FINANCIAL NEWS, ANALYSIS & DATA

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Friday, 12 December 2025

ASIC Watch: Shield, First Guardian Collapses Force Supply Chain Accountability

China 2026: A New Cycle Emerges

Rudi's View: Copper, Aluminium & Technology (!)

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AUSTRALIA

The Market In Numbers - 6 Dec 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	06 Dec 2025	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
NZ50	13483.990	-0.04%	-0.04%	1.44%	2.85%	6.99%
All Ordinaries	8926.10	0.08%	0.08%	-2.30%	6.00%	1.75%
S&P ASX 200	8634.60	0.24%	0.24%	-2.42%	5.83%	1.08%
S&P ASX 300	8590.00	0.18%	0.18%	-2.41%	6.06%	1.37%
Communication Services	1768.10	-1.62%	-1.62%	-5.01%	8.65%	-4.58%
Consumer Discretionary	4021.50	-1.68%	-1.68%	-11.00%	2.82%	-2.93%
Consumer Staples	11773.30	-1.43%	-1.43%	0.25%	0.03%	-2.85%
Energy	8796.40	2.41%	2.41%	5.56%	2.01%	1.40%
Financials	9025.60	0.36%	0.36%	-5.73%	4.77%	-5.28%
Health Care	35632.50	-1.86%	-1.86%	-4.77%	-20.62%	-14.35%
Industrials	8455.30	-1.60%	-1.60%	-0.18%	10.58%	1.64%
Info Technology	2324.10	-1.94%	-1.94%	-20.61%	-15.21%	-19.88%
Materials	20523.80	3.04%	3.04%	9.08%	27.28%	29.42%
Real Estate	3870.70	-1.20%	-1.20%	-4.55%	2.91%	-0.72%
Utilities	9880.20	0.24%	0.24%	-1.30%	9.38%	8.08%
A-REITs	1779.80	-1.23%	-1.23%	-4.48%	3.57%	-0.62%
All Technology Index	3551.30	-3.25%	-3.25%	-15.98%	-6.68%	-12.18%
Banks	3925.20	1.47%	1.47%	-4.55%	8.84%	-2.42%
Gold Index	17358.60	-1.44%	-1.44%	7.95%	106.07%	50.20%
Metals & Mining	7033.80	3.33%	3.33%	8.99%	33.83%	34.73%

The World

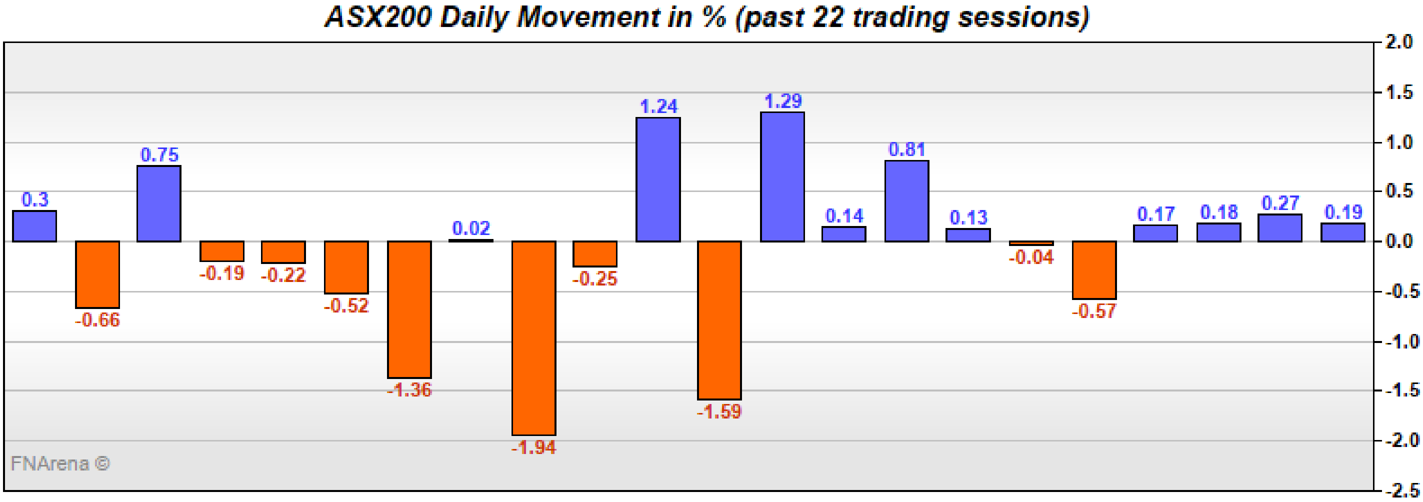
Index	06 Dec 2025	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
FTSE100	9667.01	-0.55%	-0.55%	3.39%	18.28%	10.34%
DAX30	24028.14	0.80%	0.80%	0.62%	20.69%	0.50%
Hang Seng	26085.08	0.87%	0.87%	-2.87%	30.04%	8.36%
Nikkei 225	50491.87	0.47%	0.47%	12.37%	26.56%	24.71%
DJIA	47954.99	0.50%	0.50%	3.36%	12.72%	8.75%
S&P500	6870.40	0.31%	0.31%	2.72%	16.81%	10.72%
Nasdaq Comp	23578.13	0.91%	0.91%	4.05%	22.10%	15.75%

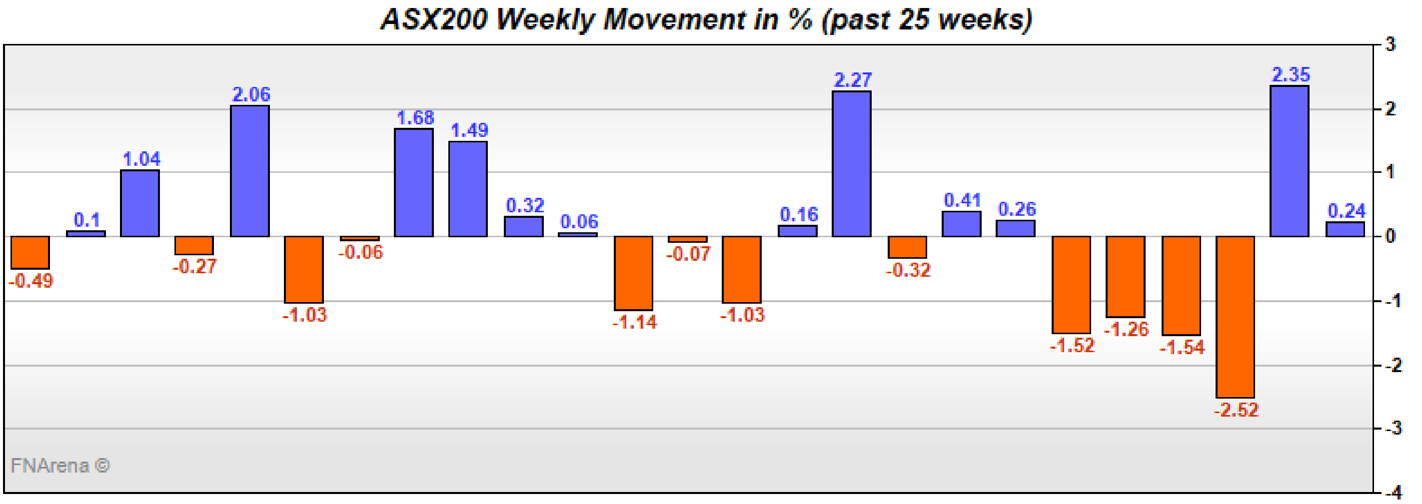
Metals & Minerals

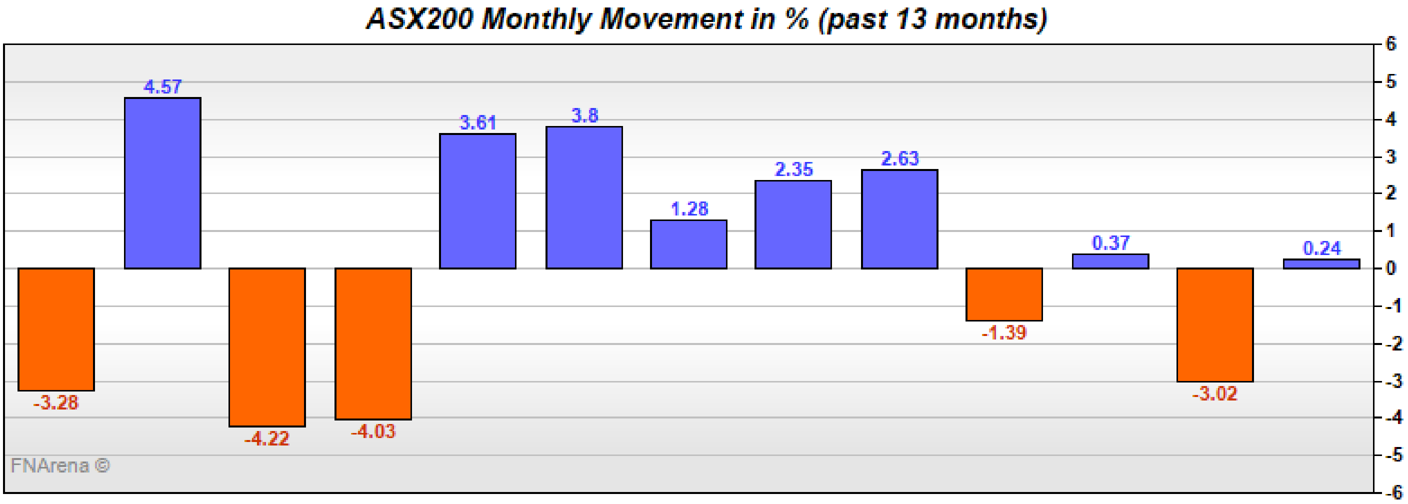
Index	06 Dec 2025	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
Gold (oz)	4239.95	1.20%	1.20%	9.81%	61.42%	28.39%
Silver (oz)	57.57	8.29%	8.29%	22.36%	90.49%	59.03%
Copper (lb)	5.3607	3.84%	3.84%	9.27%	30.86%	5.20%
Aluminium (lb)	1.3166	2.42%	2.42%	8.31%	15.18%	11.65%
Nickel (lb)	6.6606	0.50%	0.50%	-2.56%	-6.78%	-2.33%
Zinc (lb)	1.4019	2.30%	2.30%	4.92%	3.74%	11.04%
Uranium (lb) weekly	75.75	0.20%	0.20%	-8.46%	5.21%	-3.69%
Iron Ore (t)	107.88	3.11%	3.11%	2.40%	3.89%	14.17%

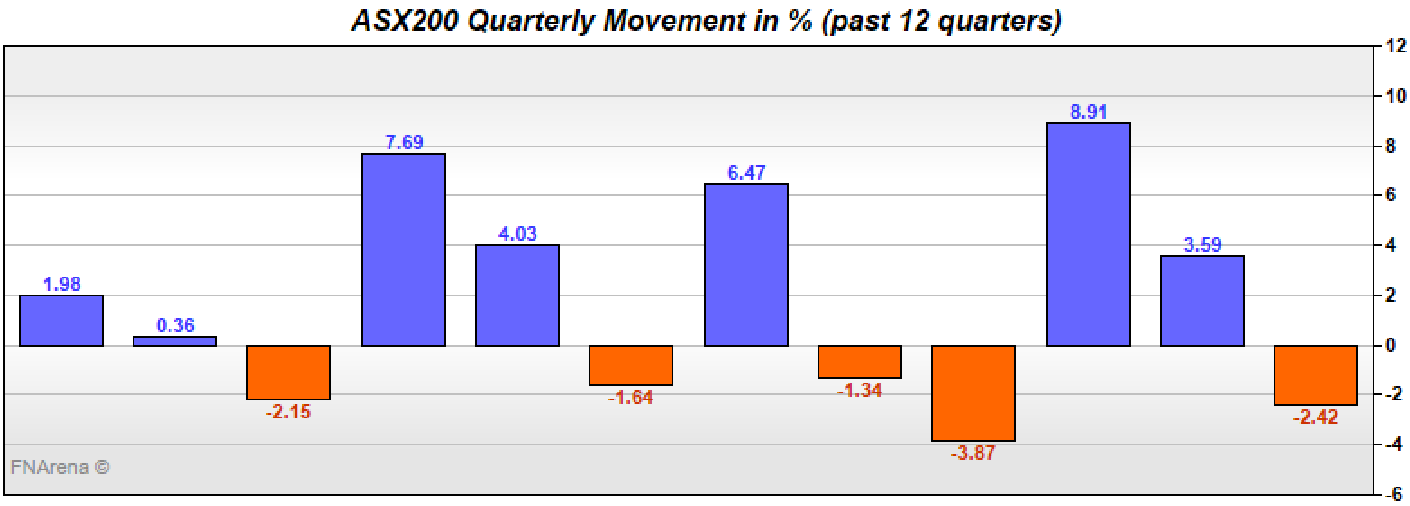
Energy

Index	06 Dec 2025	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
West Texas Crude	59.79	1.17%	1.17%	-5.31%	-13.95%	-8.75%
Brent Crude	63.39	0.75%	0.75%	-5.02%	-12.64%	-5.10%









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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

No Respite For NextDC (Amidst General Inertia)

NextDC's contract utilisation and capex update highlights potential to far exceed FY25 numbers.

- **General market malaise weighs on NextDC share price**
- **Contract utilisation and order book on the rise**
- **Capex guidance raised to meet additional customer commitments**
- **Demand for data centres is accelerating**

By Mark Woodruff & Rudi Filapek-Vandyck

NextDC Data Centre

Shares in Australia's largest listed developer and operator of data centres, NextDC ((NXT)), rallied to just under $18 in mid-September.

That was but a smidgen away from setting a fresh all-time record above the peak pricing of 2024, when global finance was still mesmerised by AI and its underlying infrastructure build.

Not bad hey, for a stock that first listed on the ASX on 13 December 2010 with an IPO price of exactly one dollar. For those readers who like to play with numbers, this implies a return of 1,700%.

Things have changed quite dramatically since and in a very short time span. Less than three months later, the shares are now changing hands for a little above $13.50.

Under 'normal' circumstances (if there is a 'normal' for financial markets) a loss of circa -25% in such a short period would have been caused by management issuing a profit warning, or by a drastic reset in global bond yields (a la 2022), a significant change in sector outlook, or maybe a deep slump in economic momentum, but in 2025 it's virtually impossible to make any such cases.

Were the shares egregiously overvalued, maybe?

Not according to FNArena's consensus price target which has remained relatively stable throughout the year above $20, signalling sector analysts believe the shares are currently undervalued by nearly -50% (plus the share price only ever reached as high as $18, still short of price targets set by every single broker we monitor that researches this company).

Once we broaden our view to other growth and technology stocks, it soon becomes clear that whatever is dogging the NextDC share price is unlikely to be specifically company-related.

Car Group ((CAR)), Objective Corp ((OCL)), Pro Medicus ((PME)), REA Group ((REA)), TechnologyOne ((TNE)), Xero ((XRO))... the list is long, much longer than this selection, but they all share the same underlying inertia post the August reporting season.

Growth is out of fashion. Higher valuations are out of fashion. AI has become a big No-No. And related stocks have felt more deeper impact than overseas peers.

The latter would be kind-a ironic (if this wasn't about real money and real capital losses) because one of the drivers behind this general aversion towards prior popular outperformers is widespread investor anxiety about bubble-like valuations for Growth and Technology stocks in the US.

Another concern is AI enthusiasm might be running too hot, significantly increasing the risk for a painful blow-up.

But do note the irony: the S&P500 is but one rally away from setting a fresh record all-time high. The Nasdaq, admittedly, is now underperforming. And so are other markets, including the UK, Japan and Hong Kong. But Australia is among the worst performers this year and its major indices have been going nowhere fast for weeks now.

Those stocks that trade on above-average PE ratios in particular have been under the pump. Strictly taken, as a developing infrastructure operator still in its investment phase, NextDC is not profitable, so there is no PE, but I am sure you get the picture.

The local bond market starting to price in an end to RBA loosening and the prospect for rate hikes in 2026 is also of importance, as is the fact global bond yields have risen recently on various factors and despite the ongoing prospect for more cash rate cuts from the Federal Reserve.

Meanwhile, emerging narratives are following the share prices, because humans need and seek validation, with REA Group's business about to suffer from increased competition, AI will make TechnologyOne and other software businesses obsolete, and there simply is no case for profitability in data centres.

The irony here is that voices inside these industries talk a completely different language. In terms of NextDC specifically, see the company's recent announcements and investor presentations, or that of its industry peers and competitors.

One year ago, the same news flow would have put a rocket under that share price.

This time around, shareholders are looking towards a -25% retreat in a market that on all accounts is solely interested in microcap speccies and resources/commodities.

While we can try to put a positive spin on the current situation, maybe the safest prediction to make is this too shall pass, eventually.

Like it did in early 2017. Like it did in late 2022. Like it always has done.

And it will always look logical and straightforward in hindsight.

Strong momentum characterises FY26

Five months into FY26 and data centre-as-a-service provider NextDC has already nearly matched the record contracted megawatts (MW) added in FY25.

Following recent customer contract wins which have boosted the forward order book, management has provided a contracted utilisation and capex guidance update, including increased pro forma contracted utilisation by 29% (or $71MW) to 316MW on December 1 from 245MW on June 30, when consensus was expecting only a 44.5MW increase.

The pro forma order book has increased by 53% to 205MW, which is expected to progressively convert to billings and revenue across FY26-29.

UBS believes the structural AI thematic is re-accelerating, cloud demand remains very strong, and investors are likely to re-enter a phase of increasing exposure to both.

The stock remains one of this broker's key APAC region recommendations for clients.

A builder and operator of independent co-location facilities delivering power, cooling, security and IT systems for cloud infrastructure, NextDC provides the foundational platform for the digital economy.

The company supplies critical power, security and connectivity to global cloud providers, enterprise customers and government agencies.

Once the company's facilities are fully built out and billing their current contracted capacity, Canaccord Genuity observes shares would trade on an EV/EBITDA multiple below 20x, even after factoring in a larger corporate cost base to support longer-term growth.

This analyst highlights this multiple is below those seen in mature data-centre portfolio transactions.

Additional guidance

The utilisation announcement highlights significant growth in customer commitments and prompted an upward revision to management's capital expenditure plans, aligning with surging requirements for cloud and AI workloads.

To deliver on new customer contracts, management has pulled forward a share of planned inventory expansion, upgrading FY26 capex guidance to -$2.2-2.4bn from -$1.8-2bn previously.

While the announcement does not specify when the new contracts will begin billing, the $400m increase to FY26 capex guidance suggests to Canaccord Genuity a portion is likely to commence in FY27.

Unsurprisingly, suggests the broker, management's FY26 guidance for net revenue and underlying earnings remains unchanged, given the update comes nearly halfway through the financial year.

Guidance is for revenue of between $390-400m and FY26 underlying earnings in the range of $230-240m.

The company had guided to just 50-100MW of contract wins for FY26, so the latest announcement, together with industry feedback pointing to strong demand from western and eastern hyperscalers, signals to Ord Minnett a favourable setup for the full-year outcome.

Given Hyperscale Cloud and NeoCloud activity levels and global demand levels continue to rise, and there are still seven months remaining in FY26, Morgans expects management to continue increasing its guidance for contracted utilisation.

It's noted the company contracted 71MW in the first five months of FY26 versus around 92MW in the 12 months of FY25.

More on NextDC

The company operates Australia's only network of Tier IV certified data centres and is the only data centre operator in the Southern Hemisphere to hold an Uptime Institute Tier IV Gold Operational Sustainability certification.

The business model centres on offering secure, carrier-neutral co-location space along with value-added connectivity services. Its data centres house IT infrastructure for cloud providers, telecommunications carriers, and corporate customers, allowing clients to offload their on-premises servers into NextDC's secure facilities.

Key features of the company's data centres include redundant power and cooling systems to ensure continuous availability, high-speed network interconnection hubs that link customers to cloud platforms and service providers, and stringent security and a focus on sustainability.

The company has over 750 cloud, carrier, and IT service provider partners, including major global cloud platforms, integrated into its facilities, enabling hybrid cloud deployments for customers.

NextDC's strategic footprint covers Sydney, Melbourne, Brisbane, Perth and Canberra, with additional sites in regional locations like Port Hedland (PH1/NE1), Sunshine Coast (SC1), and Darwin (D1).

Management has also launched international projects such as a 65MW hyperscale site in Malaysia and a new Auckland facility, slated for H1 2026 commissioning. Its latest announcement refers to future plans in Japan.

Outlook

The analyst at Morgans believes NextDC is well placed to benefit from significant and ongoing structural growth, which is accelerating the demand for data centres.

As the company's share price is now around -40% below Morgans' $19 target price, the broker has upgraded its rating to Buy from Accumulate.

There is now a clean sweep of Buy ratings among the seven daily monitored brokers in the FNArena database.

Including following an in-principle agreement with OpenAI, FNArena's consensus price target has slightly risen to $20.26.

Citi analysts have opened a 90-day positive catalyst watch as they seem confident more contract announcements are forthcoming from NextDC.

Outside of daily coverage, Canaccord Genuity (Buy) increased its target to $22.55 from $21.70.

AUSTRALIA

When The End Of Bapcor's Misery?

Yet another guidance downgrade from Bapcor brings management's expectation of a second half turnaround into question.

- **Bapcor downgrades first half profit guidance by -59%**
- **Management retains confidence in H2 improvement; FY26 only downgraded -17%**
- **Focus on balance sheet risk**
- **Share price de-rating to date means no Sell ratings**
- **Could there be a white knight suitor timing his move?**

By Greg Peel

Things have gone from bad to worse, and even worse for Bapcor

Bapcor ((BAP)) is Asia-Pacific's leading provider of vehicle parts, accessories, equipment, service and solutions, with the automotive aftermarket the company's core business. Bapcor's stock price has fallen -64% since July.

Since peaking around $8.50 in 2021, the share price has now lost close to -79%. To state shareholders are very unhappy is a grave understatement. Bapcor joined the ASX on 24 April 2014. It's IPO issue price was $1.82.

Yesterday, the shares closed at exactly that level.

A profit warning ahead of the company's FY25 result was the initial culprit, worth around a -30% fall, but this was followed by an October trading update that led to a big drop in consensus forecasts, and another FY26 profit downgrade this week.

Bapcor's first half underlying profit is now expected to be $5-8m, down from $14-18m, --a -59% downgrade from midpoint-- with the midpoint -65% below consensus. Full-year FY26 underlying profit is downgraded to $39-41m from $44-49m; a -17% downgrade from midpoint, with the midpoint -18% below consensus.

In Morgan Stanley's view, one of the market's key bull arguments for Bapcor was that despite several downgrades, missed targets and restructures, the core Trade business was proving resilient, and importantly, was the division where most of the value resides.

Now imagine a familiar phrase echoing through the Bapcor headquarters --Houston, we have a problem!-- as the main reason for the latest downgrade was weakness in the Trade division.

Burson experienced a challenging October-November trading period, recording sales declines in Tools & Equipment, partially offset by growth in parts. The company is implementing targeted price reductions to recover market share, and that is putting pressure on margins.

The good news came from Retail. Autobarn saw improved trading in October-November with 1.3% sales growth, supported by a robust Black Friday performance, while both the Specialised Networks and New Zealand segments are tracking in line with expectations.

Given the group's current trading performance and debt position (FY25 pro forma leverage 2.13x), **Bapcor is engaging with its lenders** to seek an increase to its leverage covenant for FY26 (from 3.0x).

No Problem

Despite the weaker-than-expected update, management's confidence in an improved second half will be driven by operational improvements driving top-line sales growth, pricing realignment measures, and the realisation of $20m in pre-tax savings from various cost initiatives.

It was a tough first half, UBS suggests, which requires an even bigger half-on-half uplift versus previous guidance given the first half is lower than previously anticipated.

At the midpoint of guidance, excluding the second half post-tax savings initiatives initiated, guidance implies an improvement to $26m from $6.5m and would suggest a first half/second half underlying skew of 20/80%, UBS calculates.

That's some skew.

Can They Do It?

Management reiterated confidence in a materially improved second half, but Morgans believes the magnitude and timing of this week's downgrade --coming shortly after the October update-- warrants some caution around second half expectations.

Macquarie warns delivering revised FY26 guidance is critical to provide confidence in the underlying earnings base and alleviate any balance sheet concerns, alongside stabilisation of revenue, earnings and market share in the Trade segment.

Citi is unsure whether Bapcor's price reductions in its underperforming Trade business will deliver improved performance given the customer base typically values other factors, such as relationships, speed of delivery and inventory availability, as the cost of products in many cases is passed through to the end-consumer. This is likely to mean increased downside risk to second half guidance.

As management continues with the process of integrating operating units into the overall business (from previous acquisitions) as well as reviewing operating practices, it continues to find further problems which require write-downs and/or reduced earnings as they stabilise the business.

Canaccord Genuity does not believe anyone can say conclusively this is the last of the identified problems to emerge into negative earnings outcomes. That said, the reviews are nearing completion and investors should hope (and expect) at the conclusion of those reviews there are no further write-downs, impairments, and impacted earnings outcomes.

Canaccord does not expect those reviews to be fully completed until the second half.

In Canaccord's view, it is the operational weakness that should be of greater concern to investors. Trade holds a privileged position within its markets and is now in a position to be losing share (albeit modestly) and margin as it uses some pricing to maintain share -- this is seen as concerning.

The broker's experience in general suggests these types of issues are slower to turn around than expected. Canaccord knows from balance scorecard outcomes staff engagement and morale are low, and expects that is a slow ship to turn.

Canaccord expects it will happen, but is cautious that it is unlikely to improve materially into the second half and FY27.

Citi believes gearing is now more of a concern, with the company having to work with its lenders to increase the debt covenant for FY26. Morgan Stanley also expects the balance sheet to come under greater focus. Morgans shares the concern.

It is unclear to UBS if further risk from legacy issues being discovered in Tools & Equipment business and execution risk around the operational improvements through the second half still exists.

Given these further earnings deteriorations, UBS warns –you guessed it-- investors may perceive risk around balance sheet.

Could there be a white knight?

Given significant share price weakness, Morgans believes renewed corporate appeal may arise.

To that end, Morgan Stanley and UBS are currently on research restriction, having announced in June 2024 they are acting as financial advisors to Bain Capital Private Equity in relation to the proposed acquisition of Bapcor.

No Sells

There are six brokers monitored daily by FNArena covering Bapcor. Two are on restriction, while the other four have Hold or equivalent ratings. Despite a seemingly dire situation, there are no Sells.

Given a lack of confidence in Bapcor achieving its second half guidance skew, this can only reflect Bapcor's precipitous plunge in share price over the past five months (as well as, maybe, potential interest from suitors).

Absent a takeover, Morgans views the investment case as challenged given the sharp deterioration in earnings visibility, ongoing staff turnover, margin pressure, market share losses, balance sheet risk, and anaemic sales growth.

Management remains focused on executing strategic initiatives, but has noted the turnaround is more challenging and taking longer than expected. Macquarie believes Bapcor needs to stabilise operations in the core Trade and Specialist Wholesale segments to improve earnings visibility and underpin its valuation.

While brokers have not downgraded their ratings, the same is far from true for their earnings forecasts and price targets. The consensus target among the four unrestricted brokers has fallen to $2.33 from $2.94.

The new consensus target suggests around 18% share price upside. It also assumes no more nasty profit warnings forthcoming (or no deal with the lenders).

Canaccord Genuity also retains Hold, cutting its target to $2.00 from $2.45.

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AUSTRALIA

ASIC Watch: Shield, First Guardian Collapses Force Supply Chain Accountability

This story features financial services regulatory enforcement affecting licensees, research houses, and the broader ASX financial services sector.

The collapse of Shield and First Guardian Master Funds has triggered one of ASIC's largest investigations, marking a definitive shift in enforcement strategy that targets the entire financial product supply chain.

- **More than $1bn invested across 12000 clients in unsuitable products**
- **ASIC simultaneously pursuing licensees, research houses, financial advisors, and lead generators**
- **First-ever legal action against a research house (SQM Research) sets precedent**
- **Financial services licensees face escalating compliance costs and litigation risk**
- **New enforcement approach elevates governance oversight to 2026 priority**

By Valery Prihartono

In a Nutshell

Two investment schemes –-the Shield Master Fund and First Guardian Master Fund-– were sold to thousands of ordinary Australians as smart, income-generating superannuation investments, but instead piled money into very risky and sometimes poorly documented deals.

Both collapsed, leaving about 12,000 people missing more than $1 bn of retirement savings.

The corporate regulator ASIC has called it “industrial-scale misconduct” and has launched one of its biggest ever investigations, now suing trustees, licensees and advisers over alleged failures to protect investors.

The End of Gatekeeper Immunity

Australia's financial regulator is no longer just chasing individual bad actors. The systemic collapse of Shield and First Guardian has confirmed a **fundamental shift in ASIC's enforcement approach**: every participant in the financial product supply chain will be held accountable for governance failures.

Licensees, research houses, and even unlicensed lead generators are now in ASIC's crosshairs. For ASX-listed financial services entities, superannuation trustees, and asset managers, this represents a material escalation in compliance costs and litigation risk.

ASIC's response has been elevated to a dedicated enforcement priority for 2026, signaling this isn't a one-off investigation but a **new template for regulatory action**.

Licensee Failures: The Core Breakdown

ASIC's actions against two financial services licensees involved in promoting Shield —MWL Financial Services and Interprac Financial Planning— reveal the specific governance deficiencies that now carry existential risk.

Interprac Financial Planning: Systemic Governance Collapse

Interprac faces accusations of critical failures. The alleged breaches paint a picture of systemic governance breakdown:

- **Inadequate Product Approval**: Interprac allegedly failed to have adequate processes for approving products for its Approved Product List (APL), relying entirely on external research without exercising independent judgment
- **Compliance Inertia**: The licensee allegedly failed to act decisively after its own internal audits repeatedly identified serious compliance failings
- **Conflict Management Failure**: Interprac allegedly failed to respond adequately to news of significant payments to related parties by entities associated with the fund

ASIC alleges Interprac failed on "many levels" to ensure its representatives complied with best interests obligations; a duty that cannot be delegated or ignored even when internal warnings are raised.

MWL Financial Services: Best Interests Duty Breach

ASIC alleges MWL Financial Services failed to ensure its representatives provided appropriate advice and acted in clients' best interests when recommending a pre-selected investment option.

Nine MWL representatives advised at least 556 clients to roll over approximately $114m of their superannuation into Shield.

The alleged failures directly breach fundamental AFS licensee obligations under s912A(1)(a) —to provide financial services efficiently, honestly, and fairly— and failure to manage conflicts of interest under s912A(1)(aa).

For investors, these cases demonstrate that AFSL duties are non-delegable. Licensees cannot outsource responsibility for product due diligence to external research providers or claim ignorance of red flags identified in internal audits.

Recently, ASIC has decided to sue super trustee Diversa Trustees over its handling of First Guardian, alleging poor due diligence, lack of monitoring and failure to enforce a 50% cap on exposure, after about $300m of members’ super was invested.

The Research House Precedent: SQM in the Crosshairs

ASIC's action against SQM Research Pty Ltd represents a watershed moment for the funds management industry. This is ASIC's first-ever legal action against a research house, establishing a precedent that fundamentally reshapes the risk profile of financial product research.

SQM Research published "3¾ stars, Favourable" ratings for Shield despite allegedly:

- Failing to obtain the necessary information
- Neglecting to properly consider inconsistencies
- Misrepresenting the fund's structure

ASIC explicitly stated research houses are "important gatekeepers" and a "critical line of defence against poor quality investments".

The regulator is pursuing civil penalties against SQM for deficiencies in diligence and governance under s912A(1)(a), even though the research house wasn't directly advising end consumers.

This action proves ASIC will hold gatekeepers accountable for inadequate due diligence. The inherent risk associated with outsourced or compensated ratings must now be factored into valuations of financial research providers.

For ASX-listed platforms and advisory networks that rely on external research for Approved Product List (APL) decisions, this precedent creates direct liability risk.

The cost of due diligence failure has escalated from reputational damage to civil penalties and potential insolvency.

Targeting the Unlicensed: Lead Generator Liability

ASIC is seeking action against Imperial Capital Group Australia Pty Ltd —a lead generator— for alleged involvement in MWL's contravention of obligations to provide services efficiently, honestly, and fairly.

Imperial allegedly received approximately $12.8m in payments for client referrals and promotion of Shield, despite the resulting advice being "pre-determined" and not in clients' best interests.

This action signals ASIC's intent to target unlicensed entities and promotional models that facilitate circumvention of core consumer protection duties.

Lead generation arrangements that deliver predetermined product recommendations will face scrutiny regardless of licensing status.

Investment Implications: The Compliance Cost Escalation

ASIC's systemic enforcement strategy materially alters the risk profile and cost structure for ASX-listed financial services entities. Three key implications emerge for investors:

1. Approved Product List Due Diligence Becomes Mandatory Capex

AFSL licensees —including those operating investment platforms or advisory networks— must immediately upgrade internal due diligence systems for product inclusion. Relying entirely on external research, as Interprac allegedly did, is no longer defensible.

Significant capital must now be allocated to:

- Enhanced, documented verification of underlying asset structures
- Monitoring of related-party transactions
- Consistent management systems for red flags and audit findings
- Independent validation beyond external research ratings

This represents a material increase in operating costs for financial services businesses that hasn't been reflected in consensus earnings estimates. Companies with lean compliance functions face the steepest cost increases.

2. Multiplied Litigation and Remediation Exposure

The multiplication of lawsuits across the product chain dramatically increases litigation and remediation exposure. ASIC is pursuing licensees, research houses, and lead generators simultaneously, creating multiple vectors for legal action.

For Non-Executive Directors, the systemic governance failures revealed —ignoring audit warnings, failing to manage conflicts— point to escalating personal liability risk and rising Directors & Officers insurance costs.

Financial services companies with significant APL-based distribution models should expect material provisions for potential remediation if similar governance deficiencies exist in their operations.

3. Valuation Risk for Research Providers

The action against SQM Research sets a civil penalty precedent that will force the entire financial product research sector to redesign compliance frameworks.

Investment institutions relying on or paying for external ratings must now factor in inherent risk associated with outsourced or compensated ratings.

This could drive down valuations for research models lacking robust, independent diligence processes.

Research houses without demonstrable independence, comprehensive information-gathering processes, and rigorous conflict management systems face existential risk from this precedent.

The 2026 Enforcement Priority

ASIC has elevated the investigation of the Shield and First Guardian collapses to a dedicated enforcement priority for 2026.

This signals the regulator views these failures as symptomatic of broader industry issues requiring systematic attention.

For the financial services sector, this means:

- Increased regulatory scrutiny of APL processes and product governance
- Higher likelihood of examinations of research house relationships and compensation
- Greater focus on how licensees respond to internal audit findings
- Elevated attention to related-party transactions in approved products

Companies that have relied on light-touch governance, outsourced due diligence, or ignored internal compliance warnings should expect material remediation costs as ASIC applies the Shield and First Guardian template across the industry.

Strategic Positioning for Investors

The Shield and First Guardian enforcement action creates clear differentiation opportunities in the financial services sector:

- **Favour Strong Governance**
- **Discount Outsourced Models**
- **Monitor Directors & Officers' Insurance Costs**

Rising Directors & Officers insurance premiums will provide an early warning signal for companies with governance vulnerabilities.

Watch for material increases in insurance costs in financial services company disclosures.

The New Normal in Financial Services Regulation

ASIC's message through the Shield enforcement action is unequivocal: compliance is not a discrete function but a supervisory duty woven into every aspect of the product and advice ecosystem.

The regulator will pursue every participant in the supply chain —from product designers to research houses to lead generators to licensees— for their role in governance failures.

The cost of inadequate oversight now extends far beyond remediation to include civil penalties, personal director liability, and potential business model obsolescence.

For investors in ASX-listed financial services companies, the Shield precedent demands reassessment of governance risk across portfolios.

Companies that have treated compliance as a cost centre rather than a core capability face material earnings headwinds as enforcement standards reset.

As compliance costs escalate industry-wide, companies with established frameworks will gain competitive advantages over those forced into expensive catch-up investment.

Added notes:

Court evidence has highlighted large loans to developers and related entities; for example, $39 m in loans to a Melbourne developer through First Guardian, with questions over documentation and security.

ASIC and liquidators are still working out where the money went and whether any of it can be clawed back.

BOOK REVIEWS

Will AI Make Us Lazy Investors?

The temptation to outsource investment decisions is real, but is it the right thing to do? Author and media commentator Tracy Sheen shares her thoughts.

The shortcut illusion: will AI make us lazy investors?

I spend my days helping people make sense of AI, and lately the same question keeps popping up: “Can’t AI just tell me what to buy?”

It’s today’s version of asking your uncle at a barbecue for a hot tip except the uncle is now an algorithm. The problem is the same: when we stop thinking for ourselves, shortcuts stop being clever and risk being costly.

From set-and-forget super to automatic bill payments, Australians love convenience. AI takes that instinct further by putting investment prompts in your pocket.

The temptation to outsource decisions is real, but so are the consequences when markets shift or optimism runs hot.

What’s going on with AI in investing

AI is everywhere in finance. Global platforms and local apps now offer robot-advice and algorithm driven portfolios with a few taps. In Australia, the robot-adviser sector is building momentum.

In 2025, Australians have parked close to AUD $10 billion with robot-advisers, still a fraction of total investing, but enough to show these platforms are no longer niche. Locally, Raiz leads the pack, serving more than 315,000 active customers and managing around AU $1.6 billion in funds as of late 2024.

Why it matters: the benefits and risks

Benefits
AI is efficient, accessible and low cost, especially for people just starting out. An algorithm can scan hundreds of company reports in minutes, surfacing patterns even seasoned investors might miss.

It can compare products, track market news and highlight movements in real time. For advisers, these tools are already cutting hours of admin and drafting first pass client notes.

That timesaving frees them for strategy and judgement rather than paperwork.

Risks
Relying on AI can make investors skip the critical thinking. As one finance expert put it, AI is “a really smart, lazy intern” helpful, but not a decision maker.

AI also lacks real world nuance. Markets are often too complex for algorithms to capture reliably. In bull markets, optimism can race ahead of caution. Retail traders using AI might overlook external risks such as geopolitical or economic events.

Some commentators have even compared today’s AI investing buzz to the dot com era. That doesn’t mean a crash is guaranteed, but it is a reminder not to confuse momentum with certainty.

How to use AI without overreliance

The key isn't to reject AI entirely; it's about using it smartly. AI should complement, not replace, human judgement. Think of it as a research assistant.

It can do the grunt work summarising lengthy reports, scanning disclosures or pulling trends out of datasets. Used this way, it helps investors process information without surrendering their decision making.

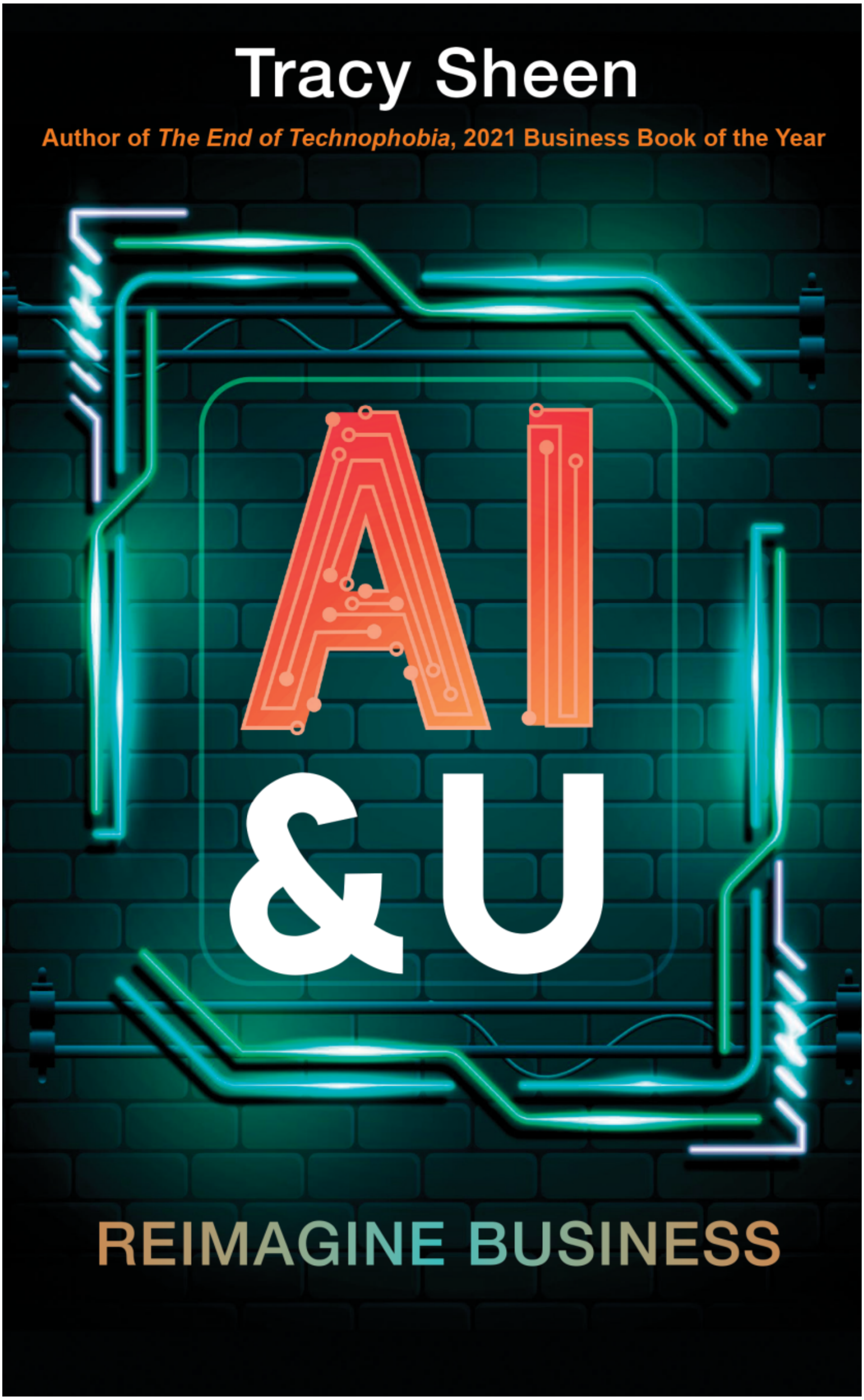
AI is there to support, not to replace. Humans should stay at the centre of all financial decisions, with the tools assisting in reaching final calls.

Five ways to keep yourself in the driver's seat:

1. Ask why before you buy: When AI gives advice, always ask, "Why does this make sense?" If you can't explain it back in plain English, you probably shouldn't act on it.
2. Cross check the basics: Use AI as a starting point, not gospel. An AI might suggest a share fund focused on high-growth companies, fine for long-term investors, but risky if you need the money in just a couple of years.
3. Watch for AI washing: Some companies overclaim their AI credentials. Look for transparency, a clear methodology and a track record.
4. Blend tech with literacy: Let AI summarise reports but read the key sections yourself. Speed is fine, understanding is better.
5. Build resilience, not shortcuts: Don't chase AI driven hot tips. Balance growth ideas with long-term stability. If your strategy can't withstand a market wobble, it needs more thought than any shortcut can provide.

AI is a powerful tool for investors efficient, accessible and smart. But the illusion of speed shouldn't come at the cost of independent judgement. If we lean too hard on AI, we risk swapping curiosity for complacency.

The investors who'll do best in this new era won't be complacent; they'll be the ones who use AI to think strategically. Use the tools to save time, widen your view and pressure test ideas. Just don't hand them the keys.



Tracy "The Digital Guide" Sheen is a speaker, author and media commentator. With deep roots in digital transformation and practical AI, she helps small businesses, government and communities cut through the chaos — turning overwhelming tech into simple action.

Author of AI & U: Reimagine Business and The End of Technophobia, she has shared her frameworks for confident AI use with leaders across Australia. Visit www.thedigitalguide.com.au

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

COMMODITIES

Compare The Pair: Woodside Versus Santos

Which of Australia's two largest oil & gas majors offers the best value? Citi talked to investors to assess the market's mood.

- **Woodside Energy focused on Louisiana LNG sell-downs**
- **Santos suffers a third failed takeover offer**
- **Global LNG glut approaching**
- **Which stock do analysts prefer?**

By Greg Peel

Citi's house view is that LNG pricing will bottom in Q1 2026

In early 2024, Australia's two largest oil & gas majors, Woodside Energy ((WDS)) and Santos ((STO)) discussed a merger, but nothing came of it.

We note that since Woodside acquired BHP Group's ((BHP)) Petroleum division, it is by far the larger company.

This past September, XRG Group, a consortium led by Abu Dhabi National Oil Company alongside the UAE sovereign wealth fund and US private equity group Carlyle, made a non-binding offer for Santos but it was withdrawn at the eleventh hour.

Whether either deal would have met regulatory approval (competition/national security) is now moot, and indeed investors would rather see Santos go the other way and break itself up into Australian and foreign operations, unlocking value.

Following the withdrawal of the offer, Santos fell back to trading on fundamentals, and the market questioned whether the company, following three failed takeovers in recent years (Woodside, XRG and before XRG, Harbour Energy), implied the company did not deserve any takeover premium.

Morgans suggested the failure of the latest approach to culminate in a formal offer was likely to dampen investor sentiment for an extended period. By contrast, Macquarie saw “extraordinary value” for long-term investors, noting Santos shares implied at the time an oil price of US$51/bbl, a steep discount compared with Woodside Energy at US$60/bbl.

In time, Santos shares were expected by Macquarie to surpass the XRG offer price organically.

In November, Woodside hosted a capitals markets day which focused specifically on progress towards a final investment decision on two more trains (4&5) at the company’s Louisiana LNG (LALNG) project, while noting its other nearer-term growth projects were all tracking on time and budget.

Woodside had already sold down two equity stakes in LALNG to reduce funding exposure and execution risk, and was looking towards a third sell-down. Management also pointed to a large increase in dividend yield, beginning later this decade, as growth projects came on line and capex diminished.

The question for analysts, and investors, is which is the better investment? Woodside or Santos?

Head to Head

Sector analysts at Citi have held two weeks of investor meetings on this subject. The ASX200 Energy index has been a “pain trade” since oil peaked in June 2022, falling some -14% in the interim, but with prices nearing a bottom on Citi’s forecasts (seeing a bottom in the March quarter 2026), its analysts see this as a key catalyst to reconsider positioning from both an absolute and a relative perspective.

Investors appear to broadly agree Woodside’s LALNG needs a track record before they are willing to ascribe full value. Many agree Woodside has traded reservoir risk for trading risk which requires confidence in commercial and optimisation capability that is not yet proven.

A recurring point of agreement is whether equity holders should withstand periods in which return on invested capital is lower than the company’s weighted average cost of capital.

Investors seem cautious on the economics and sharing of economic rent between sell-down entities amid Saudi Aramco not announcing a recent deal regarding LALNG despite an MOU and heightened media speculation. Without further sell-downs, Woodside risks a more onerous capex burden.

For Santos, the first issue is the sudden dismissal by the chairman of the CFO, after she made complaints about the CEO’s leadership style and Santos’ corporate culture. Is the CEO’s tenure now in question?

Investors are concerned a change at the top could jeopardise the company’s refreshed capital management framework, and thus when, and for how long, a more shareholder return-friendly policy will be implemented.

The next issue is that LNG growth faces an increasingly challenged outlook. Ord Minnett noted last month there are risks to LNG pricing in an environment in which more than 200 million tonnes per annum of LNG are planned to come onstream globally over the next five years, more than 50% of which will be from US sources.

Citi found scepticism remains high among investors with regard Santos’ Browse, Sunrise and other long-dated projects given high up-front costs and regulatory headwinds.

Most investors do not expect a timely final investment decision for Papua LNG, where upstream economics remain challenged amidst increasing uncertainty around an LNG glut.

It is Citi's perception investors seem to agree a looming oversupplied market will continue to put pressure on contract “slopes”, particularly with the likes of Qatar which has low cash costs and could feasibly drive slopes to high single digits.

Used in oil-linked LNG contracts, the “slope” refers to the percentage of a crude oil indicator at which the LNG is priced.

Investors appeared to agree that for Santos’ onshore Narrbari project, progress is unlikely given permitting challenges, and the same applies to other high internal rate of return opportunities, such as the company’s Pikka brownfield expansions.

Citi notes Woodside is trading at a valuation premium to Santos as investors are unconvinced Santos can unlock value. Investors see a low to nil M&A premium following the recent failed XRG bid, and cite challenges in a potential break-up of the company that could unlock value for high quality assets.

Citi believes de-risking Barossa and Pikka growth, along with a new capital management framework, will serve as nearer-term catalysts which could see the stock re-rate.

Broker Views

Six brokers monitored daily by FNArena cover Woodside and Santos.

Currently, Woodside attracts one Buy and five Hold or equivalent ratings and a consensus target price of $26.12. On Friday, the shares closed -3.8% below that level at $25.15.

UBS has set the lowest target, at $23.60, and Morgans sits atop the market with a $30.60 price target.

On current forecasts, and at today's USD conversion into AUD, Woodside shares represent 6% dividend yield for the year ending this month, but that yield is projected to decline to 3.5% for next financial year.

Outside of daily monitoring, Jarden rates the shares Overweight with a price target of $25.40.

Santos attracts four Buy and two Hold or equivalent ratings. A consensus target price of $7.53 suggests 15.4% upside from Friday's closing price of $6.52.

Morgan Stanley is the low-marker with a price target of only $6.76 while the top of the range is formed by three price targets of $8-$8.10.

Contrary to Woodside, consensus is currently not anticipating a major cut in Santos' dividend next year, but shareholders should expect a lower payout nevertheless.

On current projections, Santos will pay out US22.5c in 2026, down from US23.7c this year. In yield terms this represents 5.2% versus 5.5% (translated in today's USD/AUD).

Outside of FNArena's daily monitoring, Jarden rates the shares Underweight with a price target below the current share price of $6.10.

Citi has a Buy on Santos and is Neutral on Woodside.

ESG FOCUS

Opportunities In Solar Panel Recycling Push

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/

- **End-of-life management of solar panels has become a problem in need of a solution**
- **At present, Australia has limited processing capabilities for solar panel waste**
- **NSW to release Regulatory Impact Statement in early 2026**
- **Companies are positioning to seize opportunities in the emerging recycling industry**

By Jason Collins

Australia is preparing a national mandatory stewardship scheme for the recycling of solar panels

A visible pressure point in Australia's energy transition is end-of-life management of solar panels.

Australia's rapid solar build-out has expanded exponentially in recent years, with more than 4m rooftop systems now in place.

Not to mention, utility-scale projects are ever-expanding, and a growing number of photovoltaic modules are nearing retirement.

With this in mind, it's unsurprising the Australian Energy Council's national projections indicate by the end of 2025 the number of discarded solar panels could reach 280,000 tonnes.

This number is expected to rise to an astonishing 685,000 tonnes by 2030. Cumulative waste could exceed one million tonnes by 2035.

These figures are based on modelling that assumes rising installation rates and general replacement cycles, but actual volumes might differ depending on solar panel repair and re-use trends.

Additionally, the hard pill to swallow is recycling rates have not kept pace, with some estimates indicating current recovery is only 10% to 20% globally.

This is the case even though most of a panel's mass can technically be re-used, with more than $20 worth of materials from a typical 20kg solar panel able to be recycled.

Evidently, there is a gap between technical output and the current outcomes, which has prompted a stronger regulatory response.

It has also positioned several ASX-listed companies to capitalise on opportunities created by rising waste volumes and a more transparent policy framework.

Today's piece will explore how these companies can benefit in the coming years and what it means for investors.

Rising PV Waste And The Policy Response

In Australia, the problem isn't only the escalating waste issue as system retirements begin or are soon to start.

The issue is also the lack of dedicated infrastructure to manage these waste volumes.

According to the Australian Centre for Advanced Photovoltaics, Australia has limited processing capabilities for solar panel waste.

In addition, these facilities are only experimental or small-scale at this point in time.

It's also believed the recommended build-out of new plants through the 2020s and early 2030s is based on forward modelling instead of established national data.

This is because large waste flows haven't yet materialised at scale, and it highlights the structural gap between projected end-of-life panels and the country's capacity to handle them.

Policy Shifts

In addition to the rising waste issue, costs also play a significant role.

Recycling solar panels at this time is still more expensive than sending them to a landfill. This predicament has led operators and installers to export solar panels or stockpile them until regulations change.

Moreover, Victoria's e-waste rules currently prohibit solar panels from landfills. In South Australia and the ACT restrictions are comparable.

Although enforcement of these frameworks is still evolving, compliance varies, which has unfortunately created a fragmented regulatory environment.

It is because of this fragmentation that in August 2025 energy ministers asked NSW to lead work on a national mandatory stewardship scheme, with a Regulatory Impact Statement due in early 2026.

The final design and start date of the scheme remain to be determined.

The aim of stewardship is to create a single framework that governs the recycling, re-use, and collection of solar panels across Australia.

With the national stewardship scheme, policymakers are still finalising how costs will be shared and how re-use will be prioritised, meaning expectations that the scheme will accelerate investment remain forward-looking.

Penny Sharpe, the Minister for Energy and the Environment in NSW, said: *"We are proud to be leading the charge to create a unified approach to solar panel waste management and recycling"*.

And: *"This work builds on the momentum of our nation-leading reform on batteries, and the new legislation already in place in NSW to enable a mandatory product stewardship scheme – ensuring suppliers take responsibility for the safe design, recycling and disposal of their products."*

It's the hope that the national approach will reduce uncertainty, support consistency in waste flows, and lay the necessary groundwork for ASX companies to participate in and seize opportunities in the emerging recycling industry.

From Policy To Industry: Early PV Recycling Ecosystem

With national policy now moving toward a unified stewardship scheme, investors are beginning to examine where value may emerge along the solar recycling chain.

Today, the clearest concentration lays in silver recovery, which has been demonstrated at the laboratory scale.

The potential reuse of intact silicon wafers is less certain, as no commercial output has yet been shown in Australia. Still, it remains an area of active research that could improve long-term recycling economics.

These dynamics explain why several ASX-listed companies are positioning themselves early. Some are developing chemical processes designed to extract higher-value materials, while others are building footholds in solar panel dismantling, logistics, or metals recovery.

Their prospects differ sharply because most activity remains at the research or early pilot phase.

Eventual outcomes will depend on technology performance and the final design of the national stewardship scheme.

Iondrive Ltd

A low-temperature Deep Eutectic Solvent process is currently being developed by Iondrive ((ION)) to recover high-purity silver and silicon from end-of-life solar cells.

In a November 2025 ASX update, Iondrive announced a new solar recycling program with the University of Adelaide and a UK commercial laboratory, targeting the selective recovery of silver and silicon using its DES technology.

Work is expected to leverage the DES pilot plant currently under construction. The company remains pre-commercial, and results so far are from controlled development programs rather than large-scale operations.

Iondrive CEO Dr Ebbe Dommisse said: *"The recycling of end-of-life solar panels has long faced a fundamental market gap — traditional processes cannot efficiently recover and separate high-grade silver and silicon, meaning much of the value is either lost or downcycled".*

"With silver prices at historically strong levels and demand for high-purity silicon rising in advanced applications, this represents both an economic and strategic opportunity. We believe Iondrive's DES technology is uniquely positioned to close this gap by delivering efficient, scalable recovery of high-grade materials that the market urgently needs."

With this in mind, Iondrive's relevance lays in targeting high-value materials that could underpin recycling economics if the national stewardship scheme delivers consistent panel flows.

In addition, for investors, Iondrive offers early exposure to a technology-driven margin opportunity, although the outlook remains speculative until the method proves scalable.

Lithium Universe

Lithium Universe ((LU7)) entered the solar recycling space in 2025 by acquiring rights to Macquarie University's Microwave Joule Heating and Jet Electrochemical Silver Extraction processes.

Lithium Univer's company materials suggest it could recover silver while preserving silicon wafers for higher-value use.

Iggy Tan, the Lithium Universe chairman: *"I am thrilled about the acquisition of Macquarie University's Microwave Joule Heating Technology (MJHT) and the opportunity to potentially extract critical metals such as silver from solar panel recycling."*

Tan further went on to underscore the dire need for change and the program: *"The need for effective PV recycling has never been greater, with only 15% of panels currently being recycled. The mass accumulation of solar panel waste in landfills is a growing problem, as valuable critical metals like silver, silicon, gallium, and* *indium are left behind, contributing to both resource depletion and environmental harm. Microwave technology offers a promising solution to these challenges, enabling higher recovery rates and more sustainable recycling processes."*

On these assumptions, it's clear the investment appeal lays in the long-term waste curve, since significant volumes are expected through the 2030s, which could benefit selective recovery technologies when the national scheme is in place.

Investors should note these capabilities remain at the research stage and have not been demonstrated commercially, so it could be some time before benefits are realised.

Not to mention, progress will depend on policy certainty, successful build-out of pilot systems, and engineering milestones.

Cleanaway Waste Management

Cleanaway Waste Management ((CWY)) is not developing solar-specific recycling technology. Still, it has a national collection network, which gives the company direct access to the stewardship scheme if it mandates regulated panel retrieval.

The company is also actively investing in circular precincts and advanced recovery infrastructure. However, it hasn't committed to solar dedicated assets.

For Cleanaway, the opportunity lays in volume. If manufacturers and installers are subject to stricter obligations surrounding solar panel recycling, large waste handlers may be contracted.

Handlers like Cleanaway would collect and consolidate panels. In this scenario, any financial uplift would indeed be incremental, but the company's scale offers investors a lower-risk avenue to participate in the transition.

Sims Ltd

Sims ((SGM)), recognised by Corporate Knights as one of the most sustainable corporations globally, is one of the world's prominent metals and electronics recyclers.

This company can process wiring, aluminium frames, and other metal components of PV modules, but only once specialist recyclers remove encapsulants and glass.

Given the company can recycle parts of solar panels, there is an incremental financial opportunity tied to broader renewable waste streams.

Sims, on its own, doesn't have any initiatives for solar panel recycling. Yet, since Sims Lifecycle Services already manages complex e-waste, it can absorb solar equipment as volumes justify expanded lines.

This offers investors diversified, lower-risk exposure to the recycling theme without dependence on early-stage technology execution.

Investment Considerations

It's evident Australia's solar recycling landscape is developing, considering the framework environment is being shaped by movements towards coordinated national policy, emerging technologies, and rising waste volumes.

It's believed the national stewardship scheme should offer a more predictable structure for handling end-of-life PV modules, bringing more consistency to collection and recovery.

However, the outcomes of end-to-end lifecycle recycling will largely depend on the final policy design and the ability of early-stage technologies to scale, since most are still in pilot or research stages.

In addition, economic outcomes will also depend on policy enforcement and the value of recovered materials such as silver.

For investors, the message is ASX-listed companies are positioning themselves across different parts of the value chain. Most analysts currently treat PV recycling as an optional upside rather than in-model earnings.

It looks like Cleanaway and Sims are offering steadier exposure through existing networks. In contrast, early-stage developers Lithium Universe and Iondrive seem to offer higher-risk positions linked to technological progress.

Each of these companies has a distinct risk profile, but the recurring theme is short-term financial gains will be small to modest.

Yet, in the long term, it seems structural drivers align with broader circular-economy goals.

This may support industry growth as the wave of solar panel retirements fast approaches and the space seems promising overall.

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INTERNATIONAL

Technological Evolution And Financial Cycles: How AI Fits In

- **While transformative for society, many new technologies shift economic value from producers to consumers, resulting in lower-than-average profit margins**
- **The adoption of transformative technologies tends to follow a predictable cycle where competition erodes profit margins**
- **Avoiding high-commoditized businesses and instead allocating toward enterprises with hard-to-replicate advantages may be key to future outperformance**

By Robert M. Almeida, Portfolio Manager and Global Investment Strategist, MFS

While every financial cycle is distinct, historical patterns consistently reveal a common dynamic: the economic value of groundbreaking general-purpose technologies (GPTs), ones that can affect the whole economy, tend to shift from producers to consumers as adoption rates peak.

Examining this trend offers critical insights into the evolution of financial cycles and excesses, providing a framework for understanding today's AI investment boom.

The Paradox of GPTs

After a recent business trip in the Middle East, my 14-hour flight home felt long — but a century ago, it would have taken 14 weeks.

The air travel industry has shrunk distances, accelerated the delivery speed and volume of goods and expanded human connectivity, effectively integrating the global economy.

Through that lens, few would argue that flying —as a GPT— hasn't been wildly beneficial to society; yet the airline industry's profit margins across cycles are lower than average.

This pattern repeats across other historical GPTs. Like airlines, the automobile also brings people and goods together faster, and unsurprisingly, the industry's profit margins are similarly lower than the market average.

This pattern was repeated later with radio and television and again in the late 1980s, as computers were rapidly placed on office desktops, delivering massive productivity gains.

Today, however, PC makers (at least those not focused on handset devices) often deliver lower-than-market returns on capital.

This leads to a predictable cycle, which can be broken down into these phases:

1. New technology with far-reaching demand is supply-constrained and drives high profit expectations.
2. Prospects for outsized returns draw entrepreneurs and capital which increases product supply and elevates stock prices.
3. While adoption rates are rising, excess competition and supply exceeds demand and dilutes industry margins.
4. Elevated asset prices collapse, and the industry consolidates.
5. Depending on how leveraged the economy and financial markets were to the investment boom, it dictates the severity of the ensuing recession and market drawdown.

The paradox doesn't stem from a failure of the technology itself; in fact, the products continue to advance. Computers are more powerful and faster, televisions are lighter with better pictures, automobiles are more fuel efficient and last longer, flying times are shorter, etc.

This is the core of the GPT paradox: the adoption of technology is inversely proportional to its commercial value for its producers and shareholders.

This dynamic often precipitates economic and financial market excesses and corrections, as entrepreneurs and investors fail to properly account for the powerful forces of capitalism and free markets.

Investors who allow the awe of scientific advancement to obscure this transfer of commercial value from producers to society are often taught a painful lesson in economics and financial markets.

How can this help us think about AI and this cycle?

An algorithm is a feedback loop that predicts the future based on the past, making AI, at its core, a powerful prediction machine with computational power far beyond human capacity. It is an amazing feat of human engineering that advances daily.

However, like other historical GPTs, this reality possesses dualities. If the profit margin prospects are as high as market hype implies, how can we not expect the past to repeat itself through massive AI supply growth, as we saw with the release of DeepSeek earlier this year?

At the same time, much of the data available for AI models to learn from has already been consumed.

This means highly capital-intense AI models may face more than new competitors but also find it increasingly difficult and expensive to outcompete existing models when they are all scraping from the same database: the web.

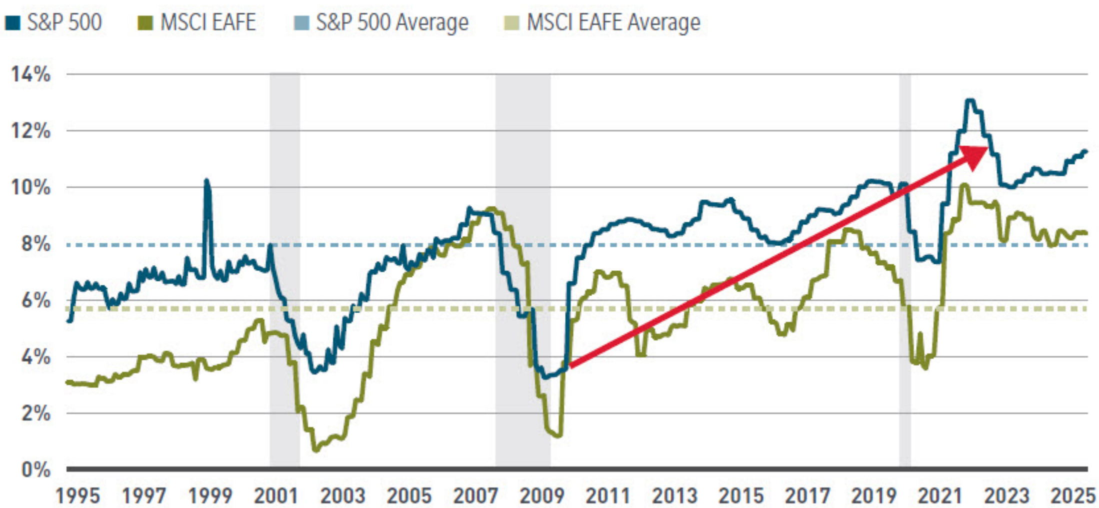
The less differentiated a product is, the less its pricing power and commercial value.

The accompanying chart displaying S&P 500 and MSCI EAFE profit margins shows the excesses that began in the 2010s after a long period of artificially suppressed interest rates, cost suppression and divestment via globalization.

If AI, like other GPTs, follows a path of increased competition and commoditization, it will likely drive a slowdown in AI-related capital spending and flow-through to the broader economy.

This could expose vulnerabilities in profit margins currently being obfuscated by the halo around AI.

Exhibit 1: Globalization and Cost Suppression: Effects on Profit Margins Since the 2010s



Source: Bloomberg. Monthly data from 31 January 1995 to 30 September 2025. Shaded areas = US recessions. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Globalization and Cost Suppression - Almeida, MFS

Conclusion

Much like other technologies, I don't believe you need to be a coder or programmer to assess the commercial aspects of artificial intelligence.

Instead, the skilled investor needs to assess the future demand for AI against supply created by the capital cycle, as that is what will ultimately determine profit margins and stock performance.

For long term asset allocators, we feel the investment opportunity lays in avoiding businesses exposed to high commoditization risk, whether directly or indirectly related to AI.

Capital should instead be allocated toward enterprises with hard-to-replicate advantages, which includes AI enablers such as certain hyperscalers.

We see opportunity in vertical software companies with non-replicable domain expertise, while being wary of certain horizontal software businesses (those that create applications for a broad range of industries, such as accounting or customer relationship management vendors) which may face market share challenges as enterprises adopt AI.

But commoditization and profit margin deflation extend beyond technology. AI brings instant agency to consumers of all sorts, eliminating the profit advantages of mediocre products whose only economic moat was brands built by large advertising budgets.

Companies with middling products and services will likely find past returns difficult to achieve as competition grows, while being forced to starve advertising budgets to feed long-overdue innovation.

Elevated margins, as shown in Exhibit 1, will be difficult for many to sustain.

Overall, we believe selectivity will be key to driving better-than-market returns in what promises to be an evolving and volatile future, delivering a new paradigm of differentiated performance between active and passive managers.

Technical limitations

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

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

INTERNATIONAL

China 2026: A New Cycle Emerges

The internal dynamics for China are changing and investors should pay attention, T Rowe Price suggests.

- **Chinese equities among the best performers in 2025**
- **Multiple factors suggest stronger foundation for sustainable growth through 2026**
- **China's next expansion to be powered by innovation and domestic demand, while domestic consumption continues to broaden**
- **China's innovation ecosystem entering phase of accelerated commercial adoption**
- **Authorities are guiding equity market toward quality, innovation, and disciplined capital allocation**

By Wenli Zheng, Portfolio Manager, China Evolution Equity Strategy at T. Rowe Price

Impression of Shanghai, a symbol of China's steady progress

Chinese equities have outperformed the S&P500 Index and most developed markets on a year-to-date basis, defying all the volatility linked to U.S. tariff headlines.

The MSCI China Index has posted over 30% year-to-date gains, supported by policy pivot, emergence of new growth drivers, and better-than-expected geopolitical developments.

Performance leadership has been concentrated in technology, industrials, and select consumer names, underscoring growing conviction in domestic growth resilience.

Despite external noise, 2025's market behavior highlights a clear message: Fundamentals —not geopolitics— remain the dominant driver of China's equity performance.

Domestic backdrop—Policy pivot from deleveraging to expansion

The September 2024 policy pivot marked the close of China's property-market deleveraging cycle and the start of a new expansion phase.

Over 2025, the impact has become evident: Credit conditions normalized, fiscal spending shifted toward productivity and innovation, and private sector sentiment improved.

Monetary settings remain accommodative, with liquidity ample and targeted credit support for small enterprises and strategic industries, establishing a stronger foundation for sustainable growth through 2026.

External macro environment—Stability after volatility

Globally, conditions have stabilized following the tariff disruptions of early 2025. China's measured policy response and diversified trade links helped cushion the impact.

After several rounds of dialogue, tensions cooled, and the Donald Trump-Xi Jinping summit resulted in a further reduction of tariffs and an extension of the trade truce for one year.

Furthermore, reciprocal state visits in 2026 should foster a more predictable diplomatic environment.

For investors, this shift likely translates to lower external volatility and greater scope for domestic fundamentals to drive equity returns.

Structural growth drivers

As underpinned in the recently concluded Fourth Plenum meetings, China's next expansion will be powered by innovation and domestic demand.

The success of DeepSeek showcased China's growing capabilities in artificial intelligence (AI) despite semiconductor constraints, joining electric vehicles and biotechnology as areas of global competitiveness.

Policy alignment around these industries —supported by digital-infrastructure investment and entrepreneurial incentives— should help sustain productivity growth over the medium term.

Simultaneously, consumption continues to broaden. Scalable platforms and leading brands are capturing discretionary spending through technology and user engagement, while traditional industries are achieving higher profitability under the anti-involution framework, which targets excessive competition.

The government's anti-involution agenda has begun to reshape industrial behavior. Capacity discipline and consolidation are improving pricing power in materials, manufacturing, and telecom infrastructure.

These adjustments are expected to underpin a healthier profit cycle focused on efficiency and capital discipline.

How we are positioned to capture opportunities emerging in China

1. Consumption and services

Domestic consumption remains a core pillar of China's long-term structural growth story. Rising household incomes, firmer consumer sentiment, and policy support for urban services are creating a more resilient spending base.

(i) Platforms: China Resources MixC, H World, Kanzhun, and Tencent Music are examples of scalable franchises with competitive moats that have had recurring revenue streams. Their integrated ecosystems and ability to capture consumer traffic —both online and offline— supported them through multiple market cycles.

(ii) Product cycles: Ninebot and Loncin illustrate the strength of China's innovation-led consumption. Their capacity to commercialize new designs rapidly and connect with younger demographics positions them for product-cycle expansion in both domestic and export markets.

2. Technology and innovation

Technology remains an important driver of productivity and structural equity performance. China's innovation ecosystem —spanning AI, semiconductors, advanced manufacturing, and clean energy— is entering a phase of accelerated commercial adoption.

(i) Artificial Intelligence: With mainland China and Taiwan at the center of the global AI supply chain, we focus on companies that have demonstrated value-share gains with credible technology migration plans and defensible cost advantages. Beyond software and model development, we see opportunities in "tech" components —such as copper-clad laminates and substrates— where surging AI demand may strain capacity, tightening supply, which may support profitability across hardware ecosystems.

(ii) Advanced driver-assistance systems (ADAS): China's ADAS industry is now scaling rapidly, echoing the electric vehicle adoption curve of recent years. As regulatory standards evolve and consumer expectations shift toward safety and automation, domestic suppliers of sensors, controllers, and integration software are gaining global relevance. These firms are likely to play an important role in China's next major industrial S-curve.

3. Anti-involution

In our view, traditional industries are becoming more attractive as the government's anti-involution campaign aims to restore balance to supply/demand dynamics.

The focus on consolidation, capacity discipline, and return on capital is reshaping the competitive landscape across LCD panels, aluminum, copper, and telecom towers.

These sectors are generating stronger cash flows, improving payout ratios, and demonstrating pricing resilience after years of margin compression.

While the strength of these businesses is not solely policy-driven, the shift toward rational competition and efficiency has created a healthier, more attractive industrial base.

We view these companies as natural complements to growth-oriented holdings, offering potential for cyclical stability, income generation, and exposure to China's ongoing focus on capital efficiency.

Across consumption, technology, and industrial rationalization, we see an equity market evolving toward quality, innovation, and disciplined capital allocation.

This evolution is broadening the range of investment opportunities and may offer long-term investors both structural growth and diversification benefits as China's stock market matures.

Summary

We expect a stable to moderately improving macroeconomic backdrop in 2026. Valuations remain supportive, and, more importantly, we are finding structural growth stories that we believe can outperform.

Policy continues to favor productivity and innovation, while corporate balance sheets are healthier and earnings visibility is improving.

We are seeing opportunities emerging across technology, consumption, and rationalizing traditional sectors.

As China advances from deleveraging toward disciplined expansion, we remain focused on identifying durable businesses positioned to benefit from this next phase of the country's economic evolution.

RUDI'S VIEWS

Rudi's View: Copper, Aluminium & Technology (!)

This week's updates on strategy and preferred stock picks.

By Rudi Filapek-Vandyck, Editor

As things stand, investors have three key issues to deal with for the year ahead:

- RBA tightening (the market is preparing for it)
- The return of cyclicals and commodities
- The ongoing promise (and build out) of AI

The first factor is probably why the local share market cannot get any sustainable momentum irrespective of the usual seasonal bias.

But market strategists at Wilsons assure us history shows the local market tends to grind higher during periods when the Federal Reserve is still lowering rates and the RBA starts preparing for rate hikes.

The combination does usually favour a stronger AUD and this in return usually translates into positive momentum for resources.

Wilsons' preferred large-cap exposures are copper, via Sandfire Resources ((SFR))), aluminium, via Alcoa ((AAI)), and gold via Evolution Mining (((EVN)) and Northen Star Resources ((NST)).

As an aside, Wilsons remains concerned about valuations for the major banks generally and would avoid domestic cyclicals (consumer discretionary, media and retail).

We'll talk more about factor two below. The third factor --AI-- is at this point something investors and strategists talk about outside of Australia, as any related share prices on the ASX remain deeply embedded inside a sectorial bear market.

I know, go figure!

Cyclicals and commodities is where all the present action and money flows are concentrating on, and this too is reflected in recent strategy and analysts' sector updates locally.

Metals and mining analysts at Barrenjoey further increased their pricing projections for the year ahead, while stating they have become more optimistic in comparison with earlier times in 2025.

The new uptrend is mainly supply-driven, but that doesn't make the overall enthusiasm, and upgrades to projections, any less material.

Barrenjoey has grabbed the opportunity to upgrade Paladin Energy ((PDN)) to Neutral from Underweight, but gold derivatives Northern Star ((NST)) and Predictive Discovery ((PDI)) have both been downgraded to Neutral from Overweight following steep share price performances.

The new forecast for bullion is 8% higher for 2026 to US$4,200/oz. Most other pricing projections went up more modestly, but most are positioned above current consensus, in particular lithium, base metals and met coal.

Barrenjoey's preferred gold exposures are Capricorn Metals ((CMM)), Greatland Resources ((GGP)), Newmont Corp ((NEM)), and Ramelius Resources ((RMS)).

For lithium exposure, most preferred are IGO Ltd ((IGO)) and Mineral Resources ((MIN)).

For copper exposure, Sandfire Resources ((SFR)) is most preferred, but Capstone Copper ((CSC)) is also mentioned.

With coal and uranium prices expected to move higher in 2026, the team's preference goes out to Stanmore Resources ((SMR)) and Whitehaven Coal ((WHC)), while Paladin Energy is Barrenjoey's preferred uranium play on the ASX.

UBS likes Mining AND Technology

A shift to Overweight exposure for the mining sector equally features in UBS' updates on **Most Preferred** and **Least Preferred stocks** on the ASX.

Technology, despite being notably out-of-favour at the moment, retains an Overweight allocation in this broker's Model Portfolio.

Let's start with the smallest selection first; the following stocks remain absolutely disliked by UBS strategists:

- ANZ Bank ((ANZ))
- APA Group ((APA))
- Aurizon Holdings ((AZJ))
- ASX Ltd ((ASX))
- CommBank ((CBA))
- Inghams Group ((ING))
- Reece ((REH))

Is no longer included: Temple & Webster ((TPW))

The selection of Most Preferreds is a lot longer and broader reaching:

Resources

- BlueScope Steel ((BSL))
- Genesis Minerals ((GMD))
- Lynas Rare Earths ((LYC))
- Mineral Resources ((MIN))
- Newmont Corp ((NEM))
- Orica ((ORI))
- Origin Energy ((ORG))
- Rio Tinto ((RIO))

Financials & REITs

- AUB Group ((AUB))
- Goodman Group ((GMG))
- Insurance Australia Group ((IAG))
- nib Holdings ((NHF))
- Westpac ((WBC))

Industrials

- Catapult Sports ((CAT))
- Cochlear ((COH))
- Coles Group ((COL))
- Metcash ((MTS))
- NextDC ((NXT))
- REA Group ((REA))
- ResMed ((RMD))
- SGH Ltd ((SGH))
- Sigma Healthcare ((SIG))
- Telstra ((TLS))

- Virgin Australia ((VGN))
- WiseTech Global ((WTC))

Have been freshly added: Lynas Rare Earths, Mineral Resources, Rio Tinto --that's how one achieves Resources Overweight-- as well as AUB Group, Catapult Sports, and Sigma Healthcare.

Have recently been removed: BHP Group ((BHP)), Harvey Norman ((HVN)), Superloop ((SLC)), and TechnologyOne ((TNE)).

The aforementioned Barrenjoey sees "better value" in Australia's mining majors BHP Group ((BHP)) and Rio Tinto ((RIO)). Peers at UBS equally acknowledge there is upside potential, but for now they stick with a Neutral rating.

UBS continues a bullish stance on gold names with a preference for Newmont Corp, while having turned more constructive regarding lithium's outlook.

UBS has Buy ratings for Liontown ((LTR)) and Mineral Resources ((MIN)). The view is equally positive for copper "given strong fundamentals". Here the preference resides with Capstone Copper ((CSC)).

UBS finds the outlook for coal remains challenged, with tightness to ease as key projects ramp up.

Citi & RBC Capital

Sector analysts at **Citi** are most bullish on copper and aluminum and more cautious on bulks and precious, and positive on steel.

Analysts at **RBC Capital** have lined up their favourites among Australia's retailers and businesses directly linked to household spending.

Stock ideas:

- In Retail: Temple & Webster ((TPW))
- In Travel: Flight Centre ((FLT))
- Among Quick service restaurants: Collins Foods ((CKF))

The analysts highlight KFC remains the strongest Australian QSR brand, taking market share, in a structurally growing category (poultry), at a value price point.

Best Ideas from Morgans

Stockbroker Morgans' selection of **Best Buys** has been expanded with REA Group ((REA)), TechnologyOne ((TNE)), LGI ((LGI)), GPT Group ((GPT)) and Flight Centre ((FLT)).

Have been removed: Corporate Travel Management ((CTD)) and Collins Foods ((CKF)).

The list of Best Buys now consists of 30 stocks, with the following retaining their inclusion:

ALS Ltd ((ALQ))
Amcor ((AMC))
ARB Corp ((ARB))
Aristocrat Leisure ((ALL))
Goodman Group ((GMG))
Capstone Copper ((CSC))
CSL ((CSL))
Dalrymple Bay Infrastructure ((DBI))
DigiCo Infrastructure REIT ((DGT))
EBR Systems ((EBR))
Elders ((ELD))
Guzman y Gomez ((GYG))

HomeCo Daily Needs REIT ((HDN))
Lovisa Holdings ((LOV))
MA Financial ((MAF))
Megaport ((MP1))
Northern Star Resources ((NST))
Orica ((ORI))
Pinnacle Investment Management ((PNI))
PWR Holdings ((PWH))
Qualitas ((QAL))
ResMed ((RMD))
Tyro Payments ((TYR))
Woodside Energy ((WDS))
Universal Store Holdings ((UNI))

Ord Minnett sees Technology opportunities

As noted, Technology and the ASX have become ugly ducklings to each other. **Ord Minnett** sees this as an opportunity to revisit some of its **High-Conviction ideas** in this segment.

The result is a firm re-iteration the following companies are supported by structural growth drivers and strong fundamentals:

- Car Group ((CAR))
- Energy One ((EOL))
- Hansen Technologies ((HSN))
- Life360 ((360))
- Qoria ((QOR))
- Xero ((XRO))

Morningstar's Best Ideas

Morningstar's Best Equity Ideas for Australia & New Zealand have equally seen a few changes, with two fresh inclusions and two removals (one has been a perennial disappointment).

The disappointment I am referring to is Aurizon Holdings ((AZJ)) which has been on this list since 2021 but investment return since then is only minimally positive and only thanks to dividend payments over that period. The second removal is lithium miner Pilbara Minerals ((PLS)).

Have been added this month: Amcor ((AMC)) and James Hardie ((JHX)).

The thirteen that remain on the list:

- ASX Ltd ((ASX))
- Auckland International Airport ((AIA))
- Bapcor ((BAP))
- Dexus ((DXS))
- Domino's Pizza Enterprises ((DMP))
- Endeavour Group ((EDV))
- IDP Education ((IEL))
- Ramsay Health Care ((RHC))
- SiteMinder ((SDR))
- Spark New Zealand ((SPK))
- WiseTech Global ((WTC))
- Woodside Energy ((WDS))

I always feel I need to warn investors Morningstar's criteria for selection almost exclusively concentrate on a 'cheap' looking valuation and many stocks on the list can remain on it for prolonged periods therefore requiring a lot of patience.

Even then, there's no guarantee of a positive end outcome, see Aurizon Holdings. Bapcor yet again issued a profit warning this week.

And it's not as if the signals are pointing towards a firm momentum switch for the likes of Domino's Pizza, IDP Education and Endeavour Group, while the ASX, Dexus and Ramsay Health Care have been in struggle street for a long while.

Horses for courses?

Paying subscribers have 24/7 access to my curated lists 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.)

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

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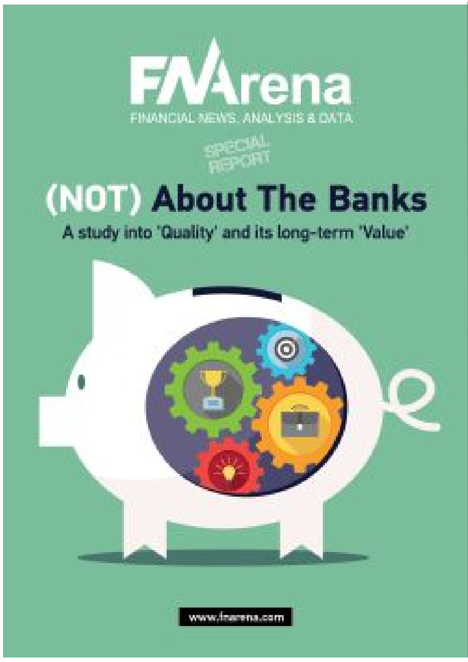

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SMALL CAPS

'Rudderless' Smiggle Dogs Premier Investments

While a stripped-down Premier Investments' flagship brand Peter Alexander continues to perform well, Smiggle remains a problem child.

- **Premier Investments' AGM brings weak guidance**
- **Peter Alexander sales continue to grow**
- **Smiggle sales remain weak, and still no CEO**
- **Value following share price weakness?**

By Greg Peel

Negative growth and still no CEO; the former success formula of Smiggle is sincerely struggling

Premier Investments' ((PMV)) wholly owns sleepwear retailer Peter Alexander and kids' school supplies retailer Smiggle, has a 25% stake in home appliances manufacturer Breville Group ((BRG)), plus strategic property investments.

When the retailer released its FY25 (July year-end) results back in September, Peter Alexander A&NZ was the standout performer, Peter Alexander UK posted a loss but the first stores had opened only ten months earlier, hence upside down the track was expected, while Smiggle was suffering falling sales.

Brokers agreed at the time Smiggle's core customers, being young families, had been among the most impacted by cost-of-living pressures. But there was also agreement consumer sentiment was on the mend and a Smiggle turnaround was possible, albeit the appointment of a new leader of the business was considered critical to get the most out of the brand.

Investor sentiment towards Smiggle was increasingly shifting toward structural concerns, although management maintained the issues are execution-related – understandable, said Ord Minnett, given the brand had lacked a CEO for some 15 months.

Three months on, and Premier Investments' AGM revealed nothing at all had changed. Peter Alexander has continued to be the standout while Smiggle still struggles, still without a CEO.

Sleepover

Premier Investments announced first half FY26 guidance for underlying earnings of $120m at the AGM, compared with consensus forecasts at $133m. Smiggle drove the softer-than-expected guidance, with the UK continuing to underperform.

The good news at least is that now the divestment of Premier's plethora of apparel brands to Myer Holdings ((MYR)) has been completed, a twelve-month on-market share buyback of up to $100m has been announced, which is expected to commence post the first half result release in March.

Pyjamas, it would seem, are all the rage. Peter Alexander delivered record sales across Black Friday and Cyber Monday. The brand is enjoying an expanding total addressable market (TAM), UBS notes, (men's, kids, accessories and plus-size) which requires an increasing store size, and an upgraded perception by consumers from a functional product to a "gifting brand", providing a basis for sustained growth.

Smiggle, in contrast, has been unable to expand its TAM, UBS notes, given a tight age range (4-11 years old and possibly younger) and new product development less effective than history, while its core purchasers (young families) are facing rising cost of living pressures.

Are they?

Management suggested at the AGM "discretionary spending remains under pressure with consumers cautious due to ongoing cost-of-living impacts". Macquarie points out ABS data indicate monthly spending grew 3.5% month on month (6.4% year on year), and Overall Discretionary improved 1.6% month on month (5.1%) in October.

Further, Macquarie's High Frequency Consumer Data also indicate discretionary consumer spend is not declining. The broker thinks the quantum of Smiggle's expected decline suggests continuing product weakness and market share loss.

Macquarie also questions whether Peter Alexander is still maintaining the circa 9% sales growth indicated at the FY25 result, with the broker's forecasts now expecting a moderation to 5% growth for first half, implying a deterioration over September-November.

Pens Down

Smiggle UK drove the soft guidance, with weaker than expected sales post the northern hemisphere back-to-school period. The UK comprises around a third of Smiggle's store footprint. The weak sales outlook suggests to Morgan Stanley recent store consolidation in the UK has not been sufficient to stem underperformance.

Premier Retail first half underlying earnings guidance is down -7.3% year on year, and based on UBS' sales forecast implies a 26.0% earnings margin, down -226 basis points year on year.

Rising cost of doing business to sales (up 207bps to 41.5%), due to the weakness in Smiggle sales, is the key driver of margin compression, UBS notes.

Compounding the weak sales environment, the company continues to search for a managing director. The appointment of a new Smiggle CEO is the catalyst for some of these challenges to be addressed, UBS reiterates.

Premier announced Georgia Chewing is now interim COO of Smiggle, in addition to her eCommerce & Marketing role at Premier Retail (Premier Retail is basically Peter Alexander/Smiggle).

Morgan Stanley doesn't expect a meaningful recovery in sales until a new managing director joins, which could potentially take up to twelve months.

In the meantime, Macquarie describes Smiggle as "rudderless".

Christmas will clearly be critical for Peter Alexander, while the upcoming A&NZ back-to-school period will be make-or-break for Smiggle.

Value at the Price?

Weak first half guidance at the AGM saw Premier Investments' share price plunge -16% on the day, to be down -52.6% in 2025 to date. UBS notes this compares to an 18.7% gain for the ASX Small Ordinaries in the same period.

Brokers have slashed their earnings forecasts and price targets (having done already exactly that in Q1 this year).

Macquarie believes the market has now priced in zero earnings for Smiggle, with the Premier Investments' valuation effectively reflecting the value of its Breville Group stake ($6.93 per share), and Peter Alexander ($9.24 per share).

Macquarie nevertheless re-iterates its Neutral rating, looking to the next disclosure of Peter Alexander's sales performance to gain confidence that earnings weakness is contained only to Smiggle.

Macquarie's target falls to $16.20 from $20.80.

Citi's earnings downgrades mostly account for lower margins in Smiggle given operating deleverage on weak sales. Citi retains a Neutral rating and lowers its target to $16.70 from $24.00.

The revised target price factors in the earnings revisions as well as higher discounts in Citi's PE relative valuation (now a -40% discount to ASX Industrials) and sum-of-the-parts (now a -25% discount to peers) given the heightened earnings uncertainty with respect to Smiggle.

A more circumspect UBS retains a Buy rating despite the challenged Smiggle (which drove the broker's significant earnings downgrades) and start-up losses in Peter Alexander UK.

The strong core Peter Alexander A&NZ business, the extent Breville is underappreciated within its valuation and significant share price weakness make the risk/reward attractive, in UBS' view.

UBS cuts its target to $19.00 from $24.00.

With underperformance in the UK and the ongoing leadership search, Morgan Stanley sees significant uncertainty for Smiggle's outlook.

This broker cuts its average multiple on the group from 20x to 17x reflecting the greater level of uncertainty, though continues to view the operational business as attractive on a sum-of-the-parts basis, based on current trading (PE 10x) when backing out the value of the investments (i.e. Breville).

Morgan Stanley sticks with an Overweight rating, cutting its target to $20.60 from $24.00.

Jarden believes Premier Investments remains well capitalised, with strong brands and long runway for international growth, which is not reflected in the current multiple.

Jarden maintains a Neutral rating, with a revised target of $16.90, down from $21.30, with confidence in Smiggles' future growth and Peter Alexander UK key for a re-rate.

Jarden estimates the operating businesses are trading at an implied enterprise value to earnings multiple of less than 7x earnings.

Bell Potter (Buy; target $26.50) and Ord Minnett (Buy; $23.40) are yet to update post the AGM.

SMALL CAPS

Imdex Builds Rock Knowledge Acquisitively

Imdex has continued to pay up for strategic acquisitions with the latest offerings serving up growth opportunities across products, software and geographic regions.

- **2025 brings another two strategic bolt on acquisitions as Imdex uses cash flow for growth**
- **A $700m total addressable market on offer with scope for margin accretion**
- **Analysts remain divided on valuation and management's ability to extract synergies**

By Danielle Ecuyer

Imdex expands global footprint and service offering

Leveraging an upcycle in resource exploration, Imdex furthers growth ambitions

Imdex ((IMD)) is benefiting from rising exploration spending, which is helping the global mining tech services company to generate cash flow from its core business, the traditional Drill Site Technologies division.

That cash flow is in turn being re-invested to expand the business into software, AI and data platforms that enhance drill site technologies, delivering “rock knowledge” and faster decision making for customers.

The latest binding agreements are to acquire 100% of Advanced Logic Technology S.A. (ALT) of Luxembourg and its subsidiary Mount Sopris Instruments Inc (MSI), a Denver based company. Both align with the geo-technology’s ambition to retain technological leadership for three global R&D hubs, large IP protection, and ongoing reinvestment in next generation sensors, fluids and digital products.

ALT was founded in 1993 and offers slim-hole imaging instrumentation and geoscience data processing software. Its customer base spans mining, infrastructure, civil, environmental, groundwater and energy sectors.

MSI concentrates on manufacturing borehole geophysical instrumentation that log things like gamma, resistivity, density, sonic, magnetic susceptibility, conductivity, temperature, caliper, etc., producing a continuous data record versus depth that geologists use to interpret lithology, structure, and mineralisation.

MST is 61% owned by ALT.

Combined 2024 earnings (EBITDA) for ALT and MSI were $28m and $6.4m, respectively, with Imdex paying -$98.9m upfront with deferred consideration of up to -$35.4m based on performance hurdles.

Slicing and dicing what opportunities can be achieved for Imdex

For UBS, the acquisition is strategically positive and meets a product gap for the Imdex sensor product suite. The global total addressable market for ALT is estimated at $700m of which 75% of the potential markets (both product and regions) for expansion have no competing products.

ALT's core asset is WellCAD, the industry standard borehole data software, with geoscience data processing which concurs with Imdex's stated SaaS transitions that will integrate into its digital platform with the aim of growing recurring revenue alongside swifter data interpretation.

MSI is mainly a hardware business and sits mainly into Drill Site Technologies.

Both acquisitions offer revenue synergies, UBS explains. By applying the same strategy that was successful with the Devico acquisition, the analyst believes Imdex can roll out the ALT products across existing regions where it operates, notably South America, Canada, Africa and the Middle East where ALT is under exposed.

Devico was acquired in January 2023 for an enterprise value of -$324m. This company was a competitor of Imdex at the time, but brought forth a global operating footprint, boosting the group's position in Europe to number one and helped Imdex consolidate its number one position globally.

At the time, Devico generated 46% of revenue from Sensor Technologies and 56% from Directional Drilling Technologies.

The Morgans' analyst is comforted by the fact management chose to acquire two businesses with a heavier weighting to sensors, which is viewed as better than acquiring pure software businesses.

Breaking down the revenue contribution, Macquarie highlights the ALT and MSI product portfolios are complementary and do not compete with existing products.

Software revenue represents circa 20% via WellCAD from ALT with an 85% gross margin and the hardware the balance with a 45% gross margin. Combined, mining represents 55%-60% of revenue, other sectors offering diversified exposure to infrastructure, civil, environmental, groundwater and energy.

Macquarie points to the 45% gross margin for the acquisitions due in part to one-off sales revenue model. Transitioning to Imdex's rental model is expected to achieve more robust and sustainable margins in the future.

Imdex's sensor margins are 80%-90% which offers potential, according to Morgans, to increase rentals in geographically underweight regions, South America, Canada, Middle East and Africa.

The transaction will be financed with cash and existing debt facilities, closing in 3Q26 and be EPS accretive in the first year of ownership, before the inclusion of any cost and revenue synergies.

Both acquisitions come on the back of an initial 80.5% in Earth Science Analytics (ESA) for around -$26m in late July this year, as outlined in FNArena's Treasure Chest article (https://fnarena.com/index.php/2025/07/31/treasure-chest-imdex/).

Consolidation of acquisitions muddies earnings forecasts

Morgans has adjusted FY26 assumptions for depreciation & amortisation (D&A), interest and tax based on management's guidance to reflect the acquisitions (expected completion on Feb 1, 2026) as well as the final cash/debt settlements of DataRock (early Feb) and Krux (early May).

Both Datarock and Krux will be consolidated into the accounts in 2H26 from the estimated completion dates and both subsidiaries are assumed to break even for the forecast period.

By way of history, initial stakes were taken in DataRock in Nov 2021 and Krux Analytics with a cornerstone investment in April 2023.

As articulated by the Morgans' analyst, there are a few moving parts to FY26 earnings forecasts. Acquisitions have resulted in higher interest and tax charges with net profit after tax forecasts lowered by -5% for FY26.

For FY27, lead indicators for exploration have resulted in revenue growth expectations for the base business to rise to 10% growth from 7% while earnings (EBITDA) for FY27 and FY28 are upgraded by 9%-10% offset by higher interest costs that lower the EPS forecast by -1% to -2%.

In contrast, Citi notes low capex rates for ALT and MSI will contribute minimal D&A and will be EPS accretive by 3% for FY26 with leverage moving up to 1.1x from 0.1x in FY25. Goodwill of around $60m will be recognised and IP (intellectual property) of $30m.

Macquarie upgrades its EPS estimates by 2% for FY26 and FY27 reflecting the inclusion of ALT and MSI. UBS also upgrades EPS forecasts by 3% for FY26 and 2% for FY27 while current forecasts assume around a 75% EPS increase trough to peak, which aligns with previous resource cycles.

UBS has a Neutral rating with the stock seen trading at a 25% premium to the ASX Small Industrials index (around 26x 1yr forward) versus an historical -20% discount. At these levels the market is viewed as discounting a "good portion" of the anticipated upcycle in exploration activity. Target price raised to $3.50 from $3.30.

On the back of downward revision in EPS estimates and applying a higher weighted average cost of capital, Morgans has lowered its target to $3.60 from $3.90, retaining a Hold rating, noting the value extraction from both acquisitions is reliant upon meaningful incremental revenue generation over the next three years post completion.

Bell Potter lowers its target price to $3.60 from $3.90 due to a higher weighted average cost of capital assumption of 8.7% versus 7.8% previously. The booking of higher D&A and finance costs which are expected to go into FY27-FY28 results in a lowering of the analyst's EPS forecasts of -9% for FY26 and -1% for FY27 with an upgrade of 6% in FY28.

No change to Hold rating.

Macquarie post acquisition EPS upgrades lifts its target price by 4% to $3.80 at the upper end of the valuation range.

The stock is seen trading at the top of its range around 11x EBITDA but this analyst sees scope to re-rate if management can improve growth in the software business both organically and via M&A.

Rating is upgraded to Outperform from Neutral.

Citi retains a Buy rating and $4.20 target price.

On current consensus forecasts, Imdex is projected to report FY26 EPS of 10.9c, to rise to 12.6c in FY27. The corresponding number for FY25 is 10.8c.

In contrast, dividends are projected to increase to 3.9c and 5.7c respectively, compared with 2.5c for FY25.

Five daily monitored brokers cover the shares and their combind targets generate a consensus target of $3.76, circa 14.5% above the current share price.

Canaccord Genuity rates the stock Buy with a $3.98 target. Jarden only awards a $2.90 target, accompanied by a Sell rating.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 05-12-25

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

By Rudi Filapek-Vandyck, Editor FNArena

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 December 1 to Friday December 5, 2025
Total Upgrades: 8
Total Downgrades: 10
Net Ratings Breakdown: Buy 61.25%; Hold 30.75%; Sell 8.01%

For the week ending Friday, 5th December 2025 FNArena registered eight upgrades in broker ratings for individual ASX-listed stocks and ten downgrades.

The total tally for the eight brokers monitored daily still stands at 61.25% for Buy-equivalent ratings --exceptionally high by historical standards-- with Neutral/Holds representing 30.75% of all ratings and Sells taking up the remaining 8%.

Whereas economists are talking about K-shaped economies in acknowledgment of the opposing forces and beneficiaries in today's societies, equity strategists might as well use the same definition for the Australian share market.

Though there is one key difference: in the share market yesteryear's laggards and losers are coming back into favour in 2025.

Rating upgrades for the week comprised of a true smorgasbord with regional banks Bank of Queensland and Bendigo & Adelaide Bank (2x) plus QBE Insurance commanding half of the space for the financials sector.

Upgrades for NextDC and WiseTech Global suggest persistent share price weakness might push the out-of-favour thematic too far (at least as far as analysts are concerned), while Imdex and Veem make sure the non-financial smaller cap segment is equally represented.

Ord Minnett upgraded Bank of Queensland to Hold from Lighten on valuation grounds after bank management used its AGM address to confirm FY26 guidance on costs. Bendigo & Adelaide Bank's investor briefings equally featured strong confidence in cost-outs, plus the lender will buy RACQ Bank’s $2.7bn loan book and $2.5bn deposits (as at 30 June 2025) at book value.

Ongoing regulatory uncertainty did not prevent both Ord Minnett and Citi from upgrading their rating to Accumulate and Neutral. Bell Potter sees multiple sources for upside for QBE Insurance, but its upgrade to Buy was equally in response to a share price that keeps trending south.

Bear market dynamics for AI and growth means every broker now has a Buy rating for data centres operator NextDC (Morgans has upgraded in response to the selling pressure), as well as for logistics services provider WiseTech Global (here Macquarie was the last one to upgrade this week).

Both NextDC and WiseTech Global have been pampering investors with positive news flow this month and that might well have contributed to the ever-so-hesitant improvement in respective share prices. The pull back over the past number of months has been relentless.

Macquarie's upgrade for Imdex follows the announcement to acquire Advanced Logic Technology and its subsidiary Mount Sopris Instruments, and the subsequent share price weakness.

Small cap Veem --High technology marine propulsion and stabilisation-- issued a weak AGM update and its share price was punished for it. Morgans has upgraded to Speculative Buy.

The week saw more downgrades, but scandal-riddled Corporate Travel Management alone contributed three (Ord Minnett refuses to have any rating anymore).

Retailers are issuing profit warnings and disappointing market updates. This week Step One joined in, and subsequently received two downgrades.

Collins Foods' interim result equally disappointed, and Ord Minnett downgraded in response. The result itself was much better than expected, but management's rather cautious-looking upgrade for the full year removed all enthusiasm in the aftermath.

Fletcher Building, Monash IVF, Perseus Mining and Southern Cross Electrical complete the week's list.

Citi's downgrade for Fletcher Building was in response to this broker factoring in a slower recovery for the NZ economy. Macquarie's downgrade for Monash IVF followed a public rift between the board and the company's suitor, a consortium also including WH Soul Pattinson already in control of 91.6% of total outstanding capital.

Bell Potter's downgrade for Southern Cross Electrical followed news it had lost arbitration against the CPB Dragados Samsung Joint Venture (CDSJV) over extra WestConnex M5 tunnel costs incurred by its subsidiary, Heyday.

Outside of Corporate Travel, Perseus is the only one with a fresh Sell rating, thanks to Ord Minnett.

This downgrade relates to Perseus' ambition to acquire Predictive Discovery in competition with competing suitor Robex Resources.

When it comes to positive changes to target prices, the top ten list is made up of eight mining companies, plus Collins Foods and Sims. If that's not a signal about where today's market attention is focused on, then my name isn't Rudi.

The opposite side of the ledger is much more diverse, but only the first four have seen negative adjustments of 8%-plus: Corporate Travel, Amplitude Energy, IPH Ltd, and Metcash. The latter equally disappointed with its interim report release.

Amplitude Energy has just consolidated its capital and analyst forecasts are being updated and adjusted. IPH Ltd continues to underperform in a negative-trending market, and has been for a while (as also reflected in its share price).

The week's changes in earnings forecasts remained relatively benign, both in positive and negative terms.

The positive side sees GPT Group on top of the table (up 8.52%), followed by Greatland Resources (up 7.95%) and AUB Group (up 4.86%) plus seven smaller adjustments.

GPT Group's top position is thanks to Morgans re-initiating coverage this week. The broker highlights the group's shift toward a co-investment-led funds management model, with plans to grow assets under management to more than $85bn from $37bn and deliver 5-7% annual earnings growth.

Management aims to use its $12bn balance sheet portfolio to seed new funds, creating a more capital-light structure that may support a higher valuation multiple over time, the report suggested.

Greatland Resources updated on its Havieron feasibility study with lower expansion capex and a 36% increase in gold reserves.

Talks between AUB Group and its suitors ended with the latter walking away and management reiterating FY26 guidance for underlying net profit after tax of $215-$227m, implying annual growth between 7.4%-13.4%. Looking further out, management highlighted "significant opportunities to grow profits in FY27 and beyond".

On the negative side, 29Metals and Nickel Industries experienced outsized downgrades, with rather small numbers represented otherwise. November has been a busy month nevertheless with companies organising AGMs, issuing trading updates and investor briefings, and a few dozen corporate result releases in between.

The in-between reporting season concluded with Collins Foods and Metcash at the beginning of the week, to take **FNArena's Corporate Results Monitor** to 52 results. The overarching impression is corporate Australia is still very much struggling with households' cost-of-living challenges, higher inflation and intense competition.

40% of results disappointing will tell us exactly that, while only 28.8% of results beating forecasts suggests there always remains room for a silver lining. Check out the details here:
https://fnarena.com/index.php/reporting_season/

Investors should note: the Monitor only covers actual result releases, so trading updates and out-of-the-blue profit warnings are not included.

In line with the swing in local market momentum, the basket of positive result surprises includes the likes of ALS Ltd, Amcor, Nufarm, Orica, Synlait Milk, and Tower; cyclicals and prior laggards ready for a come-back.

Upgrade

BENDIGO & ADELAIDE BANK LIMITED ((BEN)) Upgrade to Neutral from Sell by Citi and Upgrade to Accumulate from Hold by Ord Minnett.B/H/S: 1/2/2

Among positive takeaways from Bendigo & Adelaide Bank's investor update was strong confidence in cost-outs, with near-term savings plus a bigger program due in 2026, Citi notes.

Other upsides included the RACQ book deal, which is expected to be 4-5% cash-earnings accretive from FY28 and beyond, and bullishness on digital deposit growth.

The big negative was the unresolved AML/AUSTRAC overhang, where management expects substantial remediation work. The broker notes the RACQ buy has used roughly half of the bank's excess capital that might otherwise fund fixes.

FY26-27 EPS forecasts largely unchanged, and FY28 lifted by 3%. Target cut to $10.10 from $11.00 as the broker applies a -10% discount to fair value on financial risk.

Rating upgraded to Neutral from Sell, following a -20% share price drop over the last month.

Bendigo & Adelaide Bank will buy RACQ Bank's $2.7bn loan book and $2.5bn deposits (as at 30 June 2025) at book value, funded from excess capital, Ord Minnett notes.

This will cut CET1 by -35bp and is targeted for completion in 1H27. The bank expects the RACQ book to add $50-55m net interest income and be 4-5c EPS-accretive annually, lifting return on equity by 35-40bps.

Management guided FY26 business-as-usual cost growth to "no higher than inflation" and higher amortisation from past investment, but Ord Minnett doubts this, given 1Q26 costs were up 8%.

Potential AML/CTF investigation remediation and penalties add risk. EPS forecast for FY26 trimmed by -3.4% and by -1.5% for FY27 on higher cost forecasts, partly offset by the contribution from RACQ acquisition.

Rating upgraded to Accumulate from Hold following -20% share price decline in the last four weeks. Target remains at $11.

BANK OF QUEENSLAND LIMITED ((BOQ)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 0/4/2

Ord Minnett notes Bank of Queensland re-affirmed FY26 cost growth guidance at the AGM to be below inflation. The broker notes most savings land in 2H once ME Bank legacy systems are shut, after near-inflation cost growth in 1H.

The broker trimmed FY26 EPS forecast by -1%, but lifted FY27 by 5.5% on full-year savings and efficiency gains. The bank is rebuilding by shifting from low-margin mortgages to commercial lending, though growth is heavily weighted to NSW commercial real estate, while QLD is flat.

Efficiency efforts are seen as positive, but margin pressure and tough competition still constrain returns.

Rating upgraded to Hold from Lighten on valuation grounds. Target unchanged at $6.

IMDEX LIMITED ((IMD)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/2/0

Macquarie upgrades Imdex to Outperform from Neutral with a rise in target price by 4% to $3.80. It follows the announcement to acquire Advanced Logic Technology and its subsidiary Mount Sopris Instruments for -EUR55.8m (circa -$98.9m), and the share price pullback.

Existing cash and debt facilities will be used to fund the acquisition, with leverage moving to around 1.1x.

The analyst lifts EPS forecasts by 2% for FY26 and FY27, with around $10m in revenue to be added in FY26 and circa $2m in earnings (EBITDA). The acquisition is expected to be EPS positive in the first full year of ownership.

Macquarie believes the strategic change in business model to rental is expected to generate more sustainable and more robust margins over time.

NEXTDC LIMITED ((NXT)) Upgrade to Buy from Accumulate by Morgans .B/H/S: 6/0/0

Managament at NextDC has reported a 71MW rise in contracted utilisation to 316MW as at December 1, supported by recent multi-site customer wins, explains Morgans.

The broker highlights contracted MWs are now tracking ahead of consensus, with FY26 guidance unchanged but capex lifted to around -$2.3bn to support new contracts.

Contracted additions are viewed as continuing through FY26, underpinning medium-term earnings as billing converts progressively between FY26 and FY29.

Morgans lifts its FY27 and FY28 earnings forecasts by around 4% while increasing capex assumptions across the forecast period.

Rating upgraded to Buy from Accumulate. Target of $19 is maintained given the broker was already forecasting additional, top of the market contract wins.

QBE INSURANCE GROUP LIMITED ((QBE)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 6/1/0

Bell Potter raises its target for QBE Insurance to $21.80 from $21.20 and upgrades to Buy from Hold following a largely in-line September quarter update. Gross Written Premiums rose to US$18.6bn, an increase of 6% at the headline.

Management continues to expect an attractive combined operating ratio (COR) of 92.5% for FY25, and sees it continuing into FY26.

Three factors underpin the broker's higher rating.

First, capital return to shareholders shifts the focus from retaining capital for growth to writing for profit and return on capital employed. Commencing this month, the group will commence an on-market buyback of ordinary shares totalling $450m, funded by surplus capital.

Also, management’s confidence in sustaining a 92.5% COR in FY26 reflects available levers to maintain profitability, suggest the analysts. The valuation is now also considered far less demanding.

VEEM LIMITED ((VEE)) Upgrade to Speculative Buy from Accumulate by Morgans .B/H/S: 1/1/0

Veem's AGM update was softer than expected by Morgans, with delays in ASC orders and a slower security-clearance process for Hunter-class propellers. Customer hesitancy ahead of the Mark III gyro launch also pushed work into 2H26.

Updated guidance implies a weak first half, resulting in the broker lowering its FY26-28 earnings (EBITDA) forecasts by -51%, -28% and -26%, respectively.

Even so, Morgans notes early US defence traction with Huntington Ingalls Industries and an imminent Northrop Grumman request for quote (RFQ) support a more constructive longer-term outlook.

The broker lowers its target to $1.10 from $1.66 and upgrades to Speculative Buy from Accumulate.

WISETECH GLOBAL LIMITED ((WTC)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 7/0/0

Macquarie upgrades WiseTech Global to Outperform from Neutral with a $108.50 target price retained. The analyst believes the company is maximising long term value creation even if there are some near-term economic impacts.

The challenges are believed to be proportional to the size of the opportunity, with the WiseTech update providing more confidence around execution of the long term strategy with minimal risks to 1H26 earnings. The analyst remains cautious on FY26 and FY27 guidance.

Around 850 of Large Global Freight Forwarders (LFF) haven't transitioned to the new revenue model, with the top 300 customers over 70% of FY24 sales, reflecting the extended rollout of container transport optimisation.

Macquarie believes WiseTech is "fundamentally reshaping" the logistics industry but, with over 90% of revenues from customers being disrupted, the resistance to change could remain.

No change to earnings forecasts.

Downgrade

COLLINS FOODS LIMITED ((CKF)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 4/2/0

Collins Foods lifted FY26 net profit growth guidance to “mid–high teens,” mainly due to lower D&A rather than a stronger underlying outlook, Ord Minnett observes.

KFC Australia had a strong 1H26 with same-store sales growth up 2.3% y/y and EBITDA up 9.4%, helped by price investment, efficiencies, and better input costs.

2H26 looks tougher, with competition intensifying and input costs rising, so Ord Minnett expects margins to narrow in 2H vs 1H and possibly y/y. Europe was solid in 1H, but momentum has slowed in 2H.

The broker lifted FY26 EPS forecast by 6.9% but trimmed FY27 by -2.2%. Target rises to $10.50 from $9.50.

Rating downgraded to Hold from Accumulate on valuation grounds.

CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Underperform from Neutral by Macquarie and No Rating by Ord Minnett and Downgrade to Sell from Buy by Shaw and Partners.B/H/S: 0/2/2

Macquarie downgrades Corporate Travel Management to Underperform from Neutral and lowers the target price by -27% to $11.50 as the ongoing forensic review is unlikely to be completed before December 31, 2025.

Until the FY25 results are finalised, the analyst is not revising earnings forecasts but expects "material downside" risks to future revenue and earnings resulting from loss of existing customers, lower contract wins and higher remediation costs.

Currently, the cash impact of refunds and prior year earnings adjustments is unknown, but a reversal of up to -GBP58.2m of previously recognised revenue in FY23/FY24 is expected. FY25 revenue reversal adjustments up to -GBP19.4m is also expected.

As of October 31, cash on hand stood at over $148.3m with no debt drawn.

Ord Minnett has withdrawn its rating on Corporate Travel Management due to the lack of sufficient information and the ongoing suspension of the stock from trading on the ASX, awaiting the release of the FY25 accounts.

The company anticipates negative adjustments of around -$171m pre-tax for FY23-FY25, which reflect revenue reversals from FY23/FY24 at around -GBP$58.2m and -GBP$19.4m in FY2. There's also a further A&NZ credit loss provision of -$13.9m for FY25, not previously announced.

The analyst reckons, on current circumstances, things are going to get "worse before they get better."

Shaw and Partners suggests Corporate Travel Management faces substantial financial account restatements after KPMG identified revenue-recognition failures across its UK operations.

It’s thought the reversal of around -GBP80m in revenue and potential client refunds materially increases near-term financial and reputational risk.

The broker sees FY25 guidance withdrawal and the likelihood the company will not resume trading in 2025 as reinforcing uncertainty, while cash impacts remain unclear despite available liquidity.

Shaw applies a -50% discount to its valuation, reducing the broker's price target to $7.60 from $15.20. Rating downgraded to Sell from Buy.

FLETCHER BUILDING LIMITED ((FBU)) Downgrade to Neutral from Buy by Citi .B/H/S: 0/3/1

Citi reckons RBNZ interest rate cuts have steadied the housing market, with data showing a mild improvement. But risks persist, including high consents versus weak macro, elevated inventories, and a widening new-build premium over existing homes.

The broker trimmed Fletcher Building's FY26 EBIT forecast by -7% and FY27 by -5% after factoring in a slower recovery.

Rating downgraded to Neutral from Buy. Target price unchanged at NZ$3.50.

MONASH IVF GROUP LIMITED ((MVF)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/2/0

Macquarie downgrades Monash IVF to Neutral from Outperform post the rejection of the 80c per share bid from a consortium including Genesis Capital and WH Soul Pattinson ((SOL)). They currently control around 91.6% of the company.

The board believes the bid fundamentally undervalues the business.

The analyst notes market conditions have changed since Virtus sold at around 11.9x EV/EBITDA, versus Monash, which is currently valued around 8.1x.

The outlook for IVF has not altered since 2022, and numerous incidents have raised concerns over customer acquisition and increased regulatory outcomes.

Target price remains at 94c.

PERSEUS MINING LIMITED ((PRU)) Downgrade to Lighten from Hold by Ord Minnett .B/H/S: 2/1/0

Perseus Mining announced a counter bid for Predictive Discovery ((PDI)) at 0.1360 Perseus share per Predictive share, valuing the latter at $0.76/share, Ord Minnett observes.

Predictive's board calls Perseus’s offer superior, and the existing bidder Robex Resources ((RXR)) has five business days to match. The broker sees the bid as value-accretive for Perseus because its lower WACC and proven production track record make Bankan more valuable in its hands.

The broker's view is both bidders could pay more, with Perseus having more flexibility.

Target unchanged at $4.60. Rating downgraded to Lighten from Hold following 14% rise in the share price since October.

STEP ONE CLOTHING LIMITED ((STP)) Downgrade to Hold from Buy by Bell Potter and Downgrade to Hold from Speculative Buy by Morgans.B/H/S: 0/2/0

Management at Step One Clothing has issued 1H revenue guidance of $30-33m compared to Bell Potter's $49.9m forecast. Earnings (EBITDA) are now expected in the range of a -$9m to -$11m loss vs the broker's $8m profit estimate.

Bell Potter attributes the downgrades to a -$10m inventory write-down linked to failed discounting and extremely weak November trading in a key sales period.

Slowing customer growth and lower basket sizes underpin the analysts' reduced revenue forecasts, while the -$10m provision and heavier promotions drive lower margin assumptions.

Long-term earnings margins are seen reverting to high single-digit as the Australian market matures and UK expansion becomes the primary growth avenue.

Bell Potter cuts its target price to 30c from 85c and downgrades to a Hold rating from Buy.

Morgans lowers its target for Step One Clothing to 30c from 95c and downgrades to Hold from Speculative Buy following a materially weaker-than-expected trading update for 1H26.

The analyst notes the crucial Black Friday period materially underperformed and highlights a -$10m inventory provision after clearance initiatives failed to meet expectations.

The broker's earnings forecasts for FY26-28 are materially reduced, reflecting slower growth assumptions and uncertainty around the company’s strategic direction.

A reset year is seen ahead, with slower growth and greater reliance on product expansion and improving brand strength.

SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED ((SXE)) Downgrade to Hold from Buy by Bell Potter

.B/H/S: 1/1/0

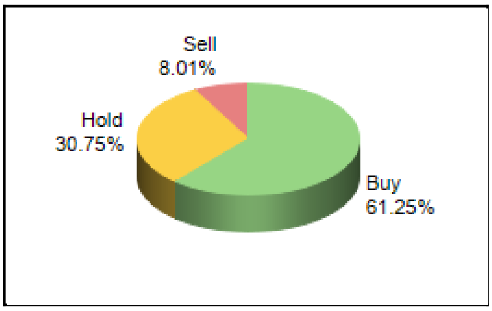
Southern Cross Electrical Engineering lost arbitration against the CPB Dragados Samsung Joint Venture (CDSJV) over extra WestConnex M5 tunnel costs incurred by its subsidiary, Heyday.

The ruling hinged on strict time-bar claim deadlines, Bell Potter notes. The result is $22m of remaining delay/variation costs won't be recovered, and $15m of prior security-payment recognised as revenue must be repaid, along with interest.

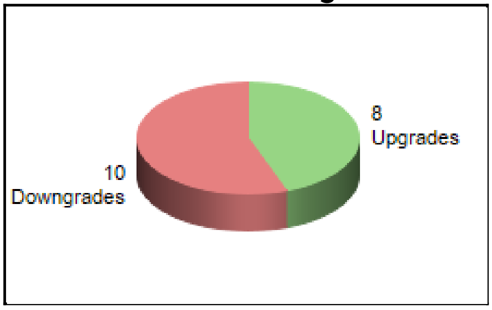
The company cut its underlying EBITDA guidance for FY26 to $21-24m from $65-68m, with the impacts to be recognised in 1H26 accounts.

Target cut to $2.35 from $2.50. Rating downgraded to Hold from Buy.

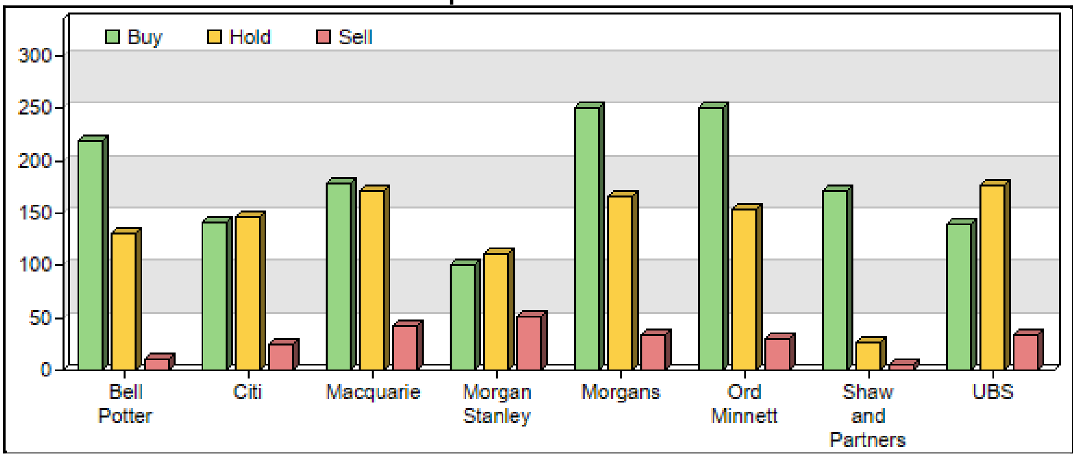
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BANK OF QUEENSLAND LIMITED	Neutral	Sell	Ord Minnett
2	BENDIGO & ADELAIDE BANK LIMITED	Neutral	Sell	Citi
3	BENDIGO & ADELAIDE BANK LIMITED	Buy	Neutral	Ord Minnett
4	IMDEX LIMITED	Buy	Neutral	Macquarie
5	NEXTDC LIMITED	Buy	Buy	Morgans
6	QBE INSURANCE GROUP LIMITED	Buy	Neutral	Bell Potter
7	VEEM LIMITED	Buy	Buy	Morgans
8	WISETECH GLOBAL LIMITED	Buy	Neutral	Macquarie
Downgrade				
9	COLLINS FOODS LIMITED	Neutral	Buy	Ord Minnett
10	CORPORATE TRAVEL MANAGEMENT LIMITED	Sell	Neutral	Macquarie
11	CORPORATE TRAVEL MANAGEMENT LIMITED	N/A	Neutral	Ord Minnett
12	CORPORATE TRAVEL MANAGEMENT LIMITED	Sell	Buy	Shaw and Partners
13	FLETCHER BUILDING LIMITED	Neutral	Buy	Citi
14	MONASH IVF GROUP LIMITED	Neutral	Buy	Macquarie
15	PERSEUS MINING LIMITED	Sell	Neutral	Ord Minnett
16	SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED	Neutral	Buy	Bell Potter
17	STEP ONE CLOTHING LIMITED	Neutral	Buy	Morgans
18	STEP ONE CLOTHING LIMITED	Neutral	Buy	Bell Potter

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	MI6	MINERALS 260 LIMITED	0.767	0.523	46.65%	3
2	29M	29METALS LIMITED	0.353	0.298	18.46%	3
3	NIC	NICKEL INDUSTRIES LIMITED	1.100	1.025	7.32%	5
4	CKF	COLLINS FOODS LIMITED	11.992	11.187	7.20%	6
5	VAU	VAULT MINERALS LIMITED	6.367	6.000	6.12%	3
6	RRL	REGIS RESOURCES LIMITED	6.370	6.046	5.36%	6
7	GGP	GREATLAND RESOURCES LIMITED	10.917	10.500	3.97%	3
8	NEM	NEWMONT CORPORATION REGISTERED	160.200	154.200	3.89%	5
9	SGM	SIMS LIMITED	15.150	14.720	2.92%	5
10	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	25.563	24.938	2.51%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	12.975	14.933	-13.11%	4
2	AEL	AMPLITUDE ENERGY LIMITED	3.205	3.605	-11.10%	4
3	IPH	IPH LIMITED	5.463	5.967	-8.45%	3
4	MTS	METCASH LIMITED	3.800	4.150	-8.43%	5
5	AUB	AUB GROUP LIMITED	38.403	40.018	-4.04%	4
6	WTC	WISETECH GLOBAL LIMITED	115.764	120.064	-3.58%	7
7	BEN	BENDIGO & ADELAIDE BANK LIMITED	10.680	11.020	-3.09%	5
8	BLX	BEACON LIGHTING GROUP LIMITED	3.700	3.817	-3.07%	4
9	BPT	BEACH ENERGY LIMITED	1.083	1.103	-1.81%	7
10	TWE	TREASURY WINE ESTATES LIMITED	6.135	6.243	-1.73%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	GPT	GPT GROUP	36.680	33.800	8.52%	6
2	GGP	GREATLAND RESOURCES LIMITED	95.000	88.000	7.95%	3
3	AUB	AUB GROUP LIMITED	191.125	182.275	4.86%	4
4	CKF	COLLINS FOODS LIMITED	50.800	48.940	3.80%	6
5	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	71.000	68.700	3.35%	4
6	NGI	NAVIGATOR GLOBAL INVESTMENTS LIMITED	21.693	21.177	2.44%	3
7	AEL	AMPLITUDE ENERGY LIMITED	6.273	6.140	2.17%	4
8	NEM	NEWMONT CORPORATION REGISTERED	1043.477	1028.068	1.50%	5
9	BHP	BHP GROUP LIMITED	323.058	319.799	1.02%	6
10	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	59.150	58.571	0.99%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	29M	29METALS LIMITED	-1.650	-0.767	-115.12%	3
2	NIC	NICKEL INDUSTRIES LIMITED	2.936	3.595	-18.33%	5
3	BPT	BEACH ENERGY LIMITED	15.200	15.967	-4.80%	7
4	WTC	WISETECH GLOBAL LIMITED	118.610	123.041	-3.60%	7
5	TWE	TREASURY WINE ESTATES LIMITED	51.120	52.780	-3.15%	6
6	MTS	METCASH LIMITED	25.075	25.800	-2.81%	5
7	FBU	FLETCHER BUILDING LIMITED	15.361	15.709	-2.22%	4
8	IDX	INTEGRAL DIAGNOSTICS LIMITED	13.033	13.267	-1.76%	3
9	RIO	RIO TINTO LIMITED	960.673	976.082	-1.58%	6
10	NXT	NEXTDC LIMITED	-18.925	-18.650	-1.47%	6

Technical limitations

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WEEKLY REPORTS

Uranium Week: AI And Nuclear Converge

U308 markets remain becalmed into year end, while the nuclear and AI industries make a move to develop frameworks for collaboration.

- **IAEA hosts first ever AI and nuclear symposium**
- **U308 spot market stalls into year end as buyers stay sidelined**
- **ASX200 index uranium reshuffle and broker updates highlight shifting sentiment**

By Danielle Ecuyer

AI needs nuclear, and nuclear needs AI

The International Atomic Energy Agency's .(IAEA) first International Symposium on Artificial Intelligence and Nuclear Energy in Vienna on 3 to 4 December 2025 entailed the launch of a new, formal collaboration agenda between two industries that are rapidly growing and converging.

The central message from opening sessions and Panel 1 was AI's explosive growth is turning electricity supply into a strategic constraint, and nuclear power is being pitched as one of the few proven, scalable sources of 24/7 low carbon electricity capable of meeting data centre demand without destabilising grids.

Coming on the back of the symposium, Jensen Huang, CEO of Nvidia stated on Joe Rogan's podcast that the ability for AI to be brought online is directly tied to the supply and access for energy (power).

Speakers from governments, utilities, reactor vendors and major tech firms focused on practical pathways for pairing the sectors. One of the central themes was co locating large data centres with existing nuclear plants or contracting dedicated output to provide firm power for AI workloads to reduce exposure to volatile power markets and support national decarbonisation goals.

Co location has already featured with recent deals struck with US hyperscalers.

Amazon Web Services acquired a data centre campus next to Talen Energy's 2.5GW Susquehanna Steam Electric Station. Amazon also announced around US$20bn in two new data centre complexes in Pennsylvania with one to be built beside the Susquehanna nuclear plant and will source power directly from it. This represents an expansion of the initial acquisition.

Microsoft has signed a long term nuclear power purchase agreement with Constellation Energy to restart Three Mile Island Unit 1 (around 835MW) and commit its output to Microsoft's data centre.
Small modular reactors and other advanced designs were highlighted as future fit for these arrangements because their smaller footprints and siting flexibility make them more compatible with industrial loads like data campuses.

The US Department of Energy announced last week it will provide up to US$6800m to support the development of SMRs by the Tennessee Valley Authority (TVA) via GE Vernova and Holtec, which plans to build two SMRs at its Palisades, Michigan site. Holtec is also aiming to reopen the 800MW conventional Palisades nuclear reactor, which was shut in 2022 after more than fifty years of operation.

Running in parallel was the second track of the symposium: AI as a tool to modernise the nuclear industry itself. Panels on AI in the nuclear sector, project management, and supply chains emphasised near term use cases that raise productivity without compromising conservative safety cultures, including predictive maintenance, advanced monitoring, digital twins, outage planning optimisation, inspection automation, and smarter fuel cycle and asset management. The tone was that AI is already useful in non safety critical domains and is moving steadily into decision support roles.

Westinghouse is using Google Cloud's AI stack with its WNEXUS digital plant platform to automate and optimise modular construction work packages for AP1000 reactors.

Microsoft and the Idaho National Laboratory announced they will use Microsoft's AI technology to speed up the process of compiling documents to facilitate permits for new nuclear power plants.
Regulators and safety experts were clear that adoption must be bounded by accountability.

Human oversight remains mandatory for safety critical decisions, and any AI systems integrated into plant operations must be explainable, validated, and auditable under existing nuclear safety, security and safeguards frameworks. The symposium repeatedly stressed that early and continuous engagement with regulators is essential if nuclear for data centres is going to move from concept to licensable projects.

Cybersecurity and data governance landed as shared issues, not side notes. AI increases the digital attack surface in both sectors, so the view from multiple sessions was that nuclear grade cyber standards, secure data pipelines, and rigorous model lifecycle controls have to be designed in from day one, particularly where data centres are tied to critical national infrastructure.

Finally, the IAEA used the symposium to position itself as the convener and standard setter for this new intersection. The closing emphasis was on joint pilot programs between utilities, technology companies and governments, with the Agency acting as a bridge on best practice, international guidelines, and knowledge sharing. The overall takeaway was AI demand could become a structural tailwind for nuclear new builds and life extensions, while AI tools could help the nuclear sector cut costs, lift reliability and address workforce constraints, provided safety and governance keep pace.

Attractive U308 spot price not enough to tempt buyers

As the weeks draw towards Christmas and year end, the U308 spot market experienced an "extremely" quiet week, in the words of industry consultant TradeTech with no formal transactions recorded.

TradeTech's U308 spot price thus remained unchanged on the week at US$75.75 with the its Mid-term price at US$86.50 and the Long-term price indicator at US$86/lb.

From a year ago the spot price is down -1.3% and down -0.3% in 2025, having retraced -8.5% from the 2025 high at US$82.75.

Although market participants apparently agree the current U308 spot price is at an attractive level, buyers remained on the sidelines.

Two transactions were conducted in the Mid-term market for 2028 delivery of material.

Boss' Honeymoon travails in 2025 weigh on its index weighting

Australian listed U308 companies were part of the announced S&P/ASX200 December index reshuffle.

Most notably, Silex Systems ((SLX)) and NexGen Energy ((NXG)) are moving into the ASX200 index with Boss Energy ((BOE)) on the way out.

These changes will take place after the market close on Friday 19 December.

Short interests and latest broker updates

The latest short interests in uranium stocks as at December 1 saw shorts raise positions in Boss to 23.98%, up 2.27% over a week. This stock remains in the top shorted position.

Paladin Energy ((PDN)) in third place saw a slight uplift to 13.14% from 12.19% and Lotus Resources ((LOT)) in nineteenth position saw a rise of 1.25% in short interest to 8.2%.

Silex' shorts rose 0.91% to 6.17%.

In updated corporate news, Shaw and Partners noted NexGen's drilling at the Patterson Corridor East area with Rook 1 uranium project delivered ultra high grades.

The results reinforce Arrow isn't a standalone find and supports the view NexGen has opened up a new uranium province in the southwest Athabasca Basin.

The first CNSC hearing on Nov 19 went smoothly, with the second set for Feb 9, and the construction licence for Rook 1 is expected in late April 2026. Buy, High Risk maintained. Target unchanged at $17.70.

Deep Yellow ((DYL)) has appointed Greg Field as Managing Director and CEO, starting no later than May 1, 2026.

Canaccord Genuity notes Mr Field is a qualified mining engineer who worked as MD of Project Development (Americas and Europe) at Rio Tinto ((RIO)).

He started his career in South Africa and is acquainted with Namibia. Speculative Buy rating retained with an unchanged target price of $1.98.

For more reading on U308, catch up on some of FNArena's recent updates:

https://fnarena.com/index.php/2025/12/02/uranium-week-u308-catches-genesis-tailwinds/

https://fnarena.com/index.php/2025/11/25/uranium-week-geo-politics-japans-restart/

https://fnarena.com/index.php/2025/11/18/uranium-week-risk-off-rules/

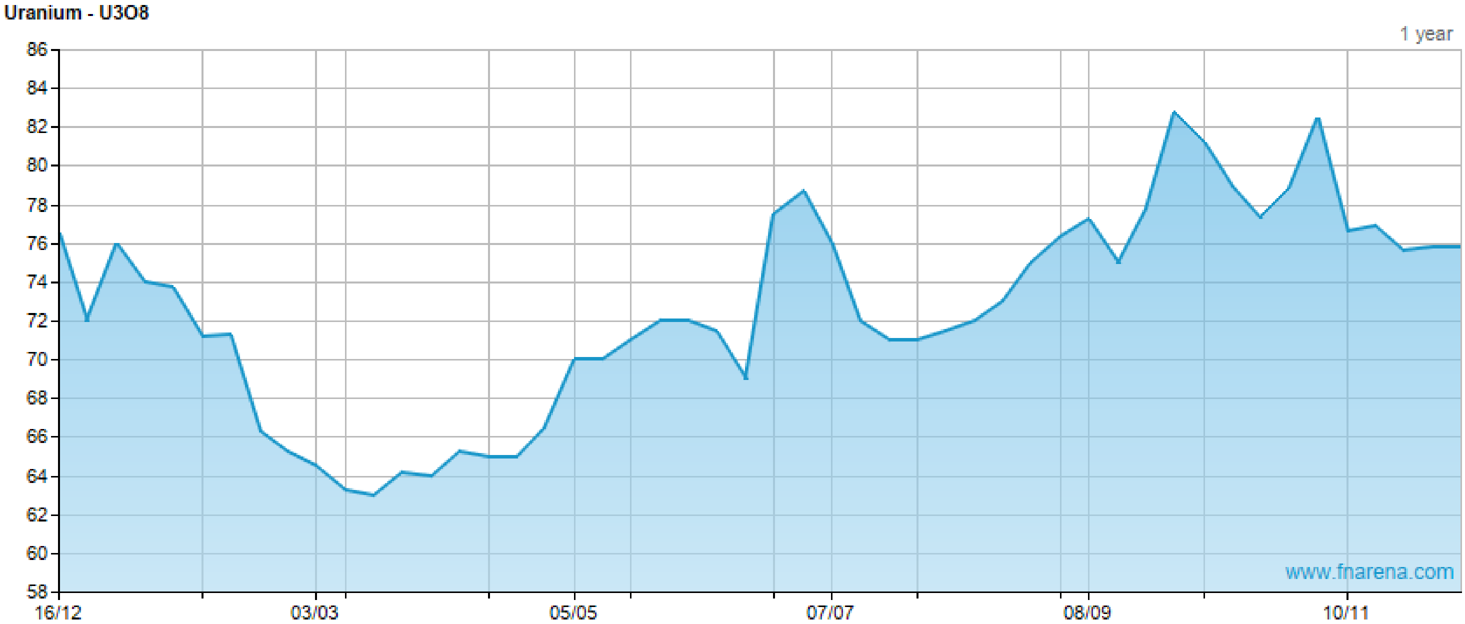
https://fnarena.com/index.php/2025/11/11/uranium-week-biggest-spot-fall-since-march/

https://fnarena.com/index.php/2025/10/28/uranium-week-projecting-us150-lb-post-2026/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	05/12/2025	0.1000	0.00%	$0.12	$0.03			
AEE	05/12/2025	0.1800	▲11.76%	$0.28	$0.10			
AGE	05/12/2025	0.0300	▲12.00%	$0.04	$0.02		$0.070	▲133.3%
AKN	05/12/2025	0.0100	0.00%	$0.01	$0.01			
ASN	05/12/2025	0.0700	▲ 2.94%	$0.13	$0.04			
BKY	05/12/2025	0.4900	▼- 8.33%	$0.70	$0.31			
BMN	05/12/2025	3.2900	▲16.21%	$4.07	$1.76		$5.100	▲55.0%
BOE	05/12/2025	1.6100	▲ 6.65%	$4.75	$1.51	8.3	$2.279	▲41.5%
BSN	05/12/2025	0.0500	▼-16.67%	$0.08	$0.01			
C29	05/12/2025	0.0250	▲ 8.70%	$0.09	$0.01			
CXO	05/12/2025	0.2100	▼- 6.52%	$0.27	$0.06		$0.230	▲9.5%
CXU	05/12/2025	0.0200	0.00%	$0.03	$0.01			
DEV	05/12/2025	0.1900	▲17.65%	$0.20	$0.07			
DYL	05/12/2025	1.6800	▲ 7.45%	$2.49	$0.75	-338.0	$1.930	▲14.9%
EL8	05/12/2025	0.3100	▲14.29%	$0.50	$0.19			
ERA	05/12/2025	0.0030	▲50.00%	$0.00	$0.00			
GLA	05/12/2025	0.0100	0.00%	$0.05	$0.01			
GUE	05/12/2025	0.0600	0.00%	$0.09	$0.05			
HAR	05/12/2025	0.1400	0.00%	$0.25	$0.04			
I88	05/12/2025	0.2800	▲12.00%	$0.76	$0.08			
KOB	05/12/2025	0.0500	0.00%	$0.11	$0.03			
LAM	05/12/2025	0.7000	▲ 6.06%	$0.88	$0.55			
LOT	05/12/2025	0.1800	▲16.13%	$0.26	$0.13		$0.337	▲87.0%
MEU	05/12/2025	0.0700	▼- 1.39%	$0.09	$0.03			

NXG	05/12/2025	14.1900	▲9.85%	$15.21	$6.44		$15.375	▲8.4%
ORP	05/12/2025	0.0500	0.00%	$0.06	$0.02			
PDN	05/12/2025	8.4100	▲7.25%	$9.95	$3.93	69.8	$9.843	▲17.0%
PEN	05/12/2025	0.4800	▲1.96%	$1.61	$0.28		$1.330	▲177.1%
SLX	05/12/2025	8.7400	▲11.81%	$10.85	$2.28		$11.200	▲28.1%
TOE	05/12/2025	0.4700	▲20.51%	$0.52	$0.15			
WCN	05/12/2025	0.0200	▼-10.00%	$0.04	$0.01			



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WEEKLY REPORTS

The Short Report - 11 Dec 2025

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

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

Summary:

Week Ending December 4th, 2025 (most recent data available through ASIC).

10%+

BOE	23.25%
DMP	16.75%
GYG	13.20%
PDN	12.93%
IEL	12.00%
FLT	11.78%
PNV	11.09%
PWH	11.08%
TLX	10.94%
PLS	10.75%
IPH	10.64%

In: IPH

9.0-9.9%

VUL	9.82%
CTD	9.60%
CUV	9.49%
NAN	9.17%
DRO	9.06%

In: VUL, DRO
Out: IPH

8.0-8.9%

LIC	8.60%
KAR	8.10%
ILU	8.10%
LOT	8.07%
DGT	8.07%

In: KAR
Out: VUL, DRO

7.0-7.9%

TWE 7.46%
RIO 7.37%
ING 7.22%
HMC 7.18%
DYL 7.11%
BRG 7.08%

In: TWE, ING, HMC
Out: KAR

6.0-6.9%

IPX 6.68%
MSB 6.65%
BAP 6.26%
SLX 6.16%
NXT 6.00%

In: BAP
Out: TWE, HMC

5.0-5.9%

MIN 5.89%
NEU 5.64%
DVP 5.44%
LYC 5.34%
GMD 5.33%
BPT 5.20%
EDV 5.17%
CIA 5.07%

In: DVP, LYC, EDV, CIA
Out: ING, BAP, ARB, RFF

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.4	0.2	NAB	0.6	0.6
ANZ	0.8	0.7	QBE	0.2	0.2
BHP	1.0	0.9	RIO	7.4	7.3
BXB	0.5	0.5	STO	0.4	0.4
CBA	0.8	0.7	TCL	0.7	0.7
COL	0.3	0.3	TLS	0.4	0.3
CSL	0.4	0.3	WBC	0.7	0.6
FMG	1.9	1.8	WDS	3.8	3.7
GMG	0.4	0.3	WES	0.3	0.3
MQG	0.4	0.4	WOW	1.4	1.2

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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WEEKLY REPORTS

In Brief: Flight Centre, Audinate & Atturra

This week's In Brief looks at three interesting companies with re-rating potential as restructuring, acquisitions align for a better growth outlook.

- **Flight Centre highlighted for major re-rating potential with a more capital light business model**
- **Audinate is leveraging and growing its camera software offering via the Iris acquisition**
- **Major contracts and AI tailwinds set Atturra up for growth**

By Danielle Ecuyer

This week's quote comes from Citi:

"We believe a tight labour market, new (higher) inflation forecasts, strong housing and household consumption all point to monetary policy being too accommodative.

"Therefore, we shift our no policy change view to 50bps worth of rate hikes in 2026, starting as early as February, followed by May.

"Q425 trimmed-mean inflation is likely to be 0.9% with a risk of 1.0%. Our terminal view for 2026 is now 4.10%."

Jarden points to several reasons to be upbeat on Flight Centre

Come fly with me, come fly, let's fly away… or so the song goes.

For **Flight Centre Travel Group** ((FLT)), the wheels of improvement are continuing to grind with Jarden pointing to "clear skies ahead" as the more optimistic scenario for the travel group becomes clearer for FY26.

Latest data from the Airline Reporting Centre in October show market growth while consensus expectations remain subdued, leaving scope for the stock to re-rate.

Flight Centre is the largest omni-channel operator globally and, with improved execution and emerging as an increasingly asset light business, the group has been consolidating its position and growing market share, the analyst highlights.

The recently announced acquisition of the UK's leading online cruise agency Iglu strengthens its position.

Jarden envisages three potential positives from the acquisition: the ability to cross-sell and expand the offering to its existing customer base, with Iglu possessing over 15% of UK cruise booking share; the addition of new brands to the platform and leveraging Iglu's partner base as well as expanding the cruise business into markets like the US with the Iglu brand.

Adjusting for the acquisition, the analyst raises net profit after tax forecasts by around 2%-3% for FY26-FY28, including a slight lowering of leisure estimates due to outperformance of lower margin routes such as Australian to Japan.

On balance, 2H26 is expected to deliver positive tailwinds for the group via cycling Asia ticketing issues, Liberation Day and Middle East conflicts, all of which, a year earlier, impacted high margin routes and override opportunities (when Flight Centre exceeds agreed sales thresholds).

The changing nature of the business to a more capital light business model offers margin upside alongside the potential further recovery of total travel volumes ((TTV)) in leisure.

The analyst puts a profit before tax margin of 2% for FY30 as a possibility against the current forecast of 1.7%. The ability to achieve such an improvement, which is not discounted in the current share price, could pave the way for a re-rating over time and an implied valuation of around $29 per share, with the caveat it would require patience and time to deliver.

Market waits for Iris integration to deliver revenue contribution to Audinate

Moelis is upbeat on **Audinate Group**'s ((AD8)) latest acquisition, Iris Studio, a cloud-based control platform for pan-tilt-zoom cameras, which brings forth capabilities for Audinate to speed up its video strategy by concentrating on device control rather than networking protocols.

The Iris software facilitates remote control of cameras via the cloud, with users allowed to access Iris Studios via a subscription model. The studio provides AI-driven production, including automated switching, framing and shot selection.

Strategically, Audinate has been concentrating on Dante's AVoIP (audio video over internet protocol) networking solution. The second phase is to provide subscription-based management and control tools to generate recurring revenues.

The Iris strategy aligns with the second aim for Audinate, but the integration of Dante remains an ongoing "work-in-progress", the analyst highlights.

No contribution from Iris has been added to Jarden's revenue forecasts, but R&D assumptions incorporate a portion into Iris, which aligns with management's FY25 earnings commentary.

The market has downgraded the stock price since August due to the higher expected operating costs associated with Iris, with scant knowledge around revenue contribution.

Iris' launch is expected to offer better transparency on the acquisition and integration, which Moelis hopes will provide a more even-handed interpretation of Audinate's outlook.

Buy rating retained with a $9.43 target price.

Atturra in the slipstream of AI adoptions

Canaccord Genuity initiated coverage of **Atturra** (ATA), described as a leading advisory and IT solutions provider providing end-to-end technology services to enterprise, government and mid-market clients in A&NZ and North America.

The company partners with Microsoft, Boomi, SAP, OpenText, Infor and QAD within a serviceable addressable market of around $42bn and a large exposure to government ICT (Information and Communications Technology) budgets ($25bn) and Defence ICT spending ($6bn).

The suite of technology solutions offered includes Advisory & Consulting at around 15% exposure as a strategic technology advisory, with digital transformation roadmaps, cybersecurity and management consulting; all are high margin services to C-level management.

Business applications, at around 10%, include implementation, customisation and support of enterprise resource planning, content and business process management.

Data & Integration, at circa 15%, includes middleware modernisation, cloud integration platforms, data warehousing and business intelligence, to name some of the services.

Cloud Services, at around 10%, incorporates migration strategy and execution and hybrid cloud architecture using five primary data centres in NZ and co-location in Australia (NextDC ((NXT)), Equinix and Global Switch).

Managed services, at around 50%, is the highest growth segment and includes IT operations, network management and much more.

Atturra has over 1,500 client organisations including large Australian banks, as well as major Defence and

Federal Government departments, the major miners, multiple state governments and over 40 councils. The largest customers have an average tenure of over eight years with revenue retention rates of over 99%.

The company has grown via M&A, with 14 acquisitions since listing in December 2021, of which seven were during and after FY25. Management is aiming to achieve 20%-plus total revenue growth annually over time via a combination of organic growth (50%) and acquired growth (50%), achieved via a cash balance of $92m with access to a $35m undrawn debt facility.

Canaccord estimates around an 18% earnings (EBIT) return on investment has been achieved.

Over the last four years, Atturra has recorded a revenue CAGR of 32%-plus and free cash flow over $9m in FY25.

Structurally, positive tailwinds from rising AI capabilities and adoption should assist the company. Management has achieved good exposure and positioning to gain momentum via its robust public sector relationships.

Buy rated with a $1.15 target price.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 12-12-25

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

Broker Rating Changes (Post Thursday Last Week)

Upgrade

FLIGHT CENTRE TRAVEL GROUP LIMITED ((FLT)) Upgrade to Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity upgrades Flight Centre Travel to a Buy from Hold rating with a lift in target price to $15.20 from $12.95 post AGM comments and industry feedback which infers the company is trading above expectations for 1H26.

The analyst envisages Flight Centre may pick up some business from Corporate Travel Management ((CTD)) and emphasises FY26 results have a hefty 2H26 skew in order to meet forecasts and investors should remain alert to industry data to confirm expectations.

Looking out to FY27, the broker believes the trend will improve further with better operating efficiency and activity levels as well as Cruises, where Flight Centre has raised its exposure.

Canaccord Genuity makes no changes to earnings forecasts, noting consensus estimates for underlying profit before tax has declined to $321m from $334m compared to the analyst's forecast of $317m for FY26.

There is now believed to be a lower risk of earnings disappointment.

Downgrade

COLLINS FOODS LIMITED ((CKF)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden downgrades Collins Foods to Neutral from Overweight as the risk reward appears more balanced, with a higher target price of $11.40 from $10.10.

The quick service restaurant operator reported a 1H26 earnings beat, with FY26 earnings (EBITDA) guidance upgraded and Australian same store sales growth improving over the second half.

FY26 net profit after tax growth guidance was lifted to high mid teens from low to mid teens, and the broker raises earnings forecasts by 0-2% for FY26-FY28, including a rise in Australia store openings to around 7pa and 50 new stores forecast for Germany in the next five years.

Jarden estimates EPS can CAGR by 15% over the next three years.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	FLIGHT CENTRE TRAVEL GROUP LIMITED	Buy	Neutral	Canaccord Genuity
Downgrade				
2	COLLINS FOODS LIMITED	Neutral	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

Company		Last Price	Broker	New Target	Old Target	Change
ASL	Andean Silver	$2.31	Canaccord Genuity	4.35	3.80	14.47%
BAP	Bapcor	$1.78	Canaccord Genuity	2.00	4.20	-52.38%
BNZ	Benz Mining	$1.66	Canaccord Genuity	3.10	2.50	24.00%
CGS	Cogstate	$2.14	Canaccord Genuity	3.30	3.20	3.12%
CKF	Collins Foods	$10.42	Jarden	11.40	10.10	12.87%
CTD	Corporate Travel Management	$16.07	Canaccord Genuity	N/A	13.70	-100.00%
FLT	Flight Centre Travel	$14.72	Canaccord Genuity	15.20	12.95	17.37%
IMM	Immutep	$0.37	Canaccord Genuity	1.27	0.98	29.59%
MAP	Microba Life Sciences	$0.07	Canaccord Genuity	N/A	0.19	-100.00%
NXL	Nuix	$1.78	Moelis	3.37	3.35	0.60%
ORE	Orezone Gold	$1.80	Canaccord Genuity	3.25	3.00	8.33%
PMV	Premier Investments	$14.28	Jarden	16.90	21.30	-20.66%
PNR	Pantoro Gold	$4.69	Canaccord Genuity	7.30	6.30	15.87%
PPE	PeopleIN	$0.83	Canaccord Genuity	1.30	1.45	-10.34%
TLX	Telix Pharmaceuticals	$13.70	Canaccord Genuity	28.50	27.41	3.98%
TRJ	Trajan Group	$0.65	Canaccord Genuity	N/A	1.20	-100.00%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ABB AUSSIE BROADBAND LIMITED

Telecommunication – Overnight Price: $5.06

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

Jarden notes post NBN's 1Q26 wholesale market report that Aussie Broadband grew share of NBN's SIOs (services in operation) by circa 20bps over the period, adding around 16k subscribers.

The analyst points to a robust underlying customer base with around 63k on speed tiers 100-plus Mbps against 59% at 4Q25 and this is anticipated to continue to expand as the company remains a leader through the NBN Fibre Connect upgrade program.

Jarden retains an Overweight rating and a $5.80 target price.

This report was published on December 4, 2025.

Target price is **$5.80** Current Price is **$5.06** Difference: **$0.74**
If **ABB** meets the Jarden target it will return approximately **15%** (excluding dividends, fees and charges).
Current consensus price target is **$6.01**, suggesting upside of **19.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **7.00** cents and EPS of **24.50** cents.
At the last closing share price the estimated dividend yield is **1.38%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.65**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **19.6**, implying annual growth of **75.2%**.
Current consensus DPS estimate is **6.4**, implying a prospective dividend yield of **1.3%**.
Current consensus EPS estimate suggests the PER is **25.7**.

Forecast for FY27:

Jarden forecasts a full year **FY27** dividend of **11.00** cents and EPS of **33.90** cents.
At the last closing share price the estimated dividend yield is **2.17%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.93**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **25.9**, implying annual growth of **32.1%**.
Current consensus DPS estimate is **8.1**, implying a prospective dividend yield of **1.6%**.
Current consensus EPS estimate suggests the PER is **19.5**.

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

AUE AURUM RESOURCES LIMITED

Gold & Silver - Overnight Price: $0.59

Canaccord Genuity rates ((AUE)) as Initiation of coverage with Speculative Buy (1) -

Canaccord Genuity has initiated coverage of Aurum Resources with a Speculative Buy rating and target price of $1.50.

The company is advancing the 2.41Moz Boundiali Gold Project in Côte d'Ivoire, leveraging 12 company-owned diamond rigs to drill faster and cheaper. It spans 1,470sq.km with multiple deposits near major regional mines, giving a strong exploration and development context.

A pre-feasibility study is due in March 2026, and the company envisages a 5-6Mtpa open pit producing up to 180koz annually with an estimated AISC around US$1,450/oz.

Strategic investors Montage Gold Corp (MAU), the Lundin family, and Zhaojin hold 9.9%, 9.9%, and 8.5%, respectively. The broker sees project upside to 3.1Moz at Boundiali and 1.1Moz for the broader Napié gold project.

Last week, MAU's offer to buy the rest of African Gold ((A1G)) at a rich $350/oz EV/resource multiple, if applied to Aurum, results in a valuation of $2.75/share, the broker highlights.

This report was published on December 4, 2025.

Target price is **$1.50** Current Price is **$0.59** Difference: **$0.91**
If **AUE** meets the Canaccord Genuity target it will return approximately **154%** (excluding dividends, fees and charges).

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

CSX CLEANSPACE HOLDINGS LIMITED

Medical Equipment & Devices - Overnight Price: $0.66

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

CleanSpace's trading update at the AGM effectively translated into a profit warning and the Research as a Service (RaaS) analyst draws a comparison with the likes of Veem ((VEE)) and Austin Engineering ((ANG)), suggesting trade and tariff tensions are to blame.

The news is not all bad, with H2 FY26 revenue growth expected to be stronger, aided by the first price increase since 2023 and a likely new model launch.

Hence, positive operating EBITDA and cash flow are still expected. Earnings estimates have received the chainsaw treatment. This has lowered the analyst's DCF valuation to $1.05 from $1.15.

The analyst points out CleanSpace has a minor market share of less than 1% in the global industrial market for powered air purifying respirators (PAPR) but with a compelling product offering.

The company remains in the early days of expansion into the US, parts of Asia and parts of Europe, outside of already established markets in France and the UK.

This report was published on December 5, 2025.

Target price is **$1.05** Current Price is **$0.66** Difference: **$0.395**
If **CSX** meets the Research as a Service (RaaS) target it will return approximately **60%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY26:

Research as a Service (RaaS) forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **131.00**.

Forecast for FY27:

Research as a Service (RaaS) forecasts a full year **FY27** dividend of **0.00** cents and EPS of **2.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.26**.

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

NXL NUIX LIMITED

Software & Services – Overnight Price: $1.86

Moelis rates ((NXL)) as Buy (1) –

Moelis likes Nuix's acquisition of Linkurious, of which the company already has an existing relationship by offering Nuix's customers technology to graph and visualise the connected data on its platform.

The analyst believes the takeover will offer growth opportunities and is strategically aligned.

The maximum acquisition price is around -$35.4m with circa 62% upfront and around 25% as an earn out, with the balance in Nuix shares, and is expected to be finalised within the next four months.

Linkurious' annualised contract value stood at around $12m in FY25 with positive operating cash flow and earnings (EBITDA).

Post the share price fall on disappointing earnings, Moelis sees Nuix as undervalued. Buy rating retained with a $3.37 target price.

This report was published on December 4, 2025.

Target price is **$3.37** Current Price is **$1.86** Difference: **$1.51**
If **NXL** meets the Moelis target it will return approximately **81%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **0.00** cents and EPS of **4.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **43.26**.

Forecast for FY27:

Moelis forecasts a full year **FY27** dividend of **0.00** cents and EPS of **7.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.80**.

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

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