WEEK 26

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Friday, 27 June 2025

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AUSTRALIA

The Market In Numbers - 21 Jun 2025

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

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

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

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

Australia & NZ

Index	21 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12569.050	0.13%	1.21%	2.44%	-4.13%	7.27%
All Ordinaries	8723.50	-0.54%	0.73%	8.32%	3.60%	8.86%
S&P ASX 200	8505.50	-0.49%	0.84%	8.44%	4.25%	9.50%
S&P ASX 300	8433.80	-0.48%	0.80%	8.37%	4.14%	9.41%
Communication Services	1846.50	0.29%	1.26%	13.69%	13.46%	23.00%
Consumer Discretionary	4102.10	-0.27%	0.51%	8.85%	4.88%	16.82%
Consumer Staples	12393.00	-1.40%	-0.10%	6.28%	5.30%	0.12%
Energy	9083.60	5.31%	14.14%	14.41%	5.34%	-9.45%
Financials	9314.20	-0.05%	1.93%	11.90%	8.12%	21.64%
Health Care	41596.30	0.67%	-1.09%	2.63%	-7.33%	-6.01%
Industrials	8458.60	0.87%	2.05%	9.00%	10.62%	24.18%
Info Technology	2939.90	1.54%	2.08%	30.08%	7.26%	25.56%
Materials	15702.60	-4.26%	-4.06%	-1.71%	-2.62%	-6.97%
Real Estate	3985.60	0.22%	2.79%	14.35%	5.96%	11.85%
Utilities	9436.00	-2.18%	1.87%	4.16%	4.46%	1.63%
A-REITs	1831.50	0.17%	2.95%	14.98%	6.58%	12.76%
All Technology Index	3997.50	0.71%	-0.09%	20.45%	5.05%	27.39%
Banks	3962.30	0.14%	2.33%	12.91%	9.87%	24.01%
Gold Index	12225.30	-7.54%	-4.20%	11.33%	45.13%	66.17%
Metals & Mining	5199.40	-4.31%	-4.55%	-1.49%	-1.07%	-6.33%

The World

Index	21 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8774.65	-0.86%	0.03%	2.24%	7.36%	7.48%
DAX30	23350.55	-0.70%	-2.70%	5.36%	17.29%	28.05%
Hang Seng	23530.48	-1.52%	1.03%	1.78%	17.30%	32.80%
Nikkei 225	38403.23	1.50%	1.15%	7.82%	-3.74%	-2.98%
DJIA	42206.82	0.02%	-0.15%	0.49%	-0.79%	7.89%
S&P500	5967.84	-0.15%	0.95%	6.34%	1.47%	9.29%
Nasdaq Comp	19447.41	0.21%	1.75%	12.42%	0.71%	9.67%

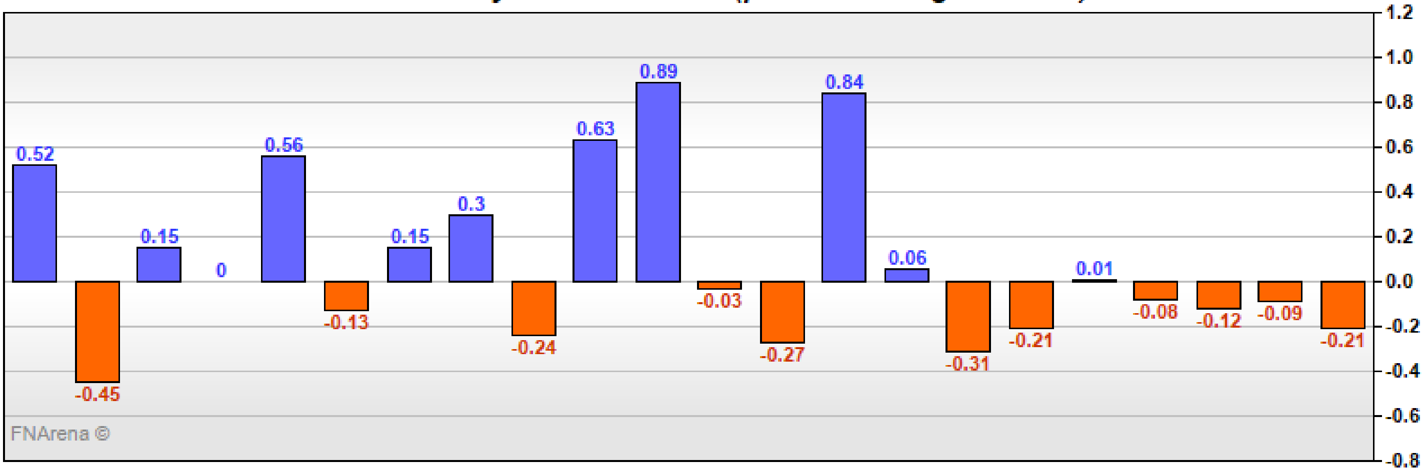
Metals & Minerals

Index	21 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	3393.45	-0.41%	1.54%	8.53%	29.19%	45.15%
Silver (oz)	36.79	1.19%	9.99%	5.15%	21.71%	25.76%
Copper (lb)	4.8595	0.36%	4.05%	-5.69%	18.63%	12.14%
Aluminium (lb)	1.1547	0.93%	3.86%	0.58%	1.01%	2.69%
Nickel (lb)	6.7083	-1.04%	-2.12%	-7.76%	-6.11%	-13.76%
Zinc (lb)	1.1982	-0.15%	-1.27%	-6.76%	-11.33%	-9.64%
Uranium (lb) weekly	69.00	-3.50%	-4.17%	7.81%	-4.17%	-17.12%
Iron Ore (t)	94.71	-0.79%	-4.59%	-8.73%	-8.79%	-11.08%

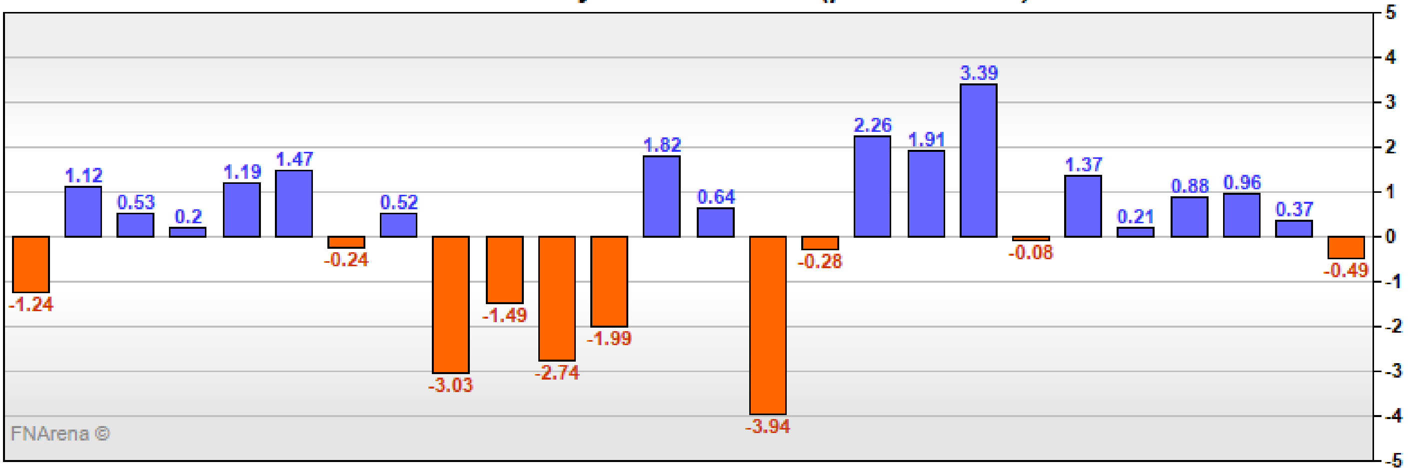
Energy

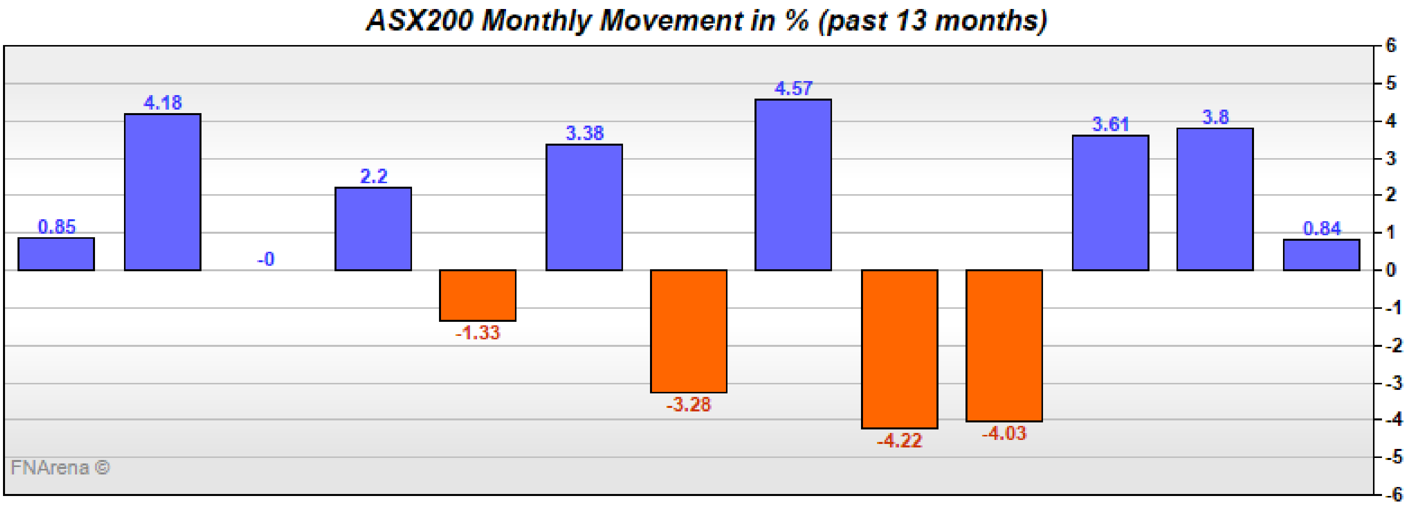
Index	21 Jun 2025	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	73.24	6.47%	20.22%	5.59%	5.41%	-10.53%
Brent Crude	76.08	8.42%	20.09%	4.56%	4.85%	-10.96%

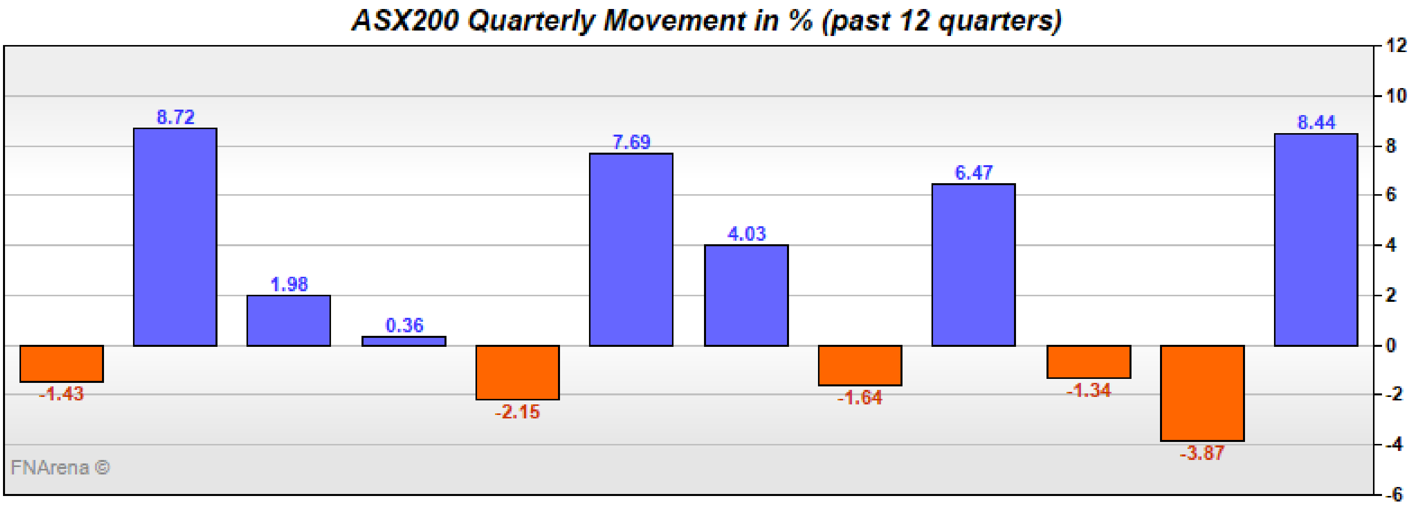
ASX200 Daily Movement in % (past 22 trading sessions)



ASX200 Weekly Movement in % (past 26 weeks)







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

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AUSTRALIA

Australia’s Digital Infrastructure Opportunity

Australia's safe and stable backdrop makes it a target for data centre development in the Asia Pacific region, as the positive news keeps rolling on.

-Good news continues to flow for data centre infrastructure
-Hyperscalers continue to invest for AI growth
-NextDC, Goodman Group & DigiCo REIT in focus

By Danielle Ecuyer

The GenAI trade is back, after a wobble at the start of 2025

"The reports of my death are greatly exaggerated."
(attributed to Mark Twain).

Today's opening statement might as well be applied to the GenAI trade and ancillary beneficiaries such as data centres and digital infrastructure.

Wilsons is the latest researcher to shine a light on the mega trend of **"Gen(erational) AI thematics"** with a very playful title.

In addressing the sell-off in AI-related stocks during the first quarter of 2025, Wilsons echoes similar views to other commentators and experts the arrival of DeepSeek will not alter the AI demand for data centres over the longer term. Equally, Microsoft's decision to cancel 2GW of data centre projects relates in large part to the shifting dynamics of the company's relationship with OpenAI.

While Microsoft's OpenAI requirements were lowered, hence the cancellations, Oracle's rose as the work was transferred to other hyperscalers.

The most recent US earnings season also re-inforced the investment plans for hyperscalers with Microsoft confirming capex of over -US$80bn, Alphabet at -US$75bn, and Amazon at -US$100bn with Meta lifting capex guidance to -US$64bn-US$72bn from -US$60bn-US$65bn underpinned by data centre spending.

These issues were also detailed in FNArena's recent update on data centres: https://fnarena.com/index.php/2025/06/19/fnarena-visits-nextdcs-s3-data-centre/

<u>Driving demand Downunder</u>

Three drivers are underpinning demand for digital infrastructure, such as data centres, notably the ongoing shift to cloud computing, the ongoing development and acceleration in GenAI, and the expanding rise in data generation which includes the Internet-of-Things (IoT), Software-as-a-Service (SaaS) adoption, edge computing for the likes of autonomous vehicles, and video streaming.

At Morgan Stanley's 7th Australian Investment Summit, one of the key themes for attendees and participants was AI Tech Diffusion. The broker emphasised Australia is continuing to experience *"exponential growth in data centre demand"*.

By way of context, Australia ranks seventh globally in terms of the number of data centres, behind global leaders the US, Germany, the UK and China, and only just behind Canada and France, with more than 300 data centres at the start of 2024. The Netherlands, Russia and Japan complete the global top ten.

Sydney is recognised as a Tier One global Top 10 Data Centre Market. According to industry research, the market is expected to reach US$8.58bn by 2030 from US$6.81bn in 2024, a compound average annual growth rate of almost 4%.

Australia is viewed as a safe and stable data hub in the Asia Pacific region, with over 2,300MW of new projects announced in 2024.

E&P's (formerly known as Evans and Partners) latest report on AI emphasises the ongoing positive tailwinds for data centre demand in Australia, while downplaying the negative narratives circulating around hyperscalers cutting back on investment earlier in 2025.

Microsoft is reportedly pausing data centre leasing as it works through the next stages of power density for training arrays (GPUs and the like for training large-scale AI models), which is due in 2027. Capex guidance from the company indicates, as highlighted above, ongoing spending, albeit with some projects deferred, not canceled.

Equally, concerns over Amazon's AWS cutting back have also proved misguided.

If one were doubting the deployment of AI, Morgan Stanley's technology, media and telecommunications analyst hosted several panels at the conference which concluded GenAI should facilitate a broader "diffusion" of Tech and fast AI adoption, which is referred to as the **democratisation of AI technology**, which should speed up the rate of product innovation and use by enterprises.

The health sector was singled out as one example for AI being employed. Health insurance is one area where nib Group ((NHF)) is applying AI to increase member engagement and employee productivity. The insurer pointed to its AI-powered chatbot which had dealt with over 4m interactions and has achieved $22m in productivity savings since 2021.

AI is also being used for improving radiologist productivity and reporting accuracy, while drug development can be enhanced.

Amazon, via Amazon Web Services (AWS), announced last week in joint venture statement with Prime Minister Albanese it continues to envisage robust growth in demand for AI and cloud-based services in Australia.

AWS has increased its investment commitment to -$20bn from -$13bn over 2025-2029 for data centres, with a corresponding investment in three new renewable energy projects at 170MW in Victoria and Queensland in partnership with European energy.

Citi explains AWS operates three data centres in Sydney, Melbourne and Perth, with the $20bn aimed at developing additional capacity in Sydney and Melbourne.

Noting the recent pause in new contracts from Microsoft, the AWS news is viewed optimistically as further commitment to growing Australia's data centre industry.

Goodman Group ((GMG)) is considered a potential developer of those centres and thus a potential beneficiary. More on Goodman soon.

How AI underpins higher earnings for data centres

The E&P analysis details several reasons to be upbeat on AI infrastructure-related stocks, including the scale of investment both globally and in terms of what is coming to Australia, while AI-related data centre deals are more profitable than cloud ones, which should underscore more profitable returns for the sector.

Breaking down the difference between cloud-related versus AI-related demand, E&P explains in the first instance a hyperscaler estimates future cloud-computing deployment, and then the cadence at which the compute is installed depends on demand sequencing.

NextDC's ((NXT)) recent contract announcements are an ideal present day reference:

On May 12 NextDC reported an increase in contracted utilisation by 52MW, stating the ramp as *"revenue for the majority of the new customer contract wins is expected to be progressively recognised from FY24 through to FY29, following completion and commissioning of additional data halls over time."*

Compare this to the announcement on May 6, 2025, for a contracted utilisation increase of 35.9MW with a stated quote on ramp: *"revenue for the majority of the new customer contract wins is expected to commence in FY27 following completion and commission of additional data halls. The full run rate associated with these customer contract wins will be realised from FY28 onwards"*.

The most recent contract, which was identified as an AI contract, starts generating revenue in the second year at a full run rate, versus the prior cloud-based deal which takes over five years to ramp into less committed capacity.

The shift towards more AI-related contracts via a supercomputer which must be entirely built before it is usable, has positive financial implications of generating at a full run rate once installed versus a staggered rate. E&P believes the difference on data centres' financial metrics for the two usages cases are yet to be fully understood and appreciated by the market.

Equally, the shorter lead time to full revenue recognition for AI-related contracts means data centre operators can employ greater debt financing to fund AI deals against cloud deals, due to a reduced time frame for the non-income-generating phase.

From an investor perspective, the recognition of income from a cloud contract often creates confusion. The progressive income recognition of a large contract equates to being loss-making to start, resulting in lower near-term earnings but with a higher valuation (higher growth in the longer term).

Highlighting the demand profile for data centres in Australia, E&P observes Microsoft has taken a step back from being the biggest after representing some 70% of demand in 2023-2024, but the company is expected to return down the track.

Meanwhile, Amazon's AWS has increased its investment, while Google, Oracle, Apple, and Meta are all noted for being in the market. Chinese hyperscalers like Alibaba and Tencent are also reported as seeking out capacity in Australia.

Data centre stocks in focus

NextDC attended the Morgan Stanley conference and highlighted recent contract wins with UBS detailing how the company received its largest contract win to date at 52MW in 2H25, followed by an additional 16MW, which lifted FY25 to a record additional 72MW contracted.

By way of comparison, NextDC's S3 data centre has 80MW of capacity.

For more details, see https://fnarena.com/index.php/2025/06/19/fnarena-visits-nextdcs-s3-data-centre/

Notably, 10MW of the latest 16MW contract related to Kuala Lumpur for a hyperscale customer, which is viewed as an important strategic step in de-risking the project at around 15% of the capacity, and the first major offshore contract announced. Morgans noted KL1 is due to go live in 2026.

As at the end of May, NextDC had 244MW contracted with a proforma order book reaching a record 135MW, which implies 109MW has been activated to date.

Wilsons explains NextDC has 13 operational data centres with five in development and around 1.3GW of planned capacity.

For E&P, NextDC is Australia's top stock pick for data centre exposure and across the broader ASX-technology sector. The analyst believes the current share price does not reflect the good news from the company this year, and particularly its near term prospects for more contracts in Melbourne, post the 50MW-plus announcement and the Kuala Lumpur 10MW deal.

A valuation of $28.36 is set with a Positive rating.

FNArena daily monitored brokers have a consensus target price of $19.567 with six Buy-equivalent ratings.

Wilsons and Canaccord Genuity are also Buy-equivalent rated, with respective target prices of $17.69 and $20.15.

Wilsons' preferred data centre exposure is **Goodman Group**, with a 4% weighting in the broker's model portfolio, leading to an Overweight allocation to digital infrastructure.

Goodman has delivered 500MW of built capacity and has a 5GW power bank, with 500MW (10% of the power bank) due to commence over the next 12 months. The power bank can support $100bn of data centre developments over the next ten years through a combination of equity sell-downs and employing existing liquidity.

FNArena daily monitored brokers have a consensus target price of $36.168, with Citi at the upper end of the range at $40. There are five Buy-equivalent ratings and one Hold. Jarden has a Buy rating and $39 target price.

Wilsons points to **DigiCo Infrastructure REIT** ((DGT)) as an emerging global data centre developer, which was listed in December 2024. The REIT has a circa $4bn portfolio of 13 assets equaling 76MW of installed capacity and a 162MW development pipeline.

Although the REIT's share price performance has been *"disappointing"* since listing, Wilsons believes it is in a good position to generate growing cash flows and distributions over the long term.

With 40%-50% of the portfolio across three data centres generating revenue with average contracted rental increases of 3%, in combination with 15-year leases and high contracted utilisation, the REIT is seen offering a stable stream of rental growth.

Leasing opportunities exist for around 9MW or 12% of DigiCo's total built capacity, with SYD1 (Sydney) underused at 76% and capacity to expand to 62MW, which can be phased in over five years with a targeted 12% yield.

There are also greenfield development capacity options with two sites in Los Angeles (LAX1 and LAX2), with combined expected capacity of 72MW. LAX1 is anticipated to start construction in 2H25 with completion in 2028.

Wilsons explains SYD1 is seeking Hosting Certification Framework (HCF), a specific security clearance the asset didn't formerly have due to its Chinese ownership, which is due for approval mid-2025.

DigiCo is also seeking out capital partners for SYD1 once the asset is de-risked to allow for a partial sell-down to free up capital for growth.

E&P also has a Positive rating for DigiCo with a $4.56 valuation with the Global Switch and LAX1 processes progressing, and with upside for Sydney post the HCF certification.

Three FNArena daily monitored brokers cover the stock with three Buy-equivalent ratings and a consensus target price of $5.343.

Macquarie Technology also enjoys a Positive rating with a $110.18 valuation.

Check out the latest on Macquarie Technology Group ((MAQ)): https://fnarena.com/index.php/2025/06/18/rudis-view-macquarie-technology-stock-in-focus/

The author owns NextDC and Goodman Group shares in her SMSF.

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AUSTRALIA

Green Shoots Emerging For Seek

Improving job advertisement trends and management initiatives suggest to analysts potential upside for Seek after a prolonged share price malaise.

-Positive job trends and investor day for Seek
-Seek index data show slowdown of decline
-Management confident in revenue with moderate cost increases
-Bell Potter's favoured exposure among Australian classifieds

By Mark Woodruff

At around $24.00, shares of Seek ((SEK)), which specialises in online employment marketplaces, are not trading materially higher than peaks achieved in 2018, despite exceeding $35 in late-2021.

Back in February, Morgan Stanley identified the primary problem for the company centred around ongoing weak job advertisement volumes. This view contrasted with the (apparent) consensus opinion at the time that Seek was a structurally broken business.

The missing ingredient for Seek, explained the analysts, was a return to flat and then a period of positive job advertisement growth, to drive the next upward EPS revision cycle.

Also maintaining the faith, Bell Potter yesterday confirmed Buy-rated Seek remains its preferred Australian classifieds exposure under coverage, after downgrading REA Group ((REA)) to Hold from Buy. Domain Holdings Australia ((DHG)) was downgraded to Hold back in March and the broker doesn't cover Car Group ((CAR)).

This broker can see advertising volumes increasing courtesy of macroeconomic tailwinds driven by an RBA rate cutting cycle, while management should also be able to extract group yield and margin improvements through its unified platform.

The analysts were commenting after Seek's advertising index data for May, covering trends in job advertisement volumes and market dynamics (posted on Seek's platform only), showed further improvement and market share gains against the ABS internet job advertisement index.

For the company, actual volume growth tends to correlate with growth within this report, points out Macquarie.

Senior Economist for Seek, Dr Blair Chapman, noted that for May "Our data points to a slowdown in the decline the market has been experiencing since mid-2022".

The May Australian job advertising volumes on the Seek platform were down -6% year-on-year and are tracking down -10% for FY25 so far.

Further, on a trend basis, Citi notes May volumes were up month-on-month, representing the second consecutive month of improvement.

Also, supportive of Citi's assumption of 5% year-on-year price growth in FY26, advertised salary in Australia was up 3.6% year-on-year in May, in line with the rate of growth in April.

While Citi believes interest rate cuts should support job ad volumes, its analysis suggests a mixed backdrop remains, leading to a modest 1% year-on-year volume growth forecast for FY26.

The release of strong Seek index data followed an upbeat investor day, where management reaffirmed confidence in maintaining top-line growth while limiting operating cost increases to the mid- to high-single-digit range.

UBS previously noted the improved operating outlook from rate cuts and highlighted the completed unification project is enabling faster, AI-driven product rollouts, which are boosting yield and also driving growth.

Seek explained

Seek, founded in Melbourne in 1997, began as an online employment marketplace for Australia and New Zealand and has since expanded to lead platforms across eight Asia-Pacific markets, with minority stakes in China, South Korea, and Bangladesh.

Its 2021-launched Growth Fund supports early-stage ventures across HR software, online education, and contingent labour, including Online Education Services (OES), an 80%-owned joint venture with Swinburne University.

The A&NZ segment remains Seek's core profit engine, generating about three-quarters of revenue, while Asia (21% of FY24 revenue) offers long-term upside via the unified APAC platform, which is lifting yield, scale, and placements.

Management aims to grow yield and increase placements to support operating leverage. Yield growth, measured as ad revenue per paid listing, comes from higher pricing, increased use of premium features, and AI-led product enhancements.

Freemium, particularly in Asia, is boosting job ad volumes by offering free basic listings, with revenue expected to grow as employers convert to paid features.

Investor day

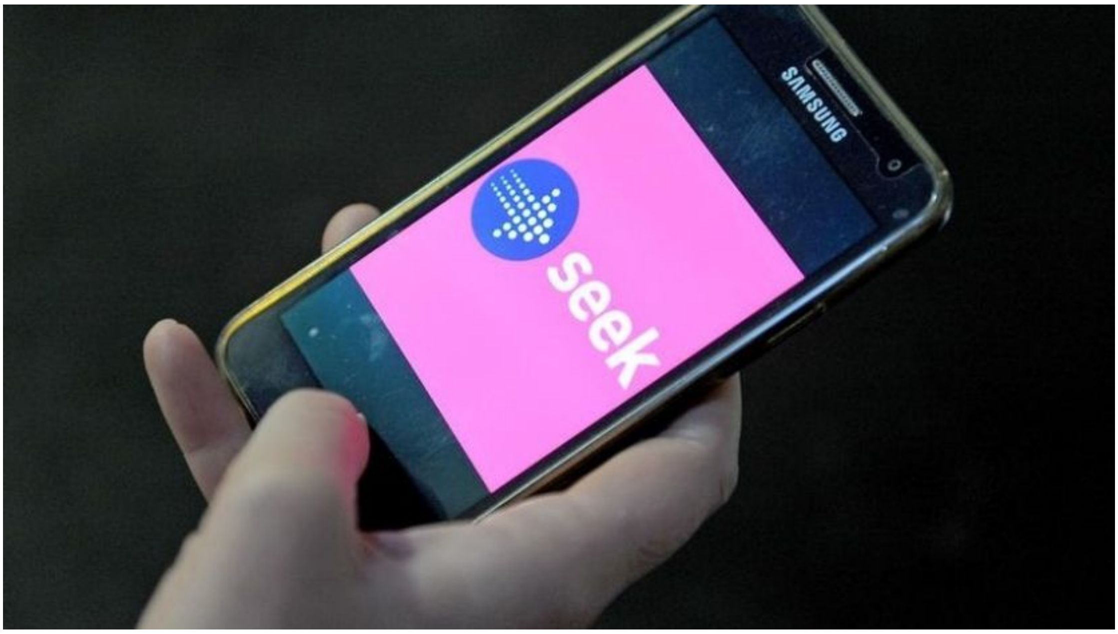
The company guided for revenue, earnings, and adjusted profit to land in the upper half of prior ranges, with UBS suggesting this could lead to consensus upgrades of around 1-2%.

Management also sharpened its revenue aspiration, targeting high single-digit yield growth, with revenue expected to outpace cost growth, supporting operating leverage.

Jarden emphasises growing placement share remains critical, given the strong correlation between Seek's share of placements and revenue performance.

According to this broker, higher placement share signals Seek is delivering more value to hirers, which should, in turn, support continued yield expansion.

Jarden also highlights core "run-the-business" costs, such as technology, sales, and corporate expenses, remain relatively stable, comprising around half of the cost base. This suggests Seek can invest aggressively in areas like marketing and AI while still generating operating leverage.



More from the investor day

At its investor day, management re-affirmed expectations for stabilising ad volumes across A&NZ, supported by a recent upgrade to ad tiers that are expected to drive low double-digit yield growth in FY25.

In Asia, revenue is forecast to remain broadly in line with the same period last year, with the freemium rollout in Singapore progressing as planned. Management also confirmed interest costs will fall below the previously guided -$75m, aided by proceeds from the Employment Hero sell-down.

Seek reported a third-quarter FY25 placement share of 34.8% in Australia, slightly down from 35.4% in the first half, and 25.6% in Asia, up from 23.5%. UBS views these outcomes as supportive of FY25 guidance and reflective of increasing momentum in product-driven monetisation.

Jarden expressed greater confidence in management's ability to control the cost base, enabling operating leverage alongside ambitions for high single-digit yield growth and increased SME penetration across Asia.

The day broadly reinforced Bell Potter's thesis that Seek's unified platform is delivering backend efficiency and frontend value at scale across APAC.

Outlook

In April, Morgans highlighted management's ability to drive medium-term growth at Seek by leveraging a new pricing structure, benefits from platform unification, and disciplined control of discretionary spending.

Following the recent investor day, Macquarie also retains a constructive view, forecasting a return to growth in FY26 supported by expected interest rate cuts in Australia and ongoing labour market tightness.

Meanwhile, Bell Potter has revised its risked forecasts for Seek upward, citing improving US trade dynamics. This marks a reversal from the broker's earlier cautious stance, which reflected concerns around tariffs and their potential drag on global growth, business investment, and hiring trends.

There are seven daily monitored brokers in the FNArena database researching Seek, all with Buy (or equivalent) ratings. The average target price of $28.28 suggests around 17% upside to where the shares are trading today.

Jarden, which is not part of daily broker coverage, also rates the stock a Buy with a $29 target.

AUSTRALIA

Metcash Outlook: Tobacco Sales vs Rate Cuts

Metcash's FY25 result was solid, showing reliance in Food & Liquor. Signs are positive for a recovery in Hardware, but rate cuts are key.

-Metcash FY25 earnings at top end of guidance
-Food & Liquor solid, despite declining tobacco sales
-Hardware set to improve on RBA rate cuts
-Visibility on Hardware's recovery timing and magnitude remains limited

By Greg Peel

Grocery wholesaler and hardware group Metcash ((MTS)) reported FY25 (year-end April) earnings at the top end of guidance updated earlier this month, and added a positive trading update for the first seven weeks of FY26.

The company posted a solid performance in its key Food division, increasing earnings in the second half even as tobacco sales plunged -23% amid a boom in the illegal tobacco trade. Amortisation charges from the Superior Foods acquisition weighed on the result, but the new business's underlying operations made a solid showing, Ord Minnett suggests.

Supermarket sales growth ex-tobacco in the first seven weeks of FY26 was a pleasing 2.9%, driven by private labels, more competitive pricing, and refreshed stores.

The hardware division's second-half performance was better than analysts expected, with a tight rein on costs and much smaller contraction in margins than seen in the first half, while early FY26 sales are up 1.3% on a year ago.

It is a difficult environment for hardware, all agree, but Metcash has set the business up well for any improvement in consumer confidence.

Impressive operating cash flow and reduced capital expenditure meant net debt came in at $577m, well below Ord Minnett's forecast for $921m. Reduced guidance for capital expenditure in FY26 should drive further growth in cash generation.

Hardware

Metcash's Independent Hardware Group (IHG) is the largest independent hardware group in Australia, and a leader when it comes to servicing the Trade market.

Mitre 10 is the country's largest independent network of hardware operators with over 300 stores, servicing retail but with a leaning towards Trade. Total Tools is franchisor to the largest professional tools market in Australia, while Home Hardware is also Trade-focused, along with a handful of smaller operators in the hardware group.

The key positive from the Hardware result, suggests Macquarie, was an improvement in earnings margin, with some 40 basis points of expansion in the second half from the first. This was driven by IHG, with margins up 70bps half-on-half on execution of cost management initiatives.

This compared to Total Tools with -80bps of compression, although management called out improving retail margins through the second half and into FY26. In the near-term, better margins have offset like-for-like sales growth, which remains subdued. The first seven weeks of FY26 saw 0.8% growth for IHG but -2.7% for Total Tools.

Longer-term, Macquarie has lifted its Hardware earnings forecasts as cost efficiencies are set in the base and the top-line improves alongside housing conditions.

Housing conditions remain somewhat of a sticking point.

Hardware network sales and earnings were broadly flat in FY25, suffering higher D&A expense due to acquisitions. These businesses have been a source of underlying sales and earnings declines due to subdued trade activity and cost of living pressures, UBS notes.

IHG has shown signs of improvement since the fourth quarter, while Total Tools' momentum remains subdued. Looking forward, UBS suggests lower interest rates should support trade activity and ease cost of living pressures, with operating leverage for retail and wholesale a driver of forecast earnings margin expansion.

Citi is not so confident.

Detached housing approvals are up around 5% year on year into the March quarter, but the recovery is not as strong as Citi expected when it upgraded Metcash to Buy last December. Given the typical lag to housing starts of approximately three months, a more meaningful volume recovery for Metcash's businesses does not look likely to Citi until FY27.

Given this, and with earnings still down year on year in the second half, Citi is concerned the market's 13% earnings growth forecast for FY26 looks optimistic.

Citi notes Bunnings' ((WES)) expanded Tool Shop (expected to be in around 190 stores by end-June) is likely to take some market share over time.

Management sees limited opportunities for further cost-outs, Morgan Stanley reports, given the business today is very lean as it relates to labour, "Further cost cutting would put the business at risk", management suggested. The group is focused on its "go to market strategy", range and competitive position, in order to stay in front of customers.

Competitive intensity remains accompanied with deeper and longer promotions. Tradie confidence remains low, management noted. Yet suppliers confirm Total Tools is not losing share. Management is committed to rolling out stores, still confident in its 170 store network target.

Morgan Stanley sees improving sentiment in Metcash's Hardware division, evident in FY25 results, but says visibility on overall recovery timing and magnitude remains limited.

Building approvals and easing financial conditions are positive signs, though actual building activity and sales remain subdued. FY25 is expected to mark trough margins for Hardware earnings.

Food & Liquor

Metcash controls a network of over 1,600 independently owned supermarkets Australia-wide, including the IGA and Foodland brands. It further controls a chain of convenience stores, which in 2017 was merged with its Campbells Cash & Carry wholesale business.

In Food, on an ex-tobacco basis, Supermarkets revenue was up 3% year on year and Campbells & Convenience was up 6%. Although Tobacco was a headwind, earnings in the segment were solid, Macquarie suggests, with Supermarkets and Campbells & Convenience earnings increasing 5%.

Noting downside risk from tobacco (illegal sales now comprising around 40% of the market), positively, notes Macquarie, Metcash has been able to offset lower tobacco sales with higher margins, while focusing on the remainder of its Food offering.

In Liquor, Metcash's independents have continued to see volume growth and market share gains, which is positive, Macquarie suggests, given challenges in the alcohol category (cost of living), albeit earnings remained under pressure (down -2% year on year) with a lower contribution from "strategic buying".

Food sales were up 11.1% due to the recent Superior Foods acquisition. UBS notes share gains were maintained in Supermarkets, and Convenience saw share gains and contract wins. Earnings grew ex of Superior Foods.

Liquor sales rose 3.4% due to market share gains and new contracts, with earnings down -1.8% due to lower inflation. Tobacco is facing accelerating declines, UBS notes, down -20% in FY25, -29% in the first seven weeks of FY26, and -40% since the peak in FY21.

Excluding tobacco, underlying Food & Liquor sales are resilient, with growth from annualising recent contract wins plus upside from more contract wins. Earnings margins should expand from mix-shift (tobacco low margin) and ongoing cost management.

Once again, Citi is more sanguine.

The supermarkets business has likely benefitted from rising negative sentiment toward the major supermarkets over the last 18 months, Citi suggests. This broker sees this benefit fading with time, also given Woolworths Group's ((WOW)) efforts to turn around its weak customer perception.

Furthermore, while tobacco makes a low profit contribution, Citi also points to accelerating decline, and it still represents 17% of Food segment sales. Moreover, new legislation taking effect from 1 July (maximum pack size capped at 20, ban on certain flavours etc.) is likely to drive sales down further, putting further pressure on retailer profitability.

Liquor continues to show commendable performance relative to peers, as demonstrated by the 270 bps of share gains since FY22. Citi looks for industry demand to have found a base though notes competitor activity appears to be stepping up.

Mixed Views

For Hardware, a clear determinant from here will be expected RBA rate cuts, which should boost housing construction/renovation and consumer sentiment. Brokers and economists appear quite confident in more rate cuts ahead for 2025.

With inflation easing, the RBA's decision to cut will more likely be based on a slowing economy, itself driven by a slowing Chinese economy due to Trump's tariffs. But as the Fed can only continue to suggest with regard its own rate policy, it all depends on where tariffs ultimately land.

Whether a slowing Australian economy will boost consumer confidence, rate cuts notwithstanding, is up for debate. If Trump's tariffs lead to rising US inflation, and a potential Fed rate hike, the RBA's policy decisions will become more difficult.

That said...

Metcash offers an appealing investment option, Ord Minnett believes. It is holding its share in the Food business, its Hardware division is set to benefit from an improvement in consumer sentiment, the balance sheet is robust, and management is very capable. Ord Minnett re-iterates a Buy recommendation and raises its target to $4.60 from $4.10.

Macquarie retains Outperform, suggesting its thesis remains intact, with Food & Liquor segments providing a ballast and ongoing recovery in Hardware to drive the share price as momentum accelerates in key housing indicators. Macquarie's target rises by 8% to $4.00.

UBS retains Buy despite recent share price performance (up 24% year to date, all of which achieved since the Liberation Day dive) as the risk/reward remains attractive due to resilient core Food & Liquor, with contract wins a growth option, and Hardware poised for a recovery, with early signs in IHG from the fourth quarter.

UBS also highlights dividend yield support while de-gearing progresses, with capital management possible in time. UBS' target rises to $4.25 from $4.00.

Unsurprisingly, Citi has downgraded to Neutral from Buy. Citi cites the aforementioned share price run as contributing, alongside its belief consensus hardware confidence is overblown. Citi's target nonetheless rises to $3.90 from $3.70.

Morgan Stanley maintains an Equal-weight rating, citing the need for clearer signs of margin rebuild and benefits from the integration of the company's two Hardware businesses, IHG and Total Tools, while increasing its target to $3.75 from $3.35.

That leaves three Buy or equivalent and two Hold ratings among brokers monitored daily by FNArena covering Metcash. The consensus target is $4.10.

AUSTRALIA

Treasury's Transition Turbulence

Market conditions remain challenging for Treasury Wine Estates. The immediate outlook offers more questions than answers, but is the share price too low?

-Treasury Wine Estates continues to battle challenging conditions
-FY26 guidance for Penfolds lowered
-Ord Minnett questions value of Daou acquisition
-Luxury segment is management's main focus

By Mark Woodruff

International wine business Treasury Wine Estates ((TWE)) is undergoing a period of transition, marked by strategic restructuring and a challenging trading environment in key international markets.

Recent hiccups stem from headwinds in the US Premium wine segment, alongside some distribution disruption plus a weaker-than-expected performance from the company's Daou Vineyards acquisition.

Earlier this month, management lowered FY25 earnings guidance, attributed to weaker US Premium wine sales, particularly 19 Crimes below US$15 per bottle, though Luxury portfolios such as Penfolds appeared to be tracking to plan.

Adding to the risk at the time was a forced distributor change in the key Californian market, whose citizens account for the highest wine consumption of any US state.

Now, as part of an investor update, FY26 guidance for Penfolds earnings growth has been revised down, driven by additional investment aimed at re-establishing the brand in the key Chinese market.

Following a recent trip to China, Citi is cautious on Penfold's growth prospects in the country having garnered feedback on relative weakness in both Grange and 707, which may be reflective of changing consumption patterns.

Treasury Wine Estates has a portfolio of luxury, premium and commercial wines, largely focusing on the luxury wine category, with Penfolds being its most iconic brand.

The company's primary reporting divisions are Penfolds, Treasury Premium Brands, and Treasury Americas.

Premium Brands includes well-known but more accessibly priced wines like 19 Crimes, Matua, Sterling, Squealing Pig, and Pepperjack.

Lower-priced, high-volume brands such as Wolf Blass, Lindeman's, and Yellowglen are part of the commercial brand portfolio.

While group-wide FY25 earnings guidance of $770m was reaffirmed, Citi describes the investor update as lacking clarity. Citi thus expects uncertainty to linger over the company's outlook.

The broker questions whether this will be the final downgrade for Penfolds, noting plans to increase sales to Asian markets outside China in FY26 could prove difficult.

Industry checks by Citi suggest demand across most of these markets, excluding Thailand, remains soft, while increased sales to these regions could fuel grey market imports into China, potentially undermining local pricing.

Disappointingly, revenue synergies and cost savings from the Daou acquisition (completed in early-2024) were expected to drive earnings growth in the luxury division, prompting Ord Minnett to question the value of the purchase. Sales growth is now forecast to fall short of the original target of low double-digits over the medium term.

Management attributed softer expectations for Daou to disruption from the distributor change in California and a deterioration in US consumer sentiment linked to the Trump administration's economic policy uncertainties.

Ord Minnett now believes FY26 earnings from the Americas are likely to fall below FY25 levels, particularly as company guidance was issued before the distributor change.

Reorganisation

The luxury segment is central to management's global strategy, with continued investment in marketing, innovation, and international expansion for these brands.

Luxury at Treasury refers to the group of brands and products positioned at the higher end of the market, which typically retail above US$20 per bottle.

The luxury portfolio includes: Penfolds (Australia/global), Daou Vineyards (California, acquired in 2023), Stags' Leap (Napa Valley), Beringer (Napa Valley), Frank Family Vineyards, Beaulieu Vineyard, and Beringer Knights Valley.

These brands are marketed as luxury or ultra-premium. Together they now account for the majority of the company's profit and a growing share of revenue.

The star of the show remains the Penfolds label, anchored in its iconic Grange range from South Australia, but the company also sells Penfolds wine made in China's Ningxia province, as well as from Bordeaux, where it is produced with prestigious French wine company Maison Dourthe.

As part of efforts to kickstart weak sales in the under $15 per bottle segment, management also announced at Tuesday's trading update the formation of a new Treasury Collective division (beginning July 1), which will house brands including 19 Crimes, Matua, Squealing Pig, Wynns, Wolf Blass, and Lindemans.

Effectively, the Americas division will become luxury only, with Americas Premium & Commercial to join with Premium Brands to be part of the new Collective division.

The Daou vineyards in California will be the largest contributor to the new segment at around 50% of net sales revenue (NSR), followed by Frank Family Vineyards at circa 17%.

New FY26 guidance under the new structure

Penfolds earnings growth has been downgraded to low-to-mid double-digit from a prior 15% guidance, while Americas Luxury is expected to expand modestly, and Daou's NSR is tracking below its medium-term low double-digit target.

The Collective division is anticipated to see a slower rate of revenue decline as it moves toward medium-term stabilisation.

Capital management

Management plans to formally launch an on-market buyback of up to 5% of issued capital alongside its FY25 results in August, reflecting the board's view the shares are significantly undervalued.

Macquarie estimates completion of the entire buyback would be around 3.5% accretive to EPS on an annualised basis. By contrast, Morgan Stanley doesn't expect the buyback will be meaningful in size given the constraint of management's 2 times leverage target.

Picking up on this point, Ord Minnett feels a buyback is not the best use of the balance sheet, given leverage is already running near the top end of the targeted range, along with Treasury's uncertain earnings profile.

Outlook

Despite yet another EPS downgrade, UBS retains a Buy rating alongside a reduced target, citing an attractive risk/reward following a -34% share price decline since July 1 last year.

The broker continues to see strong long-term potential in Penfolds' global growth opportunity, including renewed momentum in China and the ongoing repositioning of the Americas toward luxury.

While the stock appears inexpensive on most valuation metrics, Ord Minnett remains cautious given the subdued earnings outlook and the potential for incoming CEO Sam Fischer to reset guidance and expectations when he succeeds Tim Ford in October.

UBS, on the other hand, remains confident in Treasury's scale advantages, in particular growth from Daou and Frank Family Vineyards.

There are six daily monitored brokers in the FNArena database that research Treasury Wine Estates, equally split between Buy (or equivalent) and Hold ratings.

Including Morgans' update, which only arrived this morning, the FNArena consensus price target for the shares has retreated to $9.58 from $10 prior to this week's update. At the start of the calendar year, that target stood at $13.71.

The shares closed more than -22% below the revised consensus target yesterday.

Morgans has kept is Buy rating while lowering its price target to $10.25 from $11.06 in line with management's reduced guidance and with plenty of FY26 uncertainties looming.

Outside of daily coverage, Jarden has lowered its target to $10.00 from $10.60 and maintains an Overweight rating, which sits one notch below Buy in this broker's framework.

While the rating is unchanged on valuation grounds, Jarden analysts acknowledge few immediate catalysts for the share price.

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

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

AUSTRALIA

Xero’s Bold US Play

Xero's largest acquisition to date has potential to fast-track its expansion in the US.

-Xero acquires payments platform Melio in the US
-Potential to fast-track Xero's accounting expansion
-Transaction aligns with management's 3-by-3 strategy
-Risk-reward payoff compelling, says Morgan Stanley

By Mark Woodruff

Last month, global cloud accounting SaaS provider Xero ((XRO)) delivered interim results featuring a stronger-than-expected performance from its International segment, reinforcing management's commitment to expand in the US market.

While revenues in Australia and New Zealand proved slightly below market expectations, offsets were provided by 'beats' in the UK and US.

Management also stated an ongoing ambition to "Win the 3 by 3 strategy" by improving Xero's offerings for the three most critical jobs for small businesses --accounting, payroll, and payments-- in its three key markets.

Across Australia and New Zealand, the UK, North America, and some Southeast Asian markets, Xero provides accounting plus business services to small enterprises and their advisers.

Morgan Stanley noted the 3-by-3 strategy was progressing well, as evidenced by 11% year-on-year subscriber growth to 400,000 in FY25.

Delivering on its ambition, management on Wednesday announced a bold -$3.9bn (US$2.5bn) acquisition of US business-to-business (B2B) payments platform, Melio, marking Xero's largest transaction to date.

Morgans is on board with the deal, seeing it as a smart step to help spark product innovation and beef up Xero's North American offering. By bringing together digital payments and core accounting, the platform is expected to become even more appealing to small businesses.

Management backs this up with research showing 60% of North American customers want their accounting and accounts payable fully integrated.

Founded in 2018, Melio provides cloud-based payments solutions tailored to US small-to-medium enterprises (SMEs), supported by a 600-strong team and investors such as Fiserv and Shopify.

As noted, Xero's aim is to integrate accounting and payments into a single platform, with management anticipating a boost to group revenue of more than 100% by FY28 and a greater than 'Rule of 40' by that time.

Jarden at this point can only arrive at 39.3% for this metric after combining its forecasts for revenue growth of 19.4% plus a free cash flow margin of 19.9%.

Ord Minnett highlights management's target equates to at least NZ$4.2bn for FY28, well in advance of prior market expectations of around NZ$3.6bn. The broker's FY28 revenue forecast is now NZ$4.4bn once cost savings and revenue benefits from Melio are captured.

The transaction will assist Xero in controlling more of the economics in the US by directly owning one of the core 3-by-3 jobs-to-be-done, highlights Citi.

Melio provides syndication capability through its white-label platform and embedded payments infrastructure, which allow partners, including financial institutions, accounting platforms, and software providers, to offer Melio-powered payments services under their own brand.

Analysts at Citi believe Melio's syndication capabilities and embedded relationships with banking partners could help fast-track Xero's core accounting expansion in the US. The broker considers the banking channel a particularly effective route to acquire small and medium business (SMB) customers.

Despite the strategic rationale, some analysts caution over the steep acquisition price and Melio's history of substantial losses.

Jarden estimates the deal will result in approximately NZ$4bn of goodwill, prompting questions about whether building similar functionality in-house could have been materially more cost-effective.

Execution risk is also cited due to the merging of two businesses, software stacks, and corporate cultures.

Macquarie disagrees, suggesting the greater risk for Xero resides in failing to execute on its US growth ambitions, rather than short-term earnings accretion or dilution over the next six to twelve months.

This broker considers the Melio acquisition reinforces the company's 5-10-year growth narrative and holds a high conviction in Xero's longer-term outlook beyond 12 months.

While upcoming brand re-investment may weigh on short-term margins, any share price weakness from increased costs should be seized upon as a buying opportunity, as far as Macquarie is concerned.

Investors may get their opportunity, as Citi anticipates initial share price weakness given the high acquisition multiple and dilution to free cash flow margins.

For the longer-term, Citi too views the deal as strategically positive, helping Xero achieve greater scale and providing a broader revenue base to amortise US brand investment.

Excluding the acquisition, management reiterated FY26 total operating expenses at around 71.5% of revenue, with a higher weighting in the first half, reflecting several one-off factors, including increased executive compensation.

Transaction details

The Melio acquisition follows a decade of limited success for Xero in North America despite substantial investment.

Morgan Stanley concedes the ~NZ$3.9bn price tag is steep at 13 times FY25 EV/sales for a loss-making tech business, but views it as reasonable.

This broker anticipates near-term dilution to earnings and to Xero's Rule of 40 performance and expects the deal will take more than three years to become EPS-accretive.

Still, the risk/reward trade-off is seen as compelling, with the transaction reinforcing confidence in Xero's ability to generate meaningful additional shareholder value over the next two-to-three years.

CEO Sukhinder Singh Cassidy noted the payments space is too specialised for Xero to build in-house at scale and speed, positioning Melio's established presence as the catalyst to transform Xero into a truly global software giant.

With 24m US SMEs yet to adopt cloud accounting, Singh Cassidy sees payments as the "seamless experience" to unlock monetisation at scale.

The acquisition marks a pivotal shift for Xero, reshaping its product strategy and financial model to compete with US players. The US market offers a significant opportunity, but it's highly competitive, notes Morgan Stanley, with Intuit as a strong incumbent.

The purchase will be funded via a US$1.2bn institutional placement at $176 per Xero share (a circa -9% discount to Tuesday's close of $194.21), US$360m in Xero scrip, a US$400m credit facility, and US$600m from existing cash reserves.

Management also announced a non-underwritten share purchase plan (SPP) of circa $200m at the lower of either the $176 placement price (per share), or a -2% discount to the five-day volume weighted average price (VWAP) of Xero's shares up to and including the closing date of the SPP.

<u>Preliminary numbers</u>

Morgan Stanley notes the deal has not yet closed and therefore remains excluded from current forecasts.

The broker estimates Xero's pro forma FY26 revenue would increase by 15%, from NZ$2.5bn to NZ$2.9bn, once Melio's revenues are annualised. Earnings (EBITDA) are forecast to decline by -12% to NZ$692m.

Melio is expected to reach earnings break-even by FY28. To achieve EPS neutrality by then, Morgan Stanley calculates Xero must deliver NZ$102.5m in annual earnings synergies.

As March 2025, Melio had 80,000 customers, US$153m of revenue and an average revenue per user (ARPU) of US$250 per customer versus Xero's North America ARPU at US$18 per customer, as highlighted by Wilsons.

<u>Outlook</u>

The bullish scenario for Morgan Stanley involves leveraging the Melio platform to reach the around 30m self-employed businesses where cloud penetration for accounting remains low.

Analysts at Wilsons believe the transaction will accelerate Xero's US expansion while also enhancing scale and broadening capabilities across the entire business, over time.

Following the acquisition announcement, six daily covered brokers in the FNArena database keep their ratings unchanged. Four are Buy-rated, while both Ord Minnett and Morgans are dwelling in the space between Buy and Hold with Accumulate ratings.

While the average 12-month target price has eased to $211.50 from $212.80 since the announcement, most brokers are awaiting deal completion in late-2025. The average target suggests around 14% upside to the $184.85 closing price on June 26.

In the case of Wilsons (outside of daily coverage), earnings forecasts were left unchanged, but the analysts allowed for the increased cash and shares on issue from the placement. This broker's target increased by 2% to $217.26.

Elsewhere, RBC Capital maintains an Outperform rating and raises its target price to $230 from $210, while also highlighting a new transaction-based revenue model could complicate forecasts and margin comparisons.

Jarden also raises its target to $207 from $197 and maintains its Overweight rating (also between Buy and Neutral).

RUDI'S VIEWS

Rudi's View: Ten Years Of All-Weather Model Portfolio

By Rudi Filapek-Vandyck, Editor

A few weeks ago I was asked to provide some performance statistics for stocks held in the **FNArena-Vested Equities All-Weather Model Portfolio**. Revisiting the early days of the Portfolio back in 2015 proved quite the illuminating exercise.

For starters, the number one stand-out performer proved not one I would have instinctively picked had I been asked the question beforehand. But numbers don't lie and there it was; Aristocrat Leisure ((ALL)) beating everything else over the ten years up until May this year.

I am well aware this company is not to everyone's liking or taste, and I certainly don't want to make this international giant in the gaming industry the *posterboy* of my research or the Portfolio, but I have no problem pointing out this company remains one of the strongest and most successful growth stories on the ASX; and it is a large cap company, proudly and solidly embedded inside the local Top 20.

But, when I do say numbers don't lie, we should all remain cognisant of the fact that starting and end points of our calculations are arbitrary and a lot of bias can creep in, also depending on how and when we measure returns.

Notes From A Ten-Year Journey

Back in May I simply went back in time by ten years, April to April, because the Portfolio has now completed its first decade of active existence. It soon dawned upon me, adding context and interpretation remains vital.

For example: I have repeated the exercise over the past weekend --June to June-- and this time the decade's all-round winner is ERP-SaaS services provider TechnologyOne ((TNE)), thanks to yet another strong rally over the past two months, whereas shares in Aristocrat Leisure lack clear momentum due to too many question marks about tariffs, the US dollar and the US economy.

The message to all of us remains the same: don't be too easily bamboozled by backward-looking calculations, also pay attention to context and details. As the starting point was ten years ago, changes at this stage of the period can have an outsized impact on the return calculations overall.

Having said so, I have absolutely no reason to complain and can also now report TechOne has become the first company in the All-Weather Portfolio that has generated a return of 1000%. Yes, that's not a typo.

One thousand per cent over the past ten years. (Dividends not included).

Second observation: This still doesn't make TechOne the best performer on the ASX overall. Shares in accountancy software platform Xero ((XRO)), which is equally in the Portfolio, have appreciated by nearly 1100% over the same period. Alas, the Portfolio added these shares a few years later, and also sold out and bought back in over time.

Not grabbing the full potential from Xero shares, even though they have been on my curated lists from the get-go, is shaping up as one of the key lessons I had to learn.

It's one of the reasons as to why I have become extremely reluctant to wave goodbye to great companies. Pro Medicus ((PME)) is no longer in the Portfolio and has equally contributed to that lesson learned.

Lucky me, all of REA Group ((REA)), WiseTech Global ((WTC)), Hub24 ((HUB)) and Xero have offered multiple opportunities to get back on board or accumulate more shares.

But the key lesson remains: be extra-extra careful when selling out. The market might not be as accommodating as you expect, and lest our very own doubts, discomfort and biases get in the way and form an invisible barrier that prevents us from buying back in.

Equally important: my research into High Quality All-Weathers and Growth companies on the ASX also serves to educate and to inform those investors and subscribers that are not afraid to steer away from simply buying banks and resources companies, and from beaten-down, lower quality options.

A Thing Of Beauty, A Joy Forever

Within this context, let's note the returns ex-dividends from the core holdings that have been held in the Portfolio throughout most of the 10-year period:

-TechOne 1000%
-Aristocrat Leisure 760%
-REA Group 491%
-NextDC ((NXT)) 479%
-ResMed ((RMD)) 432%

One look at that overview should convince every investor a **Buy-and-Hold strategy** remains as valuable and as valid as ever, despite many calls and predictions to the contrary (the Finance industry needs to make a return too, of course).

Having said so, my backward-looking exercise equally --and painfully-- highlighted how few ASX-listed companies are today able to show such numbers. As a matter of fact, the grand majority of stocks that make up the ASX200 have only generated a mere pedestrian-looking return over the same 10-year period (excluding dividends and franking).

A few random examples:

Shares in BHP Group ((BHP)), ex-dividends, have only appreciated by circa 36% over the past ten years. Granted, this is ex South32 ((S32)) and without dividends and franking, but that still doesn't close the gap (not by many miles). Shares in Rio Tinto have appreciated by 93%.

Harvey Norman ((HVN)) shares are up by a measly 15% only, not too dissimilar from National Australia Bank's ((NAB)) at 16%. Shares in Nine Entertainment ((NEC)) are up less than 5%.

There's a long list, and I genuinely emphasise it's a long list, of companies whose return is stuck deeply in negative territory, including AGL Energy ((AGL)), AMP ((AMP)), ANZ Bank ((ANZ)), Bank of Queensland ((BOQ)), Insignia Financial ((IFL)), Lendlease ((LLC)), Perpetual ((PPT)), Ramsay Health Care ((RHC)), Tabcorp Holdings ((TAH)), Telstra ((TLS)), and TPG Telecom ((TPG)).

Over that period, the ASX200 has delivered approximately 3.94% in price return per annum, or 8.33% including dividends. This translates into 46.7% ex-dividends or 123% including.

Translation: investors haven't done too badly from owning the likes of BHP, Rio Tinto or Commbank ((CBA)), but the real (out)performance, and index support, has come from the companies mentioned as they had to compensate for the long queue of index constituents for which a positive contribution has been either small, temporary, negligible or non-existent.

Is it too much of a stretch to conclude also this is why most professional fund managers find consistently beating the index is a bridge too far?

The Dummy Guide to investing in the share market clearly states buying undervalued, cheaply priced stocks is the one watertight strategy for superior longer-term returns, but what if that simply no longer works?

There's research out there that suggests only about 16% of active fund managers in Australia have beaten the ASX200 Accumulation Index (dividend re-investments included) over the decade past.

When 'Expensive' Is Not 'Expensive'

None of the companies that feature on my curated lists is ever genuinely cheaply priced, and the above mentioned Top Five certainly wasn't back in 2015 (not if we measure by low versus above average PE multiples), but that has been no impediment to outperforming the market by multiples.

Another eye-catching observation is the consistency in strong performances over long periods of time.

Witness, for example, the Portfolio's **Top Five performers over the past five years** (June to June):

-WiseTech Global 478%
-TechOne 368%
-Aristocrat Leisure 165%
-Goodman Group ((GMG)) 130%
-REA Group ((REA)) 117%

The same exercise over the **past three years**:

-Hub24 ((HUB)) 301%
-TechOne 280%
-WiseTech Global 183%
-Xero ((XRO)) 151%
-Car Group ((CAR)) 96%

Extra note: all of Aristocrat Leisure, Goodman Group and Wesfarmers ((WES)) have kept pace with Car Group shares over the past three years and differences in share price gains are quite small.

Negative Surprises & Lessons Learned

For good measure, my selections of All-Weathers and High-Quality Growth companies have not remained 100% static since I embarked on this specific journey back in 2008.

Some companies have been ejected along the journey (Amcor, Ramsay Health Care, InvoCare, Seek), others disappeared through M&A (DuluxGroup and Veda Advantage), and some joined later in the process (Washington H Soul Pattinson ((SOL)).

In a number of cases, what used to look like a rock solid growth story has come unstuck in more recent times. Think Domino's Pizza Enterprises ((DMP)), but also IDP Education ((IEL)), Bapcor ((BAP)), Ansell ((ANN)) and Treasury Wine Estates ((TWE)), as well as CSL ((CSL)) and Woolworths ((WOW)).

The latter two remain included in my selection of All-Weathers, as well as in the All-Weather Model Portfolio, and probably have been more in focus by those who follow my research than, say, Hub24 or WiseTech Global; stocks that trade on above-average valuations but do (out)perform nevertheless.

One conclusion that stands from all of the above is that highly-priced Quality Growth stocks should not by default be avoided, certainly not with a longer-term horizon in mind.

To take a leaf out of the lexicon of your typical 'value' investor: some companies are highly priced for good reason, and that reason is many more fantastic returns over a long period of loyal ownership.

When asked about when/where to buy, I usually respond with wait for share price weakness. In the overwhelming number of cases, such weakness has proved an ideal scenario to get on board or to increase exposure. One excellent recent example was Pro Medicus shares in April this year.

Outside of such broad risk off periods, I personally tend to look at consensus targets on the FNArena website. I try to assess them intelligently, also taking into account any outliers in either direction that might distort the *real* picture.

While there's always context to add, and room for exceptions, traditionally a -10% gap between share price and target is what starts to pique my personal interest.

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, 23rd 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: ANZ, Aurizon, Cochlear, Newmont, Telix & More

By Rudi Filapek-Vandyck, Editor

UBS strategist Richard Schellbach has moved his Model Portfolio allocation to a sector Overweight for the ASX-listed **healthcare** sector.

Healthcare, as investors probably know all too well, has experienced a very uncharacteristic post-GFC period to date, with relative valuations now at their 'cheapest' levels in ten years.

Schellbach believes EPS downgrades for the sector (mostly on margin pressures) have now run their course. Or to put this in his words: downgrades have been "exhausted".

Add the fact that, forward looking, the sector stands out as one of prime locations for EPS growth, while investors have become rather uninterested and apathetic (where once they all wanted to have their slice of ownership), not to mention the prospect of slowing economic growth globally.

The latter prospect traditionally has always placed healthcare back on investors' radar.

No doubt at least partially inspired by the US administration's colourful stance on vaccines (let's call it that, shall we?), UBS's Model Portfolio is now Overweighted the sector through the inclusion of Cochlear ((COH)) and ResMed ((RMD)).

Fun fact; UBS recently upgraded Cochlear to Buy. Something that hadn't been seen since 2021.

Other changes made to the Model Portfolio include Northern Star ((NST)) being replaced by Newmont Corp ((NEM)) while Life360 ((360)) has now been replaced by NextDC ((NXT)). WiseTech Global ((WTC)) is preferred over Xero ((XRO)). Mirvac Group ((MGR)) was added to provide more exposure to the residential housing cycle locally.

Post the sectorial upgrade, UBS's Model Portfolio is now Overweighted Healthcare, Insurance and 'TMT'. The latter acronym was incredibly popular some 25 years ago and stands for Technology, Media & Telecom.

Three segments remain Underweighted: Banks, Energy, and small caps.

UBS remains bearish the US dollar.

(For UBS's latest update on Most Preferred and Least Preferred ASX-listings, see further below).

****

Analysts at **Wilsons** have put the ASX-listed **gold sector** in the limelight, arguing if the price of bullion at the very minimum holds its ground around the current pricing level, the sector in Australia will see upgrades to forecasts flowing in.

Against this perspective, Wilsons sees the sector as still attractively priced. Wilsons' Model Portfolio remains Overweighted the local gold sector, but has trimmed exposure to Evolution Mining ((EVN)) while also adding Northern Star Resources ((NST)) as a fresh inclusion.

****

Analysts at **Bell Potter** have updated their sector preferences for the financial year ahead.

Listed Investment Companies ((LICs)
-Australian Foundation Investment Company ((AFI))
-Metrics Master Income Trust ((MXT))
-MFF Capital Investments ((MFF))

Agricultural & Fast Moving Consumer Goods (FMCG)
-Bega Cheese ((BGA))
-Rural Funds Group ((RFF))
-Elders ((ELD))

Technology
-WiseTech Global ((WTC))
-Gentrack ((GTK))
-Seek ((SEK))

Diversified Financials
-Cuscal ((CCL))
-Praemium ((PPS))
-Regal Partners ((RPL))

Real Estate
-Aspen Group ((APZ))
-Cedar Woods ((CWP))
-Region Group ((RGN))

Retail
-JB Hi-Fi ((JBH))
-Universal Store Holdings ((UNI))
-Propel Funeral Partners ((PFP))

Industrials
-LGI Ltd ((LGI))
-Environmental Group ((EGL))

Healthcare
-Telix Pharmaceuticals ((TLX))
-Neuren Pharmaceuticals ((NEU))
-Monash IVF ((MVF))

Gold
-Minerals 260 ((MI6))
-Santana Minerals ((SMI))
-Evolution Mining ((EVN))

Base Metals
-Aeris Resources ((AIS))
-Nickel Industries ((NIC))
-AIC Mines ((A1M))

Strategic Minerals & Processing Technologies
-Alpha HPA ((A4N))
-IperionX ((IPX))

Energy
-Boss Energy ((BOE))

Mining & Industrial Services
-Develop Global ((DVP))
-ALS Ltd ((ALQ))

-Duratec ((DUR))

****

Macquarie's latest **strategy** update starts off on a positive note. While the US economy is still slowing, the broker doesn't see any sizeable corrections happening as long as the US jobs market stays firm/resilient.

But equities are richly valued and the advice to investors is to manage portfolios for **potential earnings risks**. This week yet again saw the likes of Adairs ((ADH)) and Aurizon Holdings ((AZJ)) --among others-- issue profit warnings, hence Macquarie's advice doesn't seem too far astray.

Adairs shares got punished to the tune of -20% while shares in Aurizon as I write these sentences are only down less than -2%, but that share price has been on a long and elongated downsloping trajectory since ...(wait for it)... 2019.

Back to Macquarie, where the current environment favours companies that clearly enjoy operational momentum as well as positive momentum behind their share prices, such as:

-QBE Insurance ((QBE))
-GPT Group ((GPT))
-ResMed ((RMD))
-Metcash ((MTS))
-Atlas Arteria ((ALX))
-APA Group ((APA))
-Orica ((ORI))

Smaller cap companies that equally fit those criteria include:

-Growthpoint Properties ((GOZ))
-Chorus ((CNU))
-GrainCorp ((GNC))
-AUB Holdings ((AUB))
-oOh!media ((OML))
-Monadelphous ((MND))
-Ventia Services ((VNT))

Stocks better avoided, according to Macquarie's assessment, include:

-ASX Ltd ((ASX))
-REA Group ((REA))
-Computershare ((CPU))
-ANZ Bank ((ANZ))
-AMP Ltd ((AMP))
-Flight Centre ((FLT))
-CSL ((CSL))
-Endeavour Group ((EDV))
-Treasury Wine Estates ((TWE))
-Reliance Worldwide ((RWC))
-Orora ((ORA))
-James Hardie ((JHX))

Macquarie would also add major mining companies and lithium exposures to the best to avoid selection.

****

Chris Watling & Co at **Longview Economics** in the UK have been busy-busy convincing as many investors as possible that a new cycle is in the making (and has been for a while now) that should see share market momentum shift away from the Mag7 (and technology and data centres in their slipstream) in favour of cyclicals.

It would be a nice change for the miners and energy producers, and everything relating to them, as the years past haven't exactly been accommodating.

Longview's explanation is that covid and post-covid have pretty much disrupted the normal cycle and the result has been no cycle since 2022. Tight monetary policy is to blame. Hence why various Western economies have struggled to grow and why various parts of the world's stock market have stagnated.

With central banks now cutting interest rates, a re-acceleration of the industrial cycle should follow next. Enter: those segments that have been left behind but will see their earnings boosted by better global economic momentum.

Longview sees more upside for global equity markets, but this time it will be carried by the cyclicals that have been lagging thus far.

But... don't get excited just yet. Longview acknowledges money remains too tight in the US. But conviction remains it'll happen.

****

UBS's Most Preferred Stocks in Australia

In Resources segment:
-BHP Group ((BHP))
-BlueScope Steel ((BSL))
-Newmont Corp ((NEM))
-Orica ((ORI))
-Origin Energy ((ORG))

Among Financials & A-REITs:
-Dexus ((DXS))
-Lifestyle Communities ((LIC))
-Mirvac Group ((MGR))
-Medibank Private ((MPL))
-QBE Insurance ((QBE))
-Steadfast Group ((SDF))

Among Industrials:
-Brambles ((BXB))
-Collins Foods ((CKF))
-Cochlear ((COH))
-Coles Group ((COL))
-NextDC ((NXT))
-REA Group ((REA))
-ResMed ((RMD))
-SGH Ltd ((SGH))
-TechnologyOne ((TNE))
-Telstra Corp ((TLS))
-Telix Pharmaceuticals ((TLX))
-WiseTech Global ((WTC))

UBS's Least Preferred Stocks in Australia

-Aurizon Holdings ((AZJ))
-ASX Ltd ((ASX))
-Bank of Queensland ((BOQ))
-CommBank ((CBA))
-Charter Hall Group ((CHC))
-Computershare ((CPU))
-Evolution Mining ((EVN))
-Temple & Webster ((TPW))

In comparison with the previous update, one month ago, Northern Star ((NST)), Light & Wonder ((LNW)), Xero ((XRO)) and Life 360 ((360)) have all been removed from the Most Preferred list, while Newmont Corp ((NEM)), Mirvac Group ((MGR)), Cochlear ((COH)), NextDC ((NXT)), ResMed ((RMD)) and WiseTech Global ((WTC)) have all been added.

The selection of Least Preferred stocks has seen the fresh inclusion of Charter Hall Group ((CHC)), Computershare ((CPU)), Evolution Mining ((EVN)) and Temple & Webster ((TPW)) while IDP Education ((IEL)), Lovisa Holdings ((LOV)) and Reece ((REH)) are no longer included.

****

Goldman Sachs' selection of local **Conviction Buys** currently consists of:

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

The global list also includes Unibail-Rodamco-Westfield ((URW)), with main listing in Paris but also listed on the ASX (as a leftover from the old Westfield empire), as well as Rio Tinto's ((RIO)) London listing.

Other familiar inclusions are Anheuser-Bush InBev, AstraZeneca, Bank of America, Novo Nordisk, Volvo Group, Panasonic, Philip Morris, Snowflake, TSMC, and Uber Technologies

<u>Best Buys & Conviction Calls</u>

Crestone's Best Sector Ideas:

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

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

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

-QBE Insurance ((QBE))
-RAM Essential Services ((REP))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Tabcorp Holdings ((TAH))
-Telstra Group ((TLS))

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

****

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

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

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

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

****

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

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

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

-Coles Group ((COL))

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

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

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

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

****

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

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

****

Ord Minnett's High Conviction calls (all nominations made by sector analysts on a 12 month horizon):

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

****

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))

****

Wilsons' Focus Portfolio currently contains the following:

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

-WiseTech Global ((WTC))
-Woolworths Group ((WOW))
-Worley ((WOR))
-Xero ((XRO))

****

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

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

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

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

Wilsons' number one **speculative idea**:

-Clarity Pharmaceuticals ((CU6))

****

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SMALL CAPS

Contract Wins Support Kelsian Group Optimism

In the wake of several recent positive announcements by Kelsian Group, brokers weigh the chances of sustainable, improving returns.

-Can Kelsian Group recover after prolonged slump?
-Trading update and dual contract wins provide a boost
-Proposed divestment may improve returns
-Asymmetrical trade over the next year, says broker

By Mark Woodruff

Tourist services and transportation company Kelsian Group's ((KLS)) share price has trended lower since peaking above $10.00 in 2021, weighed down by a series of earnings downgrades over the past two years.

More recently, the stock has staged a strong recovery, climbing to $3.74 from $2.19 following a series of positive ASX announcements since early April.

Initially, Kelsian signalled its intention to divest its Australian tourism assets, aiming to "streamline the business, reduce debt, and improve shareholder value". The intention was followed by a positive trading update on May 7.

More recently, the company secured two significant workforce transportation contracts in the US state of Louisiana, one with engineering company Worley ((WOR)) and another with a subsidiary of US-based Bechtel Corp.

Bechtel is serving as the engineering, procurement, and construction (EPC) contractor for the LNG project owned and developed by Woodside Energy ((WDS)).

Some of broker Taylor Collison's concern that FY27 earnings may stagnate began to ease following the initial Worley contract news.

Despite acknowledging risks around contract delays and the mismatch between upfront growth capex and deferred returns, Taylor Collison sees Kelsian as **an asymmetrical trade over the next 12 months.**

Considerable gloss has been wiped from the Kelsian name after repeated earnings downgrades, notes the broker, so the market is probably going to need to see further contract wins or execution to believe earnings can grow into FY26 and FY27.

Promisingly, the contract win with Bechtel followed only days after Taylor Collison aired this view.

Reporting segments for Kelsian are: Tourism & Marine which includes the SeaLink and Captain Cook Cruises brands; Australian Bus, the largest segment which contributed 51% of FY24 group revenue; and International Bus, including All Aboard America! Holdings, Inc. (AAAHI).

AAAHI is a major US motorcoach operator acquired by Kelsian in June 2023 as the company's first entry into the large and growing US market.

This operator is now the second largest motorcoach operator in the United States, operating over 1,100 vehicles across 16 locations in the south and southwest, with a customer base spanning corporate, government, education, industrial, and tourism sectors.

<u>Proposed divestment and improving returns</u>

According to management, the potential divestment of the Australian tourism assets would reposition Kelsian as a more focused marine, bus, and motorcoach transport business.

Ord Minnett views the move as a positive step in stabilising the group's earnings base and enhancing shareholder returns, noting a potential -1-3% impact to EPS.

Management highlighted the assets generated approximately $160m in FY24 revenue, around 7% of group revenue, and contributed roughly 9% of operating earnings based on Ord Minnett's margin assumptions.

The Tourism portfolio includes 45 vessels, 52 buses and motorcoaches, and carries 2.6m passengers annually, with revenue rising to $171m in FY24 from $100m in FY22.

Assuming margins of between 13-16% and 5-7 times multiples, Canaccord Genuity estimates proceeds in the range of $130m-$180m, which could reduce net leverage to 1.8 times by June 30, 2026.

The continuing 'Marine segment', should the Tourism Portfolio be divested, would comprise Kelsian's SeaLink Kangaroo Island ferry service, Gladstone Ferries, SeaLink Southeast Queensland, which includes North Stradbroke Island, Southern Moreton Bay Islands and Moggill cross-river ferry services.

Townsville ferry services to Magnetic Island and Palm Island, part of SeaLink North Queensland, would also be retained, along with Transperth ferry services, and Brisbane River City Ferries.

Third quarter trading update in May

A strong share price rally followed the release of Kelsian's third-quarter earnings of $78m, supported by growth in domestic bus services and ramp-up of US contracts, observed Canaccord Genuity.

The broker highlighted the Q3 update marked a notable improvement versus the six-quarter average of approximately $66m.

Canaccord considers the fourth-quarter earnings target of $73m achievable, driven by continued strength in rail replacement services and expanding US operations.

Leverage reduced to 2.9 times from 3.2 times at December 2024, aided by a $14m earnings uplift and a -$32m reduction in net debt.

Despite earlier share price weakness, down -10% in 2025 and -55% over the prior 18 months, the broker maintained its view Kelsian shares remain attractively valued.

Further performance support was expected from the AAAHI ramp-up and a full contribution from Bankstown rail replacement, with management re-affirming FY25 guidance of $283-$295m in earnings and less than -$85m in sustaining capex, although management did guide to the lower-end of the earnings range.

Dual contract wins

UBS notes Kelsian has secured a three-year US$59m contract with Worley for the CP2 LNG project in Louisiana, with operations commencing immediately.

An upfront -US$13m in fleet capex during the first half of FY26 is seen as a forward investment, with long-term asset utility.

While the broker considers a FY26 earnings contribution uncertain due to the phasing of work, a stronger impact is expected across FY27-28, with annual revenue of at least US$20m projected to lift recent FY26 AAAHI forecasts by around 7%.

Just three business days later, Kelsian announced a separate LNG transport contract with Woodside's Louisiana LNG project, valued at $126m over FY26-FY30.

Ord Minnett anticipates 5% EPS accretion over FY27-FY29 from this deal and sees a further 26% uplift in FY27-FY28 group operating earnings should margins on the Region 6 Sydney bus contract improve to 5-11% from 1-3%.

This broker leaves its FY25 EPS forecast unchanged, raises FY27 by 3.6% to capture the earnings uplift, and continues to see upside from LNG contracts and tourism asset divestments bolstering the balance sheet.

Outlook

UBS expects the upcoming FY25 result to show a solid recovery in AAAHI trading in the US through 2H25, stronger margins in the Australia Bus business, and gearing to be down half-on-half to less than three times.

There are three daily monitored brokers in the FNArena database researching Kelsian Group. Macquarie is currently on research restriction, leaving UBS with a Buy rating and $4.80 target.

Ord Minnett downgraded to Accumulate (in between Buy and Hold) following the most recent (Bechtel) contract win following share price gains, after raising its target to $3.95 from $3.80.

Outside of daily monitoring, Canaccord Genuity is Buy-rated with a $5.60 target, while Taylor Collison upgraded to an Outperform rating following the Worley contract win. This broker's fair value assessment is $4.11.

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

SMALL CAPS

New Broom Clearing The Decks For Adairs

Adairs is the latest retailer to downgrade earnings guidance as challenging conditions post Easter increase price promotions and margin pressure.

-Trading update scorches share price
-Heavy promotions drive margin pressure
-Adairs, Mocka trade well, offset by troubles with Focus on Furniture
-A recovery in consumer spending is pushed out into FY26

By Danielle Ecuyer

Challenges for a new CEO

Being a shareholder in a small-cap retailer is not for the faint-hearted.

Adairs ((ADH)) has been caught in the crossfire of travails beyond its control since the online shopping boom during covid boosted its earnings and share price to a high of $4.95 in April 2021.

Four years on, earnings per share are struggling to exceed the level achieved in 2019, even though the company is Australia's largest multi-brand, omni-channel homewares and furniture retailer, Bell Potter points out.

Like many retailers, covid has had an enduring impact on the business not least of which is the resulting strategic alignment to omni-channel marketing and sales from in-store, but also the macro drivers of higher costs, inflation, and interest rates, which impacted consumer spending.

Although the Australian interest rate cycle has turned to easing from tightening, with two RBA cuts of -25bps in hand thus far in 2025, and more cuts priced in by the market, consumers are nevertheless doing it tough.

The latest trading update for FY25, as year-end fast approaches, revealed a number of challenges for the retailer, sending the shares down -20.5%, giving the stock the ignominious title of the biggest ASX300 loser on the day.

As is often the case when management changes, new CEO Elle Roseby, ex-Country Road and Trenery who took the reins at the end of January, is working through a strategic realignment of the business, post transition from previous CEO Mark Ronan, who had been at the company for just over eight years.

Roseby's goal is to manage inventory via the clearing of 'high fashion' stock in bed linen as management shifts towards a more "core" range, UBS explained, a process likely to continue until October, later this year.

Jarden views the new CEO's background as offering upside potential for Adair's product range, alongside store layouts to be refreshed, as well as reviewing the company's pricing strategy.

Sales Momentum Holds Despite Promotions

While top-line revenue guidance for FY25 came in around analysts expectations, the real disappointment was the pressure on gross margins due to increased levels of promotional activity.

A visit to Adairs' website confirms the company is on a drive to clear stock. Retailers live and die by the inventory sword, as has been evidenced with the likes of City Chic Collective ((CCX)), which never recovered from overstocking excess inventory. (Don't look up its present share price).

Luckily for Adairs, sales remain strong, with momentum from 1H25 rolling into 2H25. Total sales are expected to advance 9.2% to between $44.0m-$44.2m, while group earnings before interest and tax are guided to be down by -10% from previous consensus expectations, and up 1.2% on FY24 results.

Divisionally, Adairs' earnings before interest and tax are anticipated to rise by 21% to $35m-$36.5m, although this is below consensus by -10%, Morgans' analyst highlights.

Discounting and promotions have picked up noticeably post-Easter across the industry, specifically in homewares and furniture categories.

Focus on Furniture, which was acquired in December 2021 as a value offering for bulky furniture, continues to be affected by the high exposure to the Victorian market (15 out of 25 stores), with sales falling overall for the division by -12% on a year earlier in 2H25. On a full-year basis, Ord Minnett sees the sales decline by -7% compared to its previous forecast of a -4% retreat.

UBS estimates gross margins will be down -3pts with earnings before interest and tax margins down to 6% compared to 14% in 1H25. Morgans points to earnings before interest and tax declining by -35.9%, as a greater shift to promotions weighs on profitability.

Historically, Focus has not used discounting but has moved in this direction due to the *"highly promotional competitive landscape,"* the Morgans analyst explains.

Strategically, Ord Minnett questions whether management will reconsider the growth plans for the business, including store refurbishments and new stores, until at least sales stabilise.

Mocka, the A&NZ online business which gave Adairs digital scale and eCommerce capabilities, is expected to generate double-digit revenue growth to 14.1% in FY25 of the order of $57m-$58m, which exceeds Ord Minnett's forecast of 6% growth.

Australia has experienced robust sales momentum and should underwrite growth of 25% versus NZ, where sales have been weak but recently turned positive in 4Q25.

Off a low base, Morgans notes, Mocka should achieve earnings before interest and tax of $7m-$8m. While UBS points to a good recovery in Mocka sales of 16% growth in 2H25 from 8% in 1H25.

As emphasised by the analysts, Adairs is heavily leveraged to the consumer and consumer sentiment.

Positively, the business has generated cost savings from a new National Distribution Centre, which brought the function in-house from DHL and generated savings of $4m in FY24. Adairs also implemented an upgrade in the Warehouse Management System, which went live in July 2024 and should achieve $5m in annual savings.

Due to the cadence and extent of discounting flagged by the analysts, with Morgans pointing to department stores, weakness in margins is likely to persist into 1Q26 before recovering in 2Q26. According to UBS, forex headwinds of a lower Australian dollar against a year ago are likely to be offset by lower supplier costs.

<u>Broker's updated outlook on Adairs</u>

Post the trading update, UBS cuts EPS estimates by -12% for FY25 and -15% for FY26, which results in a lowering of its target price to $2.25 from $2.55. Despite the new CEO's improvements to store formats and product mix changes being implemented, the analyst cannot be tempted to upgrade the stock from Neutral, stressing the lack of a "compelling" risk/reward at current share price levels.

Ord Minnett also lowers its target to $2.35 from $2.70 as earnings estimates are reduced on the trading update. This analyst maintains a Hold rating.

In contrast, Morgans upgrades the company to Buy from Accumulate with a $2.60 target, despite a downgrade in earnings before interest and tax forecasts of -15% and -14% for FY25/FY26, respectively. This analyst finds the valuation around 9x FY26 price-to-earnings as "undemanding" and supported by a prospective dividend yield of circa 7%.

Morgans thesis is that current levels offer a good entry for exposure to a recovery in consumer spending.

Bell Potter lowers net profit after tax forecasts by -21% for FY25 and -29% for FY26, as the guidance updates are translated into estimates. This analyst expects Adairs to grow revenue 5% in 1H26 while the recovery in Focus on Furniture is anticipated to be pushed out with a return to positive growth in 2H26. Target price slips to $2.10 from $2.65. The rating shifts to Hold from Buy.

Not daily monitored broker Jarden envisages Adairs can return to a 10%-plus earning before interest and tax margin and CEO Roseby's strategic re-alignment of the business could lift the valuation by 20%.

In addition, this analyst believes if margins could reach 15% by FY27, with another 5% from new store roll outs of three per year from FY26 versus the net four as currently assumed between FY26-FY28, the current valuation has 40% upside potential.

Jarden retains an Overweight rating. Its target price declines to $2.07 from $2.59.

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SMALL CAPS

Collins Foods’ Finger-Lickin’ Turnaround

Collins Foods FY25 result suggested growing momentum coming out of the cost of living crisis, with KFC Australia outperforming alongside mixed results in Europe.

-Collins Foods posts strong beat in FY25 earnings and margins
-KFC Australia showing strong signs
-KFC Germany outperforms, Netherlands disappoints
-Vale Taco Bell

By Greg Peel

Collins Foods ((CKF)) operates 285 of the 750 KFC stores in Australia, with up to 10 additional KFC openings planned every year. The company also runs 27 Taco Bell stores in Queensland, Victoria and Western Australia, with smaller franchisees operating another 12.

The company reported FY25 underlying profit of $51.1m, 15% ahead of consensus expectations. However, statutory profit of $8.8m was materially below $26m consensus, Citi reports, primarily due to The Netherlands' impairment of -$36.4m being above the guidance of -$25.5m to -$32.7m plus -$4.4m of other unexpected impairments.

Analysts are not too fazed about those impairments.

The strong performance 'beat' was driven by better-than-expected results from both KFC Australia and Europe, lower corporate costs and lower net interest. Margins, again, were well ahead of the top end of guidance and increased both on the first half and a year ago driven by improved same-store sales growth in the second half versus the first, deflation in cost of goods sold (COGS) and improved operational efficiency.

The beat was also delivered, Morgans notes, amid significant weather disruptions due to Cyclone Alfred.

Momentum Turning

Macquarie highlights sequential improvements in sales growth across Collins Foods' key geographies as consumer sentiment improves and the group executes on strategic initiatives.

In Australia and Germany, comparable sales have turned positive in FY26 to date, while in the Netherlands, sales are down -0.2%. With more rate cuts to come domestically, and cost deflation in key categories (chicken and potatoes), Macquarie sees an opportunity for earnings margin expansion in the KFC Australia business.

The first eight weeks of FY26 have seen same-store sales growth of 1.6% for KFC Australia (compared to -0.8% a year ago), -0.2% for KFC Netherlands (-2.3%) and 1.3% in KFC Germany (-2.8%). Whilst this was weaker than Morgans' previous forecasts, improved sales growth was seen across all regions compared to the second half FY25.

Australia

Australian sales growth of 0.3% proved below consensus of 0.5%, however, commodity price deflation and wage efficiencies drove a beat on the earnings line.

KFC maintains brand leadership in Australia relative to quick-serve restaurant (QSR) peers, notes RBC Capital, and Everyday Value menu items (particularly $7.95-$9.95 price points) provide value while cost of living remains at the forefront.

Digitisation and digital adoption continue to grow, with digital reaching 34.2% of sales in FY25 versus 29.4% in FY24, while app adoption is being driven by exclusive offers. Point-of-sale self-service kiosks were rolled out into a further 106 restaurants which builds on cost efficiencies.

Europe

In a tale of two neighbours, KFC Germany has outperformed expectations while KFC Netherlands continues to disappoint.

The Dutch business posted -2.5% sales growth in FY25 and -0.2% for the first eight weeks of FY26 and has been impacted by soft consumer sentiment, US brand boycotts, 30% minimum wage increases over the past three years and a challenging regulatory environment. Dutch unit economics are soft with restaurant earnings margins of 6.7% less than half that of Australia and Germany, notes RBC.

New store rollout remains challenging, Citi notes, as expected. The company has moderated its store development targets in the short term as it tries to improve operational performance.

Meanwhile, Collins Foods continues to target 40-70 new stores in Germany over the next five years, with 1-2 stores expected to open in FY26, 5-7 to open in FY27 and further ramp-up in FY28. Unit economics are strong, Morgans notes, with the existing stores in Germany delivering similar store-level earnings to KFC Australia stores, despite significantly less scale.

The large under-penetration of the KFC brand in Germany should underpin unit economics in line with its existing stores. Collins Foods' strong balance sheet means it is well positioned for accretive M&A, which Morgans believes should not be too far away.

Macquarie agrees, forecasting 58 net new stores by FY30, and acknowledging the market is under-penetrated, with store density and absolute store count well below key QSR competitors in Germany and KFC in Australia. Management is open to acquisitions, which would accelerate its ability to build scale in the market and drive operating leverage, Macquarie suggests.

Sayonara

It was not a major point for analysts with regard the FY25 result, but Collins Foods decided in April to give up on Taco Bell. The company opened its first Taco Bell in Queensland in 2018, and signed an agreement with Taco Bell and KFC US owner Yum! Brands to open 50 stores across multiple states.

That number was not reached, and Taco Bell has failed to gain any traction with Australian consumers. Maybe the ready availability of DIY taco kits in supermarkets had something to do with it, albeit Taco Bell offers a range of Mexican dishes aside from just tacos.

The final nail in the coffin was the runaway success of Mexican food competitor Guzman y Gomez ((GYG)).

Collins Food is in discussions with Yum! Brands about an exit from Australia in the next year. It is considering selling the business or transferring it back to Yum! Brands. Otherwise, Taco Bell stores will be closed step by step, or in one go.

Wilsons treats Taco Bell as a discontinued business, with pre-tax losses of -$6.5/5.5/5.0m in FY26-28 modelled as significant items. The exit is nonetheless planned for FY26.

Guidance

Collins Foods has provided FY26 underlying profit guidance for low to mid-teens growth on FY25. Assuming growth of 10-15% implies a range in line with consensus, Morgans notes.

A focus on operational excellence is expected to drive sales growth, while labour productivity and disciplined cost management are expected to deliver margin improvement.

KFC Australia will continue to benefit from deflation across some COGS (chicken and potatoes). On Morgans' estimates, guidance implies only around 10 basis points of margin expansion in FY26 versus the second half FY25, which "should prove conservative".

UBS "needs to understand" the FY26 Australian chicken outlook to "understand" guidance, but also suggests guidance looks potentially conservative given operating leverage.

On the Bounce

Collins Foods' share price had fallen -40% from early 2024 on the cost of living crunch, heading into the FY25 result, which drove a 17% bounce on the day (Tuesday, with another 8.5% gain on Wednesday at the time of writing). This should challenge broker ratings.

Morgans is nevertheless attracted to the stock for its strong leverage to an improving domestic consumer and cost environment which should underpin double-digit earnings growth over the near term, as well as an undemanding valuation, the KFC brand, Europe growth opportunity, cashflow generation, and a solid balance sheet.

Morgans retains Buy, while reducing its target to $10.30 from $10.50.

UBS' expectation that guidance will prove conservative also keeps this broker on Buy, retaining a $9.20 target.

Wilsons is also positive, maintaining an Overweight rating with a target increase to $10.20 from $10.13, suggesting earnings growth associated with a full margin recovery in KFC Australia and expanded store network in KFC Europe can drive significant upside in valuation over the medium term.

Furthermore, evidence of success in store network expansion in KFC Europe may be rewarded with a higher valuation multiple, in Wilsons' view.

The result shows that conditions appear to be heading in the right direction, which Citi believes can continue as the Australian consumer improves. The company is on the hunt for acquisitions, particularly in Germany where unit economics are favourable and this represents upside to guidance, Citi suggests.

Citi retains Buy, with a target increase to $10.13 from $9.60.

Macquarie echoes peers in citing positive momentum in the business and an improving outlook, particularly in the key Australian market. Germany also provides significant opportunity. However, the strong result update was reflected in share price reaction, hence Macquarie sticks with Neutral, lifting its target to only $8.40 from $8.20.

RBC Capital is also at the low end, with an $8.50 target and Sector Perform rating.

SMALL CAPS

Pinnacle's Horizons Target Global Growth

Pinnacle's successful business model is growing offshore with a higher leverage to performance fees offering both upside and downside risks for the platform specialist.

-Pinnacle's unique business model positions the platform for growth
-Diversity offers earnings resilence during volatility in public markets
-Exposure to Metrics private credit is causing consternation
-Managing Director share sale raises succession issues (again)

By Danielle Ecuyer

A brief history of quite the success story

Pinnacle Investment Management ((PNI)) was founded in 2006 by Ian Macoun, who remains the Managing Director also owning 6.3% of the issued capital, post the most recent share sale. The company's history goes back to Wilson HTM Investment Group, which was established in 1895. Pinnacle was born out of the separation of Wilsons' brokerage and funds management businesses.

The model is quite unique, as Pinnacle provides the infrastructure to evolve a diversified *"family of world-class investment management firms"*, the annual report states, which are referred to as affiliates. Pinnacle invests and has equity in the affiliates as well as offering seed funding, global institutional and retail distribution, and what the company refers to as *"industrial-grade middle office and infrastructure services"*.

Specialised non-investment services allow the investment fund managers to concentrate on the task at hand, which is managing investments to optimise performance.

At the end of December 2024, Pinnacle had a network of 18 affiliates, collectively managing assets of $155.4bn, up from just over $50bn in funds under management in 2019.

Australian equities represented 67% of FUM as of June 30, 2016, which has since halved to 33% at the end of December 2024. Conversely, global equities over the period have risen to 31% from 2%, with credit in public markets emerging at 10% and credit in private markets at 12%. Real assets, both in public and private markets, have declined to 11% and 3% respectively, from 24% and 7% respectively in 2016.

Under Macoun's stewardship, Pinnacle has created a platform to support a network of autonomous investment businesses. His vision evolved through an expansive work history starting at the Queensland Treasury, before becoming the founding CEO of Queensland Investment Corporation, then going on to Managing Director of Westpac Investment Management and then co-founding Perennial Investment Partners as Managing Director.

Macoun's recent sale of a 1.73% shareholding in Pinnacle has the proceeds being reinvested in Metrics, which is one of the major affiliates.

The changing earnings mix for the group

Historically, Pinnacle has earned income across a suite of activities, notably a share of affiliate profits, service & distribution fees, and seed capital and investments.

Increasingly, the core focus is to increase exposure to performance fee-linked funds under management, as highlighted by RBC Capital, who recently initiated coverage on the stock.

RBC has a positive view on performance fee income as it allows for Pinnacle to benefit from growing funds under management across a diverse mix of affiliates, asset classes, and investment styles; advancing private market strategies, which typically earn higher rates above hurdle fees, and management has a successful track record of exceeding expectations.

While a higher exposure to performance fees can create more earnings volatility during market sell-offs and drawdown events, they can also provide operating leverage and higher net profit growth without notable incremental increases in costs.

Part of the strategy is the extent of diversification on the platform across affiliates, which underwrites varying asset class exposure and non-correlated returns, lowering what investment managers refer to as 'concentration risk' or, more simply, "having too many eggs in one basket".

RBC also points to growing exposure to private markets, a global trend, which due to the way the assets are marked-to-market (or not), can lower the correlation with volatility in public market assets.

The broker forecasts performance fee-linked funds under management to grow at a compound average growth rate of 17% over the next five years as FUM advances for existing affiliates and new strategies are employed with performance fee exposure.

Although performance fees are challenging to forecast, RBC flags a 12% compound average growth rate for the share of performance fees and an average fee margin as a percentage of FUM of 48bps.

March quarter revealed growth and resilience

The latest FUM update for Pinnacle saw 3% growth for the March quarter on the previous quarter to $159.9bn, which was in line with UBS' estimates and reflected better than anticipated organic growth trends of net flows of $6.2bn against the broker's estimate at $5.3bn. UBS notably points to the resilience of the 3Q25 result given the volatility in markets over the period.

Pinnacle applies a high-water mark (HWM) for performance fees, which means during periods of under-performance, fees will not be charged until the fund returns to the previous peak, i.e. fees are earned on new profits, not recovering prior losses.

In relation to the last market update, the analyst pointed to an upbeat outlook with rising equity markets for 4Q25 (which has since transpired), and 74% of the funds eligible for performance fees were within 2% of reaching their HWM, meaning if markets continue rising even slightly, those funds may cross their HWM, which would trigger performance fee revenue; a high-margin earnings boost.

Jarden explained the $6.2bn in net inflows was split retail/wholesale: $2.2bn, institutional: $2.2bn, and international: $1.4bn. Macquarie highlighted FUM growth of 3.4% for retail, 5.6% for international, and domestic institutional of 0.8% for the quarter.

Breaking down the flows, Life Cycle was identified as the "stand out", with over $3bn net inflow estimated for FUM of $4bn at the end of the March quarter. Life Cycle is a boutique London-based investment manager which specialises in global equities. It was established in 2024 by former Head of Equities at Royal London Asset Management, Peter Rutter. It is majority employee-owned with Pinnacle holding a 26% stake.

Pinnacle had around $235m to $300m in available funds as at the end of the quarter, post a $400m equity raising last November, which can be employed for seed capital initiatives like Life Cycle.

The platform categorises its strategic classification framework under the term 'Horizon'. The Horizon framework is a strategic lens which enables management to organise and communicate its investment priorities and growth plans.

Horizon 1: represents the core earnings business with mature affiliates that function much like the cash cow for Pinnacle, offering low but stable returns.

Horizon 2: represents the emerging growth opportunities, such as early-stage affiliates like Life Cycle.

Horizon 3: is the long-term expansion and transformational opportunities across global expansion or major acquisitions. Two examples are Pacific Asset Management or PAM (UK) and VSS Capital Partners (US), in which Pinnacle acquired stakes in 1H25.

PAM has a similar model to Pinnacle in the UK, with a range of model portfolios to the UK private wealth market at $11.2bn in assets under management. RBC stresses the opportunity in this market is extensive, with an estimated GBP1.2trn in the UK private wealth market. At the recent quarter update, PAM delivered around $1bn, as noted by Jarden, reflecting continued momentum.

For context, other well-known affiliates include Coolabah, Hyperion, Five V, Antipodes, Plato, Firetrail, and Metrics.

<u>Private credit concerns overblown?</u>

Addressing any private credit concerns, Pinnacle has 12% of FUM exposed to private credit via Metrics Credit Partners ($22.4bn), which stands as the largest affiliate at 14% of aggregate FUM. Increased regulatory scrutiny by ASIC on private credit has garnered considerable media attention on Metrics, which is noted by RBC as being a leader in the Australian market.

Private credit is estimated at between $40bn by the RBA to $188bn by EY and has evolved out of stricter banking regulations post-GFC. Private credit has grown at a compound average growth rate of 20% over the past four years and exceeded growth in other alternatives. The RBA views the asset class as having low systemic risk.

RBC is not concerned about Pinnacle's exposure to Metrics due to the diversification throughout Metrics. Over 90% of its corporate lending is syndicated through multi-bank arrangements, with its real estate exposure concentrated in development assets rather than office or retail, and the loans are generally senior secured. Most of the insolvencies in construction are below assets of $5m, which is outside of Metrics' fund exposure.

Macoun's share sale and reinvestment in Metrics may raise more questions than it answers. Is the Managing Director looking to instill investor confidence in Metrics, or is he diversifying his own earnings stream and risk profile?

One large question that overhangs the stock is the succession issue which was addressed again by the Chairman Alan Watson at the recent share sale;

"I can confirm that his retirement is not imminent, and that both the Board and Ian continue to approach the subject in a deliberately flexible manner. Over the past few years, Ian has been consistent that he would neither overstay his tenure as Managing Director, nor would he leave the role in circumstances which might set back the ongoing success and growth of the business, and this continues to be the case."

No doubt brokers and investors will be seeking more clarity on these issues coming the FY25 earning release on August 6 and the subsequent AGM.

<u>What are the brokers saying</u>

Pinnacle is due to report FY25 earnings results on August 6, with the March quarter update now firmly in the rear-view mirror and equity markets having rallied strongly post the April Trump Liberation Day sell-offs.

Non-daily-monitored broker RBC rates the stock as Outperform (Buy-equivalent) with a $23 target price, stressing the group is both "Boutique and Unique". Other non-daily-monitored brokers, Wilsons and Jarden, both hold Buy-equivalent ratings with target prices of $23.50 and $22.60, respectively.

At the time of the March quarter update, Wilsons highlighted the National Pension Service of Korea taking a 4.71% stake in Metrics, which is estimated to lower the profit share from Metrics by around -1.46%.

Jarden detailed in May there was upside risk to the recent cut in performance fees should markets trade well over May and June, noting Spheria, Antipodes, and Plato were very close to their high-water mark. The analyst stressed a growing conviction that affiliates will "comfortably cycle a blockbuster FY25" and FY26 will exemplify the group's earnings model "in motion."

FNArena daily monitored brokers have a consensus target price of $22.80, with Morgans and Macquarie Buy-equivalent rated and UBS Hold-equivalent rated.

UBS noted at the quarter update the group had continued to deliver on pre-existing robust market expectations, but the valuation offered "limited appeal", as is often the case with well-managed platform companies such as Hub24 ((HUB)) and Netwealth Group ((NWL)).

Macquarie believes Pinnacle is an attractive organic growth story with accretive potential from add-on acquisitions and operating leverage.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 20-06-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday June 16 to Friday June 20, 2025
Total Upgrades: 11
Total Downgrades: 15
Net Ratings Breakdown: Buy 61.70%; Hold 31.81%; Sell 6.50%

In the week ending Friday, June 20, 2025, FNArena tracked eleven upgrades and fifteen downgrades for ASX-listed companies from brokers monitored daily.

Among the ratings changes, both UBS and Bell Potter upgraded Centuria Capital to Hold (or equivalent) from Sell following recent underperformance relative to the REIT sector.

Centuria Capital is considered well positioned to benefit from an improving real estate cycle, with asset valuations likely near the bottom and transaction volumes expected to rebound. A solid FY25 result is expected.

In New Zealand, where the REIT generates high-margin funds management fees, the analysts feel market conditions appear to be turning more favourable for property fund managers.

Also, recent Australian transactions, such as with BentallGreenOak (BGO) in industrial, suggest to Bell Potter a more supportive environment for earnings growth, margin expansion, and a potential re-rating in valuation.

UBS analysts suggest the outlook for real estate is the most favourable since the onset of covid.

Asset values seem to have bottomed, interest rates are falling, and rental growth is strong, noted this broker, helped by population gains and a low level of new supply. UBS added high build costs and weak productivity are constraining supply.

Centuria Capital has continued to expand in areas such as agriculture, shopping centres and private credit, though at a slower pace than in the past. With asset values now stabilising and interest rates likely to fall, the broker believes management will be better placed to raise equity for new fund launches.

Perhaps the most significant news on the ASX during the week was the takeover proposal for Santos, resulting in two rating downgrades from separate brokers.

The Santos share price didn't rise to the $8.89 offer price (from a consortium that includes Abu Dhabi sovereign wealth fund and Carlyle Group) because investors see risks around FIRB approval and the long timeline to get various approvals. Shares closed the week at $7.70.

Ord Minnett downgraded its rating to Accumulate from Buy. Morgans moved to Trim from Hold, noting only modest share price upside versus steep downside were the transaction to fail.

The analyst at Morgans also expressed concern at early endorsement by the Santos board for the bid prior to due diligence, potentially reducing negotiating leverage and deterring rival bids.

Looking across the changes to average targets and earnings forecasts in the tables below, rises outweighed falls.

Life360 leads the earnings upgrades table after UBS raised its price target to US$71 from US$57. The move follows reduced platform risk after Apple's 2025 Worldwide Developers conference, which offered no signs of increased competition from its 'Find My' service.

The broker highlighted strong early traction in Life360's new advertising products, such as Place Ads and Uplift, with Uber's campaign driving over 100,000 rides. UBS sees advertising, App Store fee reform, and new verticals like pet and elder monitoring as major growth drivers.

A few days later, Morgan Stanley reviewed its investment case (target to $40 from $33.30), focusing on management's ability to drive subscriptions with Pet Tracking.

Life360 has one of the largest and fastest growing bases of users on the ASX, noted the analysts, with growth largely underpinned by 'word-of-mouth'. The latter infers lower user acquisition cost and a fast payback period.

Should the feature set improve, and the audience continues to grow, the broker believes management will have ample opportunity to monetise ahead of market expectations.

Zip Co follows next after management raised FY25 cash earnings guidance by around 5% to "at least $160m'. Strong trading momentum has been evident, particularly in the US, where May total transaction value (TTV) growth exceeded 40% year-on-year.

Raising its target to $3.40 from $3.00, Ord Minnett highlighted performance comes with no material deterioration in bad debts, which remain at around 1.6% of TTV.

Management also confirmed the business remains on track to meet its two-year targets and the company has repurchased 12.3m shares for ~$22.6m under its ~$50m buyback program.

Coming third on the earnings upgrade table below, Neuren Pharmaceuticals received a boost solely from new research coverage by Macquarie. Neuren also place third for negative change to average target price, after the broker commenced with an $18.60 target, lower than other 12-month projections in the FNArena database.

Part of the reason for Ord Minnett's Outperform rating is the premium US pricing Neuren achieves for targeting various neurodevelopmental diseases with its Daybue product. This broker sees Neuren as offering a rare asymmetric risk-reward profile.

Providing significant upside with minimal financial exposure, the analysts explain the company's partnership with Acadia covers all Daybue commercialisation costs, leaving Neuren to benefit from 10-15% royalties and substantial milestone payments.

Coming in behind Life360 for rises in average target prices last week are COG Financial Services, Temple & Webster, and uranium miner Deep Yellow.

COG, which specialises in providing finance solutions for small to medium-sized enterprises, is fundamentally undervalued, according to Bell Potter, which raised its target to $1.75 from $1.35.

It's felt the market is discounting the intrinsic value for the company's national broker network, growth runway, early-stage earnings recovery, and Australia's trend in long-term capital investment.

The analysts see potential for an upgrade cycle as interest rate settings turn accommodative, while, for the longer-term, the company will be supported by energy transition work.

Morgan Stanley raised its target for retailer Temple & Webster by $10 to $28, highlighting the company's expansion into home improvement and simplifying the shopping experience for the customer.

While customers will still rely on a builder, tradie, or DIY, Temple & Webster may eventually support installation through a referral network and strategic partnerships.

Other positive factors for the stock include long-term tailwinds from migration of consumers to an online platform and ongoing margin expansion, noted the analysts.

For Deep Yellow, which is highly leveraged to the spot uranium price, Morgans explained the US$200m raise by asset manager Sprott Physical Uranium Trust (SPUT) will provide structural support to prices.

In response, the broker reinstated its bull case uranium price assumption of US$100/lb, helping push its target for Deep Yellow to $1.92 from $1.56.

On the flipside, Pilbara Minerals features atop the earnings downgrade table after Citi lowered its lithium price forecasts by between -15% to -20% over the next three years, resulting in a rating downgrade by the broker to Neutral from Buy.

Accent Group and HMC Capital both feature at or near the top of the tables for lower average earnings forecasts and targets.

Morgans lowered its target for Accent Group to $1.85 from $2.00 and downgraded to Hold from Buy following a softer-than-expected trading update. Management cited ongoing weakness in the lifestyle footwear segment. A highly promotional environment also weighed on gross margins.

Citi's reaction was more extreme, with a new target of $1.67, down from $2.61. The analysts kept a Buy rating, anticipating a more favourable consumer environment over the next year.

Later in the week, UBS released its survey results around spending intentions of Australia's around 7m youth consumers.

Underpinned by rising incomes, steady employment, and greater confidence in job security, these consumers retain a more optimistic financial outlook over the next 12 months than the wider population, explained the broker.

Positively, Accent Group slots into the analysts' area of preference: strong operators/market share gainers exposed to the youth consumer in their categories of importance, such as apparel & footwear.

Returning to where this article began, positivity around the REIT sector, HMC Capital remains Buy-rated at UBS. HMC Capital is, similar to Centuria Capital, one of local asset managers in the sector, as are Charter Hall, Goodman Group, Mirvac Group, and GPT Group.

Due to matters specific to HMC Capital (fund restructuring, including a revised performance fee hurdle), the analysts cut their earnings forecasts by -15% over FY26-29.

UBS also adopted a lower valuation multiple, resulting in a target price fall to $8.00 from $12.40.

Total Buy ratings in the database comprise 61.70% of the total, versus 31.81% on Neutral/Hold, while Sell ratings account for the remaining 6.50%.

Upgrade

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

Adriatic Metals has received a formal takeover offer from Dundee Precious Metals via a UK scheme of arrangement, valuing each CDI at $5.56 and the company at $1.9bn.

Morgans observes the offer represents a 48% premium to Adriatic's pre-speculation share price and 11% to the last close, and exceeds its base-case risked valuation of $5.42/CDI, though it remains below the unrisked valuation of $5.98.

The analyst considers the bid broadly fair, factoring in remaining operational and metallurgical risks at the Vares Project, despite a supportive price deck and district-scale potential.

Morgans raises its target price to $5.46 from $4.74 and upgrades to Hold from Trim.

ASX LIMITED ((ASX)) Upgrade to Hold from Trim by Morgans .B/H/S: 0/3/2

ASX's Investor Day outcomes were broadly in line with Morgans' expectations. The broker cautions elevated depreciation and amortisation (D&A) will weigh on FY26 earnings.

FY26 total expense growth is guided at 8-11%, with operating expenses worsening by -4-7%, and D&A alone contributing around 4% to cost growth as technology projects go live, highlights the broker.

Capex remains elevated through FY27, notes Morgans, with guidance of -$170-180m in FY25/26 and -$160-180m in FY27, significantly above global peers.

The analyst notes the CHESS upgrade remains on track for a staged release beginning in 4Q26. Morgans raises its target price to $72 from $70 and upgrades to a Hold rating from Trim.

CENTURIA CAPITAL GROUP ((CNI)) Upgrade to Neutral from Sell by UBS and Upgrade to Hold from Sell by Bell Potter.B/H/S: 3/2/0

UBS believes the backdrop is positive for the REIT sector from a likely trough in asset valuations, falling interest rates and robust rental growth. However, headwinds remain from both residential and commercial construction, making completed assets/core real estate more valuable.

The broker is forecasting a terminal RBA policy rate of 3.6% (from 4.0% before) but notes market pricing is for a 3.1% rate by December. If that materialises, its FY26 EPS forecasts for stocks would rise by 2%.

Forecasts revised on lower terminal rate assumptions.

Rating for Centuria Capital upgraded to Neutral from Sell, with the broker noting its valuation is now significantly below peers. Target rises to $1.81 from $1.74 on earnings upgrade and an increase in FM multiple to 14x from 11x.

Bell Potter has upgraded Centuria Capital to Hold from Sell following recent underperformance vs the REIT sector and peers like Charter Hall ((CHC)).

The broker believes fears over Bass Capital's private credit risks are easing, and capital transaction markets, mainly in retail and New Zealand, are normalising.

The broker notes the market is wary about office exposure but is not assigning enough value to the FUM platform.

The analyst expects FY25 results to be solid and the recent ResetData acquisition to be accretive from FY26. Target lifted to $1.80 from $1.70.

CENTURIA OFFICE REIT ((COF)) Upgrade to Neutral from Sell by UBS .B/H/S: 0/2/2

UBS believes the backdrop is positive for the REIT sector from a likely trough in asset valuations, falling interest rates and robust rental growth. However, headwinds remain from both residential and commercial construction, making completed assets/core real estate more valuable.

The broker is forecasting a terminal RBA policy rate of 3.6% (from 4.0% before) but notes market pricing is for a 3.1% rate by December. If that materialises, its FY26 EPS forecasts for stocks would rise by 2%.

Rating for Centuria Office REIT upgraded to Neutral from Sell as lower interest rates are expected to alleviate some balance sheet pressures. Target rises to $1.20 from $1.14.

See also COF downgrade.

COCHLEAR LIMITED ((COH)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/3/1

UBS upgrades Cochlear to Buy from Neutral with a higher target price of $325 (up from $285) due to the release of new products, which are expected to generate better-than-anticipated earnings growth for the company over the medium term.

The analyst points to the next-generation cochlear implant (CI) portfolio as having the potential to lift market share and generate a 10% compound average growth rate in revenue.

Over the next three years, services revenue is also expected to rise by 40% as the installed unit base lifts by 26%, with improvements in the sound processor replacement rate, the broker explains.

Adjusting for management's guidance changes, UBS lowers the EPS forecast by -5% for FY25 on lower service revenue and increases FY27 EPS by 4% due to the above-mentioned factors.

HOMECO DAILY NEEDS REIT ((HDN)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/4/0

Ord Minnett highlights retail REITs outperformed other property sectors, delivering an average total shareholder return of 19.2% in the year to June 2025.

Lack of supply, improving total returns and a return to institutional investors were cited as some of the reasons.

The broker believes HomeCo Daily Needs REIT's assets are of high quality with strong population and income growth in its locations.

Rating upgraded to Accumulate from Hold. Target lifted to $1.46 from $1.30.

See also HDN downgrade.

LENDLEASE GROUP ((LLC)) Upgrade to Neutral from Sell by UBS .B/H/S: 2/3/0

UBS believes the backdrop is positive for the REIT sector from a likely trough in asset valuations, falling interest rates and robust rental growth. However, headwinds remain from both residential and commercial construction, making completed assets/core real estate more valuable.

The broker is forecasting a terminal RBA policy rate of 3.6% (from 4.0% before) but notes market pricing is for a 3.1% rate by December. If that materialises, its FY26 EPS forecasts for stocks would rise by 2%.

Forecasts revised on lower terminal rate assumptions. The broker upgraded Lendlease Group to Neutral from Sell as it believes the decision to exit global construction and development is the best alternative for its future.

Target trimmed to $6.05 from $6.38 on lower FM multiple of 8x from 10x.

OOH!MEDIA LIMITED ((OML)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/0/0

UBS upgrades oOh!media to Buy from Neutral, with a new target price set at $2, up from $1.65.

The analyst explains EPS is anticipated to grow at a compound average rate of 15% between 20242027, with the market currently ascribing a low valuation at around 13x, compared to the ASX Small Ords at 22x with average EPS growth of 8%.

Having lost around -60bps of market share in 2024, the broker expects some stabilisation year-to-date, as revenue growth for the first half is tracking seemingly in line with the market.

UBS stresses the company should benefit from tailwinds arising from higher Out-of-Home sector advertising spend, with growth of 15% in the five months to May compared to a year earlier, which in turn represents around 9% growth in revenue.

There are no changes to earnings forecasts.\

PLATINUM ASSET MANAGEMENT LIMITED ((PTM)) Upgrade to Hold from Sell by Bell Potter .B/H/S: 0/1/1

The merger terms between Platinum Asset Management and L1 Capital ((LSF)) have been renegotiated in favour of the latter, which hasn't surprised Bell Potter, given the -$2bn decline in FUM in Platinum between March and May.

Under the revised terms, L1 Capital shareholders will own 74% of the merged business vs 75% in the initial agreement. But the combined entity will receive performance fees for the first 3.0% of absolute returns vs 5.0% before.

Overall, this means L1 Capital has taken -$100m off the table, which is roughly equivalent to performance fees for $1bn of institutional mandate loss, the broker estimates.

Rating upgraded to Hold from Sell. Target cut to 49c from 52c.

VENTIA SERVICES GROUP LIMITED ((VNT)) Upgrade to Hold from Trim by Morgans .B/H/S: 1/2/0

Morgans upgrades Ventia Services to Hold from Trim.

The company has won $3.4bn of contracts since releasing financial results, meaning the 2024 record order book will continue to rise.

The analyst previously estimated around -$460m of defence contracts would be lost in June, but a seven-month extension has pushed out this loss to 2026.

It appears there has been little reputational damage to Ventia from the ACCC findings, the broker details, as contract wins continue.

By removing the valuation discount of -15% for reputational risk and making slight modifications to earnings estimates, the target price rises to $4.90 from $4.05.

Downgrade

ACCENT GROUP LIMITED ((AX1)) Downgrade to Hold from Buy by Morgans .B/H/S: 4/1/0

Accent Group delivered a softer-than-expected trading update, notes Morgans, with management citing ongoing weakness in the lifestyle footwear segment. A highly promotional environment also weighed on gross margins, notes the broker.

FY25 earnings (EBIT) guidance of $108-111m implies to the analysts flat year-on-year growth and came in around -18% below consensus expectations.

Like-for-like sales declined -1.0% for the first 23 weeks of 2H25, with performance deteriorating to -2.5% over the most recent 16 weeks, versus a positive 2.2% in the first seven weeks.

The broker lowers FY25 and FY26 EBIT forecasts by -16% and -15%, respectively, due to weaker sales, lower margins, and slightly higher operating costs.

Morgans expects sports-focused brands to outperform lifestyle banners, and sees long-term upside from newer concepts like Sports Direct and Nude Lucy.

The target price falls to $1.85 from $2.00. Rating downgraded to Hold from Accumulate.

CENTURIA OFFICE REIT ((COF)) Downgrade to Sell from Hold by Bell Potter .B/H/S: 0/2/2

Bell Potter believes Centuria Office REIT's share price rise over the last three months is out of step with market conditions for the suburban office sector.

With 9% vacancy and 13% of portfolio expiry due in FY26, the broker reckons the risk is to the downside in the near term.

The broker increased its 12-month weighted average capitalisation rate by 60bps from 40bps to reflect market conditions.

Rating downgraded to Sell from Hold. Target cut to $1.10 from $1.20.

See also COF upgrade.

CHARTER HALL RETAIL REIT ((CQR)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/2/0

UBS believes the backdrop is positive for the REIT sector from a likely trough in asset valuations, falling interest rates and robust rental growth. However, headwinds remain from both residential and commercial construction, making completed assets/core real estate more valuable.

The broker is forecasting a terminal RBA policy rate of 3.6% (from 4.0% before) but notes market pricing is for a 3.1% rate by December. If that materialises, its FY26 EPS forecasts for stocks would rise by 2%.

Forecasts revised on lower terminal rate assumptions.

Rating for Charter Hall Retail REIT downgraded to Neutral from Buy. Target rises to $3.95 from $3.69 for reasons, including assumed lower debt costs for Hotel Property Investments acquisition.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED ((EOS)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 2/0/0

Ord Minnett notes Electro Optic Systems' share price doubled since last month when it announced a $53m contract for its Slinger Counter-Drone Remote Weapons System.

The broker remains positive on the counter-drone theme and expects more contract wins from the $1.5bn pipeline opportunity and NATO's mandate for higher defence spend.

The analyst lifted FY27 EBITDA forecast by 10% and adjusted the cost of debt, resulting in a rise in the target price to $2.30 from $1.80.

Rating downgraded to Accumulate from Buy.

EVOLUTION MINING LIMITED ((EVN)) Downgrade to Sell from Neutral by UBS .B/H/S: 0/3/3

UBS downgrades Evolution Mining to Sell from Neutral, with the target price lowered by -16% to $6.70.

The stock is up 81% year-to-date, with the market regarding Evolution as the "cleaner" large-cap ASX gold play with copper, the analyst highlights.

Post the reserve and resource statement, alongside increasing capex forecasts, UBS lowers EPS by -14% for FY25 and -15% for FY26.

With lower earnings expectations, the analyst can no longer support the stock's current valuation, hence the downgrade.

UBS forecasts the gold price to reach US$3,600/oz, and its long-term forecast of US$2,200/oz remains unchanged.

FORTESCUE LIMITED ((FMG)) Downgrade to Neutral from Buy by Citi .B/H/S: 3/4/0

In the latest quarterly commodity update for Citi, the analyst downgrades Fortescue to Neutral from Buy on the back of forecast lower iron prices, as cuts to Chinese steel production are viewed as a headwind.

Citi prefers BHP Group ((BHP)) over Rio Tinto ((RIO)) due to a preference for copper over lithium, as well as better iron ore operational performance and cash flows.

HOMECO DAILY NEEDS REIT ((HDN)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/4/0

UBS believes the backdrop is positive for the REIT sector from a likely trough in asset valuations, falling interest rates and robust rental growth. However, headwinds remain from both residential and commercial construction, making completed assets/core real estate more valuable.

The broker is forecasting a terminal RBA policy rate of 3.6% (from 4.0% before) but notes market pricing is for a 3.1% rate by December. If that materialises, its FY26 EPS forecasts for stocks would rise by 2%.

Forecasts for HomeCo Daily Needs REIT revised on lower terminal rate assumptions and updating FY26-28 hedging higher to around 50%. The broker expects the REIT to be a beneficiary of moderating inflation due to higher fixed contracts in its portfolio.

Rating downgraded to Neutral from Buy. Target rises to $1.40 from $1.35.

See also HDN upgrade.

IGO LIMITED ((IGO)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/2/2

In the latest quarterly commodity update for Citi, the analyst downgrades IGO Ltd to Neutral from Buy, with the key price forecast revision for lithium down by -15% to -20% over the next three years.

The analyst lowers the spodumene estimates by -13% for 2025, -27% for 2026, and -20% for 2027, and chemicals by a similar amount.

LIONTOWN RESOURCES LIMITED ((LTR)) Downgrade to Sell from Neutral by Citi .B/H/S: 1/2/2

In the latest quarterly commodity update for Citi, the analyst downgrades Liontown Resources to Sell from Neutral, with the key price forecast revision for lithium down by -15% to -20% over the next three years.

The analyst lowers the spodumene estimates by -13% for 2025, -27% for 2026, and -20% for 2027, and chemicals by a similar amount.

NORTHERN STAR RESOURCES LIMITED ((NST)) Downgrade to Neutral from Buy by UBS .B/H/S: 4/3/0

UBS downgrades Northern Star Resources to Neutral from Buy, with a decline in the target price of -11% to $23 following disappointing March quarter results.

While Northern Star assigns Super Pit guidance at 2moz for FY26, consensus sits at 1.85moz and UBS at 1.81moz. The broker anticipates guidance to be revised at the KCGM trip in early August. Hemi is also expected to be delayed by 12 months.

The analyst lowers EPS estimates by -6% for FY26 and FY27 on expected lower production of -3%.

UBS forecasts the gold price to reach US$3,600/oz, and its long-term forecast of US$2,200/oz remains unchanged.

PILBARA MINERALS LIMITED ((PLS)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/2/1

In the latest quarterly commodity update for Citi, the analyst downgrades Pilbara Minerals to Neutral from Buy, with the key price forecast revision for lithium down by -15% to -20% over the next three years.

The analyst lowers the spodumene estimates by -13% for 2025, -27% for 2026, and -20% for 2027, and chemicals by a similar amount.

REGIS RESOURCES LIMITED ((RRL)) Downgrade to Sell from Neutral by UBS .B/H/S: 0/5/2

After visits to Duketon and Tropicana, analysts at UBS expect Regis Resources to reach the upper end of FY25 production guidance of 350-380koz, with the broker forecasting 378koz.

FY26 guidance is expected in late July and UBS anticipates a similar range, with costs (AISC) expected to remain near $2,500/oz.

The broker forecasts Duketon and Tropicana mine lives have been extended by around two years each, supported by reserve and resource upgrades, and McPhillamys is now included in the base case modeling.

UBS anticipates a return to dividend payments (unfranked initially) with the August result.

The target price is raised to $4.75 from $4.20. The rating is downgraded to Sell following recent share price strength.

SANTOS LIMITED ((STO)) Downgrade to Accumulate from Buy by Ord Minnett and Downgrade to Trim from Hold by Morgans.B/H/S: 5/0/0

Ord Minnett notes Santos received an indicative takeover offer from a consortium that includes Abu Dhabi sovereign wealth fund and Carlyle Group for US$5.76/share ($8.89).

The broker reckons the share price didn't rise to the offer price on the announcement, likely because investors see risks of FIRB approval and the long timeline to get various approvals. The broker, however, believes the regulatory risks are overdone.

In Ord Minnett's view, a change in ownership is unlikely to lead to a cut in domestic gas supply. The broker believes any undertaking to regulators to divest non-core assets wouldn't be an issue, as Beach Energy ((BPT)) would likely be ready to acquire them.

The broker expects the deal to be completed in the March quarter of 2026.

Rating downgraded to Accumulate from Buy. Target lifted to $7.90 from $7.50.

Morgans downgrades its rating for Santos to Trim from Hold due to capped upside following a non-binding $8.89/share bid from a consortium led by a subsidiary of Abu Dhabi National Oil Company and Carlyle and elevated completion risk.

The broker's $6.90 target is unchanged.

The analyst considers the offer fair on valuation but notes it sits at the lower end of prior LNG M&A transactions valuations and lacks a control premium.

Morgans expresses concern at the Santos board's early support of the bid before due diligence, potentially reducing negotiating leverage and deterring rival bids.

The analyst also highlights significant regulatory hurdles, with the deal subject to FIRB review and national security scrutiny under the Security of Critical Infrastructure Act given Santos' strategic GLNG assets.

With the stock now trading between Morgans' valuation of $6.90 and the $8.89 bid, the broker sees only modest upside versus steep downside if the transaction fails.

VICINITY CENTRES ((VCX)) Downgrade to Sell from Neutral by UBS .B/H/S: 1/2/2

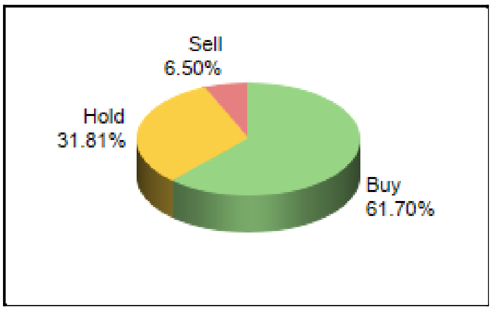
UBS believes the backdrop is positive for the REIT sector from a likely trough in asset valuations, falling interest rates and robust rental growth. However, headwinds remain from both residential and commercial construction, making completed assets/core real estate more valuable.

The broker is forecasting a terminal RBA policy rate of 3.6% (from 4.0% before) but notes market pricing is for a 3.1% rate by December. If that materialises, its FY26 EPS forecasts for stocks would rise by 2%.

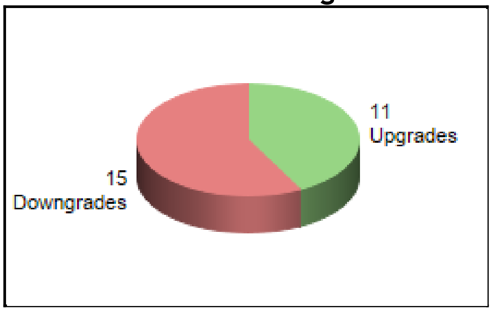
Forecasts revised on lower terminal rate assumptions. The broker downgraded Vicinity Centres to Sell from Neutral on a stretched valuation and its view that development expectations are elevated.

Target rises to $2.38 from $2.27.

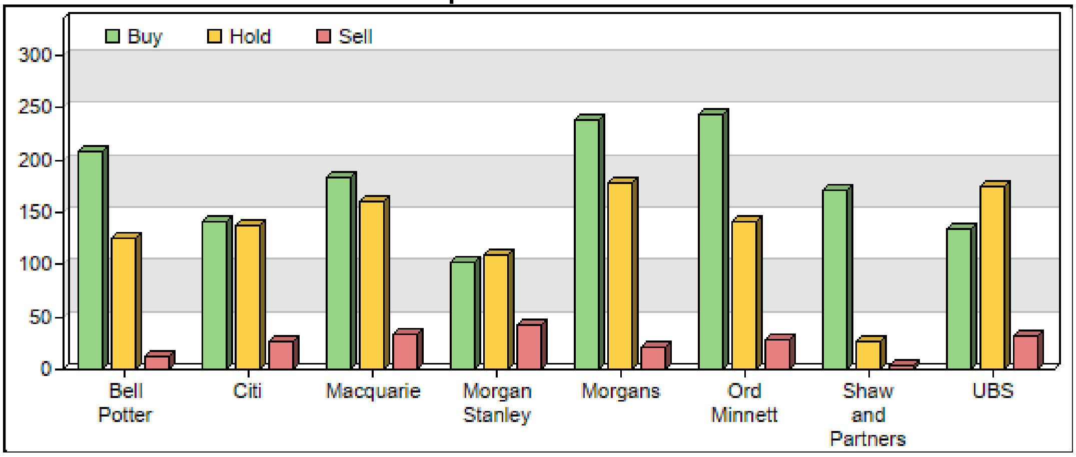
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ADRIATIC METALS PLC	Neutral	Neutral	Morgans
2	ASX LIMITED	Neutral	Neutral	Morgans
3	CENTURIA CAPITAL GROUP	Neutral	Sell	UBS
4	CENTURIA CAPITAL GROUP	Neutral	Sell	Bell Potter
5	CENTURIA OFFICE REIT	Neutral	Sell	UBS
6	COCHLEAR LIMITED	Buy	Neutral	UBS
7	HOMECO DAILY NEEDS REIT	Buy	Neutral	Ord Minnett
8	LENDLEASE GROUP	Neutral	Sell	UBS
9	OOH!MEDIA LIMITED	Buy	Neutral	UBS
10	PLATINUM ASSET MANAGEMENT LIMITED	Neutral	Sell	Bell Potter
11	VENTIA SERVICES GROUP LIMITED	Neutral	Neutral	Morgans
Downgrade				
12	ACCENT GROUP LIMITED	Neutral	Neutral	Morgans
13	CENTURIA OFFICE REIT	Sell	Neutral	Bell Potter
14	CHARTER HALL RETAIL REIT	Neutral	Buy	UBS
15	ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED	Buy	Buy	Ord Minnett
16	EVOLUTION MINING LIMITED	Sell	Neutral	UBS
17	FORTESCUE LIMITED	Neutral	Buy	Citi
18	HOMECO DAILY NEEDS REIT	Neutral	Buy	UBS
19	IGO LIMITED	Neutral	Buy	Citi
20	LIONTOWN RESOURCES LIMITED	Sell	Neutral	Citi
21	NORTHERN STAR RESOURCES LIMITED	Neutral	Buy	UBS
22	PILBARA MINERALS LIMITED	Neutral	Buy	Citi
23	REGIS RESOURCES LIMITED	Sell	Neutral	UBS
24	SANTOS LIMITED	Sell	Neutral	Morgans
25	SANTOS LIMITED	Buy	Buy	Ord Minnett
26	VICINITY CENTRES	Sell	Neutral	UBS

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	360	LIFE360 INC	35.630	31.630	12.65%	3
2	COG	COG FINANCIAL SERVICES LIMITED	1.617	1.483	9.04%	3
3	TPW	TEMPLE & WEBSTER GROUP LIMITED	20.533	18.950	8.35%	6
4	DYL	DEEP YELLOW LIMITED	1.690	1.570	7.64%	3
5	STO	SANTOS LIMITED	7.893	7.353	7.34%	6
6	SLC	SUPERLOOP LIMITED	2.888	2.713	6.45%	4
7	VNT	VENTIA SERVICES GROUP LIMITED	4.783	4.500	6.29%	3
8	CQR	CHARTER HALL RETAIL REIT	3.963	3.765	5.26%	4

9	ZIP	ZIP CO LIMITED	3.300	3.167	4.20%	3
10	GMD	GENESIS MINERALS LIMITED	4.483	4.317	3.85%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	AX1	ACCENT GROUP LIMITED	1.984	2.332	-14.92%	5
2	HMC	HMC CAPITAL LIMITED	7.360	8.240	-10.68%	5
3	NEU	NEUREN PHARMACEUTICALS LIMITED	23.133	25.400	-8.93%	3
4	CRN	CORONADO GLOBAL RESOURCES INC	0.170	0.180	-5.56%	5
5	RDX	REDOX LIMITED	3.277	3.460	-5.29%	3
6	PMV	PREMIER INVESTMENTS LIMITED	25.617	26.617	-3.76%	6
7	SWM	SEVEN WEST MEDIA LIMITED	0.177	0.183	-3.28%	3
8	EVN	EVOLUTION MINING LIMITED	7.136	7.321	-2.53%	7
9	MVF	MONASH IVF GROUP LIMITED	1.100	1.125	-2.22%	4
10	NST	NORTHERN STAR RESOURCES LIMITED	22.464	22.864	-1.75%	7

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	360	LIFE360 INC	71.058	48.728	45.83%	3
2	ZIP	ZIP CO LIMITED	3.800	3.000	26.67%	3
3	NEU	NEUREN PHARMACEUTICALS LIMITED	5.400	4.300	25.58%	3
4	LNW	LIGHT & WONDER INC	905.015	875.161	3.41%	5
5	LTR	LIONTOWN RESOURCES LIMITED	-2.550	-2.620	2.67%	6
6	EVN	EVOLUTION MINING LIMITED	54.984	53.554	2.67%	7
7	NST	NORTHERN STAR RESOURCES LIMITED	109.150	106.700	2.30%	7
8	VNT	VENTIA SERVICES GROUP LIMITED	29.300	28.800	1.74%	3
9	NUF	NUFARM LIMITED	1.480	1.460	1.37%	6
10	FMG	FORTESCUE LIMITED	182.878	180.622	1.25%	7

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PLS	PILBARA MINERALS LIMITED	-0.380	-0.317	-19.87%	7
2	AX1	ACCENT GROUP LIMITED	11.580	12.860	-9.95%	5
3	HMC	HMC CAPITAL LIMITED	44.700	47.960	-6.80%	5
4	IGO	IGO LIMITED	-19.225	-18.240	-5.40%	6
5	ELD	ELDERS LIMITED	50.725	52.980	-4.26%	3
6	PMV	PREMIER INVESTMENTS LIMITED	114.180	118.980	-4.03%	6
7	RDX	REDOX LIMITED	14.700	15.033	-2.22%	3
8	COH	COCHLEAR LIMITED	618.840	630.240	-1.81%	6
9	NEM	NEWMONT CORPORATION REGISTERED	600.966	611.376	-1.70%	5
10	FBU	FLETCHER BUILDING LIMITED	13.838	14.021	-1.31%	4

Technical limitations

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WEEKLY REPORTS

Uranium Week: Up By 12%, Looking For More

Momentum buying in uranium stocks flowed as the spot price recovered with Sprott in the market, while China re-affirmed its commitment to become the largest nuclear energy generator in the world.

-Australian uranium stocks led energy sector higher last week
-Despite share prices doubling, U308 stocks remain below consensus price targets
-Sprott Phyical Uranium Trust cashed up and buying in the U308 spot market
-China's nuclear ambitions will surpass the US' capacity by 2030

By Danielle Ecuyer

Australian uranium stocks boosted by short covering and positive updates

Australian uranium stocks were swept up in the buying momentum across the sector a week ago as the Sprott Physical Uranium Trust announced a US$100m underwritten equity issue, which was up-sized to US$200m.

For context, **Boss Energy**'s ((BOE)) share price was flailing around $2 around the April Liberation Day sell-off and has since more than doubled. It is now trading above the consensus target price from FNArena's daily monitored brokers, which sits at $4.159.

Some of the re-rating can be attributed to technical features such as short interests scrambling to cover their positions. As of June 16, the company was still ranked number one on the ASX with a 17.64% short position, according to ASIC data.

From an operational standpoint, Boss has experienced a 'honeymoon' period for Honeymoon, excuse the pun, hence the higher re-rating of the stock. The latest corporate update revealed production at its Honeymoon project will achieve 851klbs, slightly more than FY25 guidance of 850klbs.

The previous March quarter results also exhibited operational strength across production, sales, realised price, and cash costs, Canaccord Genuity pointed out.

Paladin Energy's ((PDN)) share price has also more than doubled from the lows in April of around $4.11 and at current price remains under the FNArena consensus target price of $8.493.

In the ASX200 energy sector, Paladin crowned itself the top-performing large cap, rising 16.8% in the week ending June 20. No doubt a relief for long-standing shareholders, who have seen the price fall from around $14 just over 12 months ago.

As at June 16, Paladin remained the second most shorted stock on the ASX at 16.05%, although the data are in the rear-view mirror, pending ASIC's latest update for the last week of June, and do not reflect any possible position changes post the Sprott fundraising.

Suffice to say, the news flow from Boss Energy has been more positive over FY25 from a fundamental basis than Paladin's.

From the September quarter, the company experienced water issues, too little and then too much with inventory quality problems providing another frustration for investors. The March quarter proved to be better than expected despite wet weather, with production advancing 17% on the December quarter and management looking to restart Langer Heinrich in June/July.

Buying in uranium and uranium-related stocks also filtered down to the smaller caps. **Bannerman Energy** ((BMN)) rose 34.4% last week, grabbing tgop spot in the small cap energy sector, and **Silex Systems** ((SLX)) lifted 19.9%, the highest in the small caps industrial sector.

Bannerman, at current levels around $3.50, has moved off the April lows ($1.73) but remains well below broker target prices. Daily monitored broker Shaw and Partners has a $4.70 target, with Petra Capital and Canaccord Genuity at $5.33 and $3.74, respectively.

Shaw and Partners also covers Silex with a $6.50 target price. The latest update revealed a delay of three months in May for the company's Wilmington, North Carolina, pilot plant for uranium enrichment trials.

Canaccord Genuity noted the commercial-scale pilot demonstration plant is expected to be completed by the end of 2025 versus the targeted mid-2025 deadline.

The company remains well-funded with $93.1m in cash and has received an initial US$0.5m from the US Department of Energy as part of a potential US$3.4bn LEU (low enriched uranium) enrichment program.

Sprott's up-sized equity raise sparks spot market spike

Much of last week's movement in the spot U3O8 price can be attributed to the return of ETF demand, as also highlighted by Morgan Stanley.

At double the initial planned size, the Sprott fundraising leaves the trust cashed up with US$230m post a recent equity raising, which equates to around 3mlbs of U3O8 at US$75/lb, some 8% of the 2024 spot market volume, or circa 2% of annual global reactor demand, the analyst highlights.

Sprott and supportive investors (who said the uranium trade was dead?) can employ the capital to stabilise and place upward pressure on pricing in an often-illiquid spot market.

Morgan Stanley points to junior miners like **Peninsula Energy** ((PEN)), who are restructuring contracts or returning to the spot market to meet contractual deliveries, with plans to acquire 200klbs of spot U3O8 and having cancelled 2mlbs of utility contracts due to production issues.

Shaw and Partners detailed the termination of three of its six contracts through mutual consent, with negotiations continuing with the remaining customers. Although the ramp-up schedule remains unclear, the broker continues to retain a Hold rating and $1 target price.

Canaccord Genuity is more upbeat, with a $2.18 target and a Speculative Buy rating ascribed to the stock.

In other corporate news, **Lotus Resources** ((LOT)) appears to be on track to commence uranium production at Kayelekera in the upcoming September quarter, using stockpiles to start, with mining expected to deliver first ore in the closing months of 2025.

Shaw and Partners has a Speculative Buy rating and 37c target price, up from 35c.

From a macro perspective, Morgan Stanley believes the *"nuclear renaissance"* theme remains strong, and challenges to the growth in supply underwrite positive policy momentum.

The strategic shift to boost nuclear power generation in the US was exemplified by New York Governor Kathy Hochul announcing she had directed the state's public electricity utility to add at least one gigawatt of new nuclear power generation. One gigwatt represents sufficient powers for one million homes.

This is the first new US nuclear power plant to be planned and built in more than 15-years and potentially tests the Trump's Administration's move to expedite planning processes.

In another sign of growing interest in the nuclear sector, the CEO of Holtec International, a private company that operates ancillary nuclear services across a broad section of technologies, announced the company is going public and is the first nuclear related IPO in years.

Holtec is also the first to attempt the bringing back of a decommissioned nuclear plant, the Palisades Nuclear Plant in Michigan.

What happened in U308 markets last week

Industry consultants TradeTech's spot price indicator advanced US$8.50 to US$77.50 last week, a rise of 12.3% and the largest week-on-week increase since January 2024, but remains below its value from a year earlier by -6.9%.

Activity levels in the spot market reacted to the Sprott fundraising news immediately, with ten transactions during the week iincluding the Sprott Trust as an active buyer.

Sprott purchased 650klbs of U3O8 at an average price of US$76.50/lb, ending the week with US$182.9m in cash and 66.9mlbs of U3O8.

Historically, the trust has acquired U3O8 shortly after raising capital, buying in sequential tranches ranging from 50klbs to 1.5mlbs.

There were no transactions in the term market, with the TradeTech Mid-Term price indicator at US$75/lb and the Long-Term price indicator at US$80/lb.

China reaffirms global nuclear leadership goals

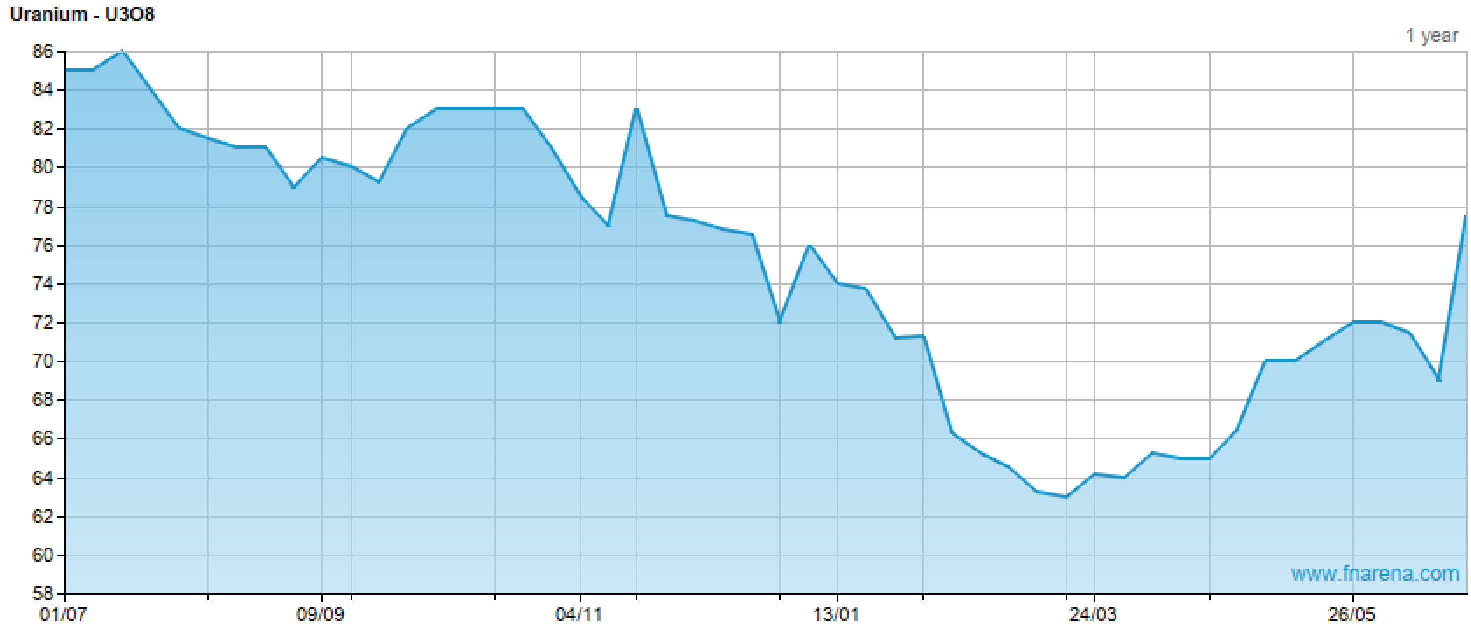
China confirmed at the end of 2024 it has 102 nuclear reactors either operational, under construction, or approved, collectively accounting for 113GW of capacity. In April, China's State Council approved construction for an additional 10 reactors for CNY200bn (US$27.9bn).

These ongoing efforts align with China's pledge to expand capacity to 200GW by 2040. According to a report by the China Nuclear Energy Association, this will elevate nuclear to around 10% of the country's electricity mix.

At the current rate of construction China will become the world's largest nuclear power generator by 2030.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	20/06/2025	0.0600	0.00%	$0.10	$0.03			
AEE	20/06/2025	0.1600	▲13.79%	$0.19	$0.10			
AGE	20/06/2025	0.0300	▲17.65%	$0.05	$0.02		$0.100	▲233.3%
AKN	20/06/2025	0.0100	0.00%	$0.02	$0.01			
ASN	20/06/2025	0.0500	▼- 4.26%	$0.17	$0.05			
BKY	20/06/2025	0.6300	▲12.73%	$0.67	$0.30			
BMN	20/06/2025	3.5300	▲17.57%	$3.68	$1.76		$4.700	▲33.1%
BOE	20/06/2025	4.2900	▲ 2.08%	$4.75	$1.99	241.9	$4.159	▼- 3.1%
BSN	20/06/2025	0.0200	▼- 4.76%	$0.07	$0.01			
C29	20/06/2025	0.0200	▼-16.00%	$0.13	$0.02			
CXO	20/06/2025	0.0900	▼- 5.38%	$0.14	$0.06		$0.100	▲11.1%
CXU	20/06/2025	0.0100	0.00%	$0.03	$0.01			
DEV	20/06/2025	0.0800	▼- 6.25%	$0.32	$0.07			
DYL	20/06/2025	1.6700	▲ 7.96%	$1.76	$0.75	-1660.0	$1.690	▲1.2%
EL8	20/06/2025	0.3100	▲ 3.23%	$0.42	$0.19			
ERA	20/06/2025	0.0020	0.00%	$0.04	$0.00			
GLA	20/06/2025	0.0100	0.00%	$0.02	$0.01			
GTR	20/06/2025	0.0040	0.00%	$0.01	$0.00			
GUE	20/06/2025	0.0600	0.00%	$0.10	$0.05			
HAR	20/06/2025	0.0700	▼- 1.47%	$0.09	$0.03			
I88	20/06/2025	0.0900	▼-18.18%	$1.03	$0.08			
KOB	20/06/2025	0.0300	0.00%	$0.18	$0.03			
LAM	20/06/2025	0.8000	▼- 5.88%	$0.90	$0.48			
LOT	20/06/2025	0.2000	▲17.14%	$0.37	$0.13		$0.330	▲65.0%
MEU	20/06/2025	0.0400	0.00%	$0.06	$0.03			
NXG	20/06/2025	10.4100	▼- 1.77%	$13.53	$6.44		$14.650	▲40.7%
ORP	20/06/2025	0.0200	0.00%	$0.08	$0.02			
PDN	20/06/2025	7.3200	▲ 1.10%	$14.28	$3.93	-283.9	$8.493	▲16.0%
PEN	20/06/2025	0.6200	0.00%	$2.34	$0.55		$1.000	▲61.3%
SLX	20/06/2025	3.8100	▼- 3.26%	$6.62	$2.28		$6.500	▲70.6%
TOE	20/06/2025	0.2000	▲27.27%	$0.38	$0.15			
WCN	20/06/2025	0.0200	0.00%	$0.04	$0.01			



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

WEEKLY REPORTS

The Short Report - 26 Jun 2025

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

Summary:

Week Ending June 19th, 2025 (most recent data available through ASIC).

10%+

BOE	17.47%
PDN	15.72%
MIN	15.07%
PLS	13.32%
LTR	12.42%
LIC	10.61%
PNV	10.57%
SLX	10.04%
IEL	10.04%

In: IEL
Out: DYL

9.0-9.9%

CTD	9.51%

Out: IEL, DMP, LOT

8.0-8.9%

DYL	8.69%
LOT	8.46%
IGO	8.41%
DMP	8.38%

In: DYL, LOT, IGO, DMP
Out: BMN, KAR, LYC

7.0-7.9%

BMN	7.96%
PWH	7.80%
CU6	7.67%
LYC	7.65%
JHX	7.20%

In: BMN, LYC, JHX

6.0-6.9%

RMS	6.95%
BRG	6.82%
JLG	6.66%
KAR	6.56%
NXT	6.49%
NAN	6.46%
MSB	6.21%
GYG	6.08%
RIO	6.05%
NEU	6.03%

In: RMS, KAR, GYG, NEU
Out: JHX, INR, STX

5.0-5.9%

IPX	5.80%
AD8	5.78%
VEA	5.63%
GMD	5.58%
ZIP	5.53%
NVX	5.50%
CHN	5.50%
SYR	5.45%
ADT	5.44%
IMU	5.25%
PEN	5.20%
FLT	5.16%
CTT	5.10%
WHC	5.01%
WEB	5.01%

In: FLT
Out: NEU, CUV, RMS, GYG, LOV, SFR

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.7	0.7	NAB	0.8	0.9
ANZ	0.6	0.5	QBE	0.3	0.3
BHP	0.6	0.7	RIO	6.1	6.5
CBA	0.9	0.9	STO	0.5	0.6
COL	0.6	0.6	TCL	0.5	0.6
CSL	0.4	0.4	TLS	0.4	0.5
FMG	1.4	1.2	WBC	1.0	1.2
GMG	0.7	0.9	WDS	4.0	3.9
JHX	7.2	6.8	WES	0.4	0.5

MQG	0.7	0.7	WOW	1.0	1.1

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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WEEKLY REPORTS

In Brief: Decidr, Shape, Audinate, Light & Wonder

A smorgasbord of stock snacks in this week's In Brief, including Australia's own agentic AI platform, good news for Shape, gaming company Light & Wonder, while Audinate gets an upgrade.

-A small gem of an agentic AI company partnering with Amazon Web Services
-Shape's trading update is good, but has the share price gone too far?
-Looking through a year of consolidation for Audinate
-Some goods news for Light & Wonder's litigation

By Danielle Ecuyer

This week's quote comes from Barclays:

"The US economy won't boom, nor will it go bust, this year. Europe is making progress, but it won't solve all its problems in a few months. Although they may think twice about where to put their money to work, global investors won't abandon US assets. Artificial intelligence won't take over the world tomorrow, but it won't disappear either."

Agentic AI up and running for Decidr

Artificial intelligence is not the sole privilege of US Megacaps. MST Financial updated its thoughts and views on **Decidr AI Industries** ((DAI)) this week; one to keep on the microcap radar.

Formerly known as Live Verdure, the company rebranded in March to reflect the strategic shift to AI and *"decision intelligence"* technologies.

The Decidr platform enables AI agents to be across most areas of business by providing a suite of intelligent applications across marketing, sales, finance, human resources, operations, and customer service to improve efficiency.

The company is partnering with CareerOne and Amazon's AWS to support these functions. MST noted CareerOne's beta launch of AI agents was much better than anticipated, with an eight-fold improvement in job seeker matches against traditional models.

Post an $11m capital raising, Decidr is working with AWS to enhance collaboration and distribution with their 5m customers, most of which are SMEs including an estimated 100k in Australia. AWS is offering technical collaboration for Decidr's hyperscaling needs to integrate AWS software and LLM services.

In the first full quarter of commercialisation (1Q 2025), Decidr generated $1m in annual recurring revenue. Over 1800 sales enquiries were received.

MST highlights several examples across hospitality, recruitment, content creation, and merchandising where Decidr's agents have assisted businesses in achieving more cost-efficient, improved outcomes.

The stock has been given a valuation of $1.51 per share. Market capitalisation is around $60m.

More good news from Shape

Shape Australia ((SHA)) has offered another robust trading update according to Petra Capital, guiding to earnings (EBITDA) of $32m-$33m, above consensus and ahead of the broker's forecast of $29.9m-$33m, while gross margins seem to have expanded.

The pipeline remains strong at $4bn, with the newer businesses (regional, modular, and new sectors) doing well. Management did not offer updates on project wins, tendering value, and project duration in this update.

Petra assesses core revenues might be lower than forecasts, with likely offsets in other revenue and management fees. Breaking it down, the analyst estimates gross margins were around 9.5% and other revenue circa $1.5m, whereas a full contribution from core revenue would mean 2H25 gross margins of 9.9% versus 9.1% in 1H25.

The company had a net cash position of $97.6m in FY24, and the working capital cycle is viewed as positive, as the business model does not necessitate more cash and inventory as new projects are won.

Petra tweaks earnings and downgrades the stock to Hold from Buy as it trades at over a 20% premium to its peers for FY26 price-to-earnings. More details and commentary should be forthcoming at the August 20 FY25 earnings report. Target price is set at $3.60.

Is Dante the key to Audinate's outlook?

Once a stock market darling, **Audinate Group** ((AD8)) has been de-rated rather savagely over FY25, with the share price declining from $15 in July 2024 to around $7 currently.

Moelis explains the company was able to achieve good sales momentum until 2H24, when excess inventory weighed on its major clients and Audinate experienced a considerable slowdown in sales.

In early June, the company presented its latest product developments at InfoComm 2025, a pro-AV trade show and conference.

As per the broker's commentary, the range reflected an ongoing shift to Dante, with an increasing emphasis on software and services managing and controlling AVoIP networks. (Audio Video over IP refers to the transmission of audio and video signals over standard IP networks, like Ethernet or Wi-Fi, instead of traditional AV cabling).

At this stage, Petra is not assuming any notable impact of the shift on earnings forecasts.

The release of RH Consulting's Network Media Products 2025 review showed good growth in Dante's video streaming network solutions off a low base and its rising dominant position for audio applications.

Listed Asian competitors highlighted at the March FY25 results in May that uncertainty around US tariffs was impacting inventory plans and served up a cautious outlook for FY26 earnings.

Audinate's management has equally flagged a cautious outlook for FY25, with Petra discounting some impacts from tariff disruptions leading to a lower FY26 revenue estimate by -5%.

The broker believes the Dante ecosystem has grown and improved the value of the Audinate platform. The rating is upgraded to Buy, with a target price of $9.86.

The day after the report's release Audinate announced the acquisition of Iris for the Dante platform for -US$20m, with up to -US$8m in contingent cash and equity over three years tied to revenue and service performance milestones. Post-transaction, Audinate's net cash will stand at $78m.

Iris is a US-based SaaS remote video production platform using *"powerful cloud-based management software*", which is viewed as complementary to Dante's service offerings.

Court updates are favourable for Light & Wonder

The latest update from the District Court of Nevada and Federal Court of Australia has offered some positive news for **Light & Wonder** ((LNW)) shareholders.

Jarden notes the request from Aristocrat Leisure ((ALL)) for the company's game math files has essentially been denied, while Aristocrat needs to be more specific about the claimed trade secrets and related games.

The updates are seen as signalling limits over the contagion to other games and studios, which has been the greatest concern and overhang for the stock.

On balance, the findings are pointing to limits on Aristocrat's ability to undertake broader discovery and necessitate more precise claims.

Jarden stresses Light & Wonder's share price has been held back due to the litigation around Dragon Train and the possibility of contagion to other titles. It now appears those risks have been alleviated. A US$100m liability is assumed in the broker's modeling.

The stock remains Buy rated, with a $189 target price, trading at a discount to Aristocrat's valuation.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 27-06-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

AUDINATE GROUP LIMITED ((AD8)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

Moelis notes Audinate Group had strong revenue momentum until 2H24, except for a brief interruption during covid, but sales have slowed down sharply in the past 12 months.

Inventory overhang by key clients and US tariffs are adding to the company's uncertain outlook, and two of its Asia-listed partners echoed similar concerns. The broker cut the FY26 revenue forecast down by -5%.

Rating upgraded to Buy from Hold. Target cut to $9.86 from $10.27.

KELSIAN GROUP LIMITED ((KLS)) Upgrade to Outperform by Taylor Collison.B/H/S: 0/0/0

Taylor Collison views recent developments as helping to de-risk Kelsian Group's FY27 earnings outlook, underpinned by contract momentum and asset sales.

Positive signals include a CP2 contract agreement with Worley ((WOR)), commencement of civil works in FY26, and progress toward extending the key Sydney R6 contract past its June 2026 expiry.

The CP2 contract involves providing comprehensive workforce transportation services for the construction and development phase of the Venture Global LNG CP2 project in Cameron Parish, Louisiana.

The broker highlights a potential $150-$170m capital recycle from tourism asset divestments, potentially reducing net debt/earnings to 2.22.3 times by FY26 on a proforma basis.

Taylor Collison upgrades to an Outperform rating. The broker's blended fair valuation is $4.11.

VULCAN STEEL LIMITED ((VSL)) Upgrade to Buy from Neutral by Jarden.B/H/S: 0/0/0

Jarden notes a modest recovery in 2H25 expected by Vulcan Steel following a tough 1H25 has failed to materialise so far. The company is still waiting for a rebound that was flagged three months earlier.

The broker cut FY25 EBITDA forecast to NZ$107m from NZ$110m and pushed back expectations for a return to mid-cycle earnings in 2027 from 2H2026.

No impact from the CEO transition announcement.

Target cut to NZ$7.55 from $8.00. Rating upgraded to Buy from Neutral, with the broker noting the current share price provides a good entry point trading on a FY27 EV/EBITDA multiple of 7.1x.

Downgrade

SHAPE AUSTRALIA CORPORATION LIMITED ((SHA)) Downgrade to Hold from Buy by Petra Capital.B/H/S: 0/0/0

Shape Australia's FY25 EBITDA guidance of $32-33m beat Petra Capital's forecast of $30m as the core revenue miss was offset by a marginal increase in gross profit margin.

The broker notes the company's pipeline is strong at $4.0bn, and newer businesses are performing well, making its forecasts look conservative. But the analyst will wait for FY25 results for a more detailed commentary.

For now, the broker lifted FY25 EBITDA forecast to the mid-point of the guidance range, and made minor changes to FY26-27 forecasts.

Rating downgraded to Hold from Buy on share price rise. Target rises to $3.60 from $3.50.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AUDINATE GROUP LIMITED	Buy	Neutral	Moelis
2	KELSIAN GROUP LIMITED	Buy	Buy	Taylor Collison
3	VULCAN STEEL LIMITED	Buy	Neutral	Jarden
Downgrade				
4	SHAPE AUSTRALIA CORPORATION LIMITED	Neutral	Buy	Petra Capital

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
A1M	AIC Mines	$0.30	Moelis	0.43	0.72	-40.28%
AD8	Audinate Group	$7.14	Moelis	9.86	10.27	-3.99%
BSL	BlueScope Steel	$22.55	Jarden	25.30	24.00	5.42%
BTR	Brightstar Resources	$0.49	Petra Capital	1.18	1.20	-1.67%
CKF	Collins Foods	$9.38	Jarden	10.10	9.95	1.51%
			Wilsons	10.20	10.13	0.69%
CWP	Cedar Woods Properties	$7.24	Moelis	7.63	6.26	21.88%
D2O	Duxton Water	$1.51	Petra Capital	2.11	2.10	0.48%
EDV	Endeavour Group	$4.01	Jarden	4.20	4.30	-2.33%
EMR	Emerald Resources	$4.03	Canaccord Genuity	5.10	5.95	-14.29%
IEL	IDP Education	$3.64	Jarden	6.25	6.95	-10.07%
JIN	Jumbo Interactive	$9.80	Jarden	13.40	14.20	-5.63%
KLS	Kelsian Group	$3.78	Taylor Collison	4.11	4.50	-8.67%
NST	Northern Star Resources	$18.84	Jarden	19.40	18.30	6.01%
SEK	Seek	$23.86	Jarden	29.00	27.50	5.45%
SHA	Shape Australia	$4.15	Petra Capital	3.60	3.50	2.86%
SYL	Symal Group	$1.79	Jarden	2.50	2.30	8.70%
TWE	Treasury Wine Estates	$7.76	Jarden	10.00	10.60	-5.66%
WGX	Westgold Resources	$2.92	Petra Capital	4.74	4.29	10.49%
XRO	Xero	$184.00	Wilsons	217.26	131.63	65.05%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

AMI AURELIA METALS LIMITED

Gold & Silver Overnight Price: $0.20

Moelis rates ((AMI)) as Buy (1)

Aurelia Metals published FY26 production guidance and targets for FY27-28, and Moelis notes the guidance ranges are within its estimates.

The company also provided costs and capital forecasts, with both signficantly higher than the broker's forecast. FY26 operating cost guidance of -$275-315m compared with the broker's estimate of -$250m, while capex of -$125m at midpoint is higher than the broker's forecast of -$80m.

The broker expects to lift cost estimates, which makes its 20% FY26 free cash flow yield unlikely, though this would be partly offset by higher commodity prices.

Buy. Target unchanged at 40c.

This report was published on June 19, 2025.

Target price is $0.40 Current Price is $0.20 Difference: $0.195
If AMI meets the Moelis target it will return approximately 95% (excluding dividends, fees and charges).Market Sentiment: 1.0

BSL BLUESCOPE STEEL LIMITED

Steel & Scrap Overnight Price: $22.46

Jarden rates ((BSL)) as Overweight (2)

Jarden has reiterated its positive outlook on BlueScope Steel, noting yet again the potential for earnings upside in the US from stronger US steel spreads and benefits of tariff hikes.

In Australia, the broker sees decent earnings growth in the medium term following a cost optimisation program and cyclical recovery. For NZ and Pacific Islands, the outlook is expected to remain challenging.

Minor revisions to FY25-27 EPS forecasts. Overweight.

Target lifted to $25.30 from $24.00, largely on valuation roll-forward.

This report was published on June 19, 2025.

Forecast for FY25:

Jarden forecasts a full year FY25 dividend of 60.00 cents and EPS of 105.70 cents.
At the last closing share price the estimated dividend yield is 2.67%.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 21.25.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is 100.9, implying annual growth of -43.9%.
Current consensus DPS estimate is 60.0, implying a prospective dividend yield of 2.7%.
Current consensus EPS estimate suggests the PER is 22.1.

Forecast for FY26:

Jarden forecasts a full year FY26 dividend of 60.00 cents and EPS of 177.60 cents.
At the last closing share price the estimated dividend yield is 2.67%.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 12.65.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is 210.1, implying annual growth of 108.2%.
Current consensus DPS estimate is 60.0, implying a prospective dividend yield of 2.7%.
Current consensus EPS estimate suggests the PER is 10.6.

Market Sentiment: 0.6
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

CU6 CLARITY PHARMACEUTICALS LIMITED

Medical Equipment & Devices Overnight Price: $2.08

Canaccord Genuity rates ((CU6)) as Buy (1)

Canaccord Genuity notes another update from Clarity Pharmaceuticals, this time an upgrade in its clinical agreement with SpectronRX to commercial manufacturing of 64Cu-SAR-bisPSMA.

The drug is expected to be on the market by end-FY27 and the broker believes the commercial agreement is a reminder of its (significant) potential.

Buy. Target unchanged at $6.74.

This report was published on June 16, 2025.

Target price is $6.74 Current Price is $2.08 Difference: $4.66
If CU6 meets the Canaccord Genuity target it will return approximately 224% (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year FY25 dividend of 0.00 cents and EPS of minus 15.70 cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is minus 13.25.

Forecast for FY26:

Canaccord Genuity forecasts a full year FY26 dividend of 0.00 cents and EPS of minus 23.20 cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is minus 8.97.

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

PDN PALADIN ENERGY LIMITED

Uranium Overnight Price: $7.75

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

Canaccord Genuity notes the CEO succession at Paladin Energy is a no-drama event, and incoming CEO Paul Hemburrow's skillsets would benefit the greenfield development in Canada and optimisation of Langer Heinrich mine.

The broker's forecast for June quarter production is 0.75Mlb, up 4% q/q, and 2.8Mlb for full FY25. The forecast for FY26 is 4.6Mlb.

Buy. Target unchanged at $12.80.

This report was published on June 25, 2025.

Target price is $12.80 Current Price is $7.75 Difference: $5.05
If PDN meets the Canaccord Genuity target it will return approximately 65% (excluding dividends, fees and charges).
Current consensus price target is $8.54, suggesting upside of 10.3%(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year FY25 dividend of 0.00 cents and EPS of minus 6.99 cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is minus 110.86.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is -3.7, implying annual growth of N/A.
Current consensus DPS estimate is N/A, implying a prospective dividend yield of N/A.
Current consensus EPS estimate suggests the PER is N/A.

Forecast for FY26:

Canaccord Genuity forecasts a full year FY26 dividend of 0.00 cents and EPS of 25.15 cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 30.81.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is 30.1, implying annual growth of N/A.
Current consensus DPS estimate is N/A, implying a prospective dividend yield of N/A.
Current consensus EPS estimate suggests the PER is 25.7.

This company reports in USD. 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

SMP SMARTPAY HOLDINGS LIMITED

Business & Consumer Credit Overnight Price: $1.03

Wilsons rates ((SMP)) as Overweight (1)

Wilsons notes SmartPay's board has endorsed the 100% takeover offer from Shift4 and it sees a high likelihood the deal will progress successfully this year.

The broker looked at the key details of the scheme, noting any adverse RBA outcomes from payments review are not a ground for breaking the deal.

The scheme also stipulates directors continue supporting the transaction, and any withdrawal would give Shift4 the right to terminate.

Overweight. Target unchanged at $1.20, with the -10% discount to offer price reflecting scheme implementation and shareholder register risks.

This report was published on June 23, 2025.

Target price is $1.20 Current Price is $1.03 Difference: $0.17
If SMP meets the Wilsons target it will return approximately 17% (excluding dividends, fees and charges).
The company's fiscal year ends in March.

Forecast for FY26:

Wilsons forecasts a full year FY26 dividend of 0.00 cents and EPS of 0.64 cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 161.44.

Forecast for FY27:

Wilsons forecasts a full year FY27 dividend of 0.00 cents and EPS of 3.65 cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 28.23.

This company reports in NZD. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: 0.5
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

WGX WESTGOLD RESOURCES LIMITED

Gold & Silver Overnight Price: $2.91

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

Petra Capital highlights Westgold Resources' acquisition of Karora Resources has paid dividends, with an initial mineral resource estimate for the Fletcher zone at the Beta Hunt mine. The 31Mt resource is effectively a doubling of the resource.

The broker notes there is potential for the resource to triple to 90Mt, with the company now doing an accelerated drilling program.

Buy. Target price $4.74, incorporating the increased resource.

This report was published on June 24, 2025.

Target price is $4.74 Current Price is $2.91 Difference: $1.83
If WGX meets the Petra Capital target it will return approximately 63% (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 2.50 cents and EPS of 14.60 cents.
At the last closing share price the estimated dividend yield is 0.86%.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 19.93.

Forecast for FY26:

Petra Capital forecasts a full year FY26 dividend of 10.00 cents and EPS of 59.80 cents.
At the last closing share price the estimated dividend yield is 3.44%.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is 4.87.

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

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