquarie suggesting the move will generate additional earnings before interest and tax of around $47m by FY27.

Flights will be shut down as of July 31, impacting 16 intra-Asia routes, but will not affect Jetstar Airways international flights from Australia to Asia or the Japanese business.

Some aircraft will be re-deployed to higher-return markets in A&NZ, freeing up to $500m in capital and supporting broader fleet renewal initiatives, highlighted Morgans.

Management also reiterated FY25 and FY26 capex guidance, with some of the capex benefits expected to flow through over FY27 and FY28. Post covid, it's felt the airline is better equipped to manage its international network and improve return on capital employed.

Online furniture and homewares retailer Temple & Webster and Catapult International (sports technology) were next with rises in average targets of around 6% apiece.

Ord Minnett raised its target for Temple & Webster to $20 from $14 after reviewing its financial model, but retained a Sell rating due to valuation concerns.

The company has proven its business model, suggested the analyst, whereby manufacturers and suppliers ship directly to Temple & Webster customers, obviating the need to hold inventory of furniture and homewares.

Regarding the Sell rating, here Ord Minnett explained Temple & Webster remains a relatively minor player in the business-to-business (B2B) and home improvement segments, which are expected to contribute less than $50m in revenue in FY25.

The broker believes the market is pricing in substantial growth in these categories, despite limited evidence of successful expansion among domestic or international peers. Moreover, assumptions around maintaining margins at scale and facing limited competitive pressure are viewed as optimistic and unlikely to hold in practice.

Following the recent acquisition of US-based Perch for initial consideration of -US$18m, Bell Potter raised its target for Catapult by $1.00 to $6.00. The increase was partly due to higher earnings forecasts and a higher assumed valuation multiple due to the large cross-sell opportunity via Perch, as well as the ongoing rally in the technology sector.

Perch is a "next generation leader in athlete monitoring in the gym for elite teams" and will fit into or enhance Catapult's Performance & Health (P&H) or Wearables vertical, in the broker's opinion.

Zip Co also had a good week, heading up the earnings upgrade table below, after management raised FY25 cash earnings guidance to $160m from $153m, due to a stronger-than-expected US performance in both April and May.

During these months Zip generated 40% year-on-year growth in Total Transaction Volume (TTV). Despite accelerating customer acquisition, Citi noted credit performance remained steady, which is expected to support re-investment in marketing to drive further growth.

Lower fuel prices and interest rate cuts could deliver a further 5-10% earnings uplift, forecasts UBS, with each -25bps cut estimated to add around $5m to earnings.

The appearance of Life360 in the positive tables for earnings and target below should largely be ignored as averages were impacted by Ord Minnett's decision to cease coverage due to a departing analyst.

Morgan Stanley noted last week management had taken advantage of compelling capital market conditions, rather than an immediate need/opportunity to deploy significant capital, in issuing US$320m of convertible notes due June 2030.

The notes have a 0% coupon and are convertible if the stock trades above US$80.97 per share (closing price of US$61.09 last Friday). After further hedging, the share price would need to reach US$122.22 to trigger any dilution, explained the broker, which would likely be proactively managed.

On the flipside, Coronado Global Resources appears atop the tables for negative change to earnings and target.

To alleviate immediate working capital risks during the current weaker coal price environment, and while costs remain elevated, management has announced measures to improve its cash liquidity position by up to US$400m.

In addition to the previously announced US$100m cost reduction target throughout 2025, the company recently entered a binding agreement with Oaktree Capital Management to refinance its US$150m Asset Based Lending facility.

Last week, management also agreed with Stanwell Corporation to provide a liquidity benefit of up to US$150m through a thermal coal pre-payment and rebate deferral.

According to Bell Potter, unless coal prices improve materially, Coronado may need to implement additional liquidity measures over the coming quarters. The broker's target was cut to 19c from 23c, and a Speculative Hold rating was kept.

Macquarie (Neutral) lowered its target price by- 24% to 19c, partly reflecting a weakened earnings outlook and a higher cost of debt.

Last week, footwear and apparel retailer Accent Group's average FY25 earnings forecast in the FNArena database fell by -5% after management guided to FY25 earnings (EBIT) of $108-118m, a -17-19% miss against the consensus forecast of $133m.

Management noted "Low overall growth in the lifestyle footwear market from March to early June has impacted sales in both the retail and wholesale segments".

While lowering its target to $2.10 from $2.60, Bell Potter kept a Buy rating, expect a monetary policy led recovery into the backend of 2025 to support FY26 performance.

The analysts anticipate a higher growth focus, leveraging the outperforming sports segment via global partner and key shareholder, UK-based Frasers Group.

Perennial disappointer Domino's Pizza Enterprises was downgraded to Equal-weight from Overweight at Morgan Stanley. It's thought a shift in consumers' perception of value within the quick service restaurant (QSR) space is causing structural headwinds to build for traditional players.

The customer is trending toward healthier options, convenience (sometimes via Uber Eats), and enhanced digital experiences, notes the broker. It's thought some QSR operators with more sophisticated apps and loyalty programs are gaining a competitive advantage.

Total Buy ratings in the database comprise 61.65% of the total, versus 31.97% on Neutral/Hold, while Sell ratings account for the remaining 6.38%.

Upgrade

METCASH LIMITED ((MTS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 4/1/0

Macquarie raises its target for Metcash by 40 cents to $3.70 and upgrades to Outperform from Neutral after FY25 hardware earnings (EBIT) guidance (via a trading update) came in around 4% ahead of expectations.

This outcome alleviates concerns for the analyst around segment de-leverage and marks a likely trough in earnings.

The broker expects the merger of IHG and Total Tools to deliver medium-to long-term upside through improved cost control, stronger supplier terms, and cross-brand integration. For the short-term, the earnings impact is expected to be limited.

Hardware recovery is anticipated, supported by improving housing approvals, commencements, and home sales, alongside expectations of three further RBA rate cuts in 2025.

QANTAS AIRWAYS LIMITED ((QAN)) Upgrade to Hold from Trim by Morgans .B/H/S: 2/4/0

Qantas Airways has announced the closure of Jetstar Asia, citing unsustainable supplier cost increases, high airport charges, and intensifying competition.

Jetstar Asia is expected to post a -$35m EBIT loss in FY25, with -$25m of this occurring in H2, notes Morgans. Qantas anticipates one-off closure costs of around -$175m, mostly incurred in FY26.

Aircraft from Jetstar Asia will be redeployed to higher-return markets in A&NZ, freeing up to $500m in capital and supporting broader fleet renewal initiatives, highlights Morgans.

The broker views the absence of formal FY25 guidance as an indication Qantas is broadly comfortable with consensus expectations.

Morgans leaves FY25 forecasts largely unchanged but lifts FY26 and FY27 profit (NPBT) forecasts by 4% on lower fuel assumptions, noting an additional 5-10% upside if spot prices persist.

The target price increases to $10.80 from $9.40 and the broker upgrades its rating to Hold from Trim.

REDOX LIMITED ((RDX)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 3/0/0

Ord Minnett upgrades Redox to Accumulate from Hold on valuation grounds, with a new target price of $2.68 from $2.85.

In response to an ASX query about the share price last week, the company cited "broader macro uncertainty", with a lack of confidence in the Australian economy post the 1Q25 GDP print, the analyst details.

Lower confidence levels and activity levels in the domestic economy have led Ord Minnett to reduce earnings estimates by around -6% for FY25 and -5% for both FY26/F27.

The macroeconomic impacts are viewed by the broker as cyclical rather than structural issues for the company.

SEEK LIMITED ((SEK)) Re-initiation of coverage with Buy by Citi .B/H/S: 7/0/0

After around six years, Citi has re-initiated coverage of Seek with a Buy rating, but with a downside view in the short term. Target price is $28.50.

The broker compares the company's AI use to REA Group ((REA)) and Car Group ((CAR)), noting it is ahead in its use to improve product offering and customer experience.

The analyst is forecasting the ad-tier model to accelerate yield growth with a 10% forecast for FY26, higher than the company's high-single digit forecast.

While rate cuts are a positive, other leading indicators are mixed, and the broker expects volume recovery to come only in 2H26.

In Asia, the broker expects growth to be weighed down by freemium roll-out in Hong Kong and Malaysia, but to pick up over the medium term.

The broker's FY25 revenue forecast is in line with consensus, but -2% below for FY26.

Downgrade

BEACH ENERGY LIMITED ((BPT)) Downgrade to Neutral from Buy by UBS and Downgrade to Hold from Accumulate by Morgans.B/H/S: 0/5/2

UBS lowers its target price for Beach Energy to $1.35 from $1.40 and downgrades the rating to Neutral from Buy due to softer domestic gas price forecasts and limited near-term catalysts.

The broker feels recent share price gains have priced in a timely ramp-up at Waitsia. Balance is also now seen between upside from rising East coast gas prices and downside from potential delays and softer domestic demand.

Over 40% of Beach's East coast gas is uncontracted from FY26, creating leverage to future price rises, note the analysts. However, the broker's FY26-27 East coast gas price assumptions are lowered by -5-6% due to delays in LNG import terminal commissioning.

UBS also flags commissioning risks for the Waitsia Gas Plant despite fuel gas being introduced in May, and sees no further discount priced into shares for delays.

Cost guidance remains unchanged, and production expectations for FY26-27 are steady, notes UBS.

Morgans lowers its target for Beach Energy to $1.36 from $1.55 and downgrades to Hold from Accumulate ahead of June quarter results, citing near-term risks which could lead to consensus downgrades.

The broker sees the market as overly optimistic on both the timeline for the Waitsia Stage 2 ramp-up and production recovery in the Cooper Basin. For the latter, flooding has impacted operations more significantly than consensus reflects.

While the introduction of first fuel gas at Waitsia occurred in mid-May, Bell Potter expects nameplate production won't be achieved until November, assuming a smooth 10-12 week commissioning phase and further ramp-up.

CETTIRE LIMITED ((CTT)) Downgrade to Speculative Sell from Speculative Hold by Bell Potter .B/H/S: 0/0/2

Cettire delivered FY25 to-date revenue of $693.8m, up 1.7% year-on-year, but with adjusted earnings (EBITDA) of just $0.5m, well below consensus at $7.8m, notes Bell Potter.

April-May trading was notably weaker, observe the analysts, with sales down -21% year-on-year and an adjusted -$6.9m earnings loss, including -$2m in currency losses. Cash fell to $45m from $76m at the end of the third quarter.

The broker downgrades its earnings forecasts, now expecting a -20% revenue decline in the June quarter and only modest growth of 3-12% over FY26-27.

A return to EBITDA profitability is now expected in the third quarter of FY26, one quarter later than the analysts had previously anticipated.

Bell Potter cuts its price target to 28c from 47.5c and downgrades to Speculative Sell from Speculative Hold.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/6/0

Morgan Stanley notes Domino's Pizza Enterprises' failed to meet its same-store sales outlook of 3-6% growth over FY22-24 and is set to miss it once again in FY25.

The broker now considers the underperformance as a structural shift rather than a post-covid reconfiguration.

As a result, the analyst has lowered its medium-term same-store sales and network growth forecasts to 1-3%. This led to a downgrade to FY26-29 top-line growth forecasts to an average 3.4% from 5.4% before.

For the longer term, the broker cut top-line growth forecasts to 3.5% from 4.0%. Rating downgraded to Equal-weight from Overweight. Target cut to $24.

JOHNS LYNG GROUP LIMITED ((JLG)) Downgrade to Hold from Accumulate by Morgans .B/H/S: 1/4/0

Management at Johns Lyng has received a non-binding indicative proposal from Pacific Equity Partners to acquire 100% of shares in the company, with both parties entering into an exclusivity period to undertake due diligence.

Separately, Johns Lyng's 1H25 result was weaker-than-expected by Morgans, with group revenue missing the analyst's forecast by -6% and earnings (EBITDA) coming -18% below. The interim dividend of 2.5c was also lower than the broker's 4.2c forecast.

Management cut FY25 earnings guidance by -5% which implies to the broker a 2H recovery in business as usual (BAU) earnings.

Based on the company's update, Morgans expects improved revenue momentum from recent surge events in NSW and Queensland.

In the US, volumes are expected to increase with a new client onboarding and work related to LA wildfires but it is still expected to fall short of the company's FY25 target of 10-15% revenue growth, highlights the broker.

WAGNERS HOLDING CO. LIMITED ((WGN)) Downgrade to Accumulate from Buy by Morgans .B/H/S: 1/0/0

Morgans expects heavy rainfall across South East Queensland in March to moderately impact Wagners Holding Co's 2H25 earnings, with Brisbane recording 461mm in the month, more than double the 10-year average.

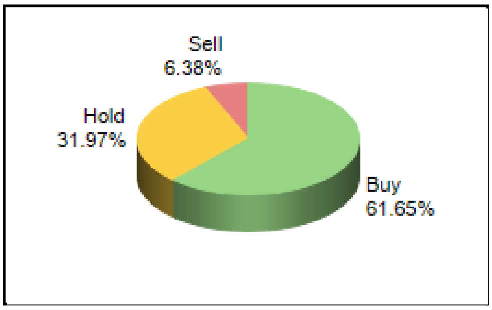
The broker has revised its FY25 EPS forecast down by -8%, while FY26 and FY27 are adjusted by -1% and 0% respectively.

The analyst explains maintenance in January and a concentration of public holidays will act as an additional drag on near-term performance.

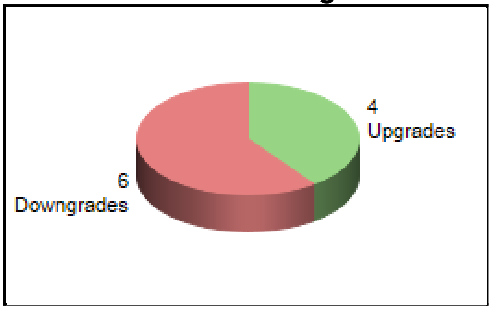
Morgans views the cement market as stabilising, supported by recent price rises and improved discipline across the industry.

The broker raises its target price to $2.10 from $2.00 due to a higher assumed multiple (reflecting longer-term optimism around Brisbane Olympics-related infrastructure spend), and downgrades to an Accumulate rating from Buy.

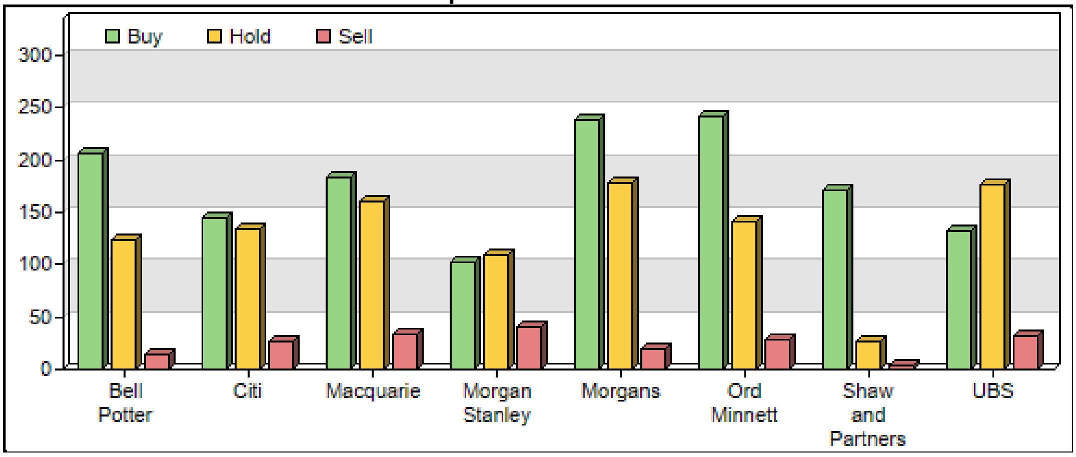
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	METCASH LIMITED	Buy	Neutral	Macquarie
2	QANTAS AIRWAYS LIMITED	Neutral	Neutral	Morgans
3	REDOX LIMITED	Buy	Neutral	Ord Minnett
4	SEEK LIMITED	Buy	Sell	Citi
Downgrade				
5	BEACH ENERGY LIMITED	Neutral	Neutral	Morgans
6	BEACH ENERGY LIMITED	Neutral	Buy	UBS
7	CETTIRE LIMITED	Sell	Neutral	Bell Potter
8	DOMINO'S PIZZA ENTERPRISES LIMITED	Neutral	Buy	Morgan Stanley
9	JOHNS LYNG GROUP LIMITED	Neutral	Neutral	Morgans
10	WAGNERS HOLDING CO. LIMITED	Buy	Buy	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	QAN	QANTAS AIRWAYS LIMITED	10.700	9.890	8.19%	6
2	TPW	TEMPLE & WEBSTER GROUP LIMITED	18.950	17.808	6.41%	6
3	CAT	CATAPULT GROUP INTERNATIONAL LIMITED	5.900	5.567	5.98%	3
4	360	LIFE360 INC	31.630	30.120	5.01%	3
5	MTS	METCASH LIMITED	3.790	3.610	4.99%	5
6	SUN	SUNCORP GROUP LIMITED	21.930	21.155	3.66%	6
7	ZIP	ZIP CO LIMITED	3.167	3.067	3.26%	3
8	HSN	HANSEN TECHNOLOGIES LIMITED	6.783	6.663	1.80%	3
9	ASX	ASX LIMITED	65.400	64.450	1.47%	6
10	TLC	LOTTERY CORPORATION LIMITED	5.575	5.508	1.22%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	CRN	CORONADO GLOBAL RESOURCES INC	0.180	0.210	-14.29%	5
2	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	27.287	29.953	-8.90%	6
3	AX1	ACCENT GROUP LIMITED	2.332	2.432	-4.11%	5
4	BPT	BEACH ENERGY LIMITED	1.354	1.389	-2.52%	7
5	RDX	REDOX LIMITED	3.460	3.517	-1.62%	3
6	PWH	PWR HOLDINGS LIMITED	8.263	8.388	-1.49%	4
7	CKF	COLLINS FOODS LIMITED	9.683	9.783	-1.02%	6
8	FFM	FIREFLY METALS LIMITED	1.683	1.700	-1.00%	3
9	SDR	SITEMINDER LIMITED	6.333	6.382	-0.77%	6
10	GQG	GQG PARTNERS INC	2.854	2.874	-0.70%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	ZIP	ZIP CO LIMITED	3.000	1.967	52.52%	3
2	360	LIFE360 INC	73.606	59.273	24.18%	3
3	TPW	TEMPLE & WEBSTER GROUP LIMITED	9.680	9.400	2.98%	6
4	BKW	BRICKWORKS LIMITED	122.560	121.083	1.22%	5
5	SEK	SEEK LIMITED	41.763	41.416	0.84%	7
6	MTS	METCASH LIMITED	25.100	24.900	0.80%	5
7	EVN	EVOLUTION MINING LIMITED	53.554	53.265	0.54%	7
8	ASX	ASX LIMITED	263.820	262.420	0.53%	6
9	JLG	JOHNS LYNG GROUP LIMITED	14.960	14.900	0.40%	5
10	GQG	GQG PARTNERS INC	24.287	24.202	0.35%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CRN	CORONADO GLOBAL RESOURCES INC	-27.725	-24.819	-11.71%	5
2	AX1	ACCENT GROUP LIMITED	12.860	13.560	-5.16%	5
3	GYG	GUZMAN Y GOMEZ LIMITED	12.000	12.333	-2.70%	3
4	RDX	REDOX LIMITED	15.033	15.433	-2.59%	3
5	SDR	SITEMINDER LIMITED	-5.067	-4.940	-2.57%	6
6	HSN	HANSEN TECHNOLOGIES LIMITED	19.067	19.450	-1.97%	3
7	CAT	CATAPULT GROUP INTERNATIONAL LIMITED	-2.724	-2.672	-1.95%	3
8	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	127.500	129.700	-1.70%	6
9	PWH	PWR HOLDINGS LIMITED	10.025	10.150	-1.23%	4
10	CKF	COLLINS FOODS LIMITED	37.520	37.920	-1.05%	6

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: Sprott Nukes ASX Shorts

Sprott's US$200m raising to buy physical uranium oxide triggers substantial buying in Australian uranium stocks, taking short interest by surprise.

-Short interest struggles to cover Australian uranium stocks
-U3O8 spot market declines as Israel-Iran conflict fires up
-World Bank returns after seven decades to fund nuclear energy

By Danielle Ecuyer

Large outstanding short interests provide a rocket for share prices

Seems only apposite to commence this week's Uranium update with the prefix: Australian uranium stocks are rallying sharply higher, with yet no new apparent news for the buying. Although some commentators are suggesting the rally is due to Israel striking Iranian uranium enrichment facilities while others are pointing to Amazon's $20bn investment spend on Australian data centres.

Suffice to say, with such large outstanding short interests in the stocks, it doesn't take much to shift the dial to upside price swings and the real news eventually hitting the market.

So when early Canadian time, the Sprott Physical Uranium Trust (SPUT) announced it has entered into an underwritten agreement with Canaccord Genuity to raise US$100m at US$17.25 per unit to acquire physical uranium oxide, the catalyst for a rally in uranium-related share prices instantaneously explained itself.

Citi highlights SPUT has now secured US$200m (double the original intention) in deal financing overnight, which equals 11.6m units at a premium to net asset value of US$17.25 against the market price of US$16.98.

The U3O8 spot price is now trading at US$76/lb, the broker reports, as traders move into a thinly traded market.

At current spot pricing levels, this equals around 2.6mlbs of U3O8 will be bought by SPUT, and price momentum is likely to bring more utilities into the market the analyst suggests, which should further accelerate price rises for U3O8.

Citi remains Buy rated on **Boss Energy** with a $4.60 target price and Buy rated on **Paladin Energy** ((PDN)) with a $10.10 target price.

As of June 6, ASIC's latest report continued to have Boss with the highest short interest on the Australian bourse at 18.52% after the GlobalX Gold Bullion (Currency Hedged) ETF ((GHLD)); followed by Paladin at 15.32% in third place, **Deep Yellow** ((DYL)) in ninth place at 10.52%, and **Lotus Resources** ((LOT)) at 8.57% in seventeenth position.

Foresight from broker on vulnerability of shorts to a change in news flow

Petra Capital was one broker to emphasise a tactical bullish stance on the ASX-listed uranium sector last week due to the high level of short interests.

The analyst details how the uranium market is changing from inventories setting the U3O8 price to a period when global production capacity relative to demand will be the key factor determining the price.

The world's largest producer, Kazatomprom, is challenged to achieve the midpoint of 2025 guidance production of 14Mlbs, which sits some -17% below guidance offered in late 2023.

While utilities have always been able to source U3O8, Petra espouses there is insufficient production capacity for all utilities, of which the top 25 globally dominate consumption (50% are government entities) to achieve 100% coverage.

The top two suppliers, Cameco and Kazatomprom, are maintaining restrictive production policies at a US$80/lb term price.

While it is challenging to calculate inventories due to limited disclosure, the analyst proposes even "simple math" underwrites a new contracting cycle with restocking inevitable.

Interestingly, contracting has not equaled annual consumption since 2012, with shortfalls filled by above-ground inventories. Further inventories are held by the Sprott Physical Uranium Trust at 66.2Mlbs and Yellow Cake Plc, which holds 21.7Mlbs.

Petra points to estimated production in 2024 of 156Mlbs, which is circa 89% of estimated consumption of 176Mlbs.

In terms of short interest and days to cover, **Bannerman Energy** ((BMN)) has the longest ratio, followed by Deep Yellow, Boss, Lotus, and Paladin.

Petra likes the fundamentals for Bannerman (Buy rated with a $5.33 target price) and the stock remains one of key U3O8 exposures for the broker, along with **Aura Energy** ((AEE)), Buy rated, target price 39c; **Alligator Energy** ((AGE)), Buy rated, 10c target price; Lotus Resources, Buy rated 30c target; and **NexGen Energy** ((NXG)), Buy rated and $10.80 target.

RBC Capital's recent uranium outlook also points to NexGen, which is developing one of the world's "best" uranium projects.

Uranium demand is expected to be underwritten by the growing commitment to nuclear energy, with generating capacity set to grow through to 2040.

Current forecasts suggest additional supply will be enough to meet demand into the early 2030s, with growing supply-side risks for Western-aligned regions from geopolitics and an over reliance on non-aligned countries.

RBC expects a major uranium deficit by the mid-2030s, which will require higher incentive prices. The longer-term price forecast was raised to US$100/lb post-2035.

Spot price slips as market participants step back

While concerns for traders are rising over Israel's potential strikes on Iranian uranium enrichment sites, the spot market saw industry consultant TradeTech's price indicator slip by -US$2.50 to US$69/lb last week.

Five transactions were recorded; four in the spot market and one in the mid-term.

The TradeTech Mid-Term price indicator stands at US$75/lb and the Long-Term price indicator at US$80/lb.

Latest nuclear-related news

The World Bank announced last week it is removing its long-standing ban on financing nuclear energy (in place since 1959), with the President stating it would *"begin to re-enter the nuclear energy space"* alongside the International Atomic Energy Agency.

In an announcement the World Bank declared: *"We will support efforts to extend the life of existing reactors in countries that already have them and help support grid upgrades and related infrastructure"*.

The Bank is also looking to support and accelerate small modular reactors to make the technology more viable.

Further support for small modular reactors was given to Great British Energy via the Budget's GBP 2.5bn funding to the government's signature state-owned energy company, which will in turn support the Rolls-Royce consortium in developing the technology.

The British government also committed GBP14.24bn to construct the Sizewell C nuclear plant in Suffolk, the first new plant since Sizewell B in 1995.

Prime Minister Starmer was quoted as saying *"Having our own energy in this country that we control, gives us security, gives us independence, so (Russian President Vladimir) Putin can't put his boot on our throat,"*

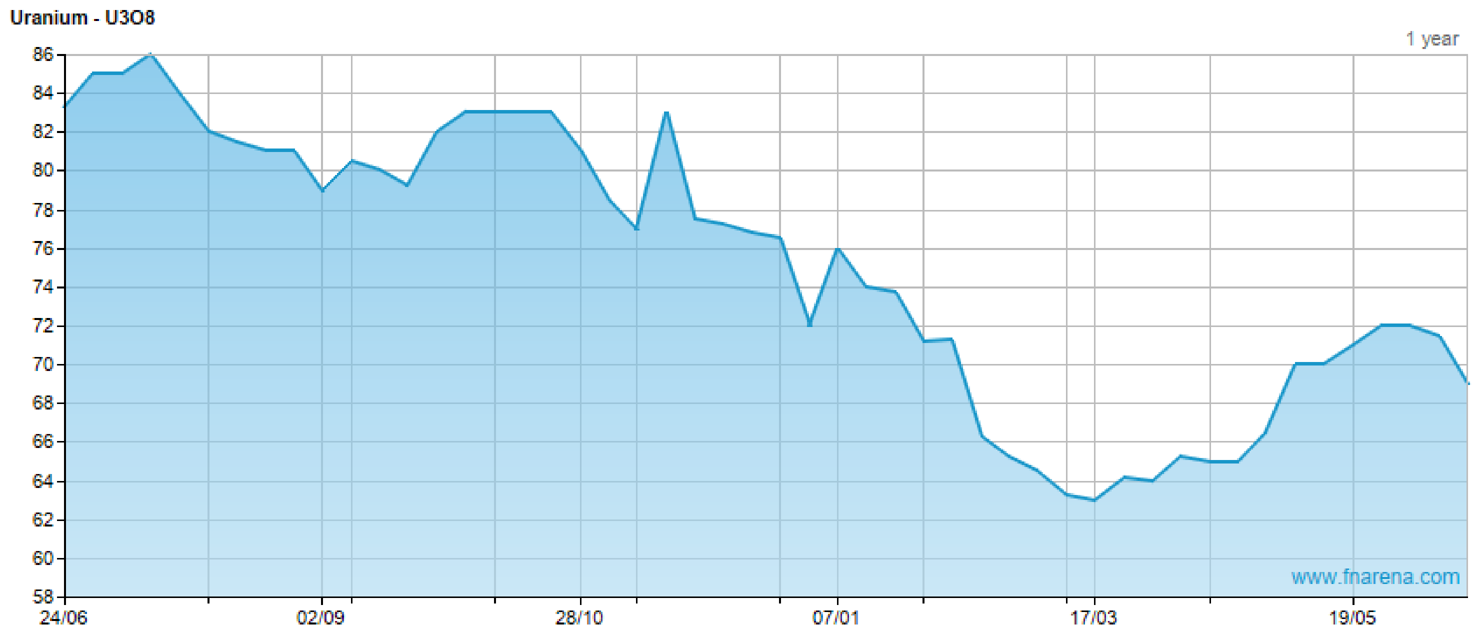
(.....)

"And it means that we can control the prices in a way that we haven't been able to in recent years, which has meant very high prices for businesses, for households and for families."

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	13/06/2025	0.0600	▼-14.29%	$0.10	$0.03			

AEE	13/06/2025	0.1400	▼- 3.70%	$0.19	$0.10			
AGE	13/06/2025	0.0300	▼- 3.33%	$0.06	$0.02		$0.100	▲233.3%
AKN	13/06/2025	0.0100	0.00%	$0.02	$0.01			
ASN	13/06/2025	0.0500	▼-11.11%	$0.17	$0.05			
BKY	13/06/2025	0.5500	▲ 4.59%	$0.67	$0.30			
BMN	13/06/2025	2.8000	▼- 9.12%	$3.97	$1.76		$4.700	▲67.9%
BOE	13/06/2025	4.1000	▼- 4.17%	$4.44	$1.99	231.8	$4.159	▲1.4%
BSN	13/06/2025	0.0200	▼- 5.26%	$0.07	$0.01			
C29	13/06/2025	0.0300	▼- 3.33%	$0.13	$0.03			
CXO	13/06/2025	0.0900	▲ 3.37%	$0.14	$0.06		$0.100	▲11.1%
CXU	13/06/2025	0.0100	0.00%	$0.03	$0.01			
DEV	13/06/2025	0.0800	▲ 1.33%	$0.34	$0.07			
DYL	13/06/2025	1.5700	▼- 2.63%	$1.65	$0.75	-1550.0	$1.570	
EL8	13/06/2025	0.2900	▼- 3.57%	$0.47	$0.19			
ERA	13/06/2025	0.0020	0.00%	$0.04	$0.00			
GLA	13/06/2025	0.0100	0.00%	$0.02	$0.01			
GTR	13/06/2025	0.0040	0.00%	$0.01	$0.00			
GUE	13/06/2025	0.0600	▼-14.29%	$0.10	$0.05			
HAR	13/06/2025	0.0700	▲ 1.54%	$0.12	$0.03			
I88	13/06/2025	0.1000	0.00%	$1.03	$0.08			
KOB	13/06/2025	0.0400	0.00%	$0.18	$0.03			
LAM	13/06/2025	0.8800	▲ 2.92%	$0.90	$0.48			
LOT	13/06/2025	0.1700	▼- 8.82%	$0.38	$0.13		$0.325	▲91.2%
MEU	13/06/2025	0.0400	▼- 2.44%	$0.06	$0.03			
NXG	13/06/2025	10.6000	▲ 3.23%	$13.53	$6.44		$14.650	▲38.2%
ORP	13/06/2025	0.0300	0.00%	$0.08	$0.03			
PDN	13/06/2025	7.2200	▼- 1.25%	$14.28	$3.93	-279.4	$8.493	▲17.6%
SLX	13/06/2025	3.9300	▼- 6.94%	$6.62	$2.28		$6.500	▲65.4%
TOE	13/06/2025	0.1700	0.00%	$0.38	$0.15			
WCN	13/06/2025	0.0200	0.00%	$0.04	$0.01			



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

WEEKLY REPORTS

The Short Report - 19 Jun 2025

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

Summary:

Week Ending June 12th, 2025 (most recent data available through ASIC).

10%+

BOE	18.42%
PDN	15.52%
MIN	15.23%
PLS	13.30%
LTR	12.31%
PNV	10.68%
LIC	10.45%
DYL	10.26%
SLX	10.02%

In: SLX
Out: CTT, IEL

9.0-9.9%

IEL	9.76%
CTD	9.37%
DMP	9.30%
LOT	9.26%

In: IEL, LOT
Out: SLX, KAR, IGO

8.0-8.9%

BMN	8.71%
KAR	8.41%
LYC	8.10%

In: KAR
Out: LOT

7.0-7.9%

CU6	7.37%
PWH	7.22%

In: PWH

6.0-6.9%

JHX	6.81%
BRG	6.63%
INR	6.62%
JLG	6.46%
RIO	6.45%
NXT	6.40%
MSB	6.15%
NAN	6.12%
STX	6.00%

In: NAN
Out: RMS, SGR, PWH, IPX, NEU

5.0-5.9%

NEU	5.98%
GMD	5.87%
CUV	5.87%
VEA	5.86%
ADT	5.70%
RMS	5.64%
CHN	5.64%
WHC	5.55%
IPX	5.54%
ZIP	5.36%
WEB	5.32%
NVX	5.32%
SYR	5.25%
GYG	5.24%
AD8	5.23%
PEN	5.20%
CTT	5.20%
IMU	5.10%
LOV	5.06%
SFR	5.05%

In: NEU, RMS, IPX, CTT
Out: NAN, TWE

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.7	0.7	NAB	0.9	0.9
ANZ	0.5	0.5	QBE	0.3	0.4
BHP	0.7	0.6	RIO	6.5	6.6
CBA	0.9	1.0	STO	0.6	0.5
COL	0.6	0.6	TCL	0.6	0.6

CSL	0.4	0.4	TLS	0.5	0.4
FMG	1.2	1.1	WBC	1.2	1.2
GMG	0.9	0.8	WDS	3.9	3.7
JHX	6.8	6.8	WES	0.5	0.6
MQG	0.7	0.7	WOW	1.1	1.1

To see the full Short Report, please go to this link

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included. Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

Please take note of the Important Information provided at the end of this report. Percentage amounts in this report refer to percentage of ordinary shares on issue.

Stock codes highlighted in green have seen their short positions reduce in the week by an amount sufficient to move them into a lower percentage bracket. Stocks highlighted in red have seen their short positions increase in the week by an amount sufficient to move them into a higher percentage bracket. Moves in excess of one percentage point or more are discussed in the Movers & Shakers report below.

IMPORTANT INFORMATION ABOUT THIS REPORT

The above information is sourced from daily reports published by the Australian Investment & Securities Commission (ASIC) and is provided by FNArena unqualified as a service to subscribers. FNArena would like to make it very clear that immediate assumptions cannot be drawn from the numbers alone.

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position "naked" given offsetting positions held elsewhere. Whatever balance of percentages truly is a "short" position would suggest there are negative views on a stock held by some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, "short covering" may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

Market makers in stock and stock index options will also hedge their portfolios using short positions where necessary. These delta hedges often form the other side of a client's long stock-long put option protection trade, or perhaps long stock-short call option ("buy-write") position. In a clear example of how published short percentages can be misleading, an options market maker may hold a short position below the implied delta hedge level and that actually implies a "long" position in that stock.

Another popular trading strategy is that of "pairs trading" in which one stock is held short against a long position in another stock. Such positions look to exploit perceived imbalances in the valuations of two stocks and imply a "net neutral" market position.

Aside from all the above reasons as to why it would be a potential misconception to draw simply conclusions on short percentages, there are even wider issues to consider. ASIC itself will admit that short position data is not an exact science given the onus on market participants to declare to their broker when positions truly are "short". Without any suggestion of deceit, there are always participants who are ignorant of the regulations. Discrepancies can also arise when short positions are held by a large investment banking operation offering multiple stock market services as well as proprietary trading activities. Such activity can introduce the *possibility of either non-counting or double-counting when custodians are involved and beneficial ownership issues become unclear.*

Finally, a simple fact is that the Australian Securities Exchange also keeps its own register of short positions. The figures provided by ASIC and by the ASX at any point do not necessarily correlate.

FNArena has offered this qualified explanation of the vagaries of short stock positions as a warning to subscribers not to jump to any conclusions or to make investment decisions based solely on these unqualified numbers. FNArena strongly suggests investors seek advice from their stock broker or financial adviser before acting upon any of the information provided herein.

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

WEEKLY REPORTS

In Brief: Sigma, Domino's, Clarity & SiteMinder

GLP-1 weight loss medications are set to impact on Australian retailers, while a small biotech is making strides in proving up its drugs, and hotel management SaaS grows.

-Australians embracing GLP-1 weight loss drugs boost pharmacy sales
-GLP-1 popularity might be a negative for Quick Service sector
-Clarity looking to punch above its weight in cancer detection drugs
-SiteMinder is adding value via new transaction services

By Danielle Ecuyer

Welcome back to In Brief with the quote of the week from Amundi:

"Global growth forecasts have taken a hit since the beginning of 2025 and the uncertainty about US trade tariffs will likely persist. We think tariffs will hurt growth more than boost inflation and imply higher real interest rates.

"Our base-case scenario is that policy uncertainty will subside over time, allowing for a more orderly relocation of supply chains with the average US tariff rate 15 percentage points higher than before the current administration took office. Global growth decelerates without major setbacks."

GLP-1s: changing consumer habits

Thus far the market narrative on the possible impact of GLP-1 drugs has very much focused on companies like ResMed ((RMD)) in treating sleep apnea via weight loss, but the US experience suggests impacts can be far more broad-reaching.

Australia currently has around 300k monthly users of GLP-1 drugs, which is just under 1.5% of the population and up from 0.6% in 2022.

In the US, the percentage currently sits at circa 6% of the population, with data-collector Nielsen noting 31% of Australians are likely to use the drug versus 27% in the US market, which suggests a lot more upside in the uptake.

Jarden's deep dive into the impacts of Australians taking GLP-1 medication on retailers is quite eye-opening.

For weight loss, the drug is not under the Pharmaceutical Benefits Scheme (PBS) and can cost up to around $300 per month, prescribed by a doctor. Once on the drug, the US experience reveals changing consumer habits.

Summarising the key impacts on retail in Australia, the analysis found the following:

-With an estimated 66% of Australians who are overweight, or 14.1m adults, there is potential for over $2.4bn in prescription sales and over $700m for vitamins and supplements as GLP-1 drug consumption rises. The GLP-1 medication can cause loss of muscle mass, which the analyst suggests will drive demand for supplements such as Vitamin D, Calcium, Magnesium, Iron, B vitamins, and Omega-3 fatty acids, which support improved health.

Sigma Healthcare ((SIG)) is highlighted as the best positioned to benefit, as it is a top destination for consumers buying supplements. Around 45% of people purchase supplements at Chemist Warehouse, compared to other pharmacies at 23% and supermarkets at 28%. Jarden estimates Sigma can gain around $320m in sales.

Ebos Group ((EBO)) and **Wesfarmers** ((WES)) are also indirectly likely to benefit.

There may also be some structural impacts to alcohol retailers from reduced consumption, affecting **Endeavour Group** ((EDV)) and **Treasury Wine Estates** ((TWE)). Supermarkets are considered a net neutral, including **Coles Group** ((COL)), **Metcash** ((MTS)), and **Woolworths Group** ((WOW)), although an ongoing shift to Sigma and Wesfarmers is not out of the question.

-Other positive impacts include a shift to smaller clothing sizes and an increase in exercise. GLP-1 users are more likely to go to the gym, which Jarden believes has a possible positive flow-on impact for sports clothing and equipment retailers, such as **Super Retail Group** ((SUL)).

Lululemon's CEO has highlighted a shift in shopping trends, with the brand selling out of smaller sizes (XXS, XS) and higher sales in the Small and Medium categories, which is attributed to higher GLP-1 usage.

-Spending at Quick Service Restaurants (QSR) is expected to fall, with the US experience revealing GLP-1 users spend around -61% less on takeout/delivery and -63% less on restaurants. With adult Australians spending around $1,130 per annum on QSR, if GLP-1 share moves to 4.5% of the population, then Jarden estimates QSR spend declines by about -40%.

Out of the listed stock coverage, the analysis points at **Domino's Pizza Enterprises** ((DMP)) as potentially the most under threat, followed by **Collins Foods** ((CKF)) via KFC, and less so for **Guzman y Gomez** ((GYG)) due to an increasing focus on healthier meal choices.

Jarden has a Buy rating with a $3.30 target price for Sigma; Ebos is Overweight rated with a NZ$41.50 target; Wesfarmers receives an Underweight rating and $73.10 target price.

Super Retail is Overweight rated with a $14.80 target; Collins Foods is Overweight rated with a $9.95 target; Domino's was recently downgraded to Neutral from Overweight with a $37 target; and Guzman y Gomez was initiated with an Overweight rating and $35.10 target price.

An Overweight rating refers to the level of suggested exposure relative to the stock's index weighting, which is higher in this instance.

For more information on Sigma, check out https://fnarena.com/index.php/2025/06/19/sigma-healthcare-synergies-margins-in-focus/

No lack of enthusiasm for Clarity Pharmaceuticals

Clarity Pharmaceuticals ((CU6)) is an Australian clinical-stage biotechnology company focused on developing next-generation radiopharmaceuticals for the diagnosis and treatment of cancer.

Using its proprietary SAR technology platform, Clarity creates Targeted Copper Theranostics (TCTs) that combine diagnostic imaging and targeted therapy in a single drug. These agents use copper-based isotopesCopper-64 for PET imaging and Copper-67 for delivering precise radiation therapy.

Clarity's lead programs include SAR-bisPSMA for prostate cancer, SAR-Bombesin for PSMA-negative prostate cancer cases, and Sartate and SAR-trastuzumab for neuroendocrine and breast cancers, respectively.

The company's goal is to improve cancer detection and treatment by offering safer, more effective, and highly targeted alternatives to conventional therapies, especially for patients who do not benefit from current options.

As highlighted by Canaccord Genuity, it has been a busy time for the small-cap biotech ($6m sales in H1, $700m market cap), which announced successful Phase II results for 64Cu-Sartate and 64Cu-SAR-Bombesin, and a manufacturing agreement with SpectronRx for production of 400k patient uses of 64Cu-SAR-bisPSMA per annum, which can be distributed across all 50 US states.

Canaccord flags 64Cu-SAR-bisPSMA will be on the market by FY27, with commercial agreements suggesting the drug has the potential to be best-in-class.

The SpectronRx agreement allows for estimated peak sales of US$520m for 64Cu-SAR-bisPSMA in FY35 on 110k doses post-FY35, which is well below SpectronRx's anticipated production capacity.

The analyst forecasts Clarity will be able to take a 20% share of a US$2.6bn market in the US, which would conservatively place it as the fifth product to come into the market with US$520m in peak sales.

Should Clarity be able to achieve and prove a best-in-class product, the market share could be as high as 30%40%, the broker explains, based on the availability of 64Cu-SAR-bisPSMA and doctors prioritising it.

Wilsons also detailed the latest Sabre results, noting the Sabre trial tested Clarity Pharmaceuticals' new imaging agent, 64Cu-SAR-Bombesin, in 53 prostate cancer patients who were thought to be cancer-free because standard scans, including PSMA PET, CT, or MRI, showed no signs of disease.

These patients were given a scan using the new agent, and results were checked at two time points: a few hours after injection and about a day later.

The goal was to see how well this new scan could detect prostate cancer that standard scans might miss. It turned out about one-third of patients did have detectable cancer lesions, mostly in the lymph nodes and prostate area, even though standard imaging showed nothing. Some of these patients had very low PSA levels, meaning they weren't expected to show disease.

Importantly, while the measured detection rates and predictive accuracy might seem modest (for example, a 35% detection rate), this was partly because many new lesions couldn't be confirmed by biopsy, they were assumed false unless proven otherwise, which underestimates how well the scan worked. Still, in the few cases where biopsies were done, all confirmed cancer.

Clarity believes these results are strong enough to move forward with a larger Phase III trial, much like they did after a similar earlier study called Cobra. The new trial will be designed using lessons from both past studies and from other successful prostate cancer imaging trials.

Wilsons notes no changes to earnings forecasts, with the 64/67Cu-SAR-Bombesin program representing around 20% of the risk-adjusted target price of $8.25 (or $1.65) with an Overweight rating.

Canaccord Genuity is Buy rated with a $6.74 target price.

The software-as-a-service company shaking up hotel management, globally

Moelis is the latest to initiate coverage of **SiteMinder** ((SDR)), highlighting the company has achieved substantial progress since the 2021 IPO with growth in subscriber numbers of 45.7%.

By adding new transactional services, SiteMinder has advanced transaction revenues at a compound average growth rate of around 60% p.a. over three years; these now represent circa one-third of total revenue.

The momentum is anticipated to be maintained, if not grow, vis-a-vis the start of Smart Platform.

The analyst details how transaction services enhance customer relationships, with management pointing to the lifetime value of a customer now more than an estimated $27k, with the upfront cost of acquiring new customers at below $4,500.

Some 47k hotels now employ SiteMinder's platform, which enables those hotels to manage inventory over online channels, including 125m room reservations and $80bn of transaction value.

The data generated assist with management's growth strategy of aligning more services to each subscriber, as well as growing the subscriber base.

Moelis emphasises the company's SaaS and financial performance continues to improve across metrics and rates the stock as a Buy with a $6.19 target price.

More more information on Site Minder, check out https://fnarena.com/index.php/2025/06/18/smart-platform-underpins-siteminder-optimism/

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.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 20-06-25

Broker Rating Changes (Post Thursday Last Week)

ACCENT GROUP LIMITED ((AX1)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden noted Accent Group's trading update was disappointing, and it will be a wait-and-watch for the operating environment to improve as the benefits of interest rate cuts flow through.

The company's like-for-like sales fell -1% y/y in the first 23 weeks of 2H25 vs the consensus of 1.9% y/y for 2H25. Gross profit margin fell -80bps vs consensus for around 100bps improvement in 2H25 due to soft demand and higher promotional activity.

The broker lowered FY25 EBIT by -19% and FY26-27 by -26%.

Target price cut to $1.55 from $2.13. Rating downgraded to Neutral from Overweight.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
0				
Downgrade				
1	ACCENT GROUP LIMITED	Neutral	Overweight	Jarden

Price Target Changes (Post Thursday Last Week)

Company		Last Price	Broker	New Target	Old Target	Change
ASX	ASX	$68.72	Jarden	68.25	62.55	9.11%
AX1	Accent Group	$1.29	Jarden	1.55	2.06	-24.76%
			Jarden	2.13	2.06	3.40%
AZJ	Aurizon Holdings	$3.05	Jarden	3.15	3.20	-1.56%
BRG	Breville Group	$28.59	Petra Capital	28.60	28.50	0.35%
COH	Cochlear	$288.43	Jarden	270.28	264.71	2.10%
CUP	Count	$1.01	Canaccord Genuity	1.01	1.00	1.00%
LGL	Lynch Group	$1.75	Jarden	2.00	1.90	5.26%
STN	Saturn Metals	$0.34	Petra Capital	1.24	1.17	5.98%
STO	Santos	$7.74	Jarden	8.34	6.70	24.48%
THL	Tourism Holdings Rentals	$2.02	Wilsons	2.18	1.25	74.40%
TLC	Lottery Corp	$5.23	Jarden	5.35	5.15	3.88%
TTM	Titan Minerals	$0.37	Canaccord Genuity	1.20	1.18	1.69%
WIA	WIA Gold	$0.24	Petra Capital	0.32	0.30	6.67%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

AV1   ADVERITAS LIMITED

Overnight Price: $0.10

Taylor Collison rates ((AV1)) as Initiation of coverage with Speculative Buy (1)

Back on June 6, Taylor Collison initiated coverage on Adveritas, highlighting its TrafficGuard (SaaS) platform as a proactive solution to digital advertising fraud (invalid traffic and advertising). The analyst began with a Speculative Buy rating and 17c target.

The platform provides real-time protection across Google Ads, mobile, affiliate, and social channels, helping marketers eliminate waste and optimise acquisition efficiency, explains the analyst.

The broker sees a strong commercial inflection point, with multi-year SaaS contracts, rising annual contract value, and agency distribution underpinning 61% year-on-year annual recurring revenue (ARR) growth.

Management recently secured its first $1m annual contract value (ACV) deal and first agency contract, validating its value proposition, according to the broker.

It's also thought the deal helps open scalable enterprise access across sectors like ecommerce and legal.

This report was published on June 6, 2025.

Target price is **$0.17** Current Price is **$0.10** Difference: **$0.065**
If **AV1** meets the Taylor Collison target it will return approximately **62%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Taylor Collison forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 0.90** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 11.67**.

Forecast for FY26:

> Taylor Collison forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 0.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 52.50**.

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

BRE   BRAZILIAN RARE EARTHS LIMITED

Rare Earth Minerals Overnight Price: $2.26

Canaccord Genuity rates ((BRE)) as Buy (1)

Brazilian Rare Earths published the follow-up test work on the Monte Alto deposits, which confirmed valuable by-products could be obtained when extracting uranium.

Based on the results, Canaccord Genuity now sees a case for the company to pursue production of separated RE oxides, given their high grades.

This also means the scoping study will be pushed back to the end of 2025 or early 2026 to allow time to incorporate the new results.

Buy. Target unchanged at $5.

This report was published on June 12, 2025.

Target price is **$5.00** Current Price is **$2.26** Difference: **$2.74**
If **BRE** meets the Canaccord Genuity target it will return approximately **121%** (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

LGL LYNCH GROUP HOLDING LIMITED

Agriculture Overnight Price: $1.75

Jarden rates ((LGL)) as Overweight (2)

Lynch Group provided a positive trading update, pointing to a slow recovery in consumer demand in China and the potential to gain market share in Australia. Revenue for FY25 was tracking at 7% y/y growth vs 6% previously expected.

The company's FY25 EBITDA guidance of $42-43m is 1% above Jarden's at the midpoint. Additionally, the company flagged scope for margin improvement in China.

The broker lifted the FY25 EBITDA forecast by 1.6% to $42.7m. This included a rise in China EBITDA and a cut to Australia from lost sales during Cyclone Alfred.

Overweight. Target rises to $2.00 from $1.90.

This report was published on June 12, 2025.

Target price is **$2.00** Current Price is **$1.75** Difference: **$0.25**
If **LGL** meets the Jarden target it will return approximately **14%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **9.00** cents and EPS of **8.40** cents.
At the last closing share price the estimated dividend yield is **5.14%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.83**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **12.34** cents and EPS of **24.83** cents.
At the last closing share price the estimated dividend yield is **7.05%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.05**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

THL TOURISM HOLDINGS LIMITED

Travel, Leisure & Tourism Overnight Price: $2.13

Wilsons rates ((THL)) as Market Weight (3)

BGH Capital, together with the Trouchet family, has proposed an all-cash offer for Tourism Holdings Rentals at NZ$2.30 per share. This level is a 67% premium to the 10-day volume weighted average price (VWAP) but below the stock's pre-2024 range, notes Wilsons.

The proposal reflects the company's intrinsic value, suggests the broker, but management may determine the offer undervalues long-term potential, especially given recent weakness in RV sales.

The board has established a subcommittee to assess the non-binding proposal while the executive linked to the offer has stepped aside.

No updates have been made to financial forecasts, and the broker assumes no control premium in its valuation.

Wilsons raises its target price to $2.18 from $1.25 and retains a Market Weight rating.

This report was published on June 17, 2025.

Target price is **$2.18** Current Price is **$2.13** Difference: **$0.05**
If **THL** meets the Wilsons target it will return approximately **2%** (excluding dividends, fees and charges).
Current consensus price target is **$1.73**, suggesting downside of **-18.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **4.01** cents and EPS of **13.68** cents.
At the last closing share price the estimated dividend yield is **1.88%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.57**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **18.4**, implying annual growth of **N/A**.
Current consensus DPS estimate is **7.1**, implying a prospective dividend yield of **3.3%**.
Current consensus EPS estimate suggests the PER is **11.6**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **8.66** cents and EPS of **16.23** cents.
At the last closing share price the estimated dividend yield is **4.07%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.12**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **24.8**, implying annual growth of **34.8%**.
Current consensus DPS estimate is **9.8**, implying a prospective dividend yield of **4.6%**.
Current consensus EPS estimate suggests the PER is **8.6**.

This company reports in **NZD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **0.3**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

WIA   WIA GOLD LIMITED

Gold & Silver Overnight Price: $0.24

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

Petra Capital highlights WIA Gold's recent assay results from 36 RC drillholes and nine diamond holes at the Kokoseb project were strong and included several "impressive" high-grade intercepts.

A resource update is due this month and the analyst reiterated expectation for a rise to 2.5-3.0Moz from the current 2.1Moz.

The broker notes the stock is trading at an EV/Resource of $158/oz, which is a 53% premium to the ASX-listed peer average of $103/oz.

After the expected resource upgrade, the broker expects this would come down to EV/Resource range of $134-111/oz.

Buy. Target rises to 32c from 30c.

This report was published on June 13, 2025.

Target price is **$0.32** Current Price is **$0.24** Difference: **$0.08**
If **WIA** meets the Petra Capital target it will return approximately **33%** (excluding dividends, fees and charges).

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

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