WEEK 23

FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 6 June 2025

IDP Education: Surely, It Cannot Get Any Worse?

Rudi's View: NextDC, QBE, Superloop & Woodside

Australian Listed Real Estate Tables - 02-06-2025

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 31 May 2025

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

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

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

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

Australia & NZ

Index	31 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12418.890	-1.41%	4.33%	1.21%	-5.28%	5.99%
All Ordinaries	8660.30	0.86%	3.83%	7.54%	2.85%	8.07%
S&P ASX 200	8434.70	0.88%	3.80%	7.54%	3.38%	8.59%
S&P ASX 300	8367.20	0.88%	3.80%	7.52%	3.31%	8.55%
Communication Services	1823.60	-0.06%	5.47%	12.28%	12.06%	21.48%
Consumer Discretionary	4081.30	0.88%	2.11%	8.29%	4.35%	16.23%
Consumer Staples	12404.90	-0.14%	1.20%	6.39%	5.40%	0.22%
Energy	7958.30	2.61%	8.62%	0.23%	-7.71%	-20.67%
Financials	9137.80	1.44%	3.96%	9.78%	6.08%	19.34%
Health Care	42053.10	0.65%	1.57%	3.76%	-6.31%	-4.98%
Industrials	8288.80	0.87%	4.42%	6.82%	8.40%	21.69%
Info Technology	2879.90	3.85%	19.80%	27.43%	5.07%	22.99%
Materials	16367.60	-0.21%	1.75%	2.45%	1.50%	-3.03%
Real Estate	3877.60	0.57%	5.09%	11.26%	3.09%	8.82%
Utilities	9262.50	-0.68%	0.31%	2.25%	2.54%	-0.24%
A-REITs	1779.10	0.59%	5.02%	11.69%	3.53%	9.53%
All Technology Index	4001.00	2.25%	13.04%	20.55%	5.14%	27.51%
Banks	3872.00	1.42%	3.03%	10.34%	7.36%	21.18%
Gold Index	12761.70	2.68%	10.50%	16.21%	51.50%	73.46%
Metals & Mining	5447.20	-0.13%	1.97%	3.20%	3.65%	-1.86%

The World

Index	31 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8772.38	0.62%	3.27%	2.21%	7.33%	7.45%
DAX30	23997.48	1.56%	6.67%	8.27%	20.53%	31.60%
Hang Seng	23289.77	-1.32%	5.29%	0.74%	16.10%	31.44%
Nikkei 225	37965.10	2.17%	5.33%	6.59%	-4.84%	-4.09%
DJIA	42270.07	1.60%	3.94%	0.64%	-0.64%	8.06%
S&P500	5911.69	1.88%	6.15%	5.34%	0.51%	8.26%
Nasdaq Comp	19113.77	2.01%	9.56%	10.49%	-1.02%	7.79%

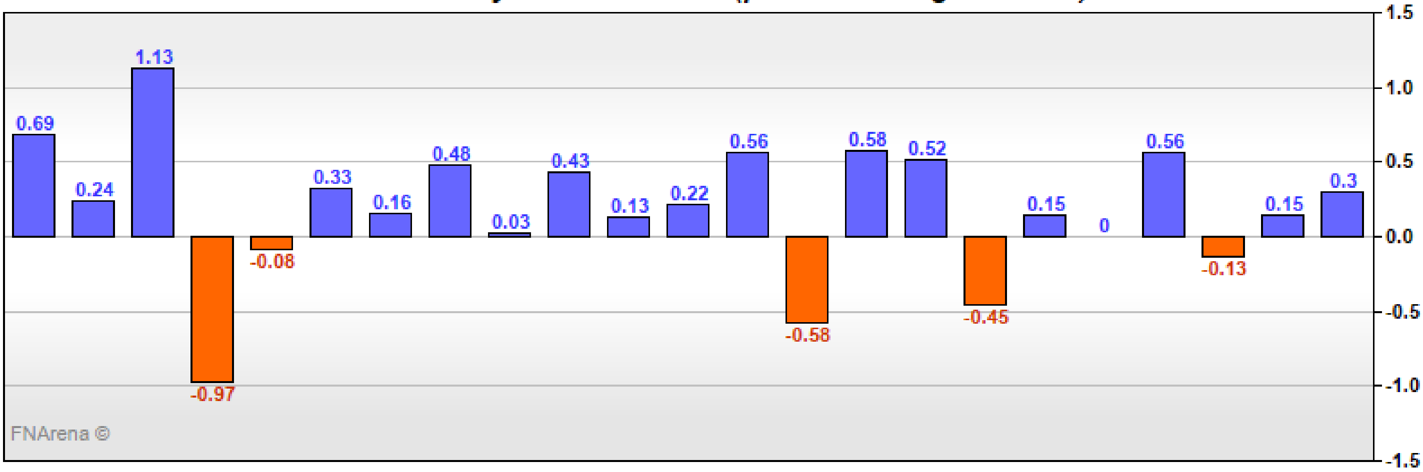
Metals & Minerals

Index	31 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	3341.89	1.42%	0.43%	6.88%	27.23%	42.94%
Silver (oz)	33.44	0.78%	1.68%	-4.40%	10.65%	14.34%
Copper (lb)	4.6703	-0.15%	-3.89%	-9.36%	14.01%	7.77%
Aluminium (lb)	1.1118	-0.39%	-0.71%	-3.15%	-2.74%	-1.13%
Nickel (lb)	6.8534	-0.95%	-1.79%	-5.77%	-4.08%	-11.89%
Zinc (lb)	1.2136	-1.13%	0.97%	-5.56%	-10.19%	-8.48%
Uranium (lb) weekly	72.00	1.41%	8.27%	12.50%	0.00%	-13.51%
Iron Ore (t)	99.27	-0.62%	-0.59%	-4.34%	-4.40%	-6.80%

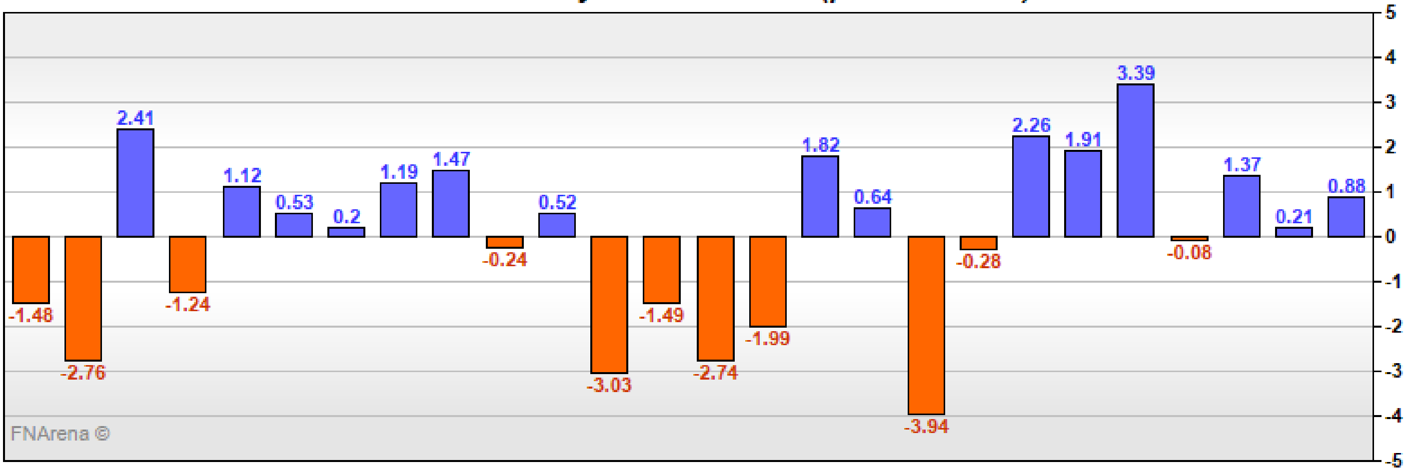
Energy

Index	31 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	60.92	0.20%	1.06%	-12.17%	-12.32%	-25.58%
Brent Crude	63.35	-1.03%	0.64%	-12.93%	-12.69%	-25.85%

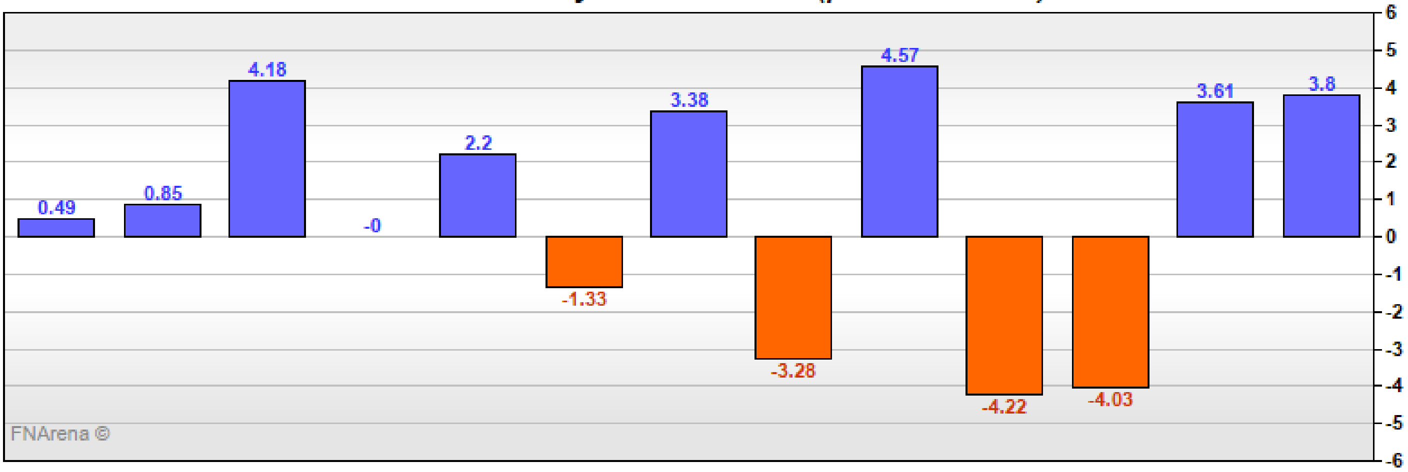
ASX200 Daily Movement in % (past 23 trading sessions)



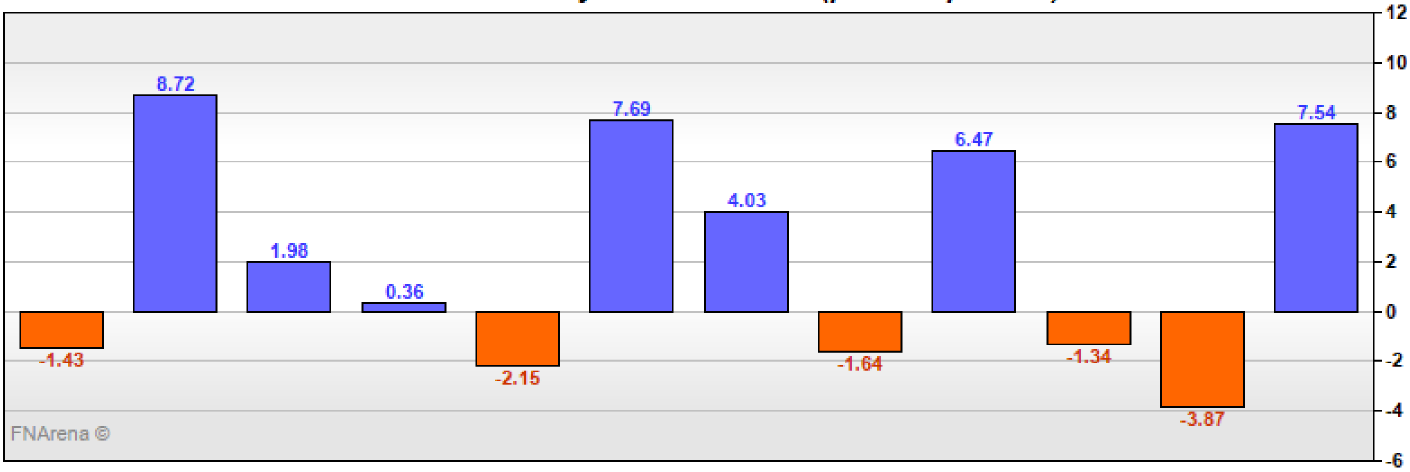
ASX200 Weekly Movement in % (past 26 weeks)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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

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

FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Goodman Group Revels In Data Centres Hot Seat

Despite a slight miss against FY25 earnings expectations, Goodman Group's third quarter operational update signaled growth ahead.

-Goodman Group's Q3 disappointed as FY25 EPS guidance was not upgraded
-Management notes long-term structural demand drivers are intact
-Yield-on-cost debate for data centres
-Groundwork sets-up material FY26 upside, says Morgan Stanley

By Mark Woodruff

When industrial property and digital infrastructure specialist Goodman Group ((GMG)) first listed on the Australian Securities Exchange in 1995 as the Goodman Hardie Industrial Property Trust, it held just eight industrial properties in Sydney, collectively valued at around $75m.

Fast forward to 31 March 2025 and the group has transformed into a leading global owner, developer, and manager of industrial real estate. The company now has $13.7bn in development work-in-progress (WIP), up from $13bn at the end of 2024, driven in part by the addition of two new data centre projects in the third quarter: LAX01 in Los Angeles and HK10 in Hong Kong.

This development WIP represents an annualised production rate of $6.2bn, down from $6.5bn at the end of the first half of FY25. WIP is 60% pre-committed, with 68% either pre-sold or being built for third parties or partnerships.

There are now 66 projects across Asia, the Americas, Australia & New Zealand (A&NZ), and continental Europe & the UK, with a respective WIP allocation of 40%, 23%, 20%, and 17% for the combined continental Europe & UK region.

Including the Goodman Property Trust (listed in New Zealand), the total property portfolio value is $85.8bn, with Partnership assets under management (AUM) of $71.8bn.

The group operates an integrated business model with three interlocking segments: property ownership (steady rental income), property development (the most profitable), and investment/funds management.

Back in the year 2000, Goodman's trust merged with Macquarie Industrial Trust (forming Macquarie Goodman Industrial Trust). This partnership with Macquarie Bank provided scale and capital, helping to accelerate growth.

International expansion followed with Goodman entering New Zealand in 2003 and then pushed into Asia and Europe in the mid-2000s.

Honouring this tradition, the group continues to work with several infrastructure and real estate partners across the globe to establish vehicles for development and long-term ownership.

Operational update

Goodman Group's third-quarter FY25 operational update highlighted ongoing momentum across various logistics and data centre initiatives. However, analysts did note the absence of any new announcements regarding data centre lease agreements or capital partnerships.

Management re-affirmed FY25 guidance of 9% operating EPS growth, below consensus expectations of between 10-10.5%, as the market got accustomed to management upgrading guidance at this stage into the financial year.

Full-year distribution guidance of 30 cents was also maintained.

Despite the notable absence of an upgrade to guidance, Macquarie remains confident Goodman management can still deliver an earnings beat via performance fees and development income.

Notably, Morgans observes FY25 marks the first time since at least FY18 Goodman has not upgraded guidance in its third-quarter update. Nevertheless, this broker too retains a positive outlook, citing management's ability to leverage access to power in constrained infill markets and capitalise on growing data centre demand.

Morgan Stanley believes the groundwork is being laid for meaningful upside in FY26.

Work-in-progress

Backing Morgan Stanley's assertion, management confirmed "substantial" data centre work will be reflected in WIP over the next year, implying it could reach around $20bn, which compares favourably to Morgan Staley's prior $13.8bn forecast.

Data centres in Artarmon (Sydney), Paris, and Frankfurt are close to being officially put into WIP as fully fitted facilities, potentially boosting WIP by around $4.4bn over the coming months.

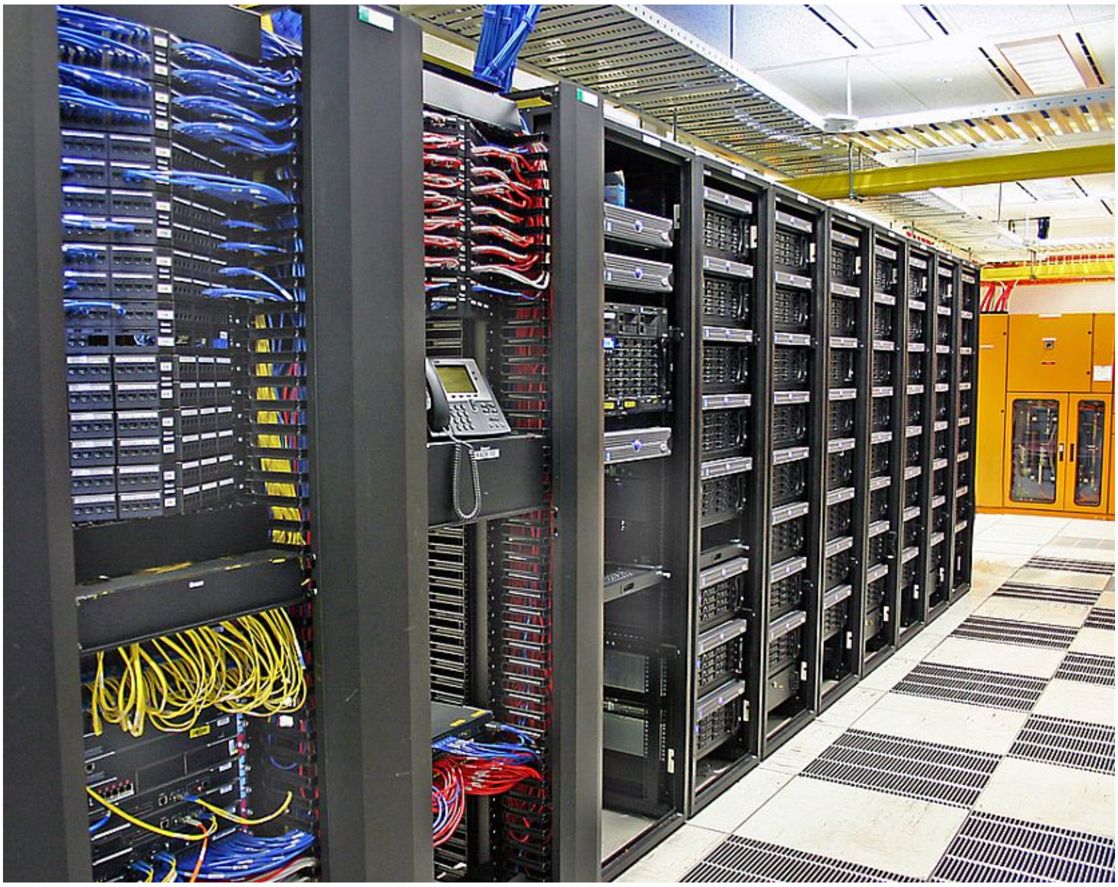
While Group CEO Greg Goodman noted "long-term structural demand drivers are intact, the uncertain economic and trade environment is delaying customer decisions in the logistics space".

Courtesy of a very timely $4bn capital raise in February there is available liquidity of circa $6bn to take advantage of the current market by acquiring large-scale sites which will be future long-term regeneration opportunities.

The capital raise consisted of a $4.0bn institutional placement plus an additional $400m retail offer but, amidst a broader share market sell-off, retail shareholders only contributed $5.1m.

According to Goodman management, as customers aim to improve productivity, their focus remains on key locations, intensification of warehousing, and rising automation and technology.

The group is planning for profits in a three-to-five-year timeframe, by conducting due diligence on several billion dollars of mega-sites, targeted for potential "Dual-Purpose" (data centre plus industrial), catering for new age robotic warehouses, explains Morgan Stanley.



Data centres

Data centres now account for more than 50% of Goodman Group's WIP, and management continues to see "significant capex growth from hyperscale operators as they work to meet rising demand for cloud services and AI".

Morgans highlights management's confidence is underpinned by the group's strategic exposure to metropolitan, low-latency locations.

The broker also points to a yield-on-cost (YoC) of 9% for recent project commencements, well above the 7.1% average across WIP, as evidence of stronger profitability in newer developments.

YoC is used to assess the profitability of a new build or redevelopment project and to compare returns across different asset types (e.g., data centres versus office buildings).

Ord Minnett, the only broker in the FNArena database to sharply cut its target price (by -8%), takes a more cautious view. (As an aside: Ord Minnett is whitelabeling research issued by Barrenjoey).

The key revenue driver for data centre assets are megawatts (MW) of installed IT capacity, explains the analyst.

Goodman's latest projects, LAX01 and HK10, are expected to deliver 32.5MW of installed IT capacity from 50MW of gross power, translating to a conversion ratio of approximately 1.5x. This ratio falls about -20% short of the broker's prior assumptions, leading Ord Minnett to conclude Goodman's data centre development business has moved up the risk curve, without a corresponding uplift in return metrics such as YoC.

After applying the lower conversion ratio across Goodman's long-term pipeline (through the mid-2030s), Ord Minnett lowers its pipeline valuation down to $150bn from $190bn previously.

By contrast, part of Morgan Stanley's investment thesis for Goodman is the potential for YoC (now 7.1%) to rise materially higher.

Clearly, assumptions vary between analysts and minor changes strongly impact valuation. UBS cites a double-digit YoC as helping underpin its forecast for strong medium-term development margins going forward.

The latter broker also welcomes management's upbeat commentary relating to data centre capital partners, along with ongoing progress in commencing profitable data centre projects.

Note: UBS's investment thesis centres on the longer-dated data centre pipeline, underpinned by cloud migration and AI adoption, where the broker sees limited oversupply risk.

<u>Outlook</u>

What Justifies an Investment in Goodman Group shares?

Despite short-term sentiment fluctuations driven by macroeconomic and technology-related news flow, several brokers see compelling long-term value in Goodman shares.

Overweight-rated Morgan Stanley (target $37.50) points to the potential for WIP to double within the next 12 months, an indicator of significant growth momentum. The broker also notes new data centre capital partners could be secured during this period, potentially marking the first meaningful profits from the group's data centre strategy since it was formally outlined in August 2023.

Citi (Buy, target $40) reinforces the long-term case, highlighting enduring demand drivers such as land scarcity, accelerating automation, and the rapid expansion of data infrastructure. These factors are expected to underpin rental demand and development activity, supporting sustained earnings growth.

Citi analysts remain convinced, with a high-margin, global development pipeline, Goodman remains well positioned to deliver attractive returns to shareholders over time.

Five of the six brokers monitored daily by FNArena conducting research on Goodman Group are Buy rated, while Ord Minnett downgraded to Hold from Accumulate (one notch below Buy in the broker's hierarchy) following the third quarter update.

The average target price of the six brokers fell to $36.17 from $36.44 (largely due to Ord Minnett), implying 10.8% upside to yesterday's closing share price of $32.64.

Outside of daily coverage, Buy-rated Jarden sees upside to its new $39 target price, down from $39.50, believing the group remains in good shape for outperformance.

AUSTRALIA

May In Review: Markets Embrace TACO Trade

As if all was forgiven from April, in May the ASX joined the rally in US and European equities boosted by technology and the AI trade

-Did markets call Trump's tariff bluff in May?
-Australia's technology stocks a real stand out as RBA cuts rates
-Gold stocks rally, while defensive sectors take a step back from April
-Commodity-related stocks were a mixed bag with uranium back in fashion
-May ends with elevated valuations and a narrow breadth across stocks and sectors

By Danielle Ecuyer

Animal spirits come back in May

If April was all-out shock and tariff awe (horror), followed by a key reversal on the Trump pivot to a tariff 90-day pause, then the month of May solidified the narrative and expectations that US tariffs are being used as a negotiating mechanism of sorts against trading partners.

On May 2, FT columnist Robert Armstrong coined the "TACO trade" acronym, **"Trump Always Chickens Out"**, in his *Unhedged* newsletter to describe a pattern of behaviour whereby the US President announces aggressive tariff measures, causing market volatility and sell-offs, only to backpedal or delay the actions, leading to market rebounds.

When Trump was asked by a CNBC reporter at a press conference in the closing week of May whether he was aware of the "TACO Trade", he was nothing short of outraged and stated, "what a nasty question", before going on to detail his negotiating style.

Markets across asset classes have increasingly reacted less and less to his tariff announcements, with Bloomberg columnist John Authers highlighting the **"issue boils down to cynicism**".

Having taken Trump seriously for a week or two post-Liberation Day, markets are now operating around the assumption that he can be "safely ignored".

But like the boy who cried wolf one too many times, if the President wants to sustain negotiating leverage and believes in tariffs and protectionism, as he has advocated for over the decades, then the point at which he doesn't chicken out might make the **"market choke on its tacos"**, Authers postures.

Anecdotally at least, playing chicken usually hasn't worked out too well for participants, but for the month of May, markets were happy to embrace risk-on and the TACO trade.

How asset classes performed over May

As much as the S&P/ASX300 was viewed as a safe haven during the global April sell-off, its May performance, whilst very good in a relative sense with a total return of 4.2%, lagged the US S&P500 total return of 5.8%. It marked the highest gain for the S&P500 since November 2023.

The last time the ASX200 returned over 4% in May was in 2020 at the height of the covid pandemic lockdowns and central bank stimulus measures. On average, May returns have been more muted, with many investors opting for the narrative, "sell in May and go away" since 2015 with negative total returns seen in 2017, 2022 and 2023.

Interestingly, on a three-month basis, the S&P500 total return remains down by -3.8% versus the ASX300 posting a positive total return of 4.3%.

Over the year past, the S&P500 is up 17.3% compared to the ASX300's total return of 13.2%.

Traveling further afield to other global equity markets, European equities mirrored Australia with a total return of 4.2% over the month, 5.1% over three months, and up 17.3% over one year.

Chinese equities are the standout with one-year total return of 30.8%. Probably not surprisingly, given trade tensions with the US, Chinese markets are lagging on a one- and three-month basis with total returns of 2.3% and -3.1%, respectively.

Other interesting trends included a rebound in Brent oil, up 3% from a three-month decline of -15%, and the Newcastle Thermal Coal price up 2.9% versus a three-month decline of -4.6%.

Precious metal LME Gold took a breather in May, down -0.5%, but remained up 11.2% over three months, while Dalian Iron Ore Futures remained soft, down -0.7% and -11.1% over one and three months.

For those travelling overseas, Morgan Stanley notes the US dollar weakened -0.5% in May against the Australian dollar, and is -3.5% weaker over three months.

There is no shortage of commentators speculating further weakness in the USD will drive the likes of the gold price higher.

So how did all these dynamics translate into market moves?

The ASX200 rebounded nearly 18% from the April low after Trump placed a 90-day pause on reciprocal tariffs, including a pause for China in May.

Information Technology crowned itself the standout sector in Australia, rising 19.8% over the month, with gold stocks also performing well, rising 10.5%.

An RBA "dovish" rate cut by -25bps to 3.85%, and solid earnings updates boosted technology stocks. The top performer in the sector, Life360 ((360)) rallied 51.9% (no, you didn't read that incorrectly).

TechnologyOne ((TNE)), which usually sells off post-earnings, rose 21.6% for a 12-month return of 137.6%, pipping **Life360** ((360)) at 124.7% and **Pro Medicus** ((PME)) at 135.3%.

In the ASX50, Pro Medicus rose 22.9% in May with the share price up 80% from April lows, and **WiseTech Global** ((WTC)) moved up 21%, with **Xero** ((XRO)) and **Seek** ((SEK)) also featuring in the ASX50's highest one-month total returns.

Solid earnings momentum assisted Australian technology shares, with tailwinds from the US Nasdaq Composite Index gaining 9.56% in May offering support; the highest Nasdaq return since November 2023.

The AI trade featured in May, having previously fallen foul of concerns regarding China's DeepSeek model and potential over-investment in infrastructure such as data centres. US hyperscalers' March quarter earnings results were better than feared, reinforcing the extent of capital spending in AI cloud services and infrastructure at US$330bn in 2025, up 34% on 2024.

Data centre stocks like **Goodman Group** ((GMG)) featured in the ASX50 highest total returns at 9.8%. Elsewhere, **DigiCo REIT** ((DGD)) came back into favour, up 27.9%, alongside **NextDC** ((NXT)), which announced its first AI-related contract in Melbourne.

In such a risk-on environment, defensive sectors like Utilities became the worst performers in May, up only 0.3%, followed by Consumer Staples, up 1.2%, and Healthcare at 1.4%.

At an industry level, Macquarie details Consumer Services were among the worst cyclical groups, with shares in **IDP Education** ((IEL)) and **Aristocrat Leisure** ((ALL)) sold off on earnings downgrades, by -12% and -6%, respectively.

IDP has since downgraded again, with shares down a breathtaking -48% on June 3. It's almost hard to fathom, but its share almost reached for $40 in late 2021. By early June those shares were trading closer to $4.

If anything, this former high flier and crowd favourite has turned into the unfortunate poster child of a company caught in the crossfire of global politics on student immigration.

Not all stocks were in favour

While investors threw caution to the wind and embraced risk in May, there are discernible patterns of money flows into stocks and sectors.

The Momentum factor made a decisive come back, up 6.2%, with Pro Medicus the standout. Growth rose 4.9%, lagging momentum according to Macquarie but ahead of Value at 2.3%. The gap in the US was even more pronounced where Growth outperformed Value by 7.4ppts.

Are the markets trying to tell us something about economic growth? Food for thought.

UBS highlights the worst performers for the Small Ords as **Coronado Global Resources** ((CRN)), down -43.6%, weighed down by falling coal prices and too high a debt burden on a geared balance sheet, causing cash flow concerns.

Nufarm ((NUF)) didn't feel the love either, falling -38.2% on a disappointing earnings report, while **OFX Group** ((OFX)) declined by -36.3% as its business model struggled, triggering yet another profit warning.

A strong uranium spot price and a notable global shift in the US, Europe and Asia back to nuclear energy has boosted the performance of Australia's U3O8 stocks.

Boss Energy ((BOE)) was noted by Citi at the end of May, having risen over 70% since last December's bottom compared to **Paladin Energy** ((PDN)). Boss rose 25.2% in May, while the list of Small Ords top performers included other uranium stocks. **Bannerman Energy** ((BMN)) shares went up 20.7%, **NexGen Energy** ((NXG)) up 18.9%, and **Deep Yellow** ((DYL)) up 18.5%.

How did May's earnings shape up?

FNArena's corporate results monitor shows 52 companies having reported post the February results season, generating 21 misses (40.4%), 18 beats (34.6%), and 13 companies reporting in line results (25%).

Macquarie detailed an additional 4.2ppts of May gains came from price-to-earnings valuation expansion, with a fall in earnings per share of -0.4ppts offset by dividends of 0.4ppts.

Post the May rally, this broker adds the ASX200 is trading on a forward valuation of 18.8x, which is back to the highs seen at the Trump election victory in November 2024.

Clearly, the "pain trade" has been for higher stock prices.

Interestingly, as is equally apparent beneath the surface in Australia, the rally has a narrow breadth, Macquarie highlights.

US investors are back at 88%-plus equities exposure, and individual investors are net bearish again, with more stocks trading below their 200-day moving average than those trading above it.

ASX100 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
360 - LIFE360 INC	51.91	PLS - PILBARA MINERALS LIMITED	-17.61
TNE - TECHNOLOGY ONE LIMITED	36.59	IEL - IDP EDUCATION LIMITED	-11.96
PME - PRO MEDICUS LIMITED	22.93	LYC - LYNAS RARE EARTHS LIMITED	-8.04
WTC - WISETECH GLOBAL LIMITED	21.05	DXS - DEXUS	-6.91
QAN - QANTAS AIRWAYS LIMITED	19.89	ALL - ARISTOCRAT LEISURE LIMITED	-6.64

ASX200 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
360 - LIFE360 INC	51.91	HLS - HEALIUS LIMITED	-39.86
TNE - TECHNOLOGY ONE LIMITED	36.59	NUF - NUFARM LIMITED	-38.18
GDG - GENERATION DEVELOPMENT GROUP LIMITED	34.47	JDO - JUDO CAPITAL HOLDINGS LIMITED	-19.94
DGT - DIGICO INFRASTRUCTURE REIT	27.88	PLS - PILBARA MINERALS LIMITED	-17.61
TAH - TABCORP HOLDINGS LIMITED	25.89	IEL - IDP EDUCATION LIMITED	-11.96

ASX300 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
360 - LIFE360 INC	51.91	CRN - CORONADO GLOBAL RESOURCES INC	-43.59
CAT - CATAPULT GROUP INTERNATIONAL LIMITED	43.03	HLS - HEALIUS LIMITED	-39.86
TNE - TECHNOLOGY ONE LIMITED	36.59	NUF - NUFARM LIMITED	-38.18
GDG - GENERATION DEVELOPMENT GROUP LIMITED	34.47	OFX - OFX GROUP LIMITED	-36.28
AD8 - AUDINATE GROUP LIMITED	29.48	MYX - MAYNE PHARMA GROUP LIMITED	-29.59

ALL-TECH Best and Worst Performers of the month (in %)

Company	Change	Company	Change
360 - LIFE360 INC	51.91	OFX - OFX GROUP LIMITED	-36.28
APX - APPEN LIMITED	50.00	EIQ - ECHOIQ LIMITED	-25.76
CAT - CATAPULT GROUP INTERNATIONAL LIMITED	43.03	BRN - BRAINCHIP HOLDINGS LIMITED	-24.07
TNE - TECHNOLOGY ONE LIMITED	36.59	HSN - HANSEN TECHNOLOGIES LIMITED	-5.73
AD8 - AUDINATE GROUP LIMITED	29.48	REA - REA GROUP LIMITED	-3.43

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DAX30	23997.48	6.67%	8.27%	20.53%
Hang Seng	23289.77	5.29%	0.74%	16.10%
Nikkei 225	37965.10	5.33%	6.59%	-4.84%
DJIA	42270.07	3.94%	0.64%	-0.64%
S&P500	5911.69	6.15%	5.34%	0.51%
Nasdaq Comp	19113.77	9.56%	10.49%	-1.02%

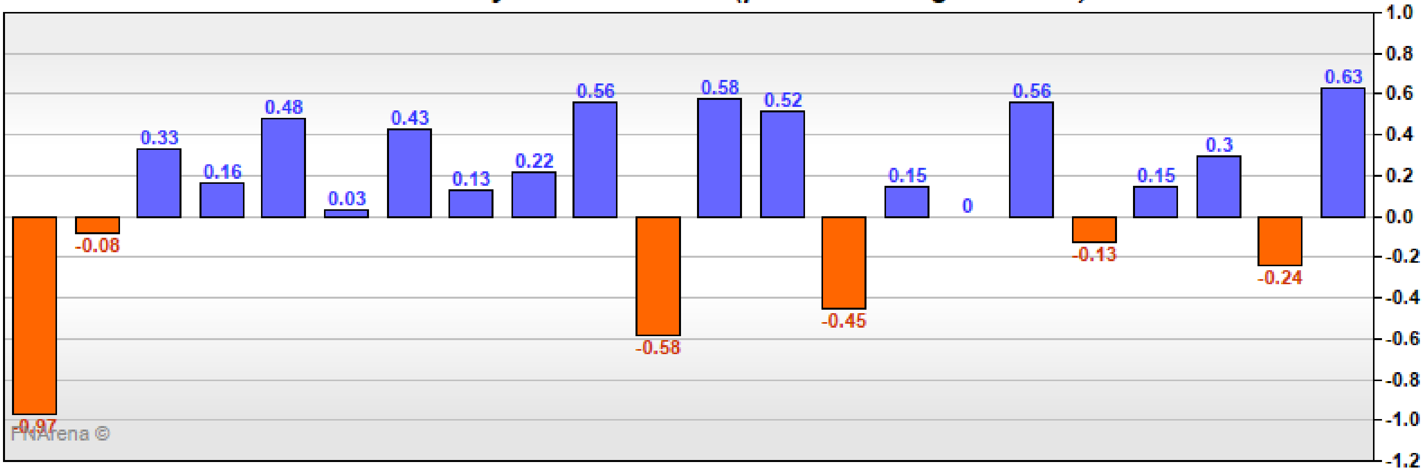
Metals & Minerals

Index	31 May 2025	Month Of May	Quarter To Date (Apr-Jun)	Year To Date (2025)
Gold (oz)	3341.89	0.43%	6.88%	27.23%
Silver (oz)	33.44	1.68%	-4.40%	10.65%
Copper (lb)	4.6703	-3.89%	-9.36%	14.01%
Aluminium (lb)	1.1118	-0.71%	-3.15%	-2.74%
Nickel (lb)	6.8534	-1.79%	-5.77%	-4.08%
Zinc (lb)	1.2136	0.97%	-5.56%	-10.19%
Uranium (lb) weekly	72.00	8.27%	12.50%	0.00%
Iron Ore (t)	99.27	-0.59%	-4.34%	-4.40%

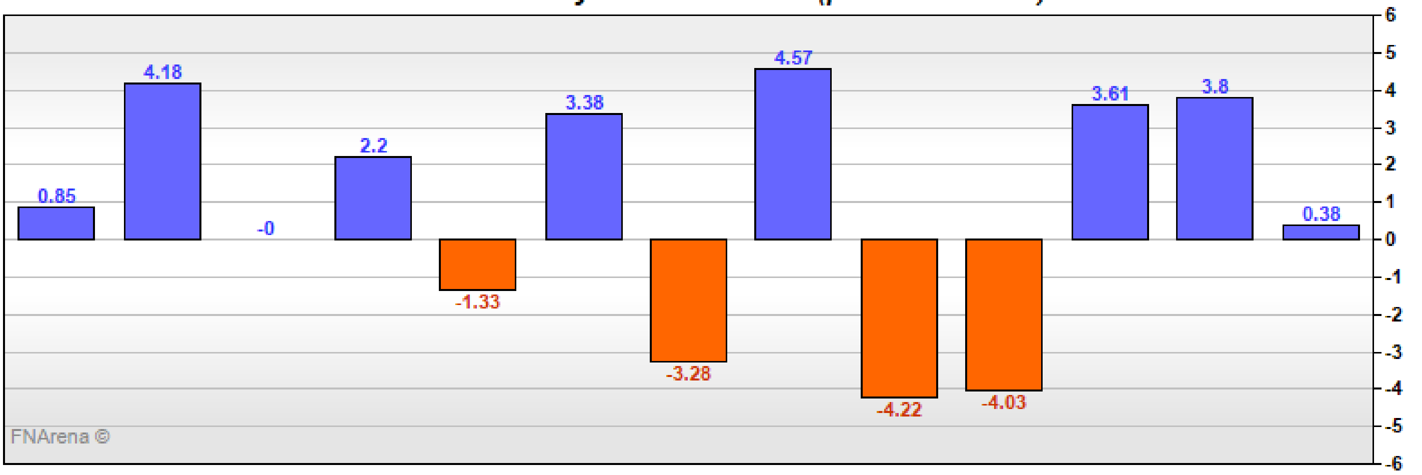
Energy

Index	31 May 2025	Month Of May	Quarter To Date (Apr-Jun)	Year To Date (2025)
West Texas Crude	60.92	1.06%	-12.17%	-12.32%
Brent Crude	63.35	0.64%	-12.93%	-12.69%

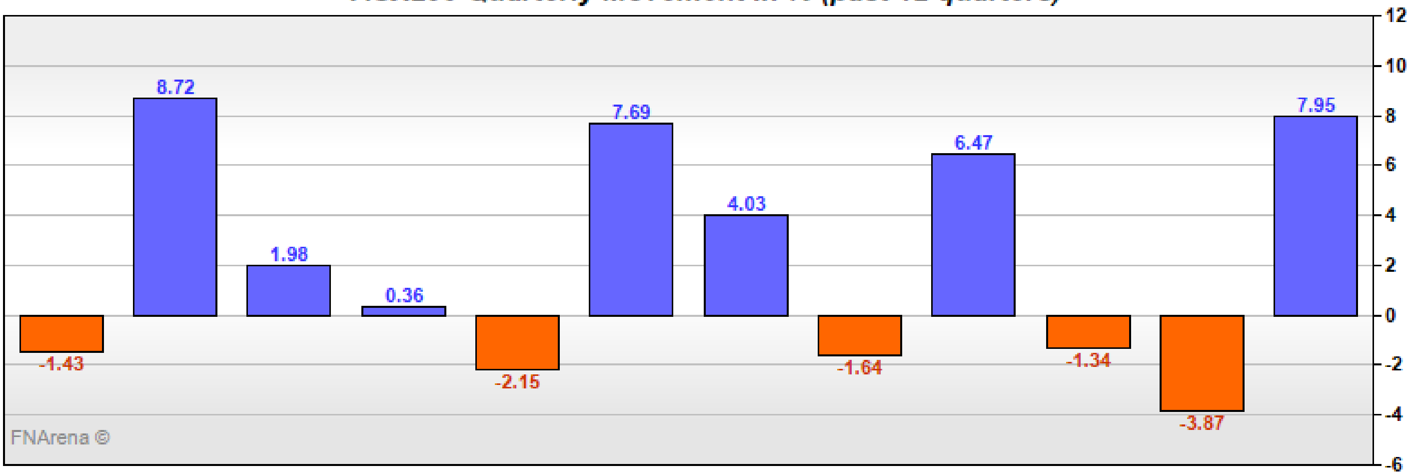
ASX200 Daily Movement in % (past 22 trading sessions)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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AUSTRALIA

Fisher & Paykel Healthcare's Tariffs Annoyance

A consensus-beating FY25 result from Fisher & Paykel Healthcare was undermined by disappointing FY26 guidance, with tariffs partly to blame.

-Fisher & Paykel Healthcare's FY25 result beats consensus
-FY26 guidance falls short on tariff impact
-Margin expansion trajectory delayed
-Brokers maintain positive views

By Greg Peel

New Zealand-based and Australian-listed medical devices company Fisher & Paykel Healthcare ((FPH)) reported FY25 (end-March) revenue and profit ahead of consensus on a better than expected gross margin and lower operating expense.

The company manufactures sleep apnoea and respiratory devices and supporting software for hospital and home use.

As the manufacturer is specifically reliant on its presence in the large US market, forex movements are influential and, more recently, so are Trump's tariffs.

More on tariffs later.

Fisher & Paykel Healthcare demonstrated strong double-digit growth across almost all product segments from new products and change in clinical practice, with an added boost from a severe US flu season. Hospital revenue grew 18% year on year, albeit 21% in the first half and 15% in the second. Hardware grew 18% and Consumables 18%, with the company noting broad-based growth across its portfolio.

Homecare revenue advanced by 13% year on year (14% first half, 13% second), underpinned by a strong contribution from new masks. The key call-out for this division, suggests Jarden, was Consumables (mostly sleep apnoea masks) fading on a year-year basis (16% first half, 11% second, I sense a pattern), attributed to multiple new masks being introduced by competitors.

On the other hand, gross margin snuck up to 63% for the year, and 64% in the second half. Margin strength came from a combination of improvement initiatives and overhead efficiency. The earnings margin rose to 25% (second half 27%). The strong second half performance was attributed to gross margin improvement and lower-than-expected selling, general & administrative costs.

Tariffs

Management reassured on the tariff headwinds, albeit the situation remains (in exquisite understatement) "fluid".

The overwhelming majority of products made in Mexico, as Citi notes, are compliant with the USMCA (US-Mexico-Canada free trade agreement), making them exempt from tariffs. Products from the Homecare division for the treatment of sleep apnea are also exempt from tariffs under the Nairobi Protocol.

The Nairobi Protocol to the Agreement on the Importation of Educational, Scientific, and Cultural Materials Act of 1982 established the duty-free treatment for certain articles for the handicapped.

This leaves a 10% US tariff on hospital products made in New Zealand. Management estimates the gross margin impact at -75 basis points (-50bps in FY26, -25bps in FY27). Tariffs have effectively added another year to margin recovery timelines (the company is targeting 100bps annual of gross margin GM improvements).

Guidance

Wilsons believes at current valuation levels, the shares could be fully priced for perfection. Therefore, the market was noticeably discontent when FY26 profit guidance at the midpoint was -3% below consensus. However, management has historically aimed to guide conservatively, Wilsons notes, and appears to have done so again by factoring in FY26 potential tariff impacts.

Aside from this, Wilsons believes there was very little to fault in this FY25 result. Morgan Stanley agrees the -4% fall in share price post result reflected weaker than expected revenue and profit guidance.

On the earnings call, management noted the top end of revenue guidance assumes a Northern Hemisphere flu season similar to that of FY25, and the bottom end a materially weaker flu season compared to FY25. Assumed constant currency growth rates for Consumables across both divisions are similar to the second half performance, Jarden notes, and are likely a conservative starting point.

Macquarie notes half of the gain in margins in FY25 was derived through overhead efficiencies and lower freight costs. Management sees a flattening of freight gains in FY26, leading to an anticipated 50bps of margin expansion, inclusive of a -50bps drag from tariffs. This informs management's expected annualised impact of -75bps from current tariffs and policies.

Management expects to achieve its gross margin target of 65% by FY28. Macquarie and other brokers have adopted this timeline in their modeling.

Worthy of Valuation

While noting multiples are elevated, Morgans Stanley points out Fisher & Paykel Healthcare compares favourably relative to the broker's industry coverage when considering earnings growth, return on invested capital and balance sheet position.

Morgan Stanley has lifted its price target to A$35.90 from A$34.00, and given an attractive growth outlook and some 12% upside relative to targets, moves to Overweight from Equal-weight on "both stocks" (implying rival ResMed ((RMD)) is the other stock in the broker's industry coverage).

Macquarie sees the company's medium to longer-term outlook as favourable, supported by the uptake of new apps consumables, OSA (obstructed sleep apnoea) patient growth and increased utilisation from changing clinical practices. Macquarie retains Outperform, increasing its target to NZ$39.30 from NZ$38.90.

Note the AUD/NZD exchange rate is currently close to parity.

Wilsons expects gross margin expansion and operating leverage over the medium term from continued strong growth and management's ability to realise operational efficiencies. This broker is forecasting an annual compound earnings growth rate of 16% over FY25-FY28 and maintains an Overweight rating at a target of A$37.58, up from A$35.00.

Wilsons notes its target implies an enterprise to earnings multiple of 33.7x, which sits above the stock's last five-year trading average of 32x and captures post-covid de-stocking.

Citi's target increases to NZ$35.50 from NZ$32.00 on earnings changes and roll-forward, implying an FY27 PE of 42x (which is a 5% premium to the ten-year average). Citi upgrades to Neutral from Sell given the manageable tariff impact and more reasonable valuation (following the result sell-off).

Jarden maintains its Neutral rating, balancing a strong growth outlook with duration and track record of execution against what it sees as limited valuation support at current pricing. Jarden's target rises to NZ$34.50 from NZ$33.30.

AUSTRALIA

IDP Education: Surely, It Cannot Get Any Worse?

This week's profit warning confirmed IDP Education truly is swimming against the global tide, but could the bottom be in sight for this once popular high flier?

-Post this week's shellacking, shares in IDP Education have lost -91% since 2021
-Global visa and immigration policy uncertainty weighs on company's prospects
-Some analysts prepared to see the bottom in sight
-Company still seen holding competitive advantage longer-term

By Mark Woodruff

IDP Education ((IEL)), a global provider of international student placement services and English language testing, has issued a good old fashioned nasty profit warning, citing ongoing policy uncertainty in key destination markets. According to company management, too much confusion is materially reducing the numbers of international students looking to study in countries like Australia, Canada and the UK.

FY25 Student Placement (SP) volumes are now expected to decline between -28-30% and International English Language Testing System (IELTS) volumes by -18-20% from FY24, with strong average fee growth expected to partially offset the revenue impact.

This week's profit warning was preceded by a disappointing half yearly result release in late February.

The market's punishment has been stark, with IDP Education's share price losing more than half their value in a few days only. Those losses come on top of what already looked like every investor's worst nightmare as the share had peaked above $40 in 2021. This week's shellacking has pushed those shares to just above $3.50.

Goes without saying, industry conditions have been tough for this once popular high flier on the ASX, as the tightening of student visa and immigration policies has constrained demand for its broad suite of services, which span placement and English language testing to visa assistance and ancillary support for international students.

If ever there has been a case of operating in the wrong place at the wrong time, surely this must be it?

In the UK, sentiment has weakened further following the release of the Immigration Policy White Paper, which points to additional restrictions ahead. In Australia and Canada, restrictive post-election policies remain in place, with further changes still pending.

Management highlighted a sharp deterioration in student demand in Canada, attributing the decline to "ongoing policy volatility".

Sentiment in the US continues to weaken too, with the broader environment for international students becoming progressively less supportive.

IDP co-owns the IELTS English language exam and delivers testing globally, reinforcing its leadership in high-stakes English assessment, which may determine eligibility for university admission, professional certification, employment, or migration.

Following the exit of co-owner Seek ((SEK)), IDP Education shares listed on the ASX in November 2015 at $2.65. Since then, the company has expanded globally and digitally with the share price reaching a peak of $40.21 in 2021.

Broker views

Following a disastrous 2025 thus far, Jarden has limited conviction in its EPS forecasts for IDP given poor visibility over industry volumes, migration policy, and management's ability to navigate these challenges.

By contrast, **Macquarie sees negative impacts as a cyclical rather than a structural shift**, noting the UK has begun to see an uptick in student visa applications following the July 2024 election.

This analyst expects cost initiatives by management in response to lower volumes, which could include test centre rationalisation and lowering of headcount, while still providing scope for a leaner business when volume recovers.

Also in the positive camp, UBS stresses the company remains a high-quality business and suggests the **current operating environment is nearing trough conditions**.

Upcoming potential catalysts include government approval for IELTS in China and potential upside from a tender resulting from the UK Home Office overhaul of its Secure English Language Testing (SELT) regime.

Gearing levels are not at risk, the valuation does not appear expensive, and UBS argues a large degree of negativity is already incorporated into the share price. Morgans agrees on gearing, expecting second half net debt will be broadly similar to $196m at the end of the first half.

Less positively, Morgan Stanley feels near-term catalysts for a re-rating are limited despite the share price sell-off capturing significant downside risk.

Morgans believes the company can hold a similar level of earnings to FY25, however this will require meaningful cost out (the broker assumes -$20m) and a contribution from China IELTS.

This broker assesses IDP has a competitive advantage over the longer-term in both major divisions; market share opportunity in Student Placement in particular; and the ability to utilise scale to invest in technology/product development.

FY25 and FY26 guidance downgrades

When FY25 reporting comes around, management expects between $115-125m of adjusted earnings (EBIT), missing the prior forecasts of consensus and Macquarie by -28% and -30%, respectively.

This broker points to low visibility on volumes, ongoing pricing trends, and likely cost-out.

Thankfully, pricing continues to be strong, exhibiting around low-teens growth within Student Placement, and some volume insulation is being provided from non-academic testing within IELTS, explains the analyst.

New second half earnings guidance of circa $27m missed quasi guidance set in February of greater than $77m.

For English-language testing, Ord Minnett was assuming a flat outcome year-on-year versus the latest guidance which equates to a -10-14% fall, while the broker's estimate for student placement volumes was for an -11% year-on-year decline against a slump of between -28-30%.

Potential remedies

Management will implement cost, productivity, and reduced investment measures in FY26 to offset anticipated ongoing industry volume pressures into FY26.

Some cost control has already been implemented, with adjusted overheads for the second half now expected to be -5% below the prior period when previously guidance was for a flat outcome.

Macquarie identifies three key drivers heading into FY26: volumes, which remain difficult to forecast, though sentiment in Canada and Australia may improve post-election, while the UK and US are expected to stay weak; pricing, which should remain above trend; and overheads are likely to come under greater scrutiny amid volume pressure.

The broker, which retains an Overweight rating, stays constructive, and believes IDP can generate double-digit growth over the long term. While near-term trading is challenged by restrictive policy and negative rhetoric in key student markets, Macquarie expects these headwinds to cycle out by FY26.

Morgan Stanley outlines several key uncertainties the market is expected to debate, including the extent to which the soft May to June placement pipeline may weigh on FY26 volumes and whether management can continue to deliver pricing strength to offset further volume weakness.

This analysts also question management's ability to recalibrate the FY26 cost base while preserving operational flexibility to capture any potential recovery.

Equally important will be the scale and timing of any broader rebound beyond FY26, Morgan Stanley suggests, which remains difficult to forecast.

The outlook

Citing limited catalysts for a share price re-rating, Morgan Stanley moves to a PE-based valuation for IDP Education as uncertainty on timing or magnitude of a potential recovery means the stock price is unlikely to trade up to the broker's long-term discounted cashflow (DCF) valuation.

The trading update created ratings pandemonium among the five daily covered brokers in the FNArena database, to say nothing of the average target price fall to $5.55 from $14.74.

This new level suggests around 56.80% upside to the $3.54 closing share price on June 5.

Morgans, Morgans Stanley, and Ord Minnett all downgraded their rating to Hold (or equivalent) from Buy, while UBS upgraded to Buy from Hold. Macquarie remained at Outperform.

Outside of daily coverage Jarden lowered its target to $6.95 from $17.35 and downgraded to Neutral from Overweight.

COMMODITIES

Crude Oil: Nothing Good Happens Below US$65

By Carley Garner, DeCarleyTrading.com

Nothing good happens for crude oil bulls under US$65

The oil market is popular among speculators due to its volatility, liquidity, and familiarity, but it is one that often confounds even the most astute analysts. There are two primary reasons for this: the supply of oil is at least partially dictated by a cartel, and it is primarily produced by a region of the world prone to unpredictable political violence

Sometimes analysts get caught up in the supply side of the equation and ignore the simple fact that demand is not guaranteed. We are only five years away from the pandemic-induced government shutdown of the global economy, in which demand disappeared overnight. We will probably never see that again in our lifetimes, but a recession is somewhat likely, and that is all it will take to thwart energy demand.

Lastly, technology is deflationary. Even in the absence of a recession, electric and hybrid vehicles are continually improving and will eventually offer genuine competition to combustion engines. Similarly, gas-powered cars now come with an Eco Mode and are generally more fuel-efficient in all driving modes. Artificial Intelligence may create a resurgence in the work-from-home trend or may even replace workers who currently travel to the office or distant locations to conduct business.

We don't believe oil prices will remain low forever, but commodities tend to experience bear markets more frequently and for more extended periods than bull markets. We aren't prepared to put this bear market into hibernation. In recent months, we have been receiving a plethora of pushback on our bearish crude oil thesis. In this article, we will address many of the standard arguments being made by crude oil bulls.

US$65 was the floor, but now it is the ceiling

Since the March 2022 highs were posted, the oil market has been in a failed rally mode. However, for years, sell-offs were contained at US$65.00 per barrel compliments of technical support, but more importantly, the OPEC put.

Like clockwork, OPEC production cuts were extended, or the extension was vocalized each time prices approached the mid-$60.00s, this jawboning habitually reversed prices higher. There is a good reason for this: OPEC knows that nothing good happens for the crude oil bulls when the price is below US$65.00,

Historically, US$65.00 per barrel has been a pivotal price for the crude oil market. The 2014 break below

US$65.00 continued into the high US$20.00s, and the 2018 break eventually ended with the plunge into negative crude oil prices a few years later, in April 2020.

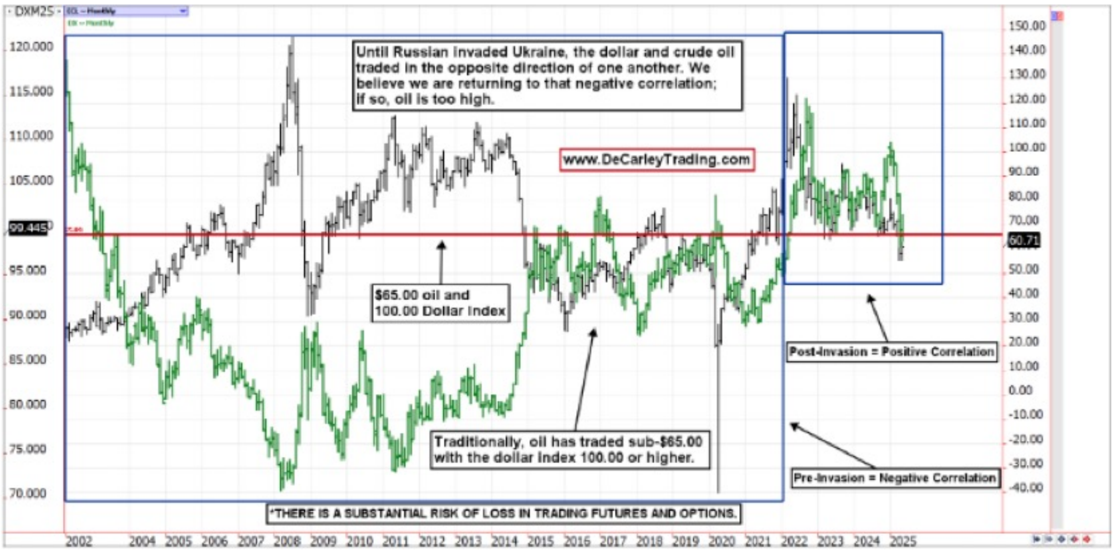
If the oil market can't climb meaningfully above US$65.00, gravity will come into play. We expect the low-US$50.00s to high-US$40.00s to be seen. After all, during Trump 1.0, the oil market spent most of its time trading below US$65.00.

<u>What about the weaker US dollar?</u>

The correlation between crude oil and the US dollar has been abnormally positive since the Russian invasion of Ukraine. Still, it seems to finally be normalizing to a negative correlation (dollar up, oil down, and vice versa).

For instance, if I examine the correlation between these two assets over the past 180 trading days, they have been trending in the same direction approximately 70% of the time. Conversely, if I examine the data from the last 30 days, they are almost exactly uncorrelated, with a correlation coefficient of zero.

I suspect the data is shifting back to the historic norm; if so, we should see this relationship fall into negative territory by next month. This would mean continued weakness in the greenback would be supportive for oil, but dollar strength would pull oil prices lower. The US dollar appears to be setting up for a significant rally, which could hinder any attempts at a crude oil rally.



<u>What about the Cost of Production?</u>

The market doesn't care about the cost of production; nobody is guaranteed a profit. Therefore, for some producers, oil being below the cost of production is irrelevant. US producers face a cost of about US$43 for offshore drilling and moderately higher for shale and conventional oil (US$46 to US$50). Yet, some operators believe the cost is closer to US$60.00 to US$65.00.

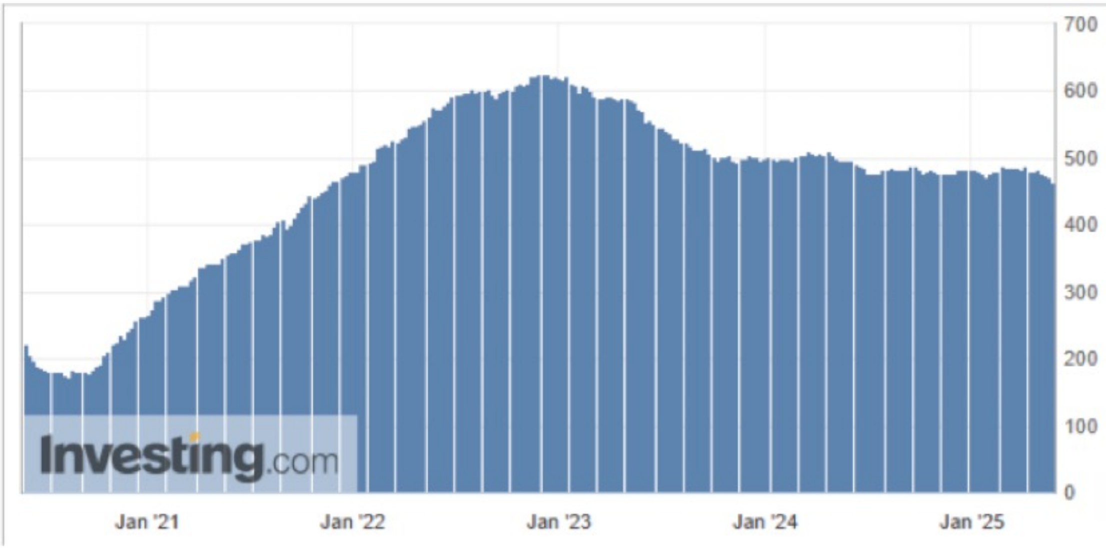
I have some opinions on this; my parents were in the oil business, and my brother still is. It has been my observation that the oil industry is far from efficient. There are contractor kickbacks, overcharges, and irrational decisions made by middle management, who prioritize quarterly bonuses over operating efficiency. I concede that all large businesses and industries have this issue. Yet, from my perspective, the oil industry often operates in obscene Cost of Goods Sold (COGS) territory for no particular reason other than it has gotten away with it for decades.

Obviously, if a producer truly can't sell oil at a price that exceeds their cost of production, they will hold back. However, the US is the largest producer in the world, but it also incurs the highest production costs. Some Middle Eastern producers have the luxury of lower extraction costs. Saudi Arabia is believed to have a breakeven point of US$42.00 per barrel, but fringe producers are said to have costs as low as US$10.00 to US$20.00.

<u>What about the Rig Count?</u>

US shale producers have started to lightly tap the brakes; we can see this from the Baker Hughes rig count, which has been tapering off. Yet, we don't believe this changes the narrative for oil. For starters, crude oil rigs in the US have fallen to 465, down from 473 in the previous week, the lowest since November 2021; yet they are still double what was seen in 2020 and only a mere handful of fewer rigs in operation relative to what has been a stable count since late 2023.

Furthermore, production remains at or near all-time highs, despite a moderate decline in the number of rigs. Even more compelling, the US has been bringing more barrels to market with 490 rigs than it has with almost double that pre-2020. In short, technology enables us to produce more with less; only a dramatic decrease in rig count would lead me to believe that data point was bullish for the price of oil.



What about AI Demand for Energy?

In the macro view, AI will require energy; however, nuclear power is suddenly a real competitor to fossil fuels, including uranium and thorium. The US is behind the curve in this department; multiple nuclear plants were shuttered in the hope that solar and wind energy would offer a safer alternative, but this premise has not materialized as some had expected.

The Trump administration is attempting to revive nuclear power, but the reality is that even if the regulatory burden is eliminated, the time to build, test, and employ such a facility is likely 10 to 15 years. There are SMRs (Small Modular Reactors) that will speed up the process to 4 to 6 years, but even those are far from an overnight solution.

Nevertheless, the AI demand for energy might also emerge 5 to 10 years down the road, rather than being an immediate phenomenon. Don't forget the lessons learned in the dot-com bubble, like AI, the internet was expected to change the landscape as we knew it. It did, but only after an initial boom and bust cycle.

Another take on this is-AI and technology are deflationary; more efficient vehicles, fewer workers traveling to the office or distant locations, etc. In short, AI alone is not a reason to be an oil bull at this time in my eyes.

Will deregulation matter?

The US has a debt problem; we are spending more than we are taking in. Yet, the only thing going for us is our balance sheet, which has not been monetized to its potential. The United States is sitting on substantial resources, including rare earth minerals and fossil fuels.

Much of these resources have been untouchable due to environmental regulations but if there is some reasonable easing in this category and Federal lands are opened for mining and drilling, the country has an off ramp to the debt crisis, and the US will be well-supplied with energy sourced from uranium, thorium, and fossil fuels.

This is not only deflationary but also bearish for the oil market. Whether or not this is a good idea from an environmental standpoint is up for debate. I have had a front-row seat to this argument for years, due to my upbringing in the oil industry in the Southeastern corner of Utah. This part of the country is resource-rich, boasting an abundance of uranium, natural gas, and crude oil, and is also one of the world's largest sources of helium gas.

Yet, it happens to be (arguably) one of the most beautiful landscapes in the country; home to multiple national parks and an unfathomable amount of federally owned land that has been mostly blocked from public or private use. In some instances, the government blocked mining and drilling but openly promoted the land as a tourist destination, which seems to have done significant harm to the land they aimed to protect. I don't know what the correct answer is, but it is probably somewhere in the middle of the current scenario and what the oil and gas companies would hope for. In any case, the US has financial and national security incentives to tap into natural resources, and if it does, supply will be ample for years to come.

The bottom line

As the adage goes, picking bottoms leads to stinky fingers. If oil goes up from here, it will likely be due to an unforeseen catalyst. For now, the die has been cast, and the bear market is likely to continue. Even if we are wrong about a near-term US dollar rally, the price of crude oil has historically traded between US$30.00 and US$65.00 in a high-dollar environment, not US$65.00 and US$100.00.

Despite the recent plunge, the US dollar is at a relatively high valuation compared to previous decades. This alone is justification for lower oil prices. Furthermore, the chart shows little promise unless oil prices rise above US$65.00 in the coming days. The longer oil trades below this level, the heavier the market will become.

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FEATURE STORIES

Australian Banks: Expensive Havens

Following Australian bank reporting season, is the risk for share prices now skewed to the downside?

-Bank core earnings weaker over the period
-Benign bad debts provide an offset
-Safe haven status ongoing
-Analysts cannot get past overvaluation

By Greg Peel

"Whatever the theory," noted Citi back in April, "the common thread is that buyers look price indiscriminate, in that they are more concerned with the exposure they are avoiding (ie USD, resources, China risk, tariff risk) than the price that they are paying for Australian banks."

Citi was referring to the period immediately following Trump's "Liberation Day" tariffs and the turmoil they created on Wall Street and around the world. Amidst all the selling, Australian bank shares became a safe haven, and offshore investors piled in.

Trump paused those tariffs for 90 days a week later, sparking relief and a rebound on Wall Street. China was not spared, however, with Trump ratcheting his tariff up to 145%, before dropping it back to 30% and claiming victory. A 50% tariff was then placed on the EU, then paused. Most recently, a US court has blocked the original Liberation Day tariffs and the US administration has filed an appeal.

Having overcome initial panic, Wall Street has since adopted the so-called TACO trade; Trump always chickens out. And doesn't Trump love that one. While uncertainty remains elevated, no longer does Wall Street fear the worst, and the pre-Liberation Day levels have been recovered and exceeded in the US stock market.

But not only has this not led to relieved investors moving back out of their safe haven Australian bank positions, bank share prices have done little more than continue to rise.

Why?

Australian banks collectively form the largest sector on the ASX200 by market cap. The next largest is resources. While the two sectors will occasionally move together, history reveals a common tendency to shift out of one amidst misfortune and into the other.

Long before Trump returned to office, China's economy was on the ropes and incremental stimulus measure were failing to register. As China is the largest consumer of Australian resource sector output, commodity prices suffered from China's downturn, and investors switched out of resources and into banks.

Wall Street might be chomping on TACOs through Trump's flip-flopping tariff policy moves, but there is little doubt uncertainty remains. A 10% tariff on everyone may end up being the ultimate result, providing relief for penguins, but the impact on global trade would not be insignificant.

In other words, no reason (yet) to sell out of safe haven bank positions.

Rising bank share prices also become self-fulfilling. As the market cap share of the ASX200 rises (now around 23%), index-tracking funds must adjust their portfolio allocations accordingly, buying more bank shares and selling something else, such as resources.

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

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

So they don't.

While analysts continue to view the bank sector as "fundamentally overvalued", with Commonwealth Bank ((CBA)) the standout, they also acknowledge all of the above.

Indeed, all agree bank valuations are currently "stretched", "elevated", "exalted"; choose your own word.

Result Season

Over May all of ANZ Bank ((ANZ)), National Bank ((NAB)) and Westpac ((WBC)) have reported first half FY25 earnings while CBA provided a March quarter update. Heading into result season, analysts were warning that given elevated valuations, the banks had better not post weak results.

It must be noted all the above results were to end-March, pre the worst of Trump turmoil.

The wash-up is that bank results in general were sufficiently balanced, preventing any sell-off. Indeed, bank share prices are higher still post result season.

The swing factor in any bank earnings result is "market income", which is generated by banks' financial market trading arms. The greater the volatility of a market in the period, the greater the opportunity to trade. Analysts consider market income as "low quality", as it does not reflect the underlying performance of the bank, and can easily be as weak in one period as it is strong in another.

Macquarie concluded the banks' pre-provision earnings fell -2-3% (ex-market income) in the period, underpinned by softer revenues, while headline earnings were supported by persistently low bad debt charges. The key positives in the season were strong market income and ongoing supportive credit quality. The key negatives were weaker capital and softer underlying net interest margins (NIM).

Once again, Macquarie points out, bank fundamentals showed weaker trends (excluding CBA).

Recent earnings results have frequently benefited from lower-than-anticipated bad and doubtful debt (BDD) charges, notes Bell Potter. This has often been driven by very low formation of new impaired assets and, in some cases, releases from provisions built up during more uncertain periods.

Asset quality remains broadly resilient, supported by low unemployment. Bell Potter suggests provisions held against potential future losses still appear relatively robust across the banks. Furthermore, expected RBA rate cuts should provide some relief to borrowers at the margin, potentially extending the period of benign BDD outcomes, although this must be weighed against any broader economic slowdown.

Analysts have continued to be surprised by the resilience of borrowers over past years despite the cost of living pressure brought about by high inflation, and resultant elevated mortgage costs (and general borrowing costs), which were expected to lead to increased loan arrears and ultimate loan impairments.

Looking Ahead

Sector analysts agree at current share prices, it is difficult to see any significant upside, but not difficult to see significant downside.

The caveat is the extent to which Australian banks remain a safe haven for offshore, particularly US, investors. As for domestic investors, Macquarie noted back in April super fund allocations to the Australian market were becoming full, suggesting a shift towards investment offshore.

Safe haven status will rely on what new havoc Trump might wreak on the tariff front, or if he indeed continues to "chicken out", but there is also the matter of the US budget and Trump's One Big Beautiful Bill.

That bill, which provides tax cuts for the rich while slashing welfare funding such as Medicaid (health insurance for the poor), has squeaked through the Republican majority House but may yet be blocked by the Republican-majority Senate. The bill would significantly increase US government debt, require a massive debt ceiling increase (all once anathema to Republicans), risking a blow-out in US Treasury yields (debt servicing is already the largest government cost) and a run on the US dollar.

Suffice to say, uncertainty, and thus risk, remains for now. In isolation, bank analysts see greater headwinds ahead for Australian banks than tailwinds.

Blowing in the Winds

One factor to consider is the aforementioned counter-relationship between Australia's bank and resource sectors.

Improvements in sentiment towards commodities (and the mining/energy companies leveraged to them) could trigger a rotation of capital back into the currently "un-loved" resources sector, Bell Potter warns. With China currently stimulating its economy (and more relief potentially on the way) and US-China trade talks progressing positively, Bell Potter sees the potential for resources stocks to rally over the near/medium-term as global growth concerns abate.

If this occurs and sentiment towards the resources sector improves, the bank sector will be the clear funding source for many ASX investors, Bell Potter notes.

For banks specifically, recent results saw core NIMs generally declining across the banks. Intense competition continues in both lending and for deposits, Wilsons notes, squeezing margins from both sides of the balance sheet. The prospect of lower official interest rates later this year adds another headwind, likely weighing further on asset yields.

Along with this margin pressure, Wilsons is observing a distinct strategic pivot across the sector. As the home loan market becomes increasingly commoditised, the competitive battleground is shifting decisively towards business banking. NAB holds a strong incumbent position, but both CBA and Westpac are investing heavily and competing aggressively to capture market share in this potentially higher-margin segment.

While consensus has downgraded forecast FY26 profits by -1-4% through result season, Macquarie continues to see downside risk to earnings and margins. In this broker's view, consensus is still not fully capturing the effect of lower rates on bank margins, with earnings downgrades likely as we approach FY26.

Bell Potter sees more headwinds than tailwinds for NIMs. Expected rate cuts, persistent deposit pricing pressure, and a competitive lending environment across both mortgages and business banking are likely to keep margins constrained.

Cost management also remains a significant challenge across the sector. Bell Potter warns operating expenses are facing upward pressure from broad inflation, essential technology investments (including digitisation, cybersecurity, and compliance), and wage growth. The strategic pivot towards competing more aggressively in business banking adds another layer, often requiring investment in experienced personnel which directly impacts costs.

Bell Potter views rising costs as a key risk for the sector.

Low bad debts have to date proven a safety net for bank earnings, and Bell Potter suggests low BDDs are likely to remain a tailwind for bank earnings in the near term. The medium-term outlook is nevertheless less certain, and depends heavily on the trajectory of the economy, particularly unemployment, making it a "wait and see" factor beyond the next twelve months.

Wilsons agrees low BDDs have been a godsend for the banks, and that may continue to be the case. Wilsons notes a key factor supporting the bank sector's resilience has been its ability to broadly deliver against consensus earnings estimates, and thus offer a degree of "relative safety" amidst a challenging market earnings backdrop. But if consensus earnings momentum turns negative for the sector on the back of analyst downgrades, the banks stand to lose their "safe haven" status.

Earnings downgrades could come from a) intense competition in mortgage and business lending markets (downside risk to NIMs), b) interest rate cuts (downside risk to NIMs), or c) cost pressures. Yet with BDDs remaining subdued and the outlook for credit growth being well supported (lower rates via RBA cuts), these areas appear less likely to result in analyst downgrades, in Wilsons' view.

However, with the Banks index trading two standard deviations above historical averages on both an absolute and relative basis, despite lacklustre earnings growth estimates, the sector is ultimately priced for a significant consensus upgrade cycle, Wilsons acknowledges.

Such an upgrade cycle is tough to envisage in the context of an RBA rate cutting cycle and intense competition from both incumbents and non-traditional lenders, both of which are likely to present headwinds to NIMs and hence earnings.

Capital Management

Attractive, fully franked dividend yields continue to be the cornerstone of the investment case for major Australian banks, particularly for domestic income-focused investors. Capital levels (CET1 ratios) remain comfortably above regulatory requirements but are generally closer to banks' target operating ranges than in the recent past.

Combined with a potentially softer earnings outlook and ongoing investment requirements, this reduced flexibility makes large-scale, on-market share buybacks less likely going forward compared to the last couple of years. Banks are more likely to employ dividend reinvestment plan (DRP) "neutralisation" programs (buying only the equivalent of new DRP-generated shares) to manage share count dilution.

Nonetheless, while banks aim to keep payout ratios within their target bands, boards may tolerate temporary excursions above these targets if they have confidence in the medium-term earnings outlook, Bell Potter suggests.

But Macquarie sees bank capital becoming a constraint.

Capital (ex CBA) was softer over the reporting period, Macquarie notes, with weak organic capital generation and CET1 levels approaching (likely increased) capital targets of 11.75%. Further, as banks reach standardised capital floors, inorganic capital generation will also be diminished.

With headwinds from rate cuts, in addition to a possible normalisation in BDDs, Macquarie forecasts banks to not complete their existing buybacks (ANZ) and cut dividends (ANZ, NAB, Westpac).

Little Justification

Stretched valuations, especially for CBA, and a muted earnings growth outlook, keep Bell Potter cautious the sector. On a relative valuation basis, ANZ, NAB and Westpac are broadly preferred over CBA. While CBA's quality is undeniable, again highlighted in its March quarter update, which highlighted in-line results that gave the market no reason to sell the stock, the significant premium at which it currently trades relative to its own history, and its peers, is difficult to justify.

Post the bank reporting season, Bell Potter continues to be Underweight the banks.

In light of the bank sector's demanding headline valuation (driven by CBA) and uncompelling growth outlook, Wilsons is comfortable in retaining a "meaningful" Underweight exposure to banks. Wilsons' preferred exposures are ANZ and Westpac, with zero exposure to both CBA and NAB.

Given underlying earnings trends and the weak revenue outlook, Macquarie also remains Underweight the sector.

If there's one thing brokers agree steadfastly on, it's that CBA is overvalued. But has been forever the case.

There is little debate, notes Wilsons, CBA is Australia's highest quality bank, given its dominant position in the domestic mortgage market, strong management track-record (with notably fewer "blow-ups" than its rivals), sector-leading profitability (as measured by return on equity), and its digital/technology leadership. It thus follows that CBA deserves a premium to its ASX peers to account for its superior quality and delivery over time.

However, at a forward price to book of circa 3.6x and a forward PE of circa 27x, which is close to four standard deviations above its own long-term average, CBA's valuation cannot be justified fundamentally in Wilsons' view, particularly given its tepid growth outlook.

To illustrate, Wilsons notes CBA trades at roughly double the PE multiple of JPMorgan which is widely considered to be the best managed and highest quality bank in the world. This is also despite JPMorgan's superior scale, stronger growth profile, and superior profitability.

Overall, Wilsons continues to view CBA as significantly overvalued at current levels, leaving the local market leader vulnerable to a meaningful de-rating in its valuation over the medium-term.

Yet, while brokers might agree on CBA's overvaluation, there is little consensus as to which of the other three are preferred. As the table below suggests, the argument is only between Hold or Sell (or equivalent) ratings, with only one among the brokers monitored daily by FNArena setting a Buy rating on any of the Big Four, in this case Westpac (UBS).

The story is the same for the two main regionals, seeing no Buy ratings, while global investment bank Macquarie Group ((MQG)) and domestic disruptor Judo Capital ((JDO)) are faring noticeably better (not one Sell).

FNArena Major Bank Data					FY1 Forecasts				FY2 Forecasts			
Bank	B/H/S Ratio	Previous Close $	Average Target $	**% Upside to Target**	% EPS Growth	% DPS Growth	% Payout Ratio	**% Div Yield**	% EPS Growth	% DPS Growth	% Payout Ratio	**% Div Yield**
JDO	4/2/0	1.44	1.92	**30.39**	21.7	N/A	0.0	**0.0**	47.4	N/A	0.0	**0.0**
MQG	2/3/0	209.99	211.58	**- 0.56**	10.6	10.3	66.1	**3.4**	6.8	5.3	65.2	**3.5**
WBC	1/1/4	31.47	28.98	**- 8.43**	- 2.6	- 8.3	77.8	**4.8**	1.1	2.5	78.8	**4.9**
ANZ	0/6/0	28.88	27.25	**- 5.38**	4.5	- 1.2	72.0	**5.7**	- 2.8	- 0.7	73.6	**5.7**
BEN	0/3/2	11.99	10.44	**- 12.56**	- 15.2	- 2.0	75.6	**5.2**	- 0.9	0.8	76.9	**5.2**
BOQ	0/2/3	7.79	6.38	**- 17.81**	26.0	8.8	67.7	**4.8**	5.0	5.9	68.3	**5.1**
NAB	0/3/3	37.34	33.17	**- 11.69**	0.3	0.6	75.5	**4.5**	0.0	0.6	75.9	**4.6**
CBA	0/0/6	173.79	109.25	**- 36.85**	7.9	3.7	78.8	**2.8**	2.4	2.7	79.0	**2.9**

RUDI'S VIEWS

Rudi's View: How Expensive Is Expensive?

How Expensive Is Expensive?

By Rudi Filapek-Vandyck, Editor

Equity markets look "expensive".

There's virtually nobody around who will fiercely dispute that statement, but does this by definition mean we should all worry about the next sell-off forthcoming?

Recent client conversations by analysts at **Morgan Stanley** appear to suggest investors have --sort off-- given up on the ongoing valuation/over-valuation debate.

On the analysts' observation, there is now a "genuine fatigue" among investors when conversations migrate towards things like average and historic PE levels and equity valuations versus inflation and bond yields.

As far as Morgan Stanley's experience goes, local investors are way more interested in identifying companies that source their earnings locally and offer quality and defendable earnings stories.

Clearly, this year's context has put tariffs and tariff risk on everyone's mind.

Banks Loom Large In Australia

This also tells us a lot about why **Australian banks** refuse to "come down to earth", so to speak, despite just about every sector analyst and his pet (dog/cat/parrot) calling the sector overvalued by double digits.

The world remains uncomfortable with what can possibly be decided at the White House tomorrow.

Australian banks might not offer the same excitement and growth potential as the likes of Nvidia and Microsoft in the US, or try defense companies in Europe, but viewed through this year's specific risk assessment, they are solid enough havens that don't keep investors awake at night.

At some point, one would assume, either underlying fundamentals will need to catch up, or today's share prices will revert back to much lower levels.

According to analysts at **The Intelligent Investor**, the sector in Australia awaits in all likelihood another lost decade, just like the first ten years after the GFC delivered no net gains for loyal shareholders.

Except it lasted more than ten years, and CommBank ((CBA)) has been the stand-out exception (as I have pointed out time and again).

Banks remain the largest index constituent in Australia, and with none of them still trading below consensus target (outside of Judo Bank ((JDO)) and Macquarie Group ((MQG)), it goes without saying today's key indices in Australia all look inflated, pricey and bloated.

One can see why so many investors and market commentators feel nervous and uncomfortable, also because May yet again delivered outsized returns for local investment portfolios.

Ord Minnett Is Bearish

Last week, Head of Asset Allocation at **Ord Minnett**, Malcolm Wood released a valuation update for the Australian market and made his conclusions clear from the get-go: valuations in Australia are "extreme" no matter the angle from which an assessment is made.

On Wood's sector comparisons between the US and Australia, five out of 11 sectors locally look "expensive" against a direct comparison with the US, where valuations equally look richly priced. Those five sectors are Financials (of course, and mostly the banks within), as well as Healthcare, Info Tech, Communication Services, and Utilities.

Underneath such generalised assessments, there's plenty of material for hours-long debate. Wood himself acknowledges even in an "extremely" overvalued market, there are parts in sectors and the share market generally that look "attractive", "compelling" or "undervalued", including inside the five sectors highlighted.

One additional observation to make is Wood's historical PE comparison is 14.6x. With the local PE now sitting around 18.5x, this suggests overvaluation by two standard deviations, which sounds very scary and no doubt is one reason why the term "bubble" is so commonly used these days.

But maybe a more accurate observation to make is that equity valuations have been higher over the decade past than in the decades prior and in Australia this means a more apposite comparison might be the ten year-average multiple of 16x. It still means today's valuations are well above average, but a whole lot less than suggested off the 14.6x multiple.

In simple terms: Wood's analysis is suggesting the local market looks overpriced by some 26.5%, but against the ten year benchmark this percentage shrinks to 15.5% -- admittedly, that still remains a sizeable distance from "cheap".

UBS Remains Positive

Strategists at UBS are significantly less worried than Ord Minnett. Following this year's sharp sell-off and equally steep recovery, markets look due a breather for the time being, also because economic momentum is likely to weaken globally and in the US, but UBS has its focus firmly pinned on more upside for equities by year-end.

This view mainly centres around plenty of supportive factors keeping investor sentiment net positive, including lower tariffs, more rate cuts from central banks, fiscal easing in Europe and China, and, eventually, lower bond yields. UBS is also positive on AI and how investments made will result in leaner businesses with increased margins, which justifies higher multiples.

RBC Capital Is Cautious

Strategy peers at **RBC Capital** would agree with the general assessment that the outlook for US equities has improved recently post a quarterly results season that, all else remaining equal, quelled market fears about AI not living up to expectations.

RBC's year-end target for the S&P500 has thus lifted by 3% to 5730, which remains below where the index is trading in early June.

Too much uncertainty keeps RBC strategists apprehensive to turn bullish, also explaining why they limit their forecast to year-end, but a more constructive scenario could well see the index topping 6400. In case of a much more dire outcome, the downside could be in the 4200-4500 range.

We shall find out in hindsight, proclaims RBC, expecting a choppy pathway for markets in the six months ahead.

Corporate Results In Australia

Australian investors will soon be confronted with another tsunami in corporate market updates as the August results season is now but two months away.

Fears about series of profit warnings hitting local market sentiment have been proven unfounded throughout April and May, though there have been plenty of negative updates nevertheless, mostly from cyclicals and smaller cap companies.

Think Brickworks ((BKW)), Elders ((ELD)), and Nufarm ((NUF)) but also James Hardie ((JHX)), and ANZ Bank ((ANZ)) and Westpac ((WBC)).

There are probably only two more financial results left for the year-around **FNArena Results Monitor** (Collins Foods and Metcash) but the numbers for the 52 companies that updated post February continue to highlight a tough environment for many local businesses.

More than 40% (21 companies) have disappointed against 18 only (34.6%) that managed to genuinely outperform against analysts' projections.

This makes the current 'season' the worst since 2018, as the highest percentage in 'misses' had been the 37% registered in the same period of 2019, and that percentage then was matched by an equal percentage of 'beats'. Today, the number of beats is lower.

Only two seasons outside of February and August ended with a lower percentage of corporate results beating expectations; post-August last year with 27% and March-June 2018 with 34%.

In Australia, corporate reporting in between February and August is not necessarily representative of the share market at large, but the February season too had been among the worst since FNArena's Monitor started back in August 2013.

The hope is, of course, that RBA rate cuts and less negative scenarios globally might finally inject some oomph into Australian businesses that thus far have not been able to keep up with the likes of TechnologyOne ((TNE)), or QBE Insurance ((QBE)), or Telstra Corp ((TLS)).

On current consensus projections, the ASX200 will record its third consecutive financial year of net negative EPS growth. While part of that story can be related back to miners and energy companies, fact remains the banks and large segments of the Australian market are equally operating inside a zero to low growth environment.

Thus far and yet again prominently outperforming in February as well as in the current season, are many of the ASX favourites your average 'value' investor likes to hate with a passion; think Xero ((XRO)) and TechOne, but also Catapult International ((CAT)), Life360 ((360)), and Tuas ((TUA)).

The situation in the US is fundamentally the same. The danger from this set-up, the above-mentioned UBS strategists would argue, is not that equity markets are at risk of a large sell-off but of the opposite occurring; more money flowing into those stocks and sectors that are performing, which can take indices a lot higher from today's level, but that would genuinely become the next bubble to burst.

As things stand right now, those UBS strategists believe the probability of the next bubble forming is greater than worst-case scenarios happening.

That does not fill my investor heart with a lot of joy, so I will be keeping my fingers crossed for a broadening out of the earnings momentum, both locally and offshore.

Maybe the fact more and more businesses have started to mention AI in recent market updates, including Telstra, Webjet Travel ((WEB)) and BHP Group ((BHP)), could be a sign of better times ahead for more companies?

FNArena's Corporate Results Monitor: https://fnarena.com/index.php/reporting_season/

List of **All-Weathers** and other curated selections: https://fnarena.com/index.php/analysis-data/all-weather-stocks/

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 2nd June 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: NextDC, QBE, Superloop & Woodside

By Rudi Filapek-Vandyck, Editor

Morningstar has added **Auckland Airport** ((AIA)) to its selection of **Best Ideas** list for June.

Shares in the New Zealand airport have been treading water ever since a valuation re-rating was stopped in early 2016. It had been a local fund manager's favourite, but shareholders have seen dividend payouts completely evaporate for a while post covid.

Financial numbers are on the up again, but there's also a major capex burden coming up plus income from aeronautical charges is expected to drop in FY26.

Morningstar's view is the market is being too cautious and with the shares seen trading some -17% below its own fair value estimate, shares in Auckland Airport have now been added to what is essentially its curated list of high conviction recommendations.

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This month's update on stockbroker **Morgans' Best Ideas** has seen the removal of Maas Group ((MGH)), HomeCo Daily Needs REIT ((HDN)) and Avita Medical ((AVH)). Their memberships have been take up by James Hardie ((JHX)), Goodman Group ((GMG)), and Dexus Convenience Retail REIT ((DXC)).

For the full list of Morgans' 30 Best Ideas, prior to the latest changes, see: https://fnarena.com/index.php/2025/04/10/rudis-view-best-buys-conviction-calls-on-asx/

Also, for those who still are not certain whether AI is the trend that remains in place for longer, if not much longer, **UBS** has elevated **NextDC** ((NXT)) to its **APAC Key Call list**. See also Goodman Group above.

Morgans has also updated on its key stock picks in the ASX-listed technology space, where current favouritism resides with WiseTech Global ((WTC)) and Megaport ((MP1)).

Other key picks are Car Group ((CAR)) in media, Superloop ((SLC)) among telcos and Light & Wonder ((LNW)) in gaming.

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The post-February corporate results season in Australia has been "mixed" at best, but with some notable solid performances on one side of the ledger as well as numerous disappointments and profit warnings. Both extremes have led to some re-weightings for the **Model Portfolio at Wilsons**.

First the good news. TechnologyOne ((TNE)) has become a genuine super-performer in the local tech sector, or in Wilsons' words: The one Technology company that keeps delivering. This has resulted in an increased exposure for the Portfolio.

James Hardie's quarterly was a disappointment. Wilsons' Portfolio has in response scaled back its exposure.

Earlier, Aristocrat Leisure ((ALL)) disappointed and Xero ((XRO)) confirmed its momentum and neither result has triggered any changes for the Portfolio.

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RBC Capital's Global Energy Best Ideas List continues to feature **Woodside Energy** ((WDS)). Australia's largest energy producer also presented at the RBC Global Energy, Power & Infrastructure Conference recently and the analysts were kind enough to share some of the multiple positives that emerged from that event, including:

-Woodside believes it is advantaged over other potential US LNG project developments through the strength of its balance sheet, and significant LNG plant construction and operating experience.

-Louisiana LNG is viewed as an attractive project for Woodside because it has a fixed rate, lump sum contract with a high quality contractor (Bechtel), it balances Woodside's Global LNG portfolio, and adds significant Atlantic Basin LNG market exposure that creates new LNG market opportunities.

-Woodside does not expect US trade tariffs to have a major impact on the Louisiana LNG project. The project has a foreign trade zone exemption, which means tariffs are not payable until the equipment is put into operation (2029). Around 12% of the project materials are to be sourced from outside of the United States. No steel is to be sourced from China, with the major steel components coming from Turkey and the Middle East.

-The Sangomar offshore Senegal oil project has performed exceptionally well for Woodside since it came on stream in July 2024. Woodside has increased reserves and resources for both the main S500 reservoir and the S400. The company sees a Sangomar Phase 2 expansion possibly being supported by good early results from the S400 sands, although longer term evaluation is needed from the existing injector-producer pairs for support.

-Woodside Louisiana LNG project capex exposure has been reduced through project structuring that Woodside noted allows for the sale of LNG project infrastructure (Stonepeak has purchased 40% equity in InfraCo) and overall project equity (Aramco is in discussion to buy equity in HoldCo, along with LNG offtake). More project equity sell downs are planned in HoldCo.

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In line with market sentiment in 2025, analysts at **Citi** have identified eight **small and mid-cap ideas** that provide investors with exposure to companies with high growth through disruptive strategies, and largely removed from "US tariff noise".

-Beacon Lighting ((BLX))
-Ingenia Communities ((INA))
-Megaport ((MP1))
-Nick Scali ((NCK))
-Superloop ((SLC))
-Temple & Webster ((TPW))
-The a2 Milk Co ((A2M))
-Tuas Ltd ((TUA))

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If **rising bond yield**s and their impact on the local share market unnerve you, **Macquarie** has done the research and identified some ASX-listings that are most at risk from rising bond yields (also taking into account operational risks given the underlying trend in earnings forecasts remains negative in Australia).

First mentioned are, of course, your typical bond proxies, including Endeavour Group ((EDV)), Dexus ((DXS)), APA Group ((APA)), Amcor ((AMC)), and Woolworths Group ((WOW)).

Among small caps, Macquarie has enlisted Centuria Office REIT ((COF)), Growthpoint Properties Australia ((GOZ)), Cromwell Property ((CMW)), Region Group ((RGN)), and BWP Trust ((BWP)) -- all are REITs.

For potential beneficiaries, Macquarie highlights QBE Insurance ((QBE)), Insurance Australia Group ((IAG)), Suncorp ((SUN)), Light & Wonder ((LNW)), and BlueScope Steel ((BSL)), plus small caps AUB Group ((AUB)), News Corp ((NWS)), and Helia Group ((HLI)).

Best Buys & Conviction Calls

Crestone's Best Sector Ideas:

-Ampol ((ALD))

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

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

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

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

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

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

-GQG Partners ((GQG))
-Qualitas ((QAL))
-Universal Store Holdings ((UNI))
-Dicker Data ((DDR))
-SiteMinder ((SDR))

-EVT Ltd ((EVT))
-Temple & Webster ((TPW))

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

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

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

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

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

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

-Coles Group ((COL))

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

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

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

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

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Morningstar's list of **Best Buy Ideas** before the addition of Auckland Airport (see above):

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

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Shaw and Partners' Large Caps Model Portfolio:

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

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

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

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

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

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

Most Preferred

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

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

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

Least Preferred

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

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Wilsons' Focus Portfolio currently contains the following:

-ANZ Bank ((ANZ))
-Aristocrat Leisure ((ALL))
-BHP Group ((BHP))
-Brambles ((BXB))
-Car Group ((CAR))
-Collins Foods ((CKF))
-CSL ((CSL))
-Evolution Mining ((EVN))
-Goodman Group ((GMG))

-HealthCo Healthcare & Wellness REIT ((HCW))
-Hub24 ((HUB))
-James Hardie ((JHX))
-Mac Copper ((MAC))
-Macquarie Group ((MQG))
-ResMed ((RMD))
-Sandfire Resources ((SFR))
-Santos ((STO))
-South32 ((S32))
-TechnologyOne ((TNE))
-Telix Pharmaceuticals ((TLX))
-The Lottery Corp ((TLC))
-Westpac Bank ((WBC))
-WiseTech Global ((WTC))
-Woolworths Group ((WOW))
-Worley ((WOR))
-Xero ((XRO))

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

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

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

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

Wilsons' number one **speculative idea**:

-Clarity Pharmaceuticals ((CU6))

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

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

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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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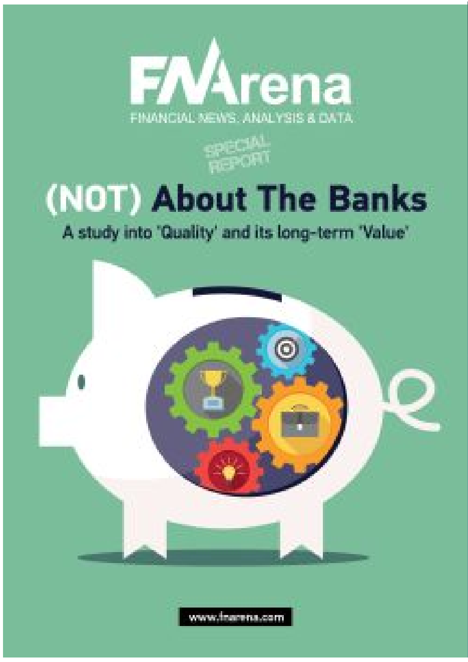

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TREASURE CHEST

Treasure Chest: Tabcorp Holdings

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

By Mark Woodruff

Whose Idea Is It?

Morgan Stanley

The subject:

Australia's largest multichannel wagering brand, Tabcorp Holdings ((TAH)).

Morgan Stanley sees upside risk to FY26 earnings for Tabcorp Holdings, citing good positioning to improve retail profitability through changes to venue commission structures and targeted product innovation.

A strategic pivot is underway to enhance monetisation in the retail network, notes the broker, including reducing commissions paid to pubs and clubs and reinvesting within the existing cost envelope rather than recycling savings into unrelated areas.

More info:

Analysts at Morgan Stanley suggest as Tabcorp's promotional spending and capex are redirected to support in-venue activity, underperforming venues may be impacted more acutely, especially with the likely introduction of minimum turnover thresholds.

Further investment in the network will be complementary to the existing upgrade program which has been undertaken across high performing TAB venues in New South Wales, Victoria, and Queensland.

At February's interim results, Macquarie noted the cost-out program had delivered -$20m in savings for the half and the cost benefits for FY25 were also increased by $10m to $30m.

Now, Morgan Stanley forecasts cost savings for the retail network of around -$20m in FY26, or circa -$5,000 per venue, thereby strengthening margins across the retail network.

In the words of new CEO Gillon McLachlan at the interim results presentation "retail will be a key part of TAB moving forward" and the company will "ensure the structural profitability for this part of the business while providing pubs and clubs with customised offerings."

Tabcorp has around 4,000 venue partners across Australia (ex-WA), which comprise both standalone TAB betting shops and TAB counters in venues such as pubs and clubs.

While the company is unlikely to remove retail turnover-based commission (which is the largest commission pool contributor), Morgan Stanley anticipates management will look to variabilise all components of the payments made to venue partners and to implement minimum turnover thresholds for commission payments.

Product innovation, such as in-play betting in retail venues, is a competitive advantage leveraging Tabcorp's licence footprint in ways digital-only rivals cannot replicate, explains the broker.

The suggestion made is these new offerings, combined with existing upgrades such as enhanced screens and exclusive promotions, will recoup some lost in-venue digital share.

Earnings were already benefiting from cost-out and the Victorian Wagering licence change, noted Macquarie at the interim result, but the underlying Wagering & Media business was still finding a floor, registering only 1% revenue growth, and generating only $120m of earnings, a fall of -10% year-on-year.

The latter broker was referring to the award of a new, exclusive Victorian Wagering and Betting Licence by the Victorian Government, commencing August 2024 and running for 20 years until 2043.

At the time, Jarden noted a difficult company turnaround was being further challenged by soft racing turnover, but sensed management was assembling the right building blocks.

This broker agrees the market under-appreciates the potential of Tabcorp's unique portfolio of branded assets, likely due to their historical under-utilisation and entanglement in less accountable joint venture structures.

At the time of interim results, analysts could see significant upside if this potential is unlocked, particularly across the Retail and Media segments.

The half-year result made UBS incrementally more positive on the cost-out opportunity for both operating expenses and capex.

While maintaining a Neutral rating, UBS highlighted Tabcorp's operating and financial leverage, making the stock highly sensitive to turning points in demand.

Certainly, Morgans could see long-term potential, supported by a series of specialised hires aimed at maximising value from Tabcorp's existing asset base.

This broker raised its target to 75c from 60c following the result and upgraded to Add from Hold.

Now that Overweight-rated Morgan Stanley has also raised its target to 77c from 70c, the average target of four daily covered brokers in the FNArena database has risen to 72.8c from 69.5c.

The new average aligns with the 73c share price at the time of writing. Morgan Stanley and Morgans are Buy-rated (or equivalent) and UBS and Macquarie are on Hold.

Outside of daily coverage, Jarden assigns an Accumulate rating, which sits between Buy and Neutral in this broker's rating framework.

Morgan Stanley's upgraded price target (78c) is now the highest of the pack.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 30-05-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday May 26 to Friday May 30, 2025
Total Upgrades: 7
Total Downgrades: 9
Net Ratings Breakdown: Buy 61.55%; Hold 32.26%; Sell 6.19%

In the week ending Friday, May 30, 2025, FNArena tracked seven upgrades and nine downgrades for ASX-listed companies from brokers monitored daily.

Following four consecutive weeks in which top ten percentage declines in average target prices and earnings forecasts outweighed gains, the tables below show positive changes to targets materially beat falls across the board, while earnings upgrades were significantly larger for the top five entries.

Average targets for COG Financial Services, Australia's leading finance broker aggregator and equipment leasing business, and EVT Ltd, which operates across the entertainment, hospitality, and travel sectors, rose by around 17% and 13%, respectively.

COG experienced strong third quarter growth in its Novated Leasing business, helping lift profit by 9% compared to the prior year, slightly ahead of Morgans' forecast.

Recent divestments of stakes in Centrepoint Alliance and Earlypay ((EPY)) are good initial moves to streamline the business and reduce complexity, in the broker's view.

According to anecdotal commentary in the Australia Financial Review, the company's new Chairman wants to prioritise insurance broking operations going forward.

Suggesting EVT Ltd is both underappreciated and undervalued, Morgan Stanley highlighted the cinema business is experiencing early stages of a recovery in earnings which should deliver meaningful positive EPS revisions over the next three years.

The analysts also have increased conviction in EVT's hotel and property assets given a number of upcoming positive catalysts. According to the broker's Australian property team, these assets are trading in line with the market value of the property portfolio, implying zero value attribution for the cinema business.

Telstra Group was next with an around 12% lift in average target after management outlined a vision at the investor day for FY30 and beyond, including an aim for sustainable, growing dividends over the coming five years.

Targeting opportunities in enhancing network monetisation, the telco also aims to leverage artificial intelligence to drive efficiency, along with other cost-outs as explained at https://fnarena.com/index.php/2025/05/30/telstra-targets-sustainable-growing-dividends/

Web Travel follows Telstra on the positive target price ranking after all seven daily covered brokers in the FNArena database updated research last week following FY25 results. FNArena's consensus target rose to $6.28 from $5.61.

While results were broadly in line with expectations, both Citi and Macquarie upgraded their ratings to Buy (equivalent).

Citi cited a robust trading outlook against a challenging macroeconomic backdrop, while Macquarie is increasingly confident management will reach its $10bn FY30 target, noting greater visibility for medium-term revenue and earnings margins.

From the above changes to average targets, both Web Travel and COG Financial Services also appear in the upper reaches of positive change to average earnings forecasts. That table is headed up by Champion Iron, though that is the result of forecasts shifting into a new financial year. The previous year (ending in March) was not so great for the producer of iron ore.

Champion's FY25 result proved in line at the P&L and net-debt levels, according to Macquarie, with the flat dividend half-on-half a positive surprise for the analyst as the second half payout ratio was increased.

Bell Potter expects earnings will continue to support dividends as free cash flow should improve from 2026 with major capital programs completed. It's also felt government policy in the European Union and the growth in direct reduced iron (DRI) steel production will be supportive.

Appearing third and fourth on the earnings upgrade table, Fisher & Paykel Healthcare and ALS Ltd received respective FY25 upgrades of 18% and 15% on average.

Fisher & Paykel's FY25 result slightly beat forecasts by UBS and Morgan Stanley as higher margins offset slower hospital consumables growth in the second half and lower homecare revenues.

UBS noted FY25 benefited from a New Zealand dollar tailwind, but forecasts the company should also be able to maintain a significant P/E premium to A&NZ large-cap healthcare peers in reflection of superior EPS growth.

ALS Ltd's FY25 result met Morgans' expectations but the more important takeaway was the broker's optimistic view on both the Life Sciences division and Commodities.

A 15% rise in mineral volumes at the start of FY26 was not a one-off, according to the analyst, and prices will follow volume gains as the market tightens.

Over at Macquarie, their analyst predicted the environmental area within Life Sciences will outperform, contributing to 20-40bps margin improvement in FY26. In the case of the Commodities division, flat margins are expected to continue in the first half of FY26 before recovery in the second half.

On the flipside, Propel Funeral Partners received the largest fall (-10.55%) in average target price from brokers, with Healius not far behind at -9.55%.

Following lower guidance for FY25, Ord Minnett lowered its EPS forecasts for Propel Funeral Partners materially across FY25-27 due to lower-than-expected funeral volumes courtesy of a weaker death rate and falling excess mortality post-covid.

Management's guidance is for second half operating earnings to fall -17% short of market expectations, leading to near-term negative operating leverage, suggested the broker.

More positively, the analyst noted an ongoing opportunity for industry consolidation, with Propel holding $144m in funding capacity. Despite a lower target, Ord Minnett upgraded its rating to Buy from Accumulate on valuation grounds following a -16% share price decline over the past two months.

Morgans was the sole broker to update its earnings estimates for Healius last week, following early-May announcements of the Lumus Imaging divestment and a special dividend of approximately $300m.

The broker expressed caution given only 30% of flagged milestones have been completed to date and the analysts had previously estimated -$110m in cost savings/efficiencies required to deliver targeted high single digit operating margins by the end of 2027.

Leading agribusiness Elders is next on the list of negative earnings changes. As ever, the company remains subject to the vicissitudes of the Australian weather, and while the interim result showed an improvement, it still fell below broker expectations.

Offsetting the weakness in AgChem, the company experienced a higher-than-expected contribution from Real Estate, Agency (livestock, wool brokerage, and auctions) and Wholesale. For further details see https://fnarena.com/index.php/2025/05/28/elders-building-through-the-cycle-resilience/

In terms of negative change to average earnings forecasts, here WiseTech Global and Duratec were most prominent.

Wisetech's most ambitious acquisition of Texas-based E2open for -US$2.1bn enables the company to serve the entire supply chain, shifting from freight forwarding and warehousing to an end-to-end global trade platform.

While some brokers remain circumspect on the takeover given E2open's flagging financial performance over the last couple of years, others prefer to highlight the strategic and financial sense of the transaction as explained at https://fnarena.com/index.php/2025/05/29/wisetechs-big-bold-bet-on-e2open/

FY25 revenue guidance by Duratec has slipped by -7% at the midpoint, with earnings guidance also down by -5% due to unfavourable and unseasonal weather, as well as delays in several defence and mining contracts, Ord Minnett explained.

Duratec specialises in the assessment, protection, remediation, and refurbishment of steel and concrete structures.

Management did point to a pickup in May and June, indicating to the broker more robust performance, while Shaw and Partners noted gross margins remain stable and the order book robust.

Shaw and Bell Potter remain Buy-rated on Duratec and Ord Minnett kept its Accumulate rating, one peg below Buy in its ranking system.

Total Buy ratings in the database comprise 61.55% of the total, versus 32.26% on Neutral/Hold, while Sell ratings account for the remaining 6.19%.

Upgrade

AURIZON HOLDINGS LIMITED ((AZJ)) Upgrade to Add from Hold by Morgans .B/H/S: 1/5/0

Morgans revisited the outlook for Aurizon Holdings following a weak narrative in the bulk and containerised freight segments, which it believes led to the $500m subordinated debt issue and cost-cut program.

The broker downgraded FY25 revenue forecast by -3%, and lowered EBITDA forecast by -8% to $1.52bn, which now sits below the company's guidance range of $1.66-1.74bn. Lower volumes across both the network and coal divisions are the key reasons behind the downgrade.

The broker removed share buyback from its forecasts, expecting the company to instead pay down debt with free cash flow.

Target cut to $3.10 from $3.28. Rating upgraded to Add from Hold.

GENESIS MINERALS LIMITED ((GMD)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/4/0

Genesis Minerals is acquiring Focus Minerals ((FML)) for -$250m in cash, and Macquarie believes it will help pursue mill expansions consistent with the ASPIRE 400 strategy.

The broker believes the deal is EPS accretive, with EV/resource metric reducing -25% after the transaction, pointing to attractive resource per unit.

The analyst is factoring in mill expansions at Leonora and Laverton to a group capacity of 7.0Mtpa by FY31 from 4.4Mtpa currently.

FY25-26 EPS forecasts cut by -1% on higher near-term capex and interest expenses.

Target price increased to $5.10 from $4.20 on increased group production outlook. Rating upgraded to Outperform from Neutral.

See also GMD downgrade.

GOODMAN GROUP ((GMG)) Outperform by Macquarie .B/H/S: 5/1/0

Macquarie notes the 3Q25 operational update from Goodman Group, with management confirming guidance for operational EPS growth of 9% in FY25 and a dividend per share of 30c, which is 10% higher than the broker's and consensus estimates.

Management restated the key performance targets for data centres, but no new information was provided on lease contracts or capital partners. However, management highlighted they were in conversations with "several large customers" and "a range of potential investment partners."

The broker notes assets under management grew 1.7% to $85.8bn in the previous quarter and are expected to increase further upon completion of a new partnership in North America.

The analyst retains an Outperform rating and $36.31 target price, although the quarterly update is likely to disappoint the market due to the absence of upgrades and lack of new news on data centre developments.

See also GMG downgrade.

PROPEL FUNERAL PARTNERS LIMITED ((PFP)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 4/0/0

Ord Minnett lowers its EPS forecasts for Propel Funeral Partners by -10.7% for FY25, -11.4% for FY26, and -10.8% for FY27 due to lower-than-expected funeral volumes. The analyst notes a weaker death rate and falling excess mortality post-covid.

Guidance is for H2 operating earnings (EBITDA) to fall -17% short of market expectations and -13% below the broker's prior estimate, leading to near-term negative operating leverage.

While acknowledging covid-driven excess deaths are declining, Ord Minnett points to a longer-term structural tailwind from Australia's ageing population. ABS data are projecting a death rate CAGR of 2.6% from 2025-2030 and 2.9% from 2031-2040.

The broker sees continued opportunity for industry consolidation, with Propel holding $144m in funding capacity and accounting for just 9% of a highly fragmented market.

Ord Minnett cuts its target to $5.50 from $6.05 but upgrades to Buy from Accumulate on valuation grounds following a -16% share price decline over the past two months.

TELSTRA GROUP LIMITED ((TLS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/2/1

Telstra Group announced its Connected Future30 strategy, focusing on cost discipline and efficiency, to deliver consistent growth to shareholders.

Macquarie notes $4.5bn of reductions were identified in operating and capital costs, and the company expects more than 50% of communication revenue to come from Network as a Product (NaaP by FY30.

The broker highlights AI was the focus and the company suggested it could scale AI without putting pressure on costs from higher cloud expenses. The company also announced price increases for Telsta-branded and Belong mobile postpaid plans.

EPS forecast for FY25 lifted by 3% and by 11% for FY26.

Target increased to $5.28 from $3.93. Rating upgraded to Outperform from Neutral.

See also TLS downgrade.

WEB TRAVEL GROUP LIMITED ((WEB)) Upgrade to Outperform from Neutral by Macquarie and Upgrade to Buy from Neutral by Citi.B/H/S: 5/1/1

Web Travel's FY25 underlying EBITDA came in line with guidance. Underlying EBITDA margin for WebBeds fell -830bps to 42.3% due to a decline in total transaction volume revenue margin.

The company reiterated its expectation for a medium-term revenue margin of 6.5%, and Macquarie believes it should be the medium-term floor with much of FY25 headwinds now addressed.

Underlying WebBeds EBITDA margin return to 50% is now forecast to happen in FY27 vs FY26 earlier. The broker is forecasting 49% based on its lower forecast for FY27 of $6.7bn vs $7.0bn estimated.

EPS forecast for FY26 cut by -11%, but FY27-28 lifted by 9% and 11% respectively, mainly on revenue upgrades. Rating upgraded to Outperform from Neutral.

Target price rises to $6.19 from $4.83 on valuation roll-forward and an increase in valuation multiple to the top end from mid-point.

Citi upgrades Web Travel to a Buy, High Risk from Neutral with a higher target price of $6.60 from $5.50, due to a robust trading outlook against a challenging macro backdrop.

The broker is notably upbeat on the strong advances in market share and management's expectations to double profit post-FY25, which was broadly in line with expectations.

Higher conversion and increased sales to existing customers, by some 1300bps, underpinned bookings and total transaction value growth of 20% and 22% respectively, above market growth of 5%. Citi also points to a strong trading update for the first eight weeks of FY26.

The analyst lifts earnings (EBITDA) forecasts slightly for FY26FY28 by up to 3%, with higher earnings revisions in the outer years due to a higher level of confidence in Web Travel achieving the $10bn top-line FY30 target.

Downgrade

ADRIATIC METALS PLC ((ADT)) Downgrade to Hold from Add by Morgans .B/H/S: 0/1/0

Adriatic Metals confirmed takeover speculation, stating it has allowed limited due diligence to Canadian miner Dundee Precious Metals.

Morgans notes Dundee has 28 days from May 21 to either make an offer or advise it doesn't intend to proceed. The broker believes the company would be a logical acquirer due to its experience across base and precious metals projects in Eastern Europe.

The share price has rallied around 35% since the confirmation, prompting the broker to downgrade to Hold from Add.

Target price rises to $4.74 from $4.50 on the removal of Bosnia sovereign risk discount.

Transfer of coverage to Ross Bennett.

GENESIS MINERALS LIMITED ((GMD)) Neutral by Citi .B/H/S: 2/4/0

Genesis Minerals is acquiring Focus Minerals' ((FML)) Laverton gold project for -$250m to supply open pit and underground ore to its operating Laverton mill.

Citi reckons the deal is attractive on both dollars/resource basis and institutional value. The added resource further bolsters the case for a plant expansion or a new mill.

The broker highlights the company has done well, acquiring a project in trucking distance to its mills.

Neutral. Target lifts to $4.40 from $4.00.

See also GMD upgrade.

GOODMAN GROUP ((GMG)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 5/1/0

Ord Minnett lowers its target for Goodman Group to $30.80 from $33.50, reflecting reduced long-term revenue expectations from its data centre pipeline. The broker's rating is also downgraded to Hold from Accumulate.

The broker notes lower-than-expected installed IT capacity conversion (32.5MW from 50MW), falling by circa -20% below prior assumptions.

This lower efficiency leads to a revised long-term pipeline valuation of $150bn (down from $190bn) and a cut in the broker's powerbank valuation to $100bn. The analyst's data centre segment's per-share value is downgraded to $12.20 from $14.90.

Recent additions in Los Angeles and Hong Kong expand work-in-progress to $13.7bn, with data centres now comprising over half of Goodman's active projects.

Ord Minnett believes the risk profile of the group's data centre developments has increased without a corresponding lift in return metrics such as yield on cost.

The broker notes management maintained FY25 guidance.

See also GMG upgrade.

REGIS RESOURCES LIMITED ((RRL)) Downgrade to Hold from Add by Morgans .B/H/S: 0/6/1

Regis Resources is downgraded to Hold from Add due to recent share price performance, with a higher target price of $5.24 from $4.80.

Morgans notes the company continues to upgrade its resources and reserves, with the latest mineral resources at 7.5moz, up 600koz or 9% after mining depletion, the broker explains, and ore reserves of 1.7moz, up 690koz or 68% after mining depletion.

The analyst explains this is the fifth consecutive year of reserve growth for Duketon, and drilling at Tropicana infers additional underground potential, with ore reserves up to 641koz from 317koz including ore depletion.

SOUTH32 LIMITED ((S32)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/2/0

Citi downgrades South32 to Neutral from Buy, with a lower target price of $3.40 from $3.70 and no change to EPS estimates.

The broker believes there is an ongoing challenge between improving dynamics in China and global macro headwinds. The Australian mining sector has underperformed by -30% since October 2023, the analyst states, despite a slight pick-up in the AUD commodity index.

This is viewed as unusual. Citi economists are flagging global growth to ease to 2.3% in 2025 from 2.8% in 2024, and the full impact of the tariffs has yet to be experienced.

The analyst expects South32 shares to remain cheaper for longer due to softer demand for ex-China metals.

WASHINGTON H. SOUL PATTINSON AND CO. LIMITED ((SOL)) Downgrade to Hold from Add by Morgans .B/H/S: 0/1/0

Morgans raises its target for WH Soul Pattinson to $37.50 from $36.20 and downgrades to Hold from Add due to share price strength following interim results.

The broker's investment thesis remains supported by consistent long-term performance, including 25 consecutive years of dividend growth. The dividend per share is forecast to rise to $1.02 in FY25 and reach $1.09 by FY27.

The group continues to benefit from strong liquidity, a diversified portfolio across equities, property, and private equity, and an uncorrelated return profile versus the market, highlights the analyst.

LOTTERY CORPORATION LIMITED ((TLC)) Downgrade to Hold from Add by Morgans .B/H/S: 4/2/0

Morgans cut Lottery Corp's FY25-26 revenue forecasts by -3.1% and -1.1%, respectively, due to weaker jackpot sequencing, mainly in Powerball.

EBIT margin downgraded by -30bps in FY25 and -10bps in FY26.

Target cut to $5.50 from $5.60. Rating downgraded to Hold from Add on recent share price strength.

TELSTRA GROUP LIMITED ((TLS)) Downgrade to Accumulate from Buy by Ord Minnett and Downgrade to Neutral from Buy by UBS.B/H/S: 3/2/1

Ord Minnett maintains confidence in Telstra Group's strategic direction following its investor day, despite the absence of formal quantitative guidance.

The broker forecasts operating earnings growth of around $300m annually, implying an 8% compound annual growth rate (CAGR) for both EBITDA and EPS through FY30, driven by mobile, InfraCo, cost savings, and AI integration.

Capital management remains central to the investment case, suggests the analyst, with estimated share buybacks of $5-6bn over five years, even after factoring in dividends, capex, and NBN costs.

While dividend growth is expected to be sustained, a potential limitation on franking credits later in the decade could lead to partially franked distributions, notes Ord Minnett.

Target rises to $5.00 from $4.50. The rating is downgraded to Accumulate from Buy due to recent share price strength.

UBS notes Telstra Group presented a solid outlook at its Connected Future 30 strategy day, focusing on growing demand and its competitive advantages.

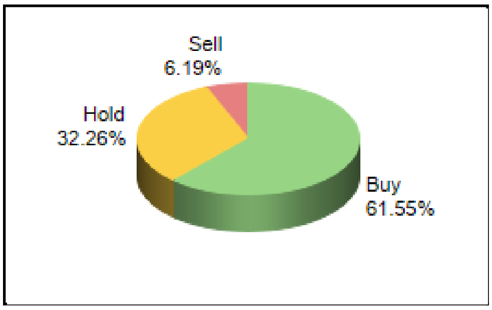
The broker believes the company's 10% ROIC target by FY30 is achievable but remains cautious due to additional capex required in FY27-28 from spectrum auctions. Other headwinds include increased competition and softer government spending, but on the positive side, investment in AI could cut costs and aid productivity improvements.

The company lifted mobile monthly price for consumers/SMEs, but the net impact will be diluted by additional costs.

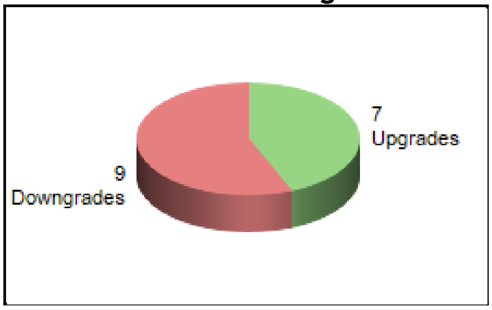
Rating downgrade to Neutral from Buy. Target lifted to $4.60 from $4.50 on valuation roll-forward.

See also TLS upgrade.

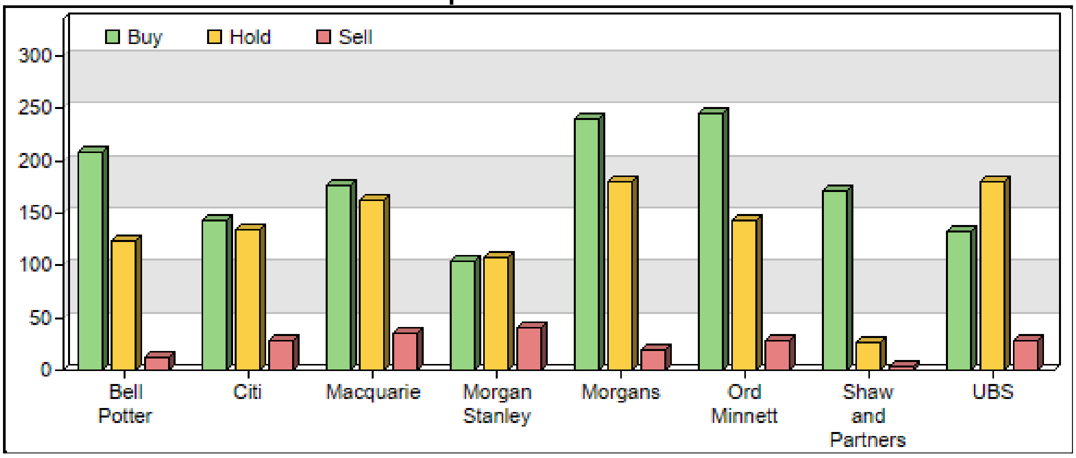
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AURIZON HOLDINGS LIMITED	Buy	Neutral	Morgans
2	GENESIS MINERALS LIMITED	Buy	Neutral	Macquarie
3	GOODMAN GROUP	Buy	Neutral	Macquarie
4	PROPEL FUNERAL PARTNERS LIMITED	Buy	Buy	Ord Minnett
5	TELSTRA GROUP LIMITED	Buy	Neutral	Macquarie
6	WEB TRAVEL GROUP LIMITED	Buy	Neutral	Macquarie
7	WEB TRAVEL GROUP LIMITED	Buy	Neutral	Citi
Downgrade				
8	ADRIATIC METALS PLC	Neutral	Buy	Morgans
9	GENESIS MINERALS LIMITED	Neutral	Buy	Citi
10	GOODMAN GROUP	Neutral	Buy	Ord Minnett
11	LOTTERY CORPORATION LIMITED	Neutral	Buy	Morgans
12	REGIS RESOURCES LIMITED	Neutral	Buy	Morgans
13	SOUTH32 LIMITED	Neutral	Buy	Citi
14	TELSTRA GROUP LIMITED	Neutral	Buy	UBS
15	TELSTRA GROUP LIMITED	Buy	Buy	Ord Minnett
16	WASHINGTON H. SOUL PATTINSON AND CO. LIMITED	Neutral	Buy	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	COG	COG FINANCIAL SERVICES LIMITED	1.483	1.273	16.50%	3
2	EVT	EVT LIMITED	17.097	15.197	12.50%	3
3	TLS	TELSTRA GROUP LIMITED	4.755	4.238	12.20%	6
4	WEB	WEB TRAVEL GROUP LIMITED	6.279	5.611	11.91%	7
5	OCL	OBJECTIVE CORPORATION LIMITED	17.333	16.083	7.77%	3
6	APE	EAGERS AUTOMOTIVE LIMITED	16.864	15.877	6.22%	7

7	GMD	GENESIS MINERALS LIMITED	4.317	4.100	5.29%	6
8	BOE	BOSS ENERGY LIMITED	4.159	3.973	4.68%	7
9	ALQ	ALS LIMITED	18.913	18.150	4.20%	4
10	CAT	CATAPULT GROUP INTERNATIONAL LIMITED	5.567	5.350	4.06%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	PFP	PROPEL FUNERAL PARTNERS LIMITED	5.740	6.417	-10.55%	4
2	HLS	HEALIUS LIMITED	1.137	1.257	-9.55%	3
3	ELD	ELDERS LIMITED	8.813	9.343	-5.67%	4
4	DUR	DURATEC LIMITED	1.767	1.857	-4.85%	3
5	SDR	SITEMINDER LIMITED	6.382	6.682	-4.49%	5
6	JIN	JUMBO INTERACTIVE LIMITED	13.517	13.917	-2.87%	6
7	CWY	CLEANAWAY WASTE MANAGEMENT LIMITED	3.062	3.135	-2.33%	5
8	CIA	CHAMPION IRON LIMITED	6.400	6.533	-2.04%	3
9	ORA	ORORA LIMITED	2.195	2.237	-1.88%	6
10	SIQ	SMARTGROUP CORPORATION LIMITED	9.018	9.185	-1.82%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CIA	CHAMPION IRON LIMITED	57.782	30.668	88.41%	3
2	WEB	WEB TRAVEL GROUP LIMITED	26.957	20.471	31.68%	7
3	FPH	FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED	65.469	55.485	17.99%	4
4	ALQ	ALS LIMITED	73.250	63.750	14.90%	4
5	COG	COG FINANCIAL SERVICES LIMITED	12.000	10.900	10.09%	3
6	IAG	INSURANCE AUSTRALIA GROUP LIMITED	47.660	45.980	3.65%	5
7	EVT	EVT LIMITED	26.933	26.433	1.89%	3
8	GQG	GQG PARTNERS INC	24.187	23.791	1.66%	5
9	BEN	BENDIGO & ADELAIDE BANK LIMITED	81.725	80.450	1.58%	5
10	TLS	TELSTRA GROUP LIMITED	19.320	19.140	0.94%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	WTC	WISETECH GLOBAL LIMITED	92.584	101.443	-8.73%	6
2	DUR	DURATEC LIMITED	9.433	10.333	-8.71%	3
3	ELD	ELDERS LIMITED	52.940	57.980	-8.69%	4
4	PFP	PROPEL FUNERAL PARTNERS LIMITED	15.900	17.267	-7.92%	4
5	PDN	PALADIN ENERGY LIMITED	-2.553	-2.376	-7.45%	7
6	BOE	BOSS ENERGY LIMITED	1.786	1.900	-6.00%	7
7	SLC	SUPERLOOP LIMITED	5.000	5.250	-4.76%	4
8	AZJ	AURIZON HOLDINGS LIMITED	22.317	23.317	-4.29%	6
9	MIN	MINERAL RESOURCES LIMITED	-88.500	-85.683	-3.29%	7
10	ORG	ORIGIN ENERGY LIMITED	89.100	91.150	-2.25%	5

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: How Funds Cornered The Market

Insights into how hedge funds have captured the uranium market to achieve defined outcomes, as short interests counter positive longer term demand drivers.

-Thin illiquid markets avail themselves to funds who can engineer pricing outcomes
-Short interests dip slightly, but no respite for ASX U308 stocks
-Positive pricing signals the U308 cycle is at an inflection point
-Stocks in focus for the week that was

By Danielle Ecuyer

Unraveling the U3O8 market dynamics

Goehring & Rozencwajg's first quarter 2025 Natural Resource Market Commentary offered some revealing insights into the short interest activity by speculators in the uranium market.

The researchers explain how hedge funds back in 2018 would acquire shares in uranium producers and then purchase a "sizable" position in what later became the Sprott Physical Uranium Trust, post the acquisition of the Uranium Participation Corporation in July 2021.

By buying units in the closed-end fund, the market price of the units was pushed above the underlying net asset value, which allowed the Trust to issue new shares to realign its share price to net asset value.

In turn, the new capital raised would be used to acquire physical U3O8, which would place upward pressure on the spot price, which in turn would boost the share prices of uranium stocks, benefiting the funds' holdings.

The Sprott Trust was highlighted as being upfront about purchasing surplus supply held by traders and utilities in stockpiles post-Fukushima.

In July 2021, spot U3O8 traded at US$32/lb and the Sprott Trust held 18.2mlbs. By January 2024, the spot price reached a peak of US$106/lb, rising nearly six times since the low of 2017 with Sprott Trust owning 63mlbs.

Goehring & Rozencwajg propose at that point, the uranium market was due for a price correction. In the same way the funds could work the markets to the upside, their actions could be reversed and applied to create downside pressures.

The same funds that rode the uplift through leveraging the Sprott Trust now moved to use the same technique to push it down. The Trust became an "instrument" of choice to promote bearish and negative sentiment.

By selling shares in the Sprott Trust, the short sellers push the market value to a discount to net asset value. This stops the Trust from issuing new shares and buying more physical uranium, but it also raises the spectre of the Trust needing to sell stock to pay for its annual administration costs.

Until May 9, when the Trust announced it had secured a non-brokered private placement raising US$25.5m, which is expected to cover the operating costs for the next year, market speculation believed the Trust would be forced to offload physical stock.

This event would have been even more negative for the spot price and in turn for share prices of uranium companies, where the funds have amassed sizeable short positions, particularly in Australian listed stocks.

The Trust further stated it has no intention of selling any of the physical uranium it holds for investors.

The latest ASIC-reported short positions as at May 26 show **Boss Energy** ((BOE)) still the most shorted on the ASX200 at 21.2% of its capital, down slightly from 21.7% a week earlier.

Paladin Energy ((PDN)) resides in second position at 15.3%; **Deep Yellow** ((DYL)) in eighth position at 11.03%, down from 11.63%; and **Lotus Resources** is down to 7.75% from 8.61%.

Global momentum for nuclear energy continues

FNArena's weekly uranium update has been writing extensively on the disconnect between the short positions versus the **"Make Uranium Great Again"** thematic, as articulately depicted by Morgan Stanley this week.

The US Administration is targeting a fourfold increase in US nuclear capacity by 2050 to 400GW, which equates to commencing construction of twenty average-sized reactors each year to 2040, four times the rate being pursued by China.

It is not only the US, the trend across Europe and parts of Asia is a key reversal from winding down or phasing out nuclear energy to extending the life of existing plants and restarting decommissioned facilities.

Bloomberg reported in the last week, Spain's three largest utilities have proposed an extension to the lifespan of the country's largest nuclear plant, Almaraz, which was due to be shut down in 2027-28.

The change signals a reversal of Spain's target to shut down seven nuclear reactors by 2035 that was agreed upon some six years ago.

China is also flexing its nuclear muscles, with the country's National Nuclear Safety Administration reported as in talks with the Kazakh Atomic Energy Agency to construct Kazakhstan's first nuclear power plant, at a considerably lower cost than other competitors, including Russia's Rosatom.

Morgan Stanley remains positive on the outlook for uranium and believes the ambitious target from the US Administration just emphasises a global policy shift towards nuclear energy, which reinforces the longer-term demand story.

Given the long lead times to build new capacity, the analyst explains there is minimal near-term impact on uranium demand, but the US targets could act to re-awaken interest in the sector from investors. The increase in interest and activity from utilities is also flagged as a positive development.

Citi also makes some interesting observations on the U3O8 markets.

The Citi analyst proposes similar dynamics, which signal a turning point is unfolding in reverse to the action around the recent peak in the U3O8 spot price during the first half of 2024.

With a decline in the conversion price to US$69/lb from US$80/lb and enrichment prices steady at US$185/SWU (SWU stands for Separative Work Unit, which is the standard unit used to measure the effort required to enrich uranium), the ratio of U3O8/SWU is around 0.36 from 0.35 in April. Citi infers this historically has indicated an inflection point with higher U3O8 prices to follow.

Citi highlights uranium is about to enter its next **"bull phase"** and suggests investors accumulate miners before replacement-rate contracting recommences in what is viewed as an under-supplied market.

What happened in May

Industry consultant TradeTech reports the U3O8 spot price ended up US$3.50/lb over the month to US$72/lb, including a total of one million pounds of spot uranium traded.

Activity was tempered at the end of last week with market participants traveling to the World Nuclear Fuel Market conference in Sydney, starting on June 2.

Utilities re-entered the mid- and long-term markets over May with fifteen transactions for delivery later in 2025 and in the first half of 2026. TradeTech highlights this is the second consecutive month where activity has been higher than normal for delivery in this period.

Utilities also committed to over 15mlbs of U3O8 in several transactions for periods between 2028 through to 2040.

TradeTech's Long-term U3O8 price indicator remained at US$80/lb over the month, and the Mid-term price indicator rose US$3 to US$75/lb as at May 31, from April's month-end value. The consultant's cost price indicator remained unchanged from the previous month at US$58.30/lb.

Last week, TradeTech's spot price indicator remained unchanged at US$72/lb, with most of the concluded transactions outside of the spot delivery window.

What the brokers are saying

Citi switched its preference to Paladin from Boss Energy, with the latter having outperformed the market by over 70% since December, attributed to the low-cost profile and management execution. Much of the good news is viewed as being priced into the stock.

In contrast, as the Langer Heinrich mine ramps up, the difference between the Paladin share price and the net asset value is expected to narrow, which should result in a higher valuation alongside an expected pick-up in U3O8 prices.

Both stocks are Buy rated. Targets set at $4.60 for Boss, up from $3.30, and Paladin at $10.10 from $10.20.

Petra Capital believes **NexGen Energy** ((NXG)) is a microcosm of what is happening in uranium markets.

Despite the plethora of positive demand-side news over May, as also outlined in our weekly updates, the supply side continues to suffer from delays and remains "fragile".

NexGen, as highlighted by the analyst, has confirmed the final approval hearing for Rook in February 2026, with first production not likely until the mid-2030s, which is a two-year delay from the original slated start date.

Petra has adjusted its target price for the stock down to $10.74 from $14.33, reflecting the absence of a premium valuation until approval is confirmed, despite Rook I being viewed as a strategic long-life asset. The stock remains Buy rated.

The analyst believes the stand-off between potential suppliers and utilities will result in expected higher U3O8 prices for a longer period and has pushed out its U3O8 price forecast to US$100/lb from June quarter 2025 to December quarter, out to March quarter 2030, when the price is only then expected to decline below US$100/lb.

Turning to changing dynamics in the US uranium market, MST Access shone a light on **Global Uranium Enrichment** ((GUE)) with the recent acquisition of Pine Ridge, a large-scale uranium project, through a 50:50 joint venture with Snow Lake Energy.

The micro-sized company also has a 21.6% stake in Ubaryon, an Australian uranium enrichment technology company, with Urenco expected to take a 15% stake, which MST states is verification of Ubaryon's technology.

The analyst has a valuation of 23c per share on Global Uranium Enrichment, which curently has a market capitalisation of $30m.

For more reading about what happened in May check out the latest weekly updates from FNArena

https://fnarena.com/index.php/2025/05/27/uranium-week-trumps-agressive-nuclear-push/

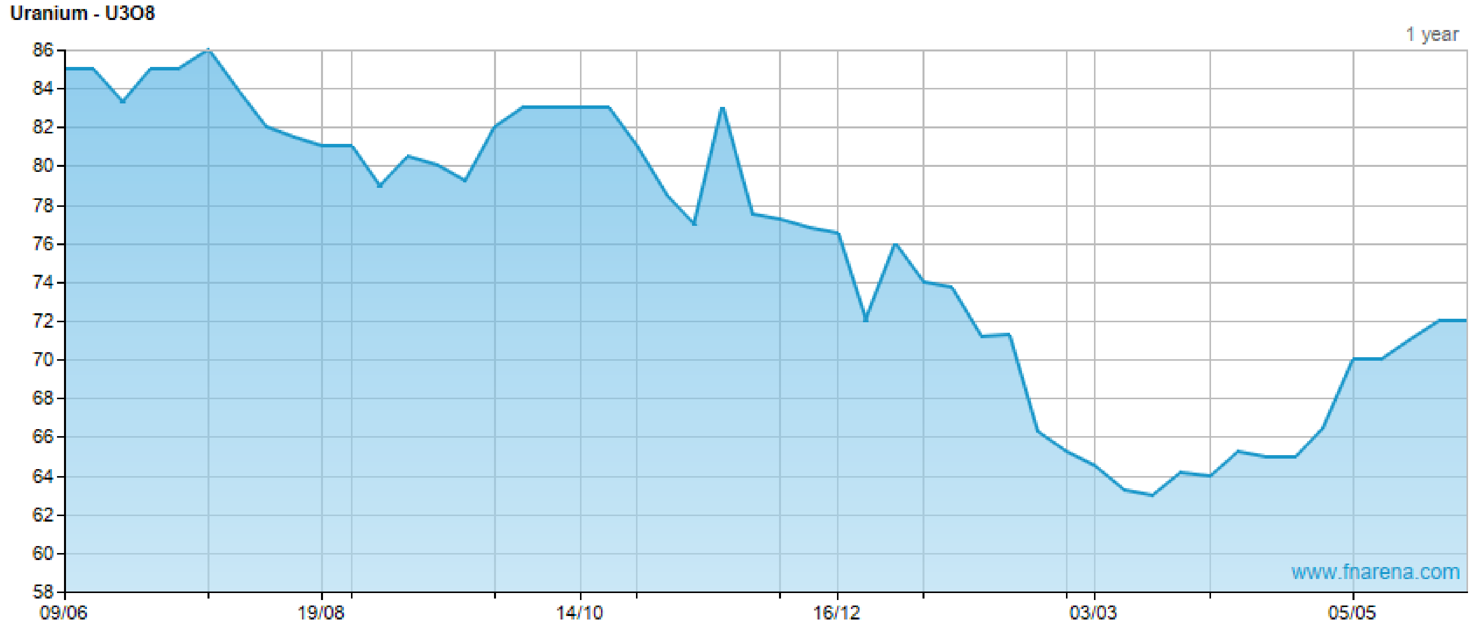
https://fnarena.com/index.php/2025/05/20/uranium-week-europes-nuclear-about-face/

https://fnarena.com/index.php/2025/05/13/uranium-week-a-fundamental-disconnect/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	30/05/2025	0.0700	0.00%	$0.10	$0.03			
AEE	30/05/2025	0.1300	▼-10.71%	$0.19	$0.10			
AGE	30/05/2025	0.0300	▼- 6.06%	$0.06	$0.02		$0.100	▲233.3%
AKN	30/05/2025	0.0100	0.00%	$0.02	$0.01			
ASN	30/05/2025	0.0500	▼- 3.92%	$0.17	$0.05			
BKY	30/05/2025	0.5300	▲ 6.86%	$0.66	$0.30			
BMN	30/05/2025	2.8100	▼- 2.39%	$4.37	$1.76		$4.700	▲67.3%
BOE	30/05/2025	3.8800	▼- 7.03%	$4.64	$1.99	218.4	$4.159	▲7.2%
BSN	30/05/2025	0.0200	0.00%	$0.08	$0.01			
C29	30/05/2025	0.0400	0.00%	$0.13	$0.03			
CXO	30/05/2025	0.0800	▼- 4.26%	$0.14	$0.06		$0.100	▲25.0%
CXU	30/05/2025	0.0100	0.00%	$0.04	$0.01			
DEV	30/05/2025	0.0800	▼- 2.20%	$0.44	$0.07			
DYL	30/05/2025	1.3000	▼- 4.95%	$1.74	$0.75	-1310.0	$1.570	▲20.8%
EL8	30/05/2025	0.2800	▼- 9.68%	$0.51	$0.19			
ERA	30/05/2025	0.0020	0.00%	$0.05	$0.00			

GLA	30/05/2025	0.0100	0.00%	$0.02	$0.01			
GTR	30/05/2025	0.0100	0.00%	$0.01	$0.00			
GUE	30/05/2025	0.0700	0.00%	$0.11	$0.05			
HAR	30/05/2025	0.0600	▼- 1.79%	$0.12	$0.03			
I88	30/05/2025	0.1200	▼- 9.09%	$1.03	$0.08			
KOB	30/05/2025	0.0400	0.00%	$0.18	$0.04			
LAM	30/05/2025	0.7200	0.00%	$1.04	$0.48			
LOT	30/05/2025	0.1800	▼- 4.88%	$0.47	$0.13		$0.325	▲80.6%
MEU	30/05/2025	0.0400	0.00%	$0.06	$0.03			
NXG	30/05/2025	9.5800	▲ 0.71%	$13.53	$6.44		$14.650	▲52.9%
ORP	30/05/2025	0.0300	0.00%	$0.10	$0.03			
PDN	30/05/2025	6.0400	▼- 0.64%	$15.90	$3.93	-239.3	$8.493	▲40.6%
SLX	30/05/2025	3.4400	▲ 1.12%	$6.62	$2.28		$6.500	▲89.0%
TOE	30/05/2025	0.1800	▼- 5.00%	$0.38	$0.15			
WCN	30/05/2025	0.0300	▼- 6.67%	$0.04	$0.01			



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WEEKLY REPORTS

The Short Report - 05 Jun 2025

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

Summary:

Week Ending May 29th, 2025 (most recent data available through ASIC).

10%+

BOE	20.33%
PDN	15.02%
MIN	14.21%
LTR	12.66%
PLS	12.45%
IEL	11.74%
DYL	10.73%
PNV	10.64%
CTT	10.48%
LIC	10.02%

In: CTT, LIC

9.0-9.9%

KAR	9.84%
DMP	9.73%
CTD	9.68%
SLX	9.40%
CU6	9.13%

In: CU6
Out: CTT, LIC

8.0-8.9%

IGO	8.89%
TWE	8.47%
BMN	8.33%
LYC	8.32%
JLG	8.21%
LOT	8.08%

In: IGO, BMN, JLG
Out: CU6

7.0-7.9%

SGR	7.41%
RIO	7.24%

Out: JLG, BMN, IGO, JHX

6.0-6.9%

RMS	6.92%
JHX	6.65%
NXT	6.47%
PWH	6.44%
MSB	6.41%
STX	6.29%
INR	6.23%
CHN	6.16%
BRG	6.12%
NEU	6.11%

In: JHX, BRG
Out: ADT

5.0-5.9%

CUV	5.93%
WEB	5.84%
IPX	5.83%
ADT	5.55%
AD8	5.50%
NVX	5.49%
GMD	5.46%
SFR	5.40%
WHC	5.39%
SYR	5.39%
IMU	5.31%
VEA	5.28%
ZIP	5.26%
PEN	5.20%
NAN	5.08%
LOV	5.08%

In: ADT, SYR, NAN, LOV
Out: BRG, PTM, NCK, CIA, CKF

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.7	0.8	NAB	1.0	1.0
ANZ	0.6	0.5	QBE	0.5	0.5
BHP	0.6	0.6	RIO	7.2	7.6
CBA	1.1	1.1	STO	0.7	0.5
COL	0.6	0.6	TCL	0.7	0.8
CSL	0.5	0.5	TLS	0.4	0.4

FMG	1.0	0.9	WBC	0.8	0.8
GMG	0.7	0.6	WDS	3.5	3.4
JHX	6.7	7.0	WES	0.5	0.6
MQG	0.7	0.8	WOW	1.0	1.0

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Brief: IPH & EQT Are Back, Xero In Focus

Two companies flagged for a positive turnaround in FY26, as FY25 draws to a close, and why Xero's management seem to be targeting revenue growth over margins.

-After a couple of challenging years, IPH's earnings are looking up
-Xero's US strategy unfolds as a longer dated investment story
-Post two years of consolidation, EQT is ready to grow earnings

By Danielle Ecuyer

This week's quote comes from market strategists at Wilsons:

"Central banks are mostly in easing, not tightening mode, and we don't see the global economy as headed for recession. This is typically a supportive backdrop when assessing 12 month returns.

"Full US and Australian valuations temper our enthusiasm, but are not enough alone for us to take an overtly negative stance."

Has IPH turned the corner?

IPH Ltd ((IPH)) has been a challenging stock to hold for investors, with the intellectual property legal eagle experiencing multiple issues including a decline in FY24 EPS, challenging conditions in Canada, a valuation multiple contraction, and general pressures on the market generally.

The stock has fallen sub-$5 and is trading more than -50% below the $10 level achieved in late 2023. Brokers like Petra Capital are proposing it's time to Buy the stock, as the growth outlook and earnings momentum look set to improve in FY26 and beyond.

At current levels, the shares are highlighted as offering compelling value at circa 10.6x FY25 earnings, with the June fiscal year set to wind up imminently alongside a FY25/FY26 dividend yield of over 7%.

Petra believes IPH is set to experience organic growth across the three geographic locations it operates in; A&NZ, Asia (including China), and Canada. It would be the first year for organic growth since the company entered Canada in October 2022.

Breaking down the geographies, the analyst points to growth in case transfers for A&NZ of some 600 cases and 2,500 patents. The process enables the transfer of work of intellectual property (IP) matters amongst the network firms, which allows for the alignment of expertise and client needs, improved operational efficiency, and enhanced client relations.

The transfer should facilitate ongoing services such as renewals and price rises, which underwrite longer-term revenue growth.

Filings in Asia have risen 17% FY25 year-to-date inclusive of positive results from Singapore, while a specific strategic focus will be on China, where the company has offices in Beijing and Hong Kong. Petra points to the upside potential from China's technology cycle. This, in turn, is underpinning a substantial uplift in offshore filings from Chinese companies, notably in the telco and AI segments.

Scope for all the geographies to leverage this boom is flagged for not only Asia, but also A&NZ and Canada.

On the latter, the Canadian Intellectual Property Office (CIPO) system backlog is expected to resolve with improved processing, thereby generating revenue. Weak FY25 workflows will offer attractive comps in FY26.

Annual price increases are also expected, along with a full-year contribution and synergy benefits from Bereskin & Parr, which was the fourth acquisition for IPH in Canada, executed in 2024.

Apart from an improving earnings backdrop, attractive valuation and dividend yield, IPH has a "solid" balance sheet with a share buy-back ongoing.

Petra Capital is Buy-rated with an $8 target price against FNArena's daily monitored brokers' consensus target at $6.51, with four Buy-equivalent ratings.

Xero, a longer-dated investment thesis

Jarden's latest update on **Xero** ((XRO)), while technical in nature which might be off-putting for some investors. Importantly, the update shed some insights about how the analyst envisages management will grow earnings and what strategic emphasis will be placed on the short versus the long term.

At the latest FY25 results, the new CFO Claire Bramley flagged Xero is increasingly assessing financial analytical metrics like the 'Rule of X' while continuing to employ the 'Rule of 40'.

Taking a step back, these terms refer to calculations/performance benchmarks applied to software-as-a-service companies, particularly in the growth stage.

Rule of 40 equals revenue growth as a percentage plus profitability margin (can be operating or EBITDA or cash flow), and if the sum equals or exceeds 40%, the company is usually viewed as managing the trade-off between growth and profitability well.

Rule of X is considered more flexible and is adapted to fit market conditions and/or other factors like sector maturity and capital availability.

It is the same as the Rule of 40 in form, but instead of a fixed 40% benchmark, the X is usually two to three times higher for revenue growth. This implies once a company is cash flow positive, strategically, revenue growth is being prioritised over margin expansion.

In analysing Xero's historical financial data, the analyst notes a higher correlation between multiples empirically achieved with the Rule of X versus the Rule of 40.

When applied to the company's outlook, Jarden proposes earnings estimates will be reduced in the short term and raised in the longer term and accordingly has trimmed FY27FY29 EPS growth by -1.6%, -2.8% and -4.2%, respectively. Long-term EPS estimates have been increased by 9%.

The analysis is flagging Xero will be placing a greater emphasis on investment to drive revenue growth, which will most likely come at the expense of margins, and thus earnings.

Expansion and success in the US are key drivers of the changes, with FY25-FY35 forecast subscriber growth at plus 90k versus plus 50k previously, with North American estimated revenue of NZ$840m, a 20% 10-year compound average growth rate, an upgrade by 51%.

Digging deeper into the US market, the analyst depicts the extent and the challenges for Xero and stresses a support for "heavy investment at the right time".

The US has the largest number of SMEs and the lowest level of cloud penetration of the company's markets (A&NZ and UK), but incumbent Intuit has around 85% market share versus Xero at less than 5%.

The US market is also more complex and nuanced; state variances mean different strategies, regulations, and requirements, which means management has decided to partner with specialists like payments, sales tax, payroll, and bank feeds rather than establishing a proprietary system.

Equally, fewer potential subscribers use accountants; many are what is referred to as self-serve', which will necessitate brand awareness. Currently, Xero has less than 10% unaided awareness versus around 50%-plus in Australia and circa 40% in the UK.

Management has indicated once satisfied with the US product, then investment in brand awareness will rise substantially. Jarden estimates a potential circa $50m-plus lift in annual recurring brand marketing at peak investment from FY26, from its current US cash burn of -US$30m per annum.

Jarden's proposition for an Overweight rating (more than the percentage in the sector index) is based on the longer term prospect, with a high degree of forecasting error to both the upside and downside. The target price of $197 is conservatively based on weighting a base case valuation against the upside/downside scenarios.

Time for EQT to shine

Post an analyst changeover and earnings model assessment, Wilsons has re-initiated coverage of **EQT Holdings** ((EQT)) with a $36 target price as FY25 ends.

The analyst believes the outlook for FY26 EPS growth is positive post the sale of Corporate and Superannuation Trustees Services, Europe (CSTS-Europe)), with funds under management, administration, and supervision

(FUMAS) around $240bn.

EQT has been consolidating and building the foundation for growth over the last two years, including margin improvements from Equity Trustee Services.

Upside risks to FUMAS exist from new fund listings across both active ETFs/LITs, boosted by seasonally robust 4Q flows for Hub24 ((HUB)).

The successful integration of Australian Executor Trustees (acquired in late 2022 and finalised in 2024) should yield benefits, including revenue synergies and cost-out savings.

The analyst believes management is now positioned to grow the company ever closer to being part of the ASX200, with earnings acceleration underpinned by a "stellar" balance sheet, which will facilitate the possibility of an earnings accretive acquisition.

The report notes the rumours around Australian Ethical Investment ((AEF))'s possible acquisition of Future Super and the potential for CSTS earnings to be impacted by customer churn through client loss or changes to trustee arrangements.

Future Super manages around $12bn in FUM, which is circa 16% of EQT's Superannuation Trustee Services segment of FUM, which is an estimated -5% headwind for FY25 group net profit before tax if the merger or acquisition goes ahead and results in client losses.

Overweight (Buy-equivalent) rating with a $36 target price and a 4.6% dividend yield at a share price of $31.58.

WEEKLY REPORTS

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

Broker Rating Changes (Post Thursday Last Week)

Downgrade

BRICKWORKS LIMITED ((BKW)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden views the proposed merger between Brickworks and Washington H. Soul Pattinson as strategically sound.

The merger removes the cross-shareholding structure and unlocks a -24% conglomerate discount embedded in Brickworks' share price, note the analysts.

Brickworks shareholders would receive 0.82 MergeCo shares per Brickworks share, implying to the broker a value of $30.28, representing a 10-22% premium to recent trading levels and volume weighted average price (VWAP).

The analysts expect the deal to improve liquidity, simplify the capital structure, and enable longer-term decision-making less tied to the housing cycle. Minimal synergies and estimated stamp duty costs of around -$250m are also noted.

Jarden forecasts completion by October 2025, pending approvals, and expects MergeCo to be net cash post-deal with Brickworks' industrial and investment interests housed in the private equity segment.

Jarden raises the target price to $32.30 from $25.00 and downgrades Brickworks to Neutral from Overweight.

FONTERRA SHAREHOLDERS FUND ((FSF)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Fonterra Shareholders Fund once again upgraded EPS guidance for FY25, this time to NZ65-75c from NZ55-75c, prompting Jarden to upgrade its FY25 normalised EPS forecast to NZ74c from NZ64c.

The broker also lifted FY25 dividend forecast by NZ10c. For FY26, the broker left the EPS forecast largely unchanged.

Rating downgraded to Neutral from Overweight. Target lifted to NZ$5.87 from NZ$5.19.

IDP EDUCATION LIMITED ((IEL)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden cites reduced confidence in student flow forecasts, government policy, and internal oversight as reasons for reassessing IDP Education's outlook. The broker's target price is cut to $6.95 from $17.35 and the rating downgraded to Neutral from Overweight.

Guidance for 2025 points to student placement volumes falling -28-30% year-on-year and IELTS volumes retreating -18-20%, both much weaker than Jarden and consensus projections.

Costs are expected to be less contained than previously indicated, while price improvements in student placements are projected to ease in the second half, particularly in higher-fee destinations such as the UK.

Jarden lowers its 2025 earnings (EBITDA) expectations to $174.7m, or -34% below the prior year, and cuts its 2026 forecast by -63% to $148m, noting both reduced margin assumptions and overhead flexibility.

MAC COPPER LIMITED ((MAC)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Following MAC Copper's agreement to a US$12.25/share all-cash takeover offer from South African miner Harmony Gold, Moelis has lowered its target price to match the offer price.

Target price cut to $18.93 from $25.00. Rating downgraded to Hold from Buy.

The broker now believes a rival bid is unlikely, and investors could put these funds elsewhere or wait for cash settlement upon deal completion.

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

Jarden cuts its FY26-27 earnings (EBIT) forecasts for Treasury Wine Estates by -6% due to soft US demand, the distributor exit from California, and currency pressure.

The broker notes FY25 EBITS guidance remains unchanged at around $770m, though the RNDC (distributor) exit from California, which made up circa 25% of Americas net sales revenue, is expected to weigh on FY26.

Penfolds and the Americas luxury portfolio are forecast to represent over 85% of group EBIT by FY26, with Jarden seeing re-rating potential if Penfolds achieves peer-level multiples.

The broker views a potential future demerger into Penfolds, Americas luxury, and Global Premium as strategically compelling.

Jarden downgrades to Overweight from Buy and lowers the target price to $10.60 from $13.90.

Order	Company	New Rating	Old Rating	Broker
Downgrade				
1	BRICKWORKS LIMITED	Neutral	Buy	Jarden
2	FONTERRA SHAREHOLDERS FUND	Neutral	Buy	Jarden
3	IDP EDUCATION LIMITED	Neutral	Buy	Jarden
4	MAC COPPER LIMITED	Neutral	Buy	Moelis
5	TREASURY WINE ESTATES LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
AEE	Aura Energy	$0.14	Petra Capital	0.39	0.36	8.33%
ALQ	ALS Ltd	$16.44	Jarden	14.60	15.00	-2.67%
APE	Eagers Automotive	$17.93	Moelis	18.02	15.23	18.32%
ASG	Autosports Group	$2.10	Wilsons	2.57	2.58	-0.39%
AYA	Artrya	$0.74	Petra Capital	2.81	2.62	7.25%
BKW	Brickworks	$32.48	Jarden	32.30	25.00	29.20%
BRE	Brazilian Rare Earths	$1.87	Petra Capital	4.52	4.45	1.57%
CGS	Cogstate	$1.30	Canaccord Genuity	1.50	1.45	3.45%
CIA	Champion Iron	$4.45	Jarden	6.63	6.91	-4.05%
CYL	Catalyst Metals	$6.84	Canaccord Genuity	7.85	6.20	26.61%
EBR	EBR Systems	$1.11	Wilsons	3.00	3.50	-14.29%
EQT	EQT Holdings	$31.50	Wilsons	36.00	33.50	7.46%
FPH	Fisher & Paykel Healthcare	$34.72	Wilsons	37.58	35.00	7.37%
GMG	Goodman Group	$33.58	Jarden	39.00	39.50	-1.27%
GYG	Guzman y Gomez	$30.01	Goldman Sachs	29.00	33.20	-12.65%
IEL	IDP Education	$3.54	Jarden	6.95	17.35	-59.94%
IPG	IPD Group	$3.00	Moelis	4.21	5.33	-21.01%
MAC	MAC Copper	$18.82	Moelis	18.93	25.00	-24.28%
MIN	Mineral Resources	$23.19	Jarden	16.20	15.50	4.52%
NXG	NexGen Energy	$9.89	Petra Capital	10.74	14.10	-23.83%
REG	Regis Healthcare	$7.61	Jarden	7.74	7.75	-0.13%
RXL	Rox Resources	$0.30	Canaccord Genuity	0.61	N/A	N/A
SHV	Select Harvests	$4.53	Wilsons	4.83	4.73	2.11%
SMP	SmartPay	$0.95	Wilsons	1.20	1.32	-9.09%
TLS	Telstra Group	$4.85	Jarden	4.70	4.60	2.17%

TWE	Treasury Wine Estates	$8.22	Jarden	10.60	13.90	-23.74%
VAU	Vault Minerals	$0.45	Petra Capital	0.74	0.76	-2.63%
WAF	West African Resources	$2.62	Canaccord Genuity	4.30	4.55	-5.49%
WEB	Web Travel	$5.05	Jarden	5.40	5.60	-3.57%
			Wilsons	6.39	5.77	10.75%
XRO	Xero	$189.99	Jarden	197.00	190.00	3.68%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ARX AROA BIOSURGERY LIMITED

Pharmaceuticals & Biotech/Lifesciences Overnight Price: $0.47

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

Aroa Biosurgery reported FY25 result, with Canaccord Genuity noting revenue and earnings (EBITDA) came in slightly above guidance, with the FY26 outlook offered viewed as both "achievable" and conservative.

The broker highlights good growth for Myriad, up 38% over the period, and this is anticipated to be the growth driver for the company.

Canaccord Genuity sees Aroa as a med-tech story whereby sales growth is expected to exceed cost growth as the team matures and new reps are added.

No change to Buy rating and 90c target price.

This report was published on May 30, 2025.

Target price is **$0.90** Current Price is **$0.47** Difference: **$0.435**
If **ARX** meets the Canaccord Genuity target it will return approximately **94%** (excluding dividends, fees and charges).
The company's fiscal year ends in March.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **1.92** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.28**.

Forecast for FY27:

This company reports in **NZD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

BTR BRIGHTSTAR RESOURCES LIMITED

Gold & Silver Overnight Price: $0.59

Petra Capital rates ((BTR)) as Initiation of coverage with Buy (1)

Petra Capital initiates coverage on Brightstar Resources with a Buy rating and $1.20 target.

The company has positioned itself as a future 200koz per annum gold producer, with near-term cashflow already initiated via toll-treatment agreements at its Laverton hub, highlights the broker.

The analyst points out the resource base has expanded to 3moz through aggressive M&A, acquiring assets at an average of $36/oz compared to a sector average of $99/oz.

A definitive feasibility study (DFS) for Laverton is due in June 2025, targeting initial standalone production of 80kozpa by 2027 and group output exceeding 200kozpa by FY30. This is when Sandstone and Menzies hubs come online.

Management is described as highly experienced across mine development and geology, with key leadership drawn from prior successes at Westgold Resources ((WGX)), Ramelius Resources ((RRL)) and Pilbara Minerals ((PLS)).

This report was published on May 29, 2025.

Target price is **$1.20** Current Price is **$0.59** Difference: **$0.61**
If **BTR** meets the Petra Capital target it will return approximately **103%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.10** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **590.00**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **9.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.34**.

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

D2O DUXTON WATER LIMITED

Agriculture Overnight Price: $1.53

Petra Capital rates ((D2O)) as Buy (1)

Following shareholder approval to internalise management at the 2024 AGM, Petra Capital believes Duxton Water has removed the final major hurdle for many potential investors.

Previously the manager (Duxton Capital) was a separate legal entity, and there was less direct alignment with shareholders compared to internal management.

The broker expects a seamless transition, with focus now shifting to capitalising on favourable market conditions.

With the business offering pure exposure to Australian water entitlements (an asset class delivering 7-9% compound growth since 2007), the broker considers the company a compelling investment.

The analyst believes earnings and cash flow will rebound sharply in 2025, underpinned by drier weather and rising entitlement values.

Petra Capital retains a Buy rating and a $2.10 target price

This report was published on June 2, 2025.

Target price is **$2.10** Current Price is **$1.53** Difference: **$0.565**
If **D2O** meets the Petra Capital target it will return approximately **37%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **7.40** cents and EPS of **18.00** cents.
At the last closing share price the estimated dividend yield is **4.82%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.53**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **7.70** cents and EPS of **10.50** cents.
At the last closing share price the estimated dividend yield is **5.02%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.62**.

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

GYG GUZMAN Y GOMEZ LIMITED

Food, Beverages & Tobacco Overnight Price: $30.39

Goldman Sachs rates ((GYG)) as Sell (5)

Goldman Sachs highlights Guzman y Gomez's long-term value proposition is in the store roll-out targets, but believes those are overly optimistic. The broker cites limited precedent in the Australian market and development challenges.

For context, the company is targeting 30 new stores annually in the near term, accelerating to 40 stores within 5 years to reach a long-term target of 1,000 stores after 20-plus years.

The broker cut FY25-27 net profit forecasts mainly due to lower forecast earnings in the US. Sell. Target price $29.

This report was published on May 27, 2025.

Target price is **$29.00** Current Price is **$30.39** Difference: **minus $1.39** (current price is over target).
If **GYG** meets the Goldman Sachs target it will return approximately **minus 5%** (excluding dividends, fees and charges negative figures indicate an expected loss).
Current consensus price target is **$38.00**, suggesting upside of **26.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **0.00** cents and EPS of **16.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **189.94**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **12.3**, implying annual growth of **N/A**.
Current consensus DPS estimate is **4.7**, implying a prospective dividend yield of **0.2%**.
Current consensus EPS estimate suggests the PER is **244.9**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **0.00** cents and EPS of **28.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **108.54**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **24.7**, implying annual growth of **100.8%**.
Current consensus DPS estimate is **12.0**, implying a prospective dividend yield of **0.4%**.
Current consensus EPS estimate suggests the PER is **121.9**.

Market Sentiment: **0.7**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

REG REGIS HEALTHCARE LIMITED

Aged Care & Seniors Overnight Price: $7.97

Jarden rates ((REG)) as Overweight (2)

Jarden notes the government's announcement of a delay in the implementation of the Aged Care Act by four months will offer breathing space for aged care providers.

However, it also means there will be a delay in receiving the 2% refundable accommodation deposit and daily accommodation payment indexation for new residents.

EPS forecast for Regis Healthcare cut by -3.5% for FY26.

Target price trimmed to $7.74 from $7.75. Overweight retained.

This report was published on June 4, 2025.

Target price is **$7.74** Current Price is **$7.97** Difference: **minus $0.23** (current price is over target).
If **REG** meets the Jarden target it will return approximately **minus 3%** (excluding dividends, fees and charges negative figures indicate an expected loss).
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **13.70** cents and EPS of **17.70** cents.
At the last closing share price the estimated dividend yield is **1.72%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **45.03**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **16.90** cents and EPS of **23.90** cents.
At the last closing share price the estimated dividend yield is **2.12%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **33.35**.

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

RXR ROBEX RESOURCES INC

Gold & Silver

Canaccord Genuity rates ((RXR)) as Speculative Buy (1)

Robex Resources has begun trading on the ASX (today), with first gold from its Kiniero project in Guinea expected by December. The shares were already listed on the TSX Venture Exchange in Toronto and will retain that listing.

Canaccord initiates coverage post ASX IPO with a Speculative Buy and a $5.00 target price, but since the broker already covered the stock on the TSX-V, it's not officially called an initiation.

Robex is one of few new African gold names to join the ASX, and its oxide ore profile, prior production history, and experienced team offer near-term appeal, the broker posits.

This report was published on June 5, 2025.

Target price is **$5.00**
The company's fiscal year ends in December.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 5.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **0.00**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **77.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **0.00**.

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

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