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Friday, 23 May 2025

TechnologyOne: The 'Beat' Goes On

AI Investments Fuel Australia's Data Centre Future

Rudi's View: Rate Cut Winners & AI Beneficiaries

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Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 17 May 2025

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

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

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

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

Australia & NZ

Index	17 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12786.790	1.44%	7.42%	4.21%	-2.47%	9.13%
All Ordinaries	8579.90	1.39%	2.86%	6.54%	1.89%	7.06%
S&P ASX 200	8343.70	1.37%	2.68%	6.38%	2.26%	7.42%
S&P ASX 300	8277.40	1.32%	2.69%	6.36%	2.20%	7.38%
Communication Services	1772.20	0.06%	2.49%	9.12%	8.90%	18.05%
Consumer Discretionary	4082.60	0.38%	2.14%	8.33%	4.38%	16.26%
Consumer Staples	12435.40	-3.31%	1.44%	6.65%	5.66%	0.46%
Energy	7860.10	5.77%	7.28%	-1.00%	-8.85%	-21.65%
Financials	8931.40	1.37%	1.61%	7.30%	3.68%	16.64%
Health Care	41476.00	1.11%	0.17%	2.34%	-7.60%	-6.28%
Industrials	8281.80	1.81%	4.33%	6.73%	8.31%	21.59%
Info Technology	2719.10	5.62%	13.11%	20.31%	-0.80%	16.13%
Materials	16596.30	2.55%	3.17%	3.88%	2.92%	-1.67%
Real Estate	3814.60	-0.50%	3.38%	9.45%	1.41%	7.06%
Utilities	9364.20	-2.53%	1.41%	3.37%	3.67%	0.85%
A-REITs	1750.80	-0.58%	3.35%	9.91%	1.89%	7.79%
All Technology Index	3874.20	5.36%	9.46%	16.73%	1.81%	23.46%
Banks	3763.50	1.19%	0.14%	7.25%	4.36%	17.79%
Gold Index	11363.00	-7.61%	-1.61%	3.47%	34.89%	54.45%
Metals & Mining	5489.10	2.52%	2.75%	4.00%	4.44%	-1.11%

The World

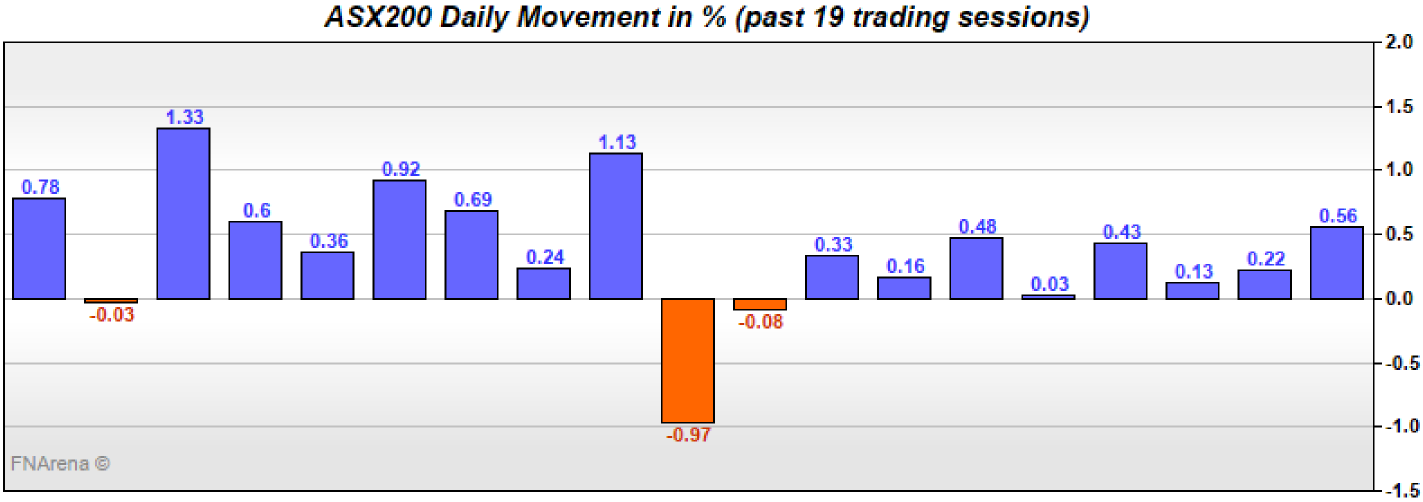
Index	17 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8684.56	1.52%	2.23%	1.19%	6.26%	6.37%
DAX30	23767.43	1.14%	5.65%	7.24%	19.38%	30.34%
Hang Seng	23345.05	2.09%	5.54%	0.98%	16.38%	31.75%
Nikkei 225	37753.72	0.67%	4.74%	6.00%	-5.37%	-4.62%
DJIA	42654.74	3.41%	4.88%	1.55%	0.26%	9.04%
S&P500	5958.38	5.27%	6.99%	6.17%	1.30%	9.12%
Nasdaq Comp	19211.10	7.15%	10.12%	11.05%	-0.52%	8.34%

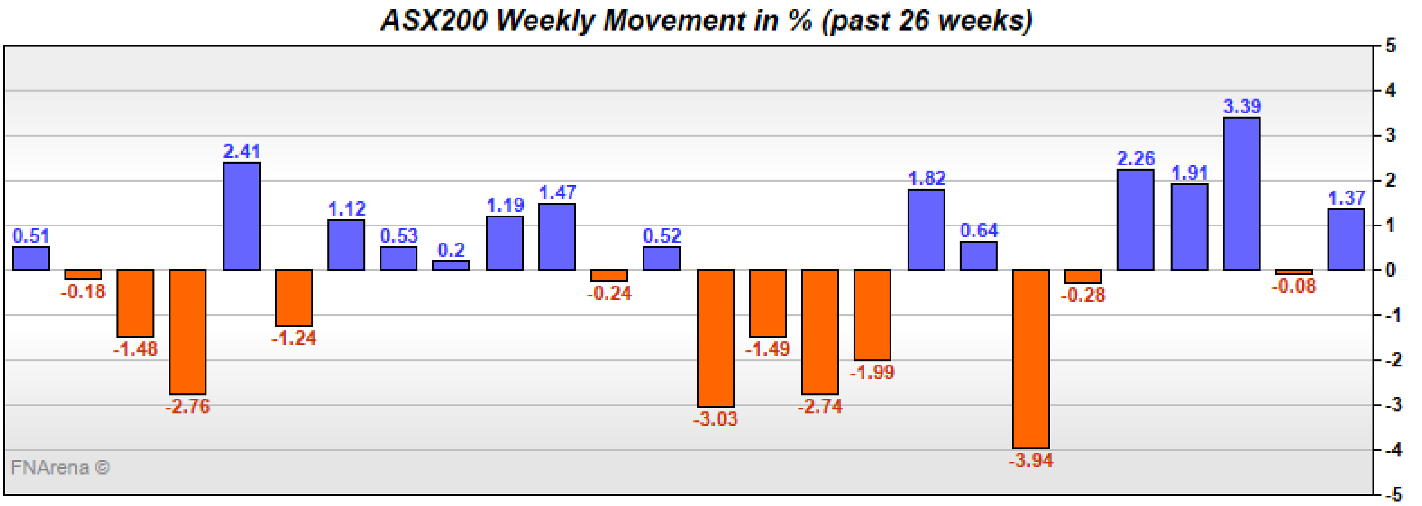
Metals & Minerals

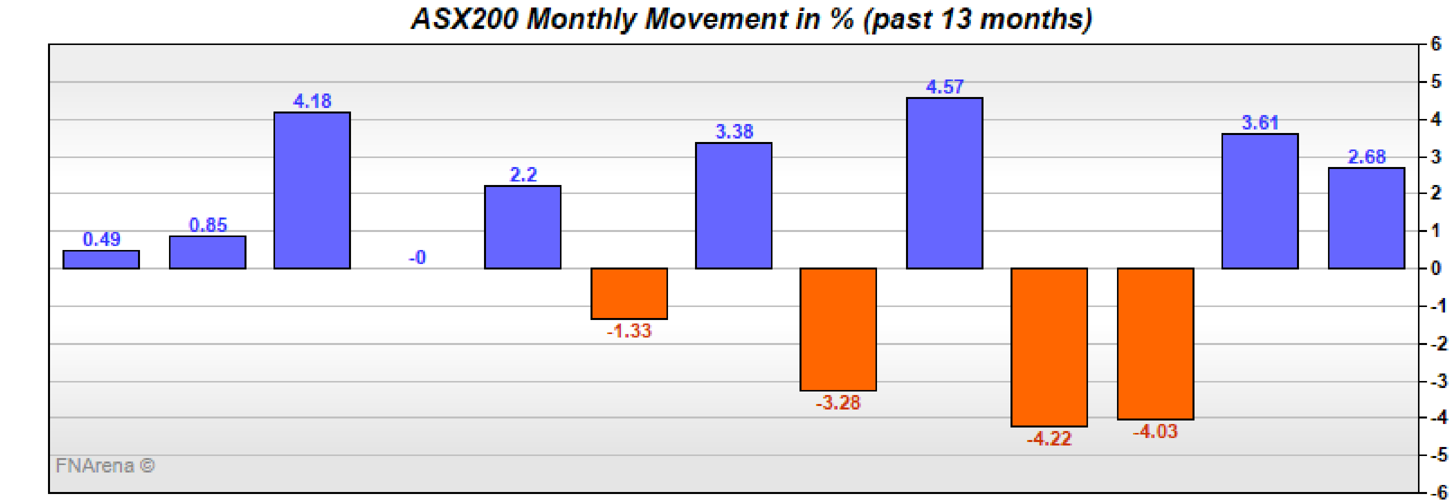
Index	17 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	3243.75	-2.03%	-2.52%	3.74%	23.49%	38.74%
Silver (oz)	32.79	0.53%	-0.29%	-6.26%	8.50%	12.11%
Copper (lb)	4.6810	1.88%	-3.67%	-9.15%	14.27%	8.02%
Aluminium (lb)	1.1346	3.82%	1.33%	-1.17%	-0.74%	0.90%
Nickel (lb)	7.0213	0.65%	0.62%	-3.46%	-1.73%	-9.73%
Zinc (lb)	1.2380	3.82%	3.00%	-3.67%	-8.38%	-6.64%
Uranium (lb) weekly	70.00	0.00%	5.26%	9.38%	-2.78%	-15.92%
Iron Ore (t)	100.42	2.23%	0.56%	-3.23%	-3.29%	-5.72%

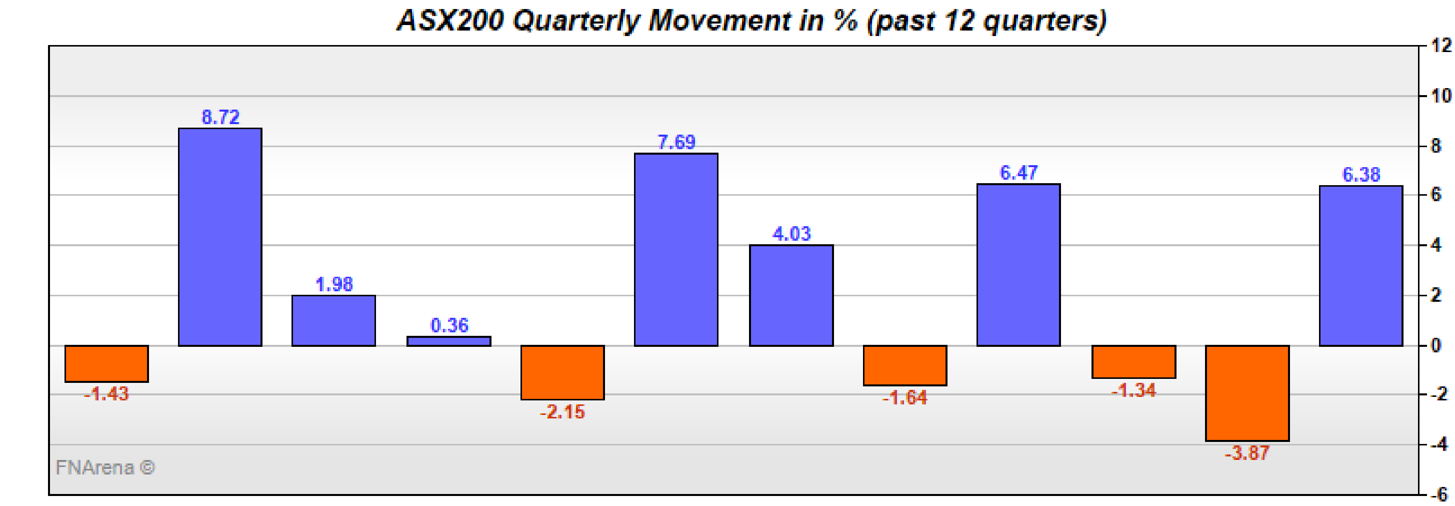
Energy

Index	17 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	61.70	2.42%	2.36%	-11.04%	-11.20%	-24.63%
Brent Crude	64.61	2.23%	2.64%	-11.20%	-10.96%	-24.38%









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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Aristocrat's H1 Misses, But Strong Growth Ahead

Interim earnings for Aristocrat Leisure underwhelmed, but analysts see no reason to doubt the medium-term outlook.

-Aristocrat Leisure's interim earnings disappoint
-A fall in average fee weighs on the Gaming division
-Second half should see stronger performance
-Macquarie expects a material rise in Interactive earnings over time

By Mark Woodruff

Interim earnings for slot-machine manufacturer and game developer Aristocrat Leisure ((ALL)) fell short of expectations due to a larger-than-expected decline in returns from its US gaming operations and a steep fall in outright sales in the rest of the world.

Management attributed the US shortfall to an unfavourable product mix and pricing pressure, which led to a lower average daily fee in its participation market, where slot machines are leased to casinos.

Goldman Sachs notes promotional activity and softer market conditions weighed on the average fee-per-day (FPD), but also points out Gaming Operations net adds outperformed key competitor Light & Wonder ((LNW)) for the six months to March.

Ord Minnett also points to tougher competition and delayed purchases weighing on performance outside the Americas.

First-half profit (NPATA) missed consensus by -9%, though there were positives, including a 3% half-on-half increase in participation machines (around 2,500 units added) and a -5% year-on-year reduction in land-based gaming costs.

While the initial response saw shares fall by -14% on result day, Citi sees no material change to Aristocrat's competitive positioning or medium-term outlook. Management confirmed no material tariff impacts in FY25. UBS views the share price decline as a de-rating reflecting near-term growth concerns, but believes the company's fundamentals remain intact.

Ord Minnett shares that view, seeing the weakness as cyclical rather than structural. Encouragingly, Citi notes casino commentary indicates solid turnover heading into the second half.

Jarden points out growth from acquisitions, a favourable earnings mix, and prior year cost-outs helped generate margin expansion.

First half summary

In the first half, Aristocrat reported continuing operations profit of $733m, up 6% year-on-year (2% in constant currency), but -9% below consensus.

Within Gaming, North America's FPD fell -5% year-on-year and came in -3% below consensus. Macquarie estimates the FPD shortfall reduced profit by approximately -$60m, with each US$1/day equivalent to $20-25m in earnings impact.

Product Madness delivered earnings of $387m, ahead of consensus, driven by market share gains and a three-percentage point margin uplift. Interactive also outperformed expectations, with $114m in earnings beating UBS' forecasts on solid margin expansion, though revenue was soft.

Margins in North America Gaming improved by 1.3 percentage points to 58.1%, a level Goldman Sachs believes is sustainable due to favourable product mix, operating leverage, and cost optimisation.

Importantly, management does not expect any tariff-related cost impacts in FY25, supported by a diversified supply chain that allows hardware exports from Australia and Europe rather than the US.

The case for a stronger second half

Aristocrat reports across three main divisions: Aristocrat Gaming, Product Madness, and Aristocrat Interactive, each offering exposure to different segments of the global gaming industry.

Aristocrat Gaming is the company's land-based division, responsible for the design, manufacture, and distribution of slot machines and electronic gaming equipment for casinos worldwide. Citi highlights pent-up demand for recently launched hardware, including the Baron cabinet in Australia and the Baron Portrait cabinet in the US (both launched in April 2025), should drive a meaningful uplift in installations and earnings into the second half.

Product Madness, the company's social casino gaming arm, centres on the Product Madness brand, which remains Aristocrat's flagship social slots offering. The division also includes the Big Fish Games portfolio, now focused on evergreen titles following a strategic review and the divestment of Plarium.

For this division, Citi expects ongoing growth through operational efficiency and rising direct-to-consumer (DTC) penetration, positioning the business for further margin expansion and increased revenue share.

Margin expansion in Product Madness for the first half was supported by DTC sales and operational efficiency, explains Morgan Stanley, despite an increase in user acquisition (UA) spend to 18% from 16% a year prior to support bookings growth for the NFL game launch.

Covering real money gaming (RMG), iGaming, iLottery, and online sports betting, Aristocrat Interactive was significantly expanded via the acquisition of NeoGames and now offers regulated online gaming content, aggregation services, and technology platforms to global operators.

Management re-iterated the FY29 Aristocrat Interactive revenue target of US$1bn.

The first half performance in Interactive aligned with Morgan Stanley's expectations. Margins expanded by 540bpts, largely driven by a mix shift to iLottery and an acceleration in content launches, explains the analyst.

Citi sees further upside from new game rollouts and regulatory expansion, with Aristocrat currently operating in only three of seven legalised US states, suggesting ample room for growth.

The company is confident FPD can keep growing market share with FPD in the second half driven by new game releases such as Phoenix Link and House of the Dragon.

Company-wide, management guided to profit (NPATA) growth on a constant currency basis (ex Plarium), driven by gaming growth in the second half, Product Madness investment efficiency and market share gain, and upside within the Interactive division.

While product and channel mix are likely to weigh on the second half since they will only be cycled late this half, notes Citi, pricing should not be a drag and there should be a further contribution from Phoenix Link given its strong net adds in the first half.

Management held back the release of key titles such as Dragon Link and was transitioning the technology stack. Once this has been completed, Macquarie expects Aristocrat will be able to move towards 20% US market share in the Interactive division in time from around 4% currently.

Certainly, Bell Potter believes most of the factors driving the first-half disappointment are isolated to the period and maintains Aristocrat is well placed to deliver a strong second half.

Capital management

Macquarie highlights solid cash generation in the first half, with operating cash flow of $773m, up 18% year-on-year. Aristocrat confirmed the $750m share buyback program, paused since late January 2025, will now resume.

This broker expects Aristocrat to return to a net cash position in FY26, from its current net debt of $425m, supported by ongoing strong cash flow in combination with annual share buybacks of approximately $750m.

M&A remains a focus, with management indicating any future acquisitions will align with existing verticals and aim to accelerate growth.

Outlook

Aristocrat Leisure remains a double-digit growth story, UBS maintains, with the broker forecasting an 11% compound annual growth rate (CAGR) in EPS (before amortisation) over FY25-30.

This outlook is underpinned by the company's high-quality core gaming franchise, scalable growth opportunities in Interactive, and significant capital available for deployment or return to shareholders, explain the analysts.

There are seven daily covered brokers in the FNArena database researching Aristocrat Leisure, six of which have Buy ratings. Ord Minnett rates the stock Accumulate, which sits in between Buy and Hold.

Stockbroker Morgans took its time and only updated this morning.

The average target of the seven brokers is $73.23, suggesting 16.50% upside to Friday's closing share price. Trading on relatively high multiples, the implied dividend yield is only circa 1.5%.

Outside of daily coverage, Goldman Sachs and Jarden are Buy-rated with targets of $74 and $64, respectively.

AUSTRALIA

Xero: Maximising Long-Term Value Creation

Xero's FY25 revealed robust revenue-per-customer and a promising outlook for international expansion.

-Xero's in-line FY25 result reveals investments for future growth
-Strong second half ARPU growth, rising UK/US subscribers
-Payments are a potential growth engine, suggests Macquarie
-Highest-ever Rule of 40 score at 44%

By Mark Woodruff

Global cloud accounting SaaS provider Xero's ((XRO)) FY25 result and FY26 outlook proved broadly in line with consensus expectations.

While FY26 operating expense guidance was higher than anticipated, analysts appear supportive of the company's strategy to invest further in brand building, particularly in the US market. Certainly, Citi commends management's ability to prioritise top-line growth while continuing to expand margins.

The company now has 4.4m subscribers with an average revenue (ARPU) of NZ$54.08.

Robust growth in the average revenue per user was driven by multiple levers, explained management, including improved product mix across new and existing customers, pricing changes to reflect product value, and continued payments growth.

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

Management continues to focus on its 'Win the 3 by 3 strategy' by improving its offerings for the three most critical jobs for small businesses --accounting, payroll and payments-- in its three key markets.

Revenue rose by 23% year-on-year in FY25 to NZ$2.1bn, or 20% in constant currency terms, while adjusted earnings increased by 22% to NZ$641m.

Operating profit jumped 48% to NZ$356m, missing the consensus forecast by -3%, while expenses ended up in line with expectations at 71.8% of FY25 revenue, below guidance for 73%.

While revenues in Australia and New Zealand were slightly below consensus, offsets were provided by 'beats' in the UK and US, explains UBS.

Specifically, second half UK and US subscriber growth was strong, with Citi observing the International division's ratio for lifetime value to customer acquisition cost (LTV/CAC) on the improve.

Supporting management's decision to increase its focus (and investment) in the US market, the highlight for Goldman Sachs was the stronger-than-expected International segment.

Subscription growth shows the diverse nature of Xero's business, suggests Morgans, with the original New Zealand business growing second half subscriptions by 5% year-on-year, while businesses in the UK and North America advanced by 18% and 25%, respectively.

In raw number, the UK added 79,000 net subscriiber adds in the second half, the strongest second half since FY22, notes Citi, while North America added 35,000, the strongest half year growth since FY19.

Reinforcing Morgan Stanley's positive investment thesis, the results not only revealed double-digit subscriber growth, but also high single-digit ARPU gains, on top of a near-record low churn in subscribers.

Positively, the company enjoys a strong Rule of 40 score, a net cash position, and a sizeable and expanding total addressable market, highlights the broker.

Rising ARPU

Morgans considers strong second-half ARPU growth in North America as a key positive, with both ARPU and revenue outperforming expectations. Momentum in the region is expected to build as Xero continues to refine its value proposition and sharpen its sales execution, which should increasingly resonate with prospective customers.

UBS identifies four drivers underpinning Xero's ongoing ARPU and revenue growth: consistent price increases, a UK tax compliance initiative, the acquisition and rollout of the Syft analytics platform, and growing adoption of payments solutions.

From July 1, management is implementing an average 10% price increase in Australia, coinciding with a shift to new subscription plans.

Meanwhile, the next phase of the UK's Making Tax Digital program is accelerating digital adoption among small businesses and accountants, reinforcing demand for Xero's offering.

Syft is expected to enhance Xero's value proposition for these customers by providing advanced reporting, forecasting, and analytics capabilities, helping to support upgrades to higher subscription tiers.

Payments

As noted, UBS also sees payments as supporting ongoing ARPU growth for Xero.

Indeed, Macquarie sees early evidence **payments are a potential growth engine for Xero**, providing the company's largest addresseable market (TAM) at circa NZ$59bn, mostly in the US.

This broker explains tailwinds should arise from President Trump's digitisation of payments, an accounts receivable partnership with BILL in the US, and positive commentary around adoption of UK payments for Xero.

Payments should also benefit from around 90% earnings (EBIT) margins, the broker estimates, for Xero's partnership with global payments processor, Stripe.

Investing for growth

Macquarie commends Xero's data-driven approach to decision-making, which it believes consistently leads to more effective capital allocation.

FY25 sales and marketing (S&M) expenses were higher-than-expected by the broker primarily due to increased investment in performance marketing, a core component of Xero's customer acquisition strategy that allows for targeted outreach, ROI tracking, and scalable campaign optimisation.

Management also flagged the need for further brand investment to support future growth, though Macquarie's recent channel checks suggest brand awareness is already gaining traction, particularly within the US Partner network.

Macquarie views any potential share price weakness stemming from elevated brand investment as a buying opportunity.

Rule of 40

Xero delivered its highest-ever Rule of 40 score at 44%, highlights UBS, driven by a more balanced mix of 20% revenue growth and a 24% margin, while also maintaining a strong net cash position of NZ$683m, up from NZ$326m in FY24.

The Rule of 40, defined as the sum of revenue growth and profitability margin, remains a key benchmark of operational efficiency. Analysts are increasingly using this specific metric to evaluate the performance and health of technology companies, especially those in the Software-as-a-Service (SaaS) sector.

Jarden has lifted its upside scenario to reflect a significantly larger long-term opportunity, aligned with the introduction of a new framework called the 'Rule of X'.

In a notable shift from the Rule of 40, management has adopted the Rule of X --where a multiple (typically 2x-3x) is applied to revenue growth and added to the free cash flow margin-- as a more relevant performance lens for a cash-generative, growth-oriented business.

Jarden explains this evolution reflects Xero's strategy to prioritise top-line expansion over near-term margin gains in order to maximise long-term value creation.

Outlook

Morgans expects to see improving traction in North America as Xero's value proposition and sales focus continues to be refined and should, all going to plan, begin to better resonate with customers.

This broker has raised its 12-month target price to $215 from $188 and upgraded to Add from Hold.

Following FY25 results, five out of six daily covered brokers in the FNArena database have updated research on Xero (Ord Minnett outstanding) resulting in the average target rising to $207.33 from $196.48.

This new average target level suggests circa 14.3% upside to the $181.47 share price at the close of trade on May 19.

Five of the six brokers have Buy ratings. Ord Minnett is on Hold.

Outside of daily coverage, Buy-rated Goldman Sachs has a $205 target, while Jarden is Overweight (one notch below Buy in its rating system) with a $190 target. Wilsons (Market Weight; target $131.63) is yet to refresh its research.

AUSTRALIA

TechnologyOne: The ‘Beat’ Goes On

Management at TechnologyOne raised FY25 profit guidance after delivering record interim metrics, but analysts suspect there's more growth on offer.

-Record interim financial metrics for TechnologyOne
-FY25 profit guidance raised, SaaS-Plus accelerating in the UK
-Company is now beating Oracle and SAP on their turf
-Valuation, as per always, subject to debate

By Mark Woodruff

For the sixteenth consecutive year, enterprise resource planning software provider TechnologyOne ((TNE)) has delivered record interim profit, revenue, and software-as-a-service (SaaS) fees, beating analysts' forecasts. Management also raised FY25 profit guidance, re-inforcing the company's strong momentum.

What underpins this company's remarkable consistency? One key factor is TechnologyOne's diversified revenue base across regions, products, and verticals, alongside a growing share of recurring revenues.

During the results presentation, management re-iterated its confidence in maintaining robust and consistent growth, supported by the company's high-quality earnings mix.

Management believes TechnologyOne possesses a "game changing" SaaS-Plus offering, combining vertical-specific and mission critical SaaS ERP and implementation, with the fastest implementation times in the industry.

SaaS and recurring revenues now represent 91% of total operating revenue, note analysts at Wilsons, significantly enhancing earnings quality and visibility.

Equity prices generally follow financial metric outperformance, and TechnologyOne shares have continued their inexorable climb, closing at $38 yesterday, up from $15 at the beginning of 2024, prompting some brokers to express valuation concerns.

Guidance

Pre-tax profit (PBT) grew by 33% to $81.9m, though Goldman Sachs notes the increase benefited from lower-than-expected marketing spend and elevated consulting revenues, due to a significant backlog. The analysts caution both will potentially unwind in the second half, implying a slower pace of growth in H2.

The latter is also reflected in management's upgrade to FY25 profit (PBT) guidance to a range of 13-17%, up from the previous 12-16%.

Assuming the revised outlook holds, Bell Potter points out second-half profit growth would decelerate to below 10%, a marked slowdown from the 21% (normalised) growth recorded in the first half.

Several analysts see management's upgraded guidance as "conservative", particularly given its long-standing history of exceeding guidance.

Indeed, analysts at Goldman Sachs maintain their belief 15-20% profit growth represents the "new normal" for the company.

Morgans notes management has consistently delivered an impressive 15% EPS compound annual growth rate (CAGR), which has begun to accelerate towards management's 15%-20% medium-term target thanks to the SaaS-Plus transition.

SaaS-Plus

The company's SaaS-plus offering goes beyond traditional Software as a Service by bundling software, implementation, support, upgrades, and ongoing management into a single, unified offering.

The customer pays one annual fee, with no upfront costs or hidden extras, dramatically reducing risk, cost, and implementation time.

An ERP project that typically takes Oracle two years can now be implemented by TechnologyOne in just 16 weeks, with management aiming to reduce this timeframe even further.

Macquarie anticipates a further shortening in time after the 25B product release in August/September, which will include meaningful technological improvements.

For the uninitiated, ERP software is a term used to describe the collection of key data within larger organisations, including Accounting, Human Resource Management, Enterprise Content Management, Payroll, etc with those core functions integrated into one unified system for management.

Importantly, given it is pioneering the company's strategy, momentum for the UK business is accelerating, and all contracts are SaaS-Plus.

For the half, annual recurring revenues (ARR) in the UK rose by 50% and UK Sales ARR increased by 61% compared to the prior year. This business now represents around 8% of group ARR.

Verticals

The company's verticals are Local Government, Education, Government, Health &Community Services, Asset & Project Intensive Industries, and Financial & Corporates.

Demonstrating success in larger-scale and more complex local governments in the UK, TechOne won its first London Borough contract at Islington, the second most densely populated local government authority in the country.

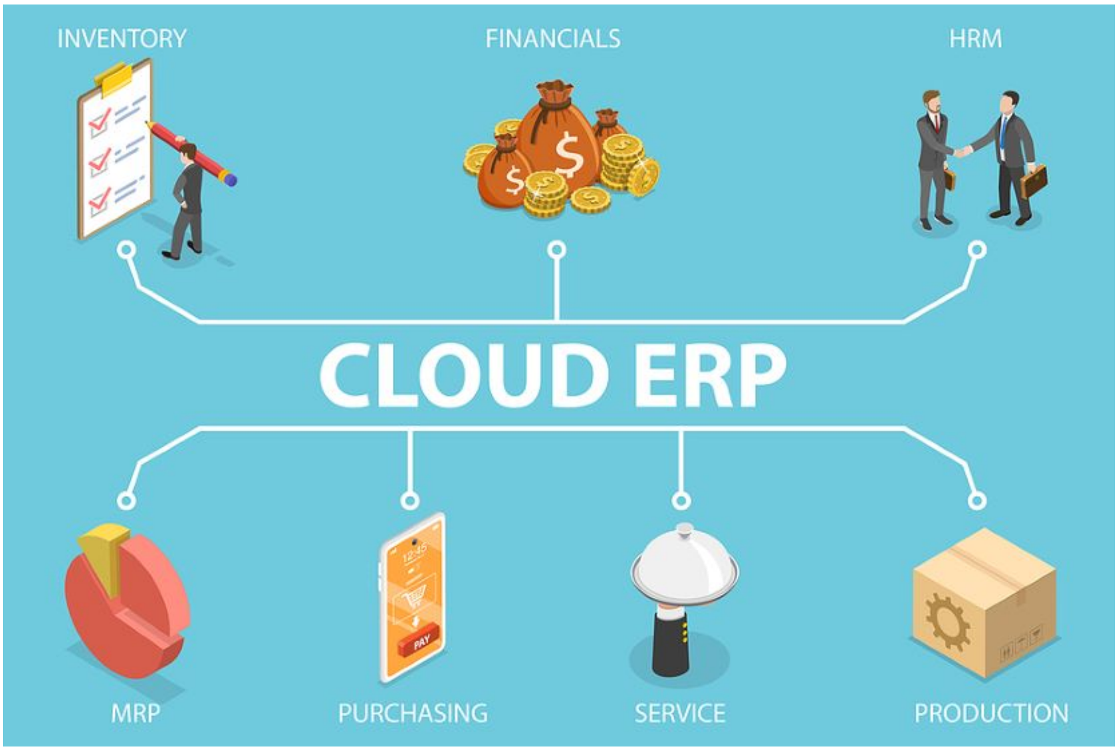
Competitor Oracle has historically held a strong grip on most London Boroughs, note the analysts at RBC Capital, and now TechnologyOne is having its day.

Also, management is seeing an increased opportunity in the Australian Federal government space, which RBC notes is currently dominated by German-headquartered technology heavyweight SAP.

Cash and investment on 31 March stood at $211.9m, up by 23%. TechOne has zero debt.

Management noted the strong balance sheet enables execution on strategic acquisitions, where appropriate.

The board declared a record interim dividend of 6.6 cents, a rise of 30%. It marks by far the biggest increase over the last decade, highlights Wilsons.



More on interim results and targets

Used to assess the balance between growth and profitability for software companies, the Rule of 40 metric for

TechnologyOne is 49.4%, which compares to other ASX-listed software heavyweights Pro Medicus ((PME)) and Xero ((XRO)) on 71% and 44.3%, respectively.

The metric is calculated as the sum of a software company's free cash flow margin plus the revenue growth rate.

Talking revenue, including APAC and UK contributions of $468m and $43.1m, respectively, total ARR rose by 21% to $511m, aided by the acquisition of CourseLoop, which contributed $9.1m, notes Morgans.

CourseLoop, a curriculum management platform designed specifically for universities, has enabled the OneEducation platform to become the world's first SaaS solution to support the entire student lifecycle, from course design to graduation, within a single, unified ERP system.

In the near-term, the company is very confident of more University deals, similar to the University of Chester win last year, where student management and financials are combined, with the opportunity to add on other products like CourseLoop, explains RBC Capital.

Highlighting room for growth, management noted the **APAC region market penetration** in any single vertical does **not exceed 15% of the addressable market**.

The company's Education vertical grew in the first half ARR by 27% while the largest and fastest growing Local Government vertical (at 38% of total ARR) increased by 20%.

While Government sits outside the company's two major verticals (Local Government/Councils & Education), UBS notes it is shaping as a major growth vertical. In the period, management won its first contract (Australian Energy Regulator) through the recently established federal procurement panel.

The net amount of new ARR from existing customers, measured by net revenue retention (NRR), was 118% for the 12 months to March 31, with Morgans highlighting momentum across the group remains solidly towards the top end of management's growth range of 115%-120%.

The bottom end of this targeted range is sufficient to double revenue every five years, points out Wilsons.

UBS refers to the ongoing success of product upsell and SaaS-Plus, supported by extremely low customer churn of 0.3%.

Management has a new goal of $1bn in ARR by FY30, having surpassed the $500m target 18 months earlier than planned, and 35% profit (PBT) margins over the long-term. The interim margin was 28.7% (27.5% underlying).

While higher margins are largely reflected in the current valuation, Shaw and Partners suggests the successful realisation of meaningful operating leverage could still serve as an upside catalyst for the share price.

Outlook

Following this week's interim results for TechnologyOne, the average target of seven daily covered brokers in the FNArena database jumped to $34.87 from $29.85, but remains -8.2% below the latest $38 share price.

UBS's Buy rating is the exception, backed by the highest price target of $42.20. The remaining six brokers prefer a Hold/Neutral rating, with upgraded price targets mostly in the mid-$30s.

Analysts at UBS continue to believe profit growth will gradually accelerate over time, with risks skewed to the upside. While the valuation is not cheap, the analysts consider the short-term multiple (66x times cash EBITDA) as defendable in the context of the company's long-duration growth, very sticky customers, and Rule of 40 metrics.

Shaw sees a challenge for the current share price, which has more than doubled over the past 12 months.

Shaw's lower near-term cashflows estimates have been offset by a lower assumed discount rate and higher terminal growth projection, resulting in a $36.50 target, up from $29.30.

Outside of daily coverage, Goldman Sachs is Neutral rated, while Wilsons and RBC Capital are on Buy or equivalent. The average target of these three is $40.36.

The author owns shares in TechnologyOne.

COMMODITIES

Worley Shrugs Off Global Uncertainty

Despite recent global uncertainty, engineering contractor to the energy, resources and chemical industries, Worley, is still growing its work backlog thanks to well-capitalised customers.

-Worley's investor day highlights increased backlog
-Large-scale projects proceeding as planned
-Upside hinges on one significant LNG project
-Analysts suggests share price undervaluation

By Greg Peel

Worley ((WOR)) has for fifty years provided engineering and professional services to the energy, resources and chemical industries. In 2021 the contractor was one of the first movers in its field in announcing an aspiration to derive 75% of its revenue from sustainability-related projects.

Worley's share price has been under pressure since Trump's on again-off again tariffs sparked market uncertainty, global recession fears and a plunge in oil prices. Worley relies on capital expenditure on customer projects over potentially years of development. Heading into Worley's investor day last week, there was concern among investors a pullback in capex (from customers) may have eventuated.

So Far, So Good

Worley's trading update through to end-March appears to analysts to be broadly stable despite global macro and political uncertainty. The contractor's factored sales pipeline is up 14% in calendar year 2025 to date, excluding its Venture Global contract (more on that later), with management suggesting it has not seen a pullback in capex from key customers.

Projects having past the final investment decision (FID) stage are continuing largely as planned, however timing, and a shift in end-market/customer capex priorities, are currently favouring more transitional and traditional work, with sustainable opportunities reducing.

Worley's backlog stood at $13.0bn at end-March, up 2.4% for 2025 to date, with bookings for the nine months of FY25 running at $9.4bn, up 22% year on year. Sole sourced work also increased to 47% versus 40% a year ago, further highlighting Worley's close customer relationships, Morgans notes.

It should be noted Trump's "Liberation Day" was on April 2, but Worley has maintained FY25 (end-June) guidance to low double-digit earnings growth and underlying earnings margins of 8.0-8.5%. New contract wins to March to date of $9.4bn were slightly ahead of $9.0bn at the same time last year.

Citi found the update encouraging amid recent market volatility and reinforces the quality of Worley's customer base, which remains focused on long-term investment decisions. Citi believes Worley is well-positioned to benefit from capital re-allocation trends --whether toward traditional energy or new energy-- with flexibility to support both.

Worley acknowledged the uncertain outlook and how customers were responding, with well capitalised customers pressing ahead, and no material project cancellations or deferrals. However, the factored sales pipeline was reduced in March following a scope reduction after Venture Global elected to manage some contractors in-house.

Venture Global CP2

Worley's key near term catalyst, notes UBS, is the award of Venture Global's CP2 project, expected in mid-2025, which will support a material uplift in backlog and earnings growth into FY26.

Venture Global is building an LNG export facility in Cameron Parish, Louisiana. Worley has largely completed engineering work --roughly 25% of its estimated project revenue-- and RBC Capital sees no major hurdles to this project achieving Venture Capital's target FID by around mid-2025, subject to receiving final approval of the supplemental environmental report. At FID, RBC expects Worley to transfer up to around US$3bn into its backlog that becomes future revenue as the project is completed.

Engineering and early procurement work for CP2 Phase 1 is now some 90% complete, and Worley has realised around (A)$1.0bn in revenue so far over FY24-25. Management, however, indicated CP2 has seen a scope reduction with Venture Global assuming some procurement and construction work in-house (ie sub-contractors).

Macquarie estimates this implies total CP2 project size for Worley of $5bn versus a prior $6.5bn assumption. This is at lower risk, Macquarie notes, given Worley will be managing more of its own workforce, and with higher related margins.

Construction remains on track for commencement in the coming months, once FID is reached, with earth remediation and foundation works expected in early FY26, phasing towards more technical work which is expected to drive a greater revenue contribution in FY27.

Outside of the Venture Global CP2, Worley is currently undertaking a number of large projects, including Ma'aden's Phosphate 3 and Oxy's DAC (direct air capture, ie carbon capture) program. The contractor's resources pipeline is growing strongly in Europe, Middle East & Africa, Asia Pacific and Latin America, and for the first time, Morgans notes, resources is set to become a larger revenue generator than energy and chemicals.

Worley also sees further opportunities within the LNG market, tracking 6-7 additional projects in US/Canada and Alaska, for which management sees prospects following CP2's completion.

Valuation

Worley showcased its digital capabilities at its investor day, highlighting tools aimed at reducing engineering workload and project costs. While Citi sees long term value from scaling these initiatives across its global operations, quantifying the margin uplift remains challenging near term.

Around 21% of Worley's $500m share buyback is now complete with the company having repurchased $110m of stock since March. Management has flagged this has been much more accretive than it had originally modelled.

On the other hand, Worley recently refinanced a large portion of its debt maturing in FY26. RBC Capital estimates this has increased Worley's cost of debt from slightly above 4% to just under 5%.

On the balance of the buyback, increased debt cost, reduced CP2 revenues and a general expectation of slower growth in FY26, brokers have reassessed their target prices for Worley. That said, all five brokers monitored daily by FNArena covering the stock retain Buy or equivalent ratings, albeit Ord Minnett is yet to update post investor day.

Worley is leveraged to robust structural tailwinds associated with capital investment in sustainable and transitional projects globally, Morgans notes. As an early mover within this space, the broker sees the company well positioned to selectively win share of this investment across core energy, chemicals and resources markets.

Morgans notes the stock is trading at a discount to its long-term average PE, hence an Add rating, with its target cut to $16.80 from $17.70.

UBS continues to see value in Worley, with the stock trading at a one-year forward PE of 16x (excluding CP2), well below the 24x the stock traded at during the early stages of the last energy capex cycle. The key near term catalyst is the award of the CP2 LNG contract.

UBS has a Buy rating and sticks with a $22.00 target.

Macquarie's Outperform rating is supported by a solid update and FY25 guidance affirmation, a slightly increased backlog and sales pipeline (ex CP2). The stock is tracking the weaker oil price, Macquarie notes, despite diversity in resources/chemicals and trades more than -20% below earnings per share correlation and lagging global engineering peers year to date.

Macquarie's target rises to $15.85 from $15.65.

Citi has slightly trimmed its FY26 numbers, but still expects earnings and margin growth to remain supported by strong macro demand for energy transition and infrastructure services. Citi has retained its Buy rating and $18.00 target.

The consensus target price among the five brokers is $17.91, suggesting significant upside, but that's on a range from $15.85 (Macquarie) to $22.00 (UBS).

After rebasing earnings forecasts, Goldman Sachs notes its valuation framework suggests the share price is capitalising near term earnings (FY25-26) levels that are -15-20% below consensus forecasts. Goldman cuts its target by -4% to $17.25 and retains Buy.

Worley's factored sales pipeline resource outlook is strong, acknowledges RBC Capital, but this has been more than offset by the CP2 Phase 1 scope reduction. Sustainable opportunities are reducing, offset by increased transitional and traditional work, while Worley's cost of debt has increased after completing a major debt refinancing.

To that end, RBC sticks with a Sector Perform rating (equivalent to Neutral/Hold) and a target of $16.50, down from $17.00.

FEATURE STORIES

AI Investments Fuel Australia’s Data Centre Future

Updated sector analysis and forecasts suggest fears of the demise of data centre stocks and the GenAI revolution are overblown.

-BigTech's March quarter results dismiss investors' AI oversupply concern
-Analysts dissect the demand/supply dynamic for data centres
-APAC data centre growth outpaces global growth
-Australia a geopolitically attractive destination for data centres
-Local favourites to invest in exposure

By Danielle Ecuyer

DeepSeek R1 and the Infrastructure Reset

The durability of the AI trade and the capacity of existing infrastructure, particularly data centres, to support generative AI, such as large language models, were tested on January 27, 2025, when China's DeepSeek unveiled its R1 model: an open-source LLM that matched or outperformed leading Western models like OpenAI's GPT-4 at a fraction of the cost.

Reportedly developed using less than US$6m in computing resources, R1 challenged the prevailing belief that state-of-the-art AI demands massive capital and high-end infrastructure, such as super-sized data centres.

Its release triggered a sharp sell-off in tech stocks, with Nvidia suffering a historic single-day loss of -US$593bn in market capitalisation. Other major tech firms, including Microsoft, Alphabet, and ASML, also experienced significant declines.

Concerns about data centre infrastructure spending, combined with equity raisings from Goodman Group ((GMG)), several high-profile transactions, and the listing of DigiCo REIT ((DGT)), prompted profit-taking in Australian data centre companies, with the narrative shifting to risks around demand and potential overcapacity in the sector.

Market sentiment rebounds post-March quarter earnings

By May, with considerable developments reshaping the AI landscape including rising tariff and trade tensions between the US and China, the major US tech companies through their latest quarterly earnings have, for now, eased market concerns.

The Big Tech March quarter earnings reports were on balance better than feared and, homing in on the specific results from the hyperscalers, fears over reduced investment spending, growth in GenAI and associated cloud-based infrastructure proved to be ill-founded.

UBS estimates the latest capital spending as highlighted in the updates from Microsoft (Azure), Amazon (AWS), Meta and Google (Google Cloud Services) is US$330bn in 2025, a rise of 34% on 2024.

Morgan Stanley noted Microsoft reported one of the strongest quarters in "recent memory" with Azure growth increasing to 35% on a year previously, well above guidance at 31%-32% and an acceleration over the 31% growth in the previous quarter.

The analyst estimates Azure AI growth has risen to over 215% year-on-year and the company flagged ongoing issues dealing with supply versus demand imbalances post the June quarter.

Meta offered a robust result pointing to AI-driven feed and recommendations underpinning improved engagement.

While Amazon's AWS is spending up on more GenAI efficiency enablers, coding, and sales assistants to improve teams' efficiency with the same or fewer headcount.

AI mentions accelerate in 2025 reporting season

Checking in with ChatGPT on the latest updates on GenAI by companies globally, the service offered the following:

AI Mentions Surge in 2025 as Companies Ramp Up Deployment

In 2025, a dramatic rise in corporate adoption and disclosure of artificial intelligence has reshaped how businesses operate and communicate with investors.

According to recent industry analyses, over 78% of global companies now use AI in at least one part of their operations, with adoption accelerating across IT, customer service, and marketing functions.

The impact is particularly visible in financial reporting.

More than 320 companies referenced AI in their annual reports this year; a 152% increase from 2024.

Among Fortune 500 firms, over half (281 companies) now cite AI not only as an operational tool but also as a material risk factor, up from just 49 the previous year.

This momentum is being driven by a sharp rise in generative AI usage, which has more than doubled year-on-year, with 71% of organisations employing such technologies in 2024.

Industry leaders in finance, healthcare, manufacturing, and retail are integrating AI to boost productivity, automate workflows, and enhance personalisation.

While AI's benefits are widely touted, the shift also raises questions around data ethics, transparency, and displacement.

Still, corporate disclosures suggest the technology has become integral to strategic planning, no longer a fringe innovation but a mainstream engine of growth.

Australian data centre stocks rebound

Against this backdrop, listed Australian data centre companies have seen share prices bounce off the Trump Tariff Tantrum lows, but all remain well below the pre-DeepSeek highs.

Citi and UBS are two brokers which have taken the challenge head-on to assess the data centre industry, noting multiple drivers of demand.

Citi's research focused on the demand for chips and the potential for oversupply, which leads back to establishing a baseline for data centre demand.

The broker points to data centre demand more than cloud revenue growth in 2023, as companies sought to firm up leases in data centres ahead of emerging GenAI trends and workloads.

Data centres were confirmed as the main beneficiaries of expanding demand for GenAI workloads, and these workloads are estimated to represent more than 50% of data centre power demand by 2030.

Sizing the market: Co-Location vs Hyperscale

Depending on the criteria measuring data centre demand, i.e. on-premise enterprise versus co-location (when companies lease space in data centres), the expected growth rates vary. Citi estimates 17% compound average growth rate (CAGR) through to 2030 with co-location currently representing around 33GW.

Historically, co-location is just under a quarter of global data centre capacity, with hyperscalers commanding around 40% and on-premise enterprise data centres representing just over 35% in 2024. The trend has been away from on-premise to more scalable, cost-effective solutions which co-location and hyperscalers offer.

APAC capacity accelerates

UBS points to APAC data centre capacity advancing by 27% CAGR over the past five years, more than global growth at 17.3% over the same period.

China represents 64% of capacity, followed by Japan, Australia and India, each with 5%. APAC ex-China grew at a 19% CAGR between 2019-2024, while China's capacity grew at 29% CAGR.

APAC data centre capacity is estimated at 24MW, circa 40% of global capacity.

UBS estimates a CAGR for demand over 20% between 2024-2030 for the APAC region due to higher rates of cloud adoption and migration overlaid with an AI multiplier of over two times.

Drivers of Demand

Picking apart the demand drivers specifically, growth in subscriber numbers for new technologies like 5G, Internet-of-Things (IoT), and streaming all require increased levels of storage at data centres.

Migration to the cloud for both hardware and software cloud computing is opposed to on-premise facilities.

The UBS US enterprise software analysis estimates global cloud infrastructure penetration at around 35%, which is about 50% through the penetration curve.

The ceiling is estimated to be capped at circa 70% due to expected government restrictions and mainframe workloads which stop 100% cloud migration.

Cloud infrastructure revenue is growing between 15%-20% per annum and is likely to accelerate with AI growth and adoption.

Applying AI is expected to increase the CAGR for APAC demand to 41% compared to 12% without AI out to 2030, equaling an AI multiplier by FY30 of 2.8 times, against 1.3 times in FY25.

The analyst quotes an Australian data centre contact who stated, "the table stakes for AI is now over 75MW" and average workloads with AI are much higher.

Across the APAC region, UBS analysed the probability of a supply glut, determining Singapore has zero percent with China the highest probability of oversupply at 19.8%.

On relative valuation and supply glut basis, Singapore, Malaysia and South Korea seem most appealing, while Australia is ascribed an 8% probability, low against the others, just relatively less attractive on an estimated cash flow return on investment.

Overall, a 16% probability of an APAC data centre glut is estimated based on demand growth of 19% p.a. and supply growth of 17%-18% annually.

Supply constraints: power and permits

While markets have tended to focus on demand, challenges to supply and potential expansion constraints are equally important.

At Macquarie's recent Asia Conference, the speakers on the data centre panel coalesced around the views that:

-power remains the largest constraint to speedier data centre development,

-concerns around demand waning are overdone with "compute supply" challenged to keep pace.

The panel notably highlighted supply chain issues resulting from restrictions on GPU sales to ASEAN markets and Trump tariffs which have created uncertainty and market volatility.

Regarding power, bottlenecks for faster data centres developments have pushed out lead times to between five and seven years from two to three years around three years ago in the US.

Combining co-location gas turbines generation and gas connections with data centres is also experiencing more elongated time frames.

Power infrastructure bottlenecks in APAC

In the APAC market, the power procurement process is dependent on the structure of specific markets.

UBS observes total capacity in APAC cities, including Tokyo, Sydney, Singapore, Johor, Seoul and Mumbai, has risen 59% since the end of 2022 by 3.8GW, which is due to an increase in planned capacity. Most is referred to as pipeline capacity, i.e. under construction and planned.

The actual increase in supply stands at 1.6GW or 36% growth against two years ago, lower than the expected 81% growth in pipeline capacity.

Again, power availability and the power grid are pointed to as a major bottleneck which is heightened by the fact data centres consume around ten times the energy per floor space of a usual office building.

Computing power and servers represent 40% of power usage, with cooling systems at another 40%, and the balance comes from network equipment, storage systems, etc.

Australian data centre power usage is estimated at 2% and going to 5% of power supply, compared to the average for ASEAN at 2.1%. Singapore is the highest at 7%, going to 9%.

Australia is not expected to experience tight power infrastructure (power supply and grid capacity). In contrast, Japan and India are most likely to be the tightest.

Australia's growth outlook in data centre capacity

Focusing specifically on Australia, data centre capacity has expanded at a CAGR of 20% p.a. to FY25 from FY20 and is forecast to expand out to FY30 at an 18% p.a. CAGR.

AI penetration is estimated to be less than 10% of workloads in Australia and should advance to over 50% by FY30.

UBS points to **Goodman Group** ((GMG)), **NextDC** ((NXT)), **DigiCo REIT** ((DGT)), and **Infratil** ((IFT)) experiencing rising size and volume workloads. Australia and NZ are viewed geopolitically as attractive destinations.

Citi's analysis has around 1GW of total live capacity for Australia currently, with Sydney the largest market and in the top 20 globally at around 670MWs of live capacity.

Sydney's capacity has expanded 2.5 times in the last five years while Melbourne's capacity has doubled over the same period. Conversations with the industry suggest there is little capacity available in both markets.

One of the main drivers of demand has been the Federal Government's digital and cloud-first strategy, including data sovereignty.

Applying Citi's expectations of Australia to grow in line with the APAC region at CAGR of 14% to 2030, the implied data centre demand will grow to 2.5GWs.

NextDC: Engineering differentiation in AI

NextDC is the second-largest data centre provider in Melbourne after AirTrunk and the fourth-largest provider in Sydney, after AirTrunk, CDC and Equinix.

UBS believes the structural demand for NextDC remains robust via the shift to the cloud, growth in co-location, and AI-related demand.

The company is highlighted as one of Australia's top co-location, carrier-neutral data centres with a **"deep competitive moat"** due to the large ecosystem of enterprise customers.

NextDC has 17 operational data centres with 10 in planning/development and six sites being evaluated. Expansion into Japan, Thailand and Malaysia positions NextDC as an active APAC participant.

UBS is Buy-rated with a $19.80 target price.

Citi views NextDC as the best direct exposure for the AI thematic in APAC as the company's offering is suitable for both hyperscale and enterprise customers.

The company's engineering skills are also highlighted as a key "differentiator". September's equity raising was observed by the analyst as sooner than expected but does remove additional equity funding for the next three years.

The latest 50MW contract win was in line with expectations and commentary suggested the contract will achieve the top revenue run-rate by FY28. The deal was noted for being the first AI-related contract.

Citi has a Buy rating with a $18.70 target price. FNArena's consensus price target is $19.50 with six Buy-equivalent ratings, including Citi and UBS.

Goldman Sachs is also Buy-rated, with its target price set at $16.50.

Infratil's CDC Stake: Strategic and growing

NZ-headquartered Infratil ((IFT)) has a 49.75% stake in CDC Data Centres, which UBS estimates is worth NZ$5bn and is one of the largest operators of data centres with a 24% market share in 2024.

Infratil is Buy-rated with a NZ$14 target price.

Daily monitored broker Morgan Stanley also has a Buy-equivalent rating with a NZ$15 target price.

Goodman Group: Repricing the pipeline

Goodman Group is also on UBS' radar with increased confidence in the group's data centre funding outlook, highlighting Goodman as unique for a REIT with around 10% medium-term operating EPS growth (forecast).

While noting the $4bn equity raising which came as a surprise, the market was viewed as too quick to discount the group's data centre pipeline of 5GW at $100bn in the preceding months without considering funding.

UBS estimates over $10bn in capital by FY29 to commence 5GW with joint venture agreements of circa $6bn, with the latter able to be funded from internal cashflow, addressing concerns that more capital would need to be raised.

Goodman Group is Buy-rated with a $36 target price.

Morgan Stanley made some very prescient calculations on Goodman Group at the start of equity market's tariff tantrum.

The analyst valued the group's industrial warehouse business at $24.94bn, including work in progress of $8bn, which would underpin around 9% compound average growth rate in EPS and generate circa 70% of FY26 EPS forecast.

At that point the market was undervaluing the data centre business and the powerbank versus global data centre peers.

FNArena's daily monitored brokers have a consensus target price of $36.435 with five Buy-equivalent ratings and one Hold-equivalent rating.

DigiCo and Megaport: Smaller names with AI leverage

Turning to DigiCo with 13 assets across Australia and the US, UBS believes the REIT is positioned well to leverage existing sites such as SYD1. DigiCo is viewed as offering an attractive growth outlook with an expected five-year CAGR for earnings (EBITDA) of over 23%. Buy-rated with a $5.60 target price.

Citi also points to **Megaport** ((MP1)) as a beneficiary of GenAI and ongoing cloud adoption with its data centre and cloud-on-ramp presence globally. The analyst proposes inference will be a bigger driver of workload demand for Megaport.

Megaport is Buy-rated with a $9 target.

FNArena's consensus target price sits at $11.21 with four Buy-equivalent ratings and two Hold-equivalent ratings.

FNArena has a dedicated GenAI section at https://fnarena.com/index.php/tag/gen-ai/ including the following stories

https://fnarena.com/index.php/2025/05/09/dug-technologys-multiple-growth-levers/

https://fnarena.com/index.php/2025/04/03/megaports-quest-of-data-centre-agnostic-growth/

https://fnarena.com/index.php/2025/03/19/the-genai-arms-race-is-just-getting-started/

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-Monthly update on Listed Managed Investments (LMIs) May by Independent Investment Research (IIR): https://fnarena.com/index.php/download-article/?n=CE3E2013-F72A-5BF4-B27D47547B85983E

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RUDI'S VIEWS

Rudi's View: Is Buy The Dip Changing Markets?

In today's Weekly Insights:

-Is Buy The Dip Changing Markets?
-Compare The Pair: Expensive Versus Cheap

By Rudi Filapek-Vandyck, Editor

Is Buy The Dip Changing Markets?

Whenever something happens to financial markets, analysts and market participants often seek guidance from the past in order to assess what might plausibly follow next.

But, of course, the past does not always provide us with an accurate blueprint for the future. Investing is not *that* easy or straightforward.

One case in point could be this year's rapid sell-off in response to President Trump's US import tariff announcements earlier.

History shows equity markets tend to revisit the initial bottom before embarking on a new, sustainable uptrend.

Indeed, recent **research by Longview Economics** again confirms out of the 15 sharp pullbacks in the S&P500 between 1978-2018 no less than 13 of these saw the index put in a recovery rally, followed by another sell-off to revisit the prior low, before recovering more convincingly.

Longview's analysis concentrated on pullbacks of at least -10% so this year's sell-off would fit in with the historical pattern. Except for the fact indices have thus far only moved into one direction, and that is as far remote from their April low as possible.

This raises the obvious question: can history be our guide? Should investors expect another deep sell-off to similar magnitude as happened earlier?

Answering the question is no longer as straightforward as might previously seemed the case (apart from the fact that history is never a one-on-one for the future and there were two exceptions in Longview's data-analysis).

Observation number one is that share market recoveries seem to be happening at much faster speed than in the past.

As also pointed out by other market observers, share markets in 2025 have pretty much made up for all previous losses in circa 1.5 months. This is one of the fastest recoveries in history. But wait, there is more...

Since covid hit the world in 2020, share market sell-offs are no longer adhering to their historical pattern. The one key change, or so it appears, is recovery rallies are no longer followed by a deep pullback to re-test the previous bottom.

The March 2020 sell-off did not see a subsequent retest of the bottom, and neither did the Yen carry trade-inspired turmoil that hit markets in August last year.

Longview argues share market pullbacks in 2022 should be seen as part of a cyclical bear market, thus not representative of general trends and context in 2025.

Have markets fundamentally changed in their response to risk-off sell downs?

There are probably multiple reasons as to why this could be the case (assuming no economic recessions are on the horizon).

My own favourite explanation would be that passive investing and buy-the-dip money inflows might by now be large and influential enough to move markets higher ahead of active managers who are still largely biding time on the sideline.

As with every other interpretation of changing market behaviour, time will tell.

(None of this means markets will only move into one direction from here onwards, in particular not when economic data start showing weakness).

Compare The Pair: Expensive Versus Cheap

Ever walked into your local supermarket to find heavily discounted strawberries on prominent display while farther down the aisle you pay double the price for a similar looking bucket?

If you do fall for the extra-advantageous offering, you'll find there's not much healthy life left in those cheaply-priced berries. You better start eating them now!

On more than just a few occasions, the offerings put forward by the share market are made up of similar underlying characteristics, which is why buying the 'cheaper' looking option available is not always the best decision for an investor to make.

Recently my mind wandered off to private hospital operator Healthscope, whose valuation discount between 2014 (ASX re-listing) and 2019 (acquisition by private equity) vis a vis the much larger Ramsay Health Care ((RHC)) was often touted as a signal that investors had been under-appreciating Healthscope's true potential.

Since then, Ramsay Health Care has had its own struggles and today's share price is reflective of that reality. But fully privatised Healthscope might be on the verge of collapsing under $1.6bn in debt, leaving its ASX-listed landlord unable to collect current and outstanding rent payments.

I cannot help but think that relative valuation discount would have only grown larger had Healthscope remained a publicly listed company.

A similar observation can be made regarding Ainsworth Game Technology ((AGI)) which since 2002 has presented itself as the cheaper-priced alternative for multinational Aristocrat Leisure ((ALL)), but seldom has this resulted in higher investment rewards for those taking the leap.

It certainly never resulted in sustainably higher rewards as that share price has effectively known one direction only --southwards-- since 2013. Similar as with Healthscope six years ago, Ainsworth Game Technology is likely to be privatised and de-listed later this year, as suitor/majority shareholder Novomatic has finally bitten the bullet.

US-headquartered Light & Wonder ((LNW)) also trades on lower multiples than Aristocrat, while offering higher growth potential given a smaller size and post corporate re-invention, but reality on the share market has proved noticeably more challenging. Post sell-off, the shares are still up some 30% since early 2023 but shares in Aristocrat have doubled.

For good measure: Aristocrat has taken its smaller challenger to court, and won, which explains part of the discrepancy, but recent results also revealed there's no escaping general industry challenges and investors are prepared to put more faith in Aristocrat's decade-long track record that has made it one of the local success stories from the past ten years and beyond.

Staying with the pending de-listing theme, it looks like Domain Holdings Australia ((DHG)) too might soon change ownership and be de-listed from the ASX. Domain shares have consistently traded at a relative discount to industry leader REA Group ((REA)), reason enough for many to recommend its shares against a much more 'expensively' priced local market leader.

The reality? With a total return of circa 44% over the past seven years, Domain shares have not been able to keep up with the broader market (including dividends) while REA Group shares delivered home run after home run, rewarding loyal shareholders to the tune of 155% versus circa 85% for the ASX200 Accumulation index.

In similar vein, shares in the cheaper-priced Atlas Arteria ((ALX)) have returned about half as much as the much larger, more solid offering put forward by Transurban ((TCL)) over the decade past. Atlas Arteria is rumoured to have full take-over interest from IFM Investors which already owns 28% of its equity.

Constant take-over speculation equally surrounds investment platform operator Praemium ((PPS)), whose valuation --you probably guessed it already-- forever shines brightly against the elevated multiples rewarded to much larger industry challengers Netwealth Group ((NWL)) and Hub24 ((HUB)).

Yet again, outside of brief periods when shares in Praemium out-rally their more 'expensive' looking peers, investors have done themselves no favours by switching out of Netwealth or Hub24 shares in favour of the industry laggard. Returns from both Netwealth and Hub24 shares have been nothing short of spectacular since 2020 and both are setting new all-time record highs in 2025.

If we broaden the focus, we might equally include Insignia Financial ((IFL)) and AMP Ltd ((AMP)). While not as single-focused as Netwealth and Hub24, both companies compete in the financial platforms sector with valuations that rank equally well below those of the two successful challengers.

You already know the outcome from any comparison in returns. Insignia shareholders might be keeping their fingers crossed for a positive outcome in take-over talks between the board and suitor CC Capital.

In case anyone wonders: buying the most 'expensive' stock in a given sector is not always a successful strategy. It hasn't worked for supermarket operators where the most expensively priced market leader, Woolworths Group ((WOW)), has underperformed its smaller and cheaper-priced competitors Coles Group ((COL)) and Metcash ((MTS)).

In particular for Coles, the outperformance has coincided with a narrowing of the relative valuation gap since Woolworths lost its prior mojo. Equally telling: Endeavour Group ((EDV)) is also facing serious operational challenges since de-merging from Woolworths in mid-2021.

Similar as for the two platform challengers, any differences between ResMed ((RMD)) and Fisher & Paykel Healthcare ((FPH)) seem rather subjective. Both companies only compete in certain market segments, so are not 100% comparable, but both have significantly outperformed the broader market and much smaller competitors vying for their own share of sleep and breating solutions.

Both ResMed and Fisher & Paykel Healthcare, similar to Netwealth, Hub24 and most market leaders mentioned earlier, are also consistently trading on above-market average multiples/valuations.

Despite trading on richer valuations, in particular vis a vis direct competitors, it seems to me the list of richer-valued companies that outperform their 'cheaper' priced competitors over prolonged periods of time is much longer than the opposite.

Think also Sonic Healthcare ((SHL)) versus Healius ((HLS)) in pathology services, and Treasury Wine Estates ((TWE)) versus Australian Vintage ((AVG)) in wine, Medibank Private ((MPL)) versus nib Holdings ((NHF)) in private healthcare, Xero ((XRO)) versus Reckon ((RKN)) in accountancy software, and versus MYOB pre-delisting, and TechnologyOne ((TNE)) versus Objective Corp ((OCL)) in Enterprise Resource software.

This exercise is by no means advocating investors should no longer care about valuations, or forget about buying shares as cheaply as possible, as the share market will still push valuations too high and too low under opposing circumstances, but at the very least there should be questions asked as to why certain companies are more highly valued than others, rather than automatically choosing the more 'attractive' looking option.

To extra-illustrate that point, I have kept the most controversial sector for last: Australian banks.

Some sector analysts have started to anticipate cuts in dividends across the sector, as headwinds will only keep building. Guess which bank is not expected to reduce its payout to shareholders?

It's the local market leader whose valuation and investment return has dwarfed the rest of the sector since the GFC, now 16 years ago.

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).

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(This story was written on Monday, 19th May 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

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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: Rate Cut Winners & AI Beneficiaries

By Rudi Filapek-Vandyck, Editor

The RBA did cut this week, as widely anticipated, including by the local bond market, and more cuts, be they two or three, are widely forecast for the remainder of 2025.

Macquarie has dived into similar periods in history, compared today's share prices with underlying valuations, and come up with the following list of **ASX-listed stocks most likely to benefit from RBA rate cut tailwinds** in the months ahead:

-Coles Group ((COL))
-Fisher & Paykel Healthcare ((FPH))
-Goodman Group ((GMG))
-Harvey Norman ((HVN))
-JB Hi-Fi ((JBH))
-Lovisa Holdings ((LOV))
-Megaport ((MP1))
-Mirvac Group ((MGR))
-News Corp ((NWS))
-NextDC ((NXT))
-ResMed ((RMD))
-Seek ((SEK))
-SGH Ltd ((SGH))
-Woolworths Group ((WOW))
-Xero ((XRO))

One sector to consider includes **A-REITs** and here **Ord Minnett** has communicated its sector favourites as follows:

-Waypoint REIT ((WPR))
-Dexus Convenience Retail REIT ((DXC))
-Vicinity Centres ((VCX))

****

Portfolio managers at **T Rowe Price** have upgraded their allocation to the ASX to Neutral from Underweight. American equities are the ones to be cautious about, in the fund manager's opinion.

US equities remain Underweight, European markets are Overweight. Japanese equities are Underweight. Emerging Markets are with Europe on Overweight.

Australian stocks have been upgraded due to a more resilient domestic economic outlook coupled with potential China stimulus with both potentially improving the rather "unexciting" earnings outlook, argues the funds manager. Policy easing and fiscal support could also keep valuation bid.

Within this context, we note market strategists at **Morgan Stanley** have redone their numbers and assumptions and made no change to their 12 month target of 8500 for the ASX200. On Thursday the index is trading around 8338, less than -2% lower.

Morgan Stanley's Model Portfolio for Australia has only three sectors on Overweight:

-Real estate
-Telcos and Infrastructure
-Consumer Non-staples

Banks and diversified financials are the two most underweighted sectors.

Skimming through various strategy updates, it is clear most strategists believe equities have recovered too swiftly, while risks have not evaporated.

Morgan Stanley probably summarised general sentiment best earlier in the week:

"The stunning reversal in risk-asset pricing leaves valuations even richer than when the year started.

"While we consider the repositioning an overreach, it may be more concerning that other key asset classes are not confirming the euphoria."

UBS strategists believe the next three months could prove a challenge for equities generally. **Wilsons' Model Portfolio** is Neutral Aussie shares and Underweight international equities.

Wilsons motivation: *"Australian earnings growth should improve in FY26 as policy is eased. Valuations are still not compelling. Small/mid caps preferred."*

Wilsons also repeated its assessment that Australian Banks seem grossly overvalued on underlying fundamentals.

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

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

****

The latest update on **AI and global software companies by RBC Capital** has identified both likely winners and losers from this 'new' technological breakthrough.

The research nominated four categories of GenAI beneficiaries:
-large incumbent vendors that can leverage their data and distribution to take advantage of the technology;
-vertical software leaders that have not just significant data, but also the ability to verticalise GenAI solutions to accelerate the winner-take-all dynamics of vertical software;
-mid-market challengers that can use GenAI as an innovation engine to narrow the gap with market leaders;
-companies that enable GenAI for others.

As far as potential losers, RBC Capital has identified four categories of companies at risk:
-legacy, on-premise software companies that cannot truly embrace GenAI, which are primarily cloud-only services;
-companies that don't fully embrace GenAI and re-architect around it;
-analytics companies claiming to be AI;
-companies whose base functionality could be replaced by generative AI.

RBC Capital's list of most favourited companies to invest in for AI-winners exposure contains of 16 names, of which three are listed on the ASX:

-Pro Medicus ((PME))
-WiseTech Global ((WTC))
-Xero ((XRO))

Best Buys & Conviction Calls

Crestone's Best Sector Ideas:

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

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

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

****

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

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

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

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

****

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** regarding companies listed on the ASX can at times remain unchanged for a prolonged period of time.The current selection has been in place for quite a while now. Value investing has its challenges too.

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

****

Shaw and Partners' Large Caps Model Portfolio:

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

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

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

****

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

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

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

Most Preferred

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

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

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

Least Preferred

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

****

Wilsons' Focus Portfolio currently contains the following:

-ANZ Bank ((ANZ))
-Aristocrat Leisure ((ALL))
-BHP Group ((BHP))
-Brambles ((BXB))
-Car Group ((CAR))
-Collins Foods ((CKF))
-CSL ((CSL))
-Evolution Mining ((EVN))
-Goodman Group ((GMG))
-HealthCo Healthcare & Wellness REIT ((HCW))
-Hub24 ((HUB))

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

****

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

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

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

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

Wilsons' number one **speculative idea**:

-Clarity Pharmaceuticals ((CU6))

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

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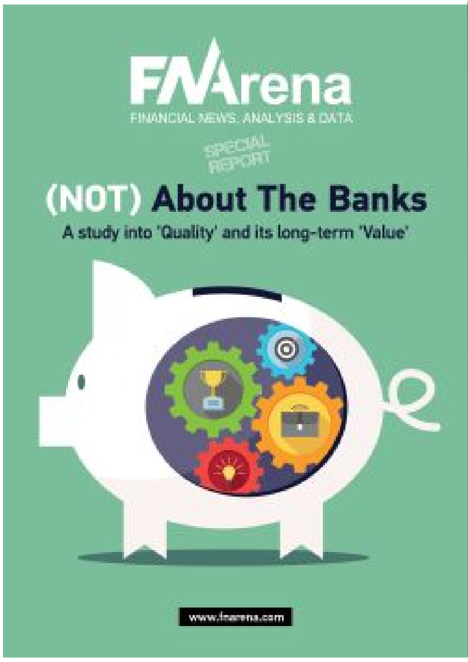

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SMALL CAPS

GrainCorp's Resilience In A Trade War Backdrop

GrainCorp's first half FY25 earnings 'beat' was undermined by only a modest increase in guidance, due to elevated global grain supply. FY26, nevertheless, offers upside potential.

-GrainCorp's first half earnings well ahead of forecasts
-FY25 guidance upgrade nonetheless modest
-Elevated global supply pressuring margins
-FY26 seen offering upside potential

By Greg Peel

Agricultural business GrainCorp ((GNC)) posted first half FY25 (ending March) earnings well ahead of consensus forecasts, aided by a crop in Australia that was the third largest on record.

To achieve the 'beat', GrainCorp was assisted by earnings diversity across its businesses given elevated global supplies of wheat and oilseeds led to depressed margins for the company's traditional wheat export and canola crush segments, noting Australia's crop was once again bumper.

Despite weaker margins, GrainCorp managed to grow earnings by 23% year on year.

Outside of GrainCorp's Australian exposure established over a hundred years ago, the company has exposure in New Zealand, the UK, Americas, Asia and Ukraine. Aside from geographical diversity, GrainCorp's diversity of businesses provides a buffer against the volatility of seasonal conditions.

First half agribusiness was boosted by non-wheat commodities (chickpeas and canola seed), with exports tracking towards management's FY25 guidance range. The performance of GrainCorp's Nutrition & Energy (N&E) segment turned out particularly strong, Macquarie notes (energy in this case being recycled oil for biofuels), while the Feeds business was a key contributor.

The stock feeds business is counter-cyclical, Macquarie points out, with demand increased in dry conditions when crop production is lower.

XF Australia, a US-based specialist feedlot nutrition consultancy service provider acquired by GrainCorp in 2023, contributed above its business case.

Guidance

While GrainCorp's first half earnings beat consensus by 16%, this has only translated into a modest 3% upgrade to the mid-point of FY25 guidance. Morgans reminds investors GrainCorp does not have the leverage it once had to a big crop.

GrainCorp was once known as a classic "weather stock" but management has taken steps over the past 5-10 years to reduce its heavy reliance on Australia's east coast grain harvest volumes. Historically, GrainCorp's earnings would soar in bumper crop years and plummet during droughts, reflecting high operating leverage to grain volume.

Strategic changes, from portfolio restructuring to diversification and risk management, have make earnings more stable and less dependent on annual crop size.

UBS believes this week's 'beat' appears to have been aided by some mark-to-market timing benefit related to the canola crush, offsetting continued weakness in crush margins, export margin opportunities in chickpeas and canola seed, and outperformance in animal nutrition.

The more modest guidance upgrade looks to UBS to reflect a step-down in the N&E segment in the second half, driven by continued pressure on crush margins (in a seasonally lower second half), and unwinding of first half hedging benefits.

Within FY25 guidance, grain receivals were cut by -0.5mt, reflecting a softer summer crop and lower direct-to-port volumes in Victoria. The summer crop was impacted by flooding in Queensland and northern NSW, with southern NSW and Victora suffering from dry conditions.

Guidance excludes the business transformation costs of migrating to a cloud-based enterprise resource planning (ERP) system. The total estimated cost of the ERP migration program was increased by -$10m to circa -$160-180m, with most of this spend taking place over the second half FY25 and FY26.

While the transition to a cloud-based ERP system makes sense to UBS, at the risk of stating the obvious, near-term there is an ongoing risk of cost overruns and implementation delays naturally associated with a migration of this magnitude.

Underlying earnings guidance is now $285-325m compared to $270-320m previously, and $267.8m in FY24. The wide guidance range reflects (let's state the obvious again) "uncertainty in global trade policies".

New season opportunities in the fourth quarter are always the key swing factor, Morgans notes. Grain marketing margins will remain weak due to ongoing elevated global crops. Given ample supply and more expensive grain, Australia faces strong competition.

Agriproducts earnings will likely be impacted by a smaller crop which means GrainCorp will export less grain (high margin) compared to FY25. Morgans also expects N&E earnings will fall due to lower canola plantings and less carry-over grain in Victoria which will likely place further pressure on crush margins.

FY26

No more indicative of the ups and downs of agribusiness is the fact the flooding in that will impact on FY25 transforms into a boost to FY26. GrainCorp noted the "excellent rainfall" (one way of putting it) and soil moisture profile in Queensland and northern NSW sets the potential for a large harvest.

However, the south remains dry. Therefore, autumn and winter rainfall will be very important for dry-sown crops in Victoria and southern NSW. ABARES will publish its first forecast for this winter crop on June 3.

On that basis, UBS currently assumes an average FY26 east coast winter crop of 20mt, but sees potential for the crop to be well above average.

FY26 will also benefit from more operating leverage because GrainCorp will not need to make any crop insurance payment aside from its annual -$6m premium, meaning a potential $70m cost saving if the crop is 24mt or more, compared to the $10m saving currently assumed by UBS.

ABARES' first estimate of the FY26 winter crop is likely to be conservative, but that said, UBS suggests the key factor that will determine the extent of earnings upside is the margin backdrop, which seems to remain impacted by elevated global grain supply.

Broker Views

GrainCorp had a strong core cash position at the end of the half (excluding commodity inventory) of $296.4m, but that was well down on the $495m of a year ago, Morgans notes. The cash position allowed the company to maintain an interim dividend of 24c fully-franked (14c ordinary and 10c special), while GrainCorp also increased its share buyback target to $75m from $50m, with only $15m bought so far.

Ord Minnett's investment thesis that GrainCorp's through-the-cycle earnings and port assets are undervalued remains unchanged. The strong balance sheet and capacity for further capital management initiatives has Ord Minnett retaining Buy with a $9.75 target price.

GrainCorp's share price has rebounded off its lows as the earnings trajectory has improved and low guidance case de-risked, Macquarie notes. Focus turns to FY26 earnings as the 2025/26 season progresses. Given the core net cash position, GrainCorp remains in a strong position for organic and inorganic growth and ongoing capital returns.

Macquarie retains an Outperform rating with a target increase to $8.95 from $8.76.

UBS continues to like GrainCorp on the back of upside earnings risk building for FY26, capital management, with the stock offering a 6% yield, and resilience in a trade war backdrop.

UBS increases its target to $8.60 from $8.50 and retains Buy.

Morgans' through-the-cycle, sum-of-the-parts valuation has risen but the broker maintains a Hold rating. GrainCorp owns valuable strategic assets, Morgans agrees, but it may take time for confidence to rebuild in the company's earnings leverage to favourable cropping conditions.

In the meantime, the share buyback and attractive dividend yield should support its share price. While GrainCorp has a strong balance sheet, buyback and high dividend payout ratio, the business transformation program will see its core cash position quickly decline over coming years, Morgans warns.

Morgans' target rises to $8.20 from $8.04.

Bell Potter's Hold rating and $7.45 target are unchanged. GrainCorp delivered a stronger result in crushing than its global peers and has managed a lower crush margin exceptionally well, the broker suggest, but offsetting this was a softer margin outcome in the Agribusiness unit where trading margins remained tight.

Based on BOM soil moisture, Wheatcast models and three-month outlooks, Bell Potter would anticipate above average FY26 east coast production. But against this, the broker sees forecasts of record global wheat and oilseed production containing margins.

Among the five brokers monitored daily by FNArena covering GrainCorp there are three Buy or equivalent and two Hold ratings. The consensus target is $8.59, but the wide range from $7.45 (Bell Potter) to $9.75 (Ord Minnett) reflects the risk inherent for a global weather-dependent company.

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SMALL CAPS

Gentrack Stumbles, But Confidence Remains High

Despite a slightly disappointing interim result, analysts remain upbeat on the outlook for fast-growing Gentrack Group.

-Gentrack Group's interim result missed expectations
-Lower-than-expected first-time FY25 guidance
-Improved revenue quality with rising ARR
-Relative immunity to tariffs/lower IT spend

By Mark Woodruff

Over the past two years, software solutions provider Gentrack Group ((GTK)) has delivered revenue growth of between 25-35%, driven largely by upselling to its existing customer base and supplemented by select new client wins, more than offsetting the loss of UK customers due to insolvency, notes UBS.

During the same period, the company's share price has surged from around $1.25 to $10.59 at the close of trade yesterday.

A key factor underpinning the group's appeal, according to Morgan Stanley, is a portfolio of large-scale contracts for mission-critical billing solutions, which create high switching costs and customer stickiness.

While such large contracts reinforce the long-term value of the group's platform, they also introduce short-term timing risks to revenue realisation. Net revenue retention (NRR) made up circa 33% of total revenue in the Utilities business in FY24, which creates a large gap to fill every year, highlights Jarden.

Unfortunately, such a revenue shortfall did occur in the first half of FY25, with the group experiencing delays in signing and ramping-up several deals, despite having already invested in the necessary infrastructure and resources.

While Canaccord Genuity notes improved revenue quality, with annual recurring revenue rising by 17% year-on-year, headline revenue growth and FY25 guidance came in slightly below market expectations.

Jarden sees both issues as transitory. Shaw and Partners concurs, emphasising lower-than-expected first-time FY25 earnings guidance primarily reflects the timing of non-recurring revenues and should not be seen as a measure of the group's underlying performance or long-term success.

Shaw is encouraged by the Utility division's 17% year-on-year growth in annual recurring revenue (ARR), viewing it as a key indicator that supports investor confidence in management's unchanged medium-term targets.

Wilsons notes management is "stepping on the gas" in ramping up sales and marketing (S&M) and R&D investment to capture emerging growth opportunities. During the period, Gentrack lifted R&D spend within its Utilities segment to 16% of divisional revenue, up from 14% a year earlier, while marketing expenditure increased by -$1.3m in the first half.

Adding to the positive outlook, Morgan Stanley highlights the signing of a dozen customer expansion agreements and continued growth across Veovo and Utilities billing, including UK-based multi-utility provider Utility Warehouse, which services approximately two million meter points.

<u>Gentrack's core businesses</u>

Founded in 1989 and headquartered in Auckland, New Zealand, Gentrack operates through two core segments: Utilities, which includes billing and customer relationship management software for energy and water providers, and specialised operational and management software for airport operators.

The company aims to accelerate "the world towards a net zero future by leading the global modernisation of energy and water retailers".

The Utilities platform (G2) is designed to support the core billing, customer care and collections processes with Salesforce integrated in the front-end. Veovo, the Aviation software Platform, includes passenger forecasting, queue management and flight and gate information.

UBS highlights the company appears to be relatively immune from macro weakness in terms of tariffs or a slowdown in IT spend.

Interim results

All regions grew year-on-year revenues despite a flat group net revenue retention (NRR) profile, indicating to Bell Potter broad-based annual recurring revenue (ARR) growth.

Group revenue rose by 9.8% to NZ$112m, including strong growth in recurring revenues of 16.7%, while earnings (EBITA) rose by 5% to NZ$13m on a margin of 12%, or 17% ex long-term incentive (LTI) payments.

UBS notes the company had a 7% earnings tailwind benefit from a weaker New Zealand dollar.

Displaying ongoing growth in the UK and Australia, Utilities revenue rose by 7.2% to NZ$92.8m (recurring up by 17%), partially offset by lower non-recurring revenues. This reflects the high level of project work last year and the inherently variable nature of such work, as explained by management.

New Zealand Utilities revenue was flat with the Genesis upgrade spanning FY24-26.

For Veovo, revenue grew by 24% to NZ$19.2m driven by customer wins last year in the UK and the Middle East, on top of upgrades in the APAC region.

This was the strongest period for Veovo project revenues which supports growth in ARR in future periods, points out Bell Potter. This performance was the highlight of the half for Moelis, with this broker noting Veovo now generates 36% of group earnings.

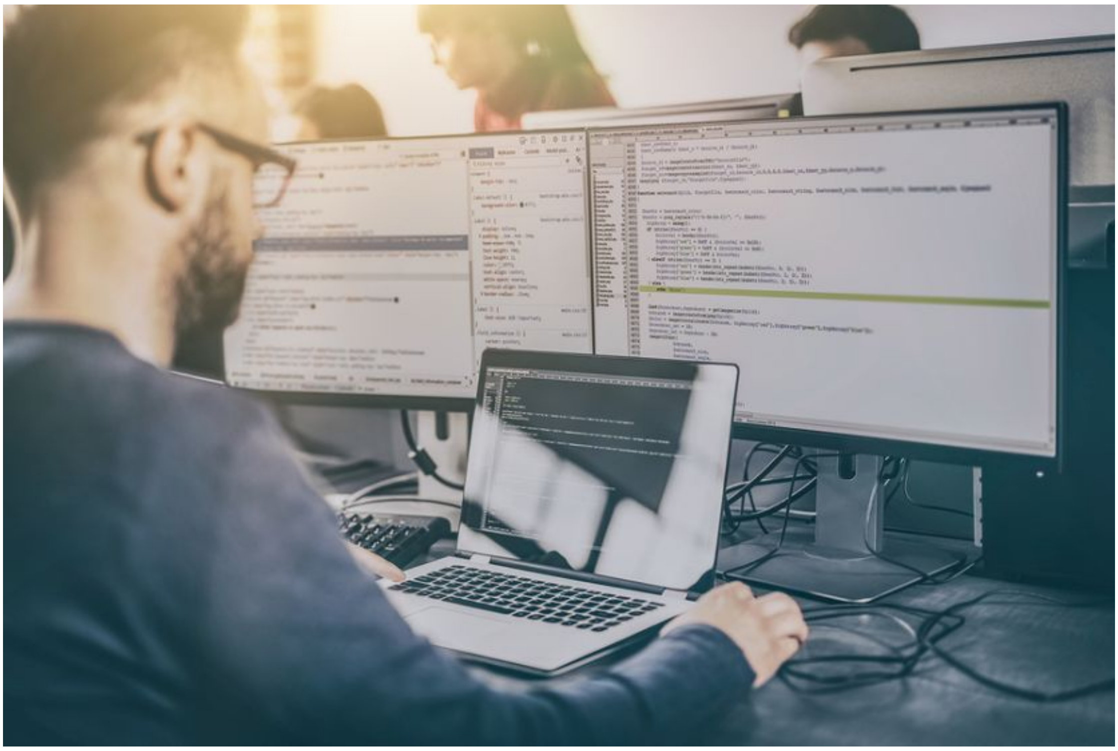
Sustaining 24% revenue growth at a margin of 24% would represent upside to Bell Potter's current forecast.

Across water, energy, and airports, the company's pipeline continues to strengthen and mature, noted management, highlighting "exciting" new project wins like multi-product retailer Utility Warehouse in the UK, which services around 2m meter points.

Indeed, UBS has upgraded its FY27 earnings forecast by 3% as contract wins like Utility Warehouse start contributing to recurring earnings. The analyst's higher 12-month target price also reflects faster growth and margins for Airports.

The group generated cash of $4.1m in the first half to finish March 30 at $70.7m with zero bank debt.

Management continues to monitor potential M&A opportunities, likely targeting bolt-on, capability or geographic expansions in its Utilities segment, suggests Canaccord.



<u>Guidance</u>

Inaugural FY25 guidance is for revenue to be at or above NZ$230m (consensus was at NZ$240m) suggesting to Moelis management has greater confidence in the near-term outlook. Earnings margins are expected to be above 12%.

UBS cautions guidance implies FY25 earnings of at least NZ$29m or -15% adrift of the consensus number of NZ$34m prior to first half results.

While noting FY25 is a period of transition into Asia, The Middle East and Europe, building on early wins and a maturing pipeline, management remains confident in its mid-term guidance of growing revenue at a more than 15% compound annual growth rate (CAGR) with an earnings (EBITDA) margin of between 15-20% after expensing all development costs.

If the group is to achieve its CAGR target over the coming years, then G2 (the combined new iteration of Junifer and Velocity platforms) has to be a strong commercial success, suggests Morgan Stanley.

Accordingly, this broker will be watching the implementation and customer experience for Genesis Energy ((GNE)) --one of New Zealand's largest energy retailers-- and Frank Energy, a subsidiary of Genesis, over the coming months.

Moelis points out delivering this project would provide the group with a valued reference customer.

In an ideal scenario, analysts at Wilsons believe a combination of initial UK B2C water contract wins and a major deal in Southeast Asia, on top of Gentrack's core business momentum, could enable the company to "blitz" its 15% CAGR target.

<u>Outlook</u>

Looking ahead, UBS expects the next phase of growth to depend more heavily on acquiring new customers in untapped geographic markets. While this strategy offers a larger growth runway, the analyst cautions progress is likely to be more uneven and less predictable.

Bell Potter remains bullish on management's ability to maintain customer win momentum in Core and rest-of-world (ROW) markets, supporting high NRR revenues and flow on ARR.

The least optimistic broker, Jarden (Underweight), believes the current share price already factors in significant execution on stated targets and the interim result only highlighted the yearly revenue risks in a high NRR model.

UBS has raised its target price for Gentrack Group to NZ$12.00 from NZ$11.75 and upgraded to Neutral from Sell, highlighting an "impressive pipeline".

Including UBS, there are four daily covered brokers in the FNArena database who actively cover the company. Morgan Stanley, Shaw and Partners, and Bell Potter are all Buy-rated, or equivalent, with Australian dollar targets of $13.50, $11.80, and $13.20, respectively. The share price around the time of publication is $10.58.

Outside of daily coverage, Wilsons and Canaccord Genuity are Buy-rated with targets of $11.82 and NZ$14.50, respectively, while Moelis (target $11.59) is on Hold and Jarden is Underweight with a NZ$8.95 target.

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

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

TREASURE CHEST

Treasure Chest: Challenger

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

By Mark Woodruff

Whose Idea Is It?

UBS

The subject:

Multi-faceted financial services provider Challenger ((CGF)).

With capital changes pending from the Australian Prudential Regulation Authority, UBS analysis indicates potentially substantial capital relief on annuity products for Challenger, underpinning meaningful upside to the company's EPS, DPS, and return on equity.

More info:

APRA plans to release a public consultation paper in the June 2025 quarter, indicating it would lower life insurer capital requirements for annuity products by revising its illiquidity premium framework.

UBS notes annuities remain among the most capital-intensive products in Australian financial services, and regulatory capital has historically been a key constraint on Challenger.

The analysts estimate a positive change could initially free up $400-600m in Common Equity Tier 1 (CET1) capital for the company and reduce the capital intensity of fixed income investments by over -20%.

Although a gradual shift in the fixed income mix for Challenger from the current level of around 75% may compress Life spread margins and earnings, cumulative CET1 releases could exceed $1bn.

If these releases are deployed into share buybacks (potentially between $0.5bn-$1.4bn), the analysis suggests a potential lift in EPS by between 8-12%, DPS by 10-30%, and a boost for ROE to between 13-14% from 11.6%, assuming other factors remain unchanged.

Challenger provides a range of financial products aimed at older investors including lifetime annuities, term annuities, fixed term direct, income for aged care, managed investments, and other products across an extensive range of investment services and products.

The company reports across two businesses: Life, a retirement income business selling term and lifetime annuity products to retail and institutional clients; and Funds Management.

Challenger is the dominant provider of annuities in the Australian market.

It should be noted smaller competitor Generation Development ((GDG) may equally be a beneficiary from APRA's potential change to capital requirements.

Moelis recently suggested this company's recent partnership with BlackRock could result in a material step-change towards accelerating its growth in annuities funds under management.

Challenger's growth appears to be well supported as Australia's Super system enters the retirement phase from an accumulation focus, suggests UBS, supporting a mix shift towards longer-duration longevity risk products.

UBS's pre-APRA update comes with a firm Buy rating for Challenger, while the broker's target price has jumped to $9.15 from $7.70.

In mid-April, management at Challenger provided a third quarter update showing total Life sales of $1.4bn, supported by longer-tenor annuity sales.

Retail lifetime annuity sales rose by 22% to $246m, while fixed-term annuity sales jumped by 15% to $505m.

Management suggested longer duration sales would improve book quality and returns, after revealing overall annuity sales rose by 20% to $1bn with strong growth in long duration retail lifetime (up 22%) and a 33% lift in Japanese annuities via the longstanding partnership with MS Primary.

Despite another quarter remaining in FY25, the contribution from the company's Japanese-market distributors proved greater than the minimum required under their contracts, Ord Minnett noted.

Citi highlighted these Japan and lifetime sales were at record highs as a portion of total sales.

At the time, Managing Director and Chief Executive Officer, Nick Hamilton, noted "Challenger is strongly supportive of the government and regulatory focus to deliver a retirement system for the millions of Australians approaching and in retirement.

"We look forward to APRA's forthcoming changes to insurance capital standards, which will support significant growth in the lifetime income market and step change balance sheet resilience."

Resilience is a term not misplaced to describe the company's March quarter result.

Management tightened the FY25 profit guidance range to between $450-465m from $440-480m, a move analysts largely interpreted as a sign of increased confidence in the FY25 outlook.

A slight increase in the company's Prescribed Capital Amount (PCA) multiple highlighted the company's capital resilience, according to Citi, amid a period of widening spreads.

Using that word again, Citi noted Challenger's resilience to market volatility at the time, suggesting this was a little greater than the market previously perceived.

Macquarie highlighted Retail annuity sales rose 2% year-on-year, while Institutional annuity sales increased by 200%.

Challenger continues to benefit from strong structural growth tailwinds, noted Morgans, underscored by its new partnership with NGS Super.

From 2026, Challenger's longevity solution will be integrated into NGS's broader Retirement Income Strategy, offering members guaranteed, regular income for life.

Challenger's Index Plus sales declined in the first half, and net flows were negative, though Bell Potter noted a key win for a $500m mandate across three- and five-year contracts.

Post UBS's update, the average target of seven daily monitored brokers in the FNArena database has risen to $7.64 from $7.42. A strong share price performance on the day sees the gap with FNArena's consensus target narrowing to circa 2% only.

Ofsetting the above is that Morgan Stanley is the only one out of seven daily monitored brokers not rating Challenger shares a Buy (Equal-weight merely translates as Neutral/Hold).

Outside of daily coverage, Goldman Sachs rates the stock a Buy with a $7.40 target and Jarden (Overweight) sits one notch below Buy in its ratings system with a $7.50 target.

Judging from UBS's research update today, it seems plausible those target prices might be cum upgrade once APRA announces less stringent requirements and brokers update their models.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 16-05-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday May 12 to Friday May 16, 2025
Total Upgrades: 12
Total Downgrades: 5
Net Ratings Breakdown: Buy 61.62%; Hold 32.02%; Sell 6.36%

In the week ending Friday, May 16, 2025, FNArena tracked twelve upgrades and five downgrades for ASX-listed companies from brokers monitored daily.

For the third week in a row, the top ten percentage falls in average target prices and average forecasts were consistently larger than rises.

At the end of the week, cloud-based accounting software provider Xero reported FY25 results showing earnings in line with consensus, yet the company heads up the positive change to earnings table as brokers continue to anticipate longer-term upside.

Management is prioritising sales-driven dollar growth over percentage margins, noted Macquarie, with product velocity, accelerating payments, and international subscriber growth providing key tailwinds. This broker raised its target to $204 from $191.90.

Citi highlighted annualised monthly recurring revenue infers a potential lift of 5% to consensus revenue forecasts for FY26, having grown 22% compared to a year earlier. Net additions in the UK and US were better than anticipated in the second half at 79,000 and 35,000, respectively.

Raising its target to $215 from $196, UBS stated Xero deserves a premium valuation as management is delivering on strategy, keeping the company as a member of the 'Rule of 40 Club'.

Following Xero on the earnings upgrade list, Macquarie Group also received two ratings upgrades from each of Morgans and Citi.

Positively, the group posted earnings in line with consensus for the first time in eight reporting periods, UBS noted, while also retaining guidance despite global uncertainty.

Among varying broker opinions detailed at https://fnarena.com/index.php/2025/05/13/macquarie-pleases-the-sceptics/, Ord Minnett praised management's foresight in identifying global trends, such as digitisation of the economy, the energy transition, and infrastructure expansion as urbanisation intensifies.

Turning to ratings downgrades, here Coronado Global Resources received two from separate brokers to Hold or equivalent from Buy.

Both Coronado and Stanmore Resources fill the top two placings in both the negative change to target price and earnings tables largely because Morgans last week lowered its coal price forecasts.

UBS also weighed in on Coronado, suggesting negative free cash flow for the next two years means new debt funding is likely to be expensive, particularly given the recent downgrade by Fitch Ratings of the company's long-term issuer default rating.

After allowing for cost-out and productivity improvements at Coronado, and a full drawdown of its US$96m asset-backed lending facility, the analysts assess new funding is required.

Investors could be forgiven for adopting a bleak outlook for coal stocks in general given historically low met coal prices, excess Chinese steel exports, and negative overall sentiment, yet Morgans adopts a counter-cyclical stance.

This broker sees an attractive entry point for patient investors as explained at https://fnarena.com/index.php/2025/05/14/treasure-chest-whitehaven-versus-stanmore/

Paladin Energy and Vista International follow Coronado and Stanmore on the earnings downgrade table.

Shaw and Partners lowered its FY25 earnings forecast for Paladin to account for a -US$20m impairment on ore stockpiles, which has reduced the carrying value to US$43.7m. but revised up its FY26 forecast due to lower amortisation charges.

This broker was adjusting forecasts after the company's first quarterly report containing full financials. Paladin is now dual listed on the ASX and Toronto Stock Exchange (TSX), with the latter requiring quarterly updates.

The impairment wasn't a surprise to Shaw, and a lot less in dollar terms than the hit the stock took when the issue was originally revealed in the September quarterly.

After running a downside scenario analysis for uranium prices (US$70/lb term and US$63/lb spot price), Ord Minnett last week concluded Paladin's free cash flow yield remained acceptable.

Regarding New Zealand-based global technology company Vista International, UBS is forecasting a weaker contribution from cinema due to slower recovery in US box office, and lower uptake in the cloud business.

If management can execute on its payments go-to-market strategy, the analysts estimate potential valuation upside of between 20-90cps, all else remaining equal, although it is too early yet to factor this into the broker's current NZ$3.90 price target.

Management is aiming to leverage its unified, cloud-based SaaS platform to deliver integrated payment solutions as part of its broader cinema management and entertainment industry offering.

Dyno Nobel and Aristocrat Leisure appear third and fourth on the negative change to average target price list with falls of around -5% apiece.

Despite the lower target Dyno Nobel, formerly known as Incitec Pivot, reported consensus-beating first-half underlying earnings from its Explosives business.

The company realised $25m in net benefits from its Transformation Program and management touted key milestones achieved in the separation strategy announced in September as explained at https://fnarena.com/index.php/2025/05/15/dyno-nobel-flicks-the-switch-to-blasting/

While Aristocrat Leisure's interim earnings disappointed largely due to a fall in average fee in the Gaming division, several brokers build a case for a stronger second half at https://fnarena.com/index.php/2025/05/19/aristocrats-h1-misses-but-strong-growth-ahead/

On the flipside, brokers raised average targets for tracking technology company Life360 and uranium miner Boss Energy by around 11% and 6%, respectively.

Compared to consensus, Life360's March quarter produced revenue and earnings beats of 3% and 75%, respectively.

The company achieved an acceleration in subscribers and active users. RBC Capital noted potential for a reduction in fees charged by Apple. See also https://fnarena.com/index.php/2025/05/14/records-abound-for-life360/

Boss Energy's average target received a boost from Ord Minnett, after the broker raised its target price to $6 from $4.50, citing strong momentum and the potential for a higher share price based on an ongoing short squeeze.

Despite shares rallying by 66% in the past three weeks, short interest on the ASX still sits at 25% of shares outstanding.

Boss Energy continues to generate attractive free cash flow yields from FY28 due to the low costs of its Honeymoon project, noted the analysts.

Total Buy ratings in the database comprise 61.62% of the total, versus 32.02% on Neutral/Hold, while Sell ratings account for the remaining 6.36%.

From an historical perspective, Buy ratings are exceptionally high, with the other two components well below long-term averages. This set-up is likely indicating a small circle of momentum-driven winners against an unusually large part of the share market that is not receiving much attention from investors.

Upgrade

BLUESCOPE STEEL LIMITED ((BSL)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 3/2/0

Ord Minnett has upgraded its rating for BlueScope Steel to Buy from Accumulate, following a model update reflecting stronger US steel spreads and weaker Australian spreads.

The North Star business in the US has maintained steel spreads around US$500/t since February, while conditions in the Australian Steel Products division have softened, observes the analyst.

As a result, the broker raised EPS forecasts by 7.6% for FY25 and 11.3% for FY26, with FY27 largely unchanged. Capital expenditure remains elevated due to major projects, but free cash flow is expected to improve from FY27 onwards as spending winds down.

Ord Minnett's target price is raised to $29 from $27.50, supported by a positive operational and cash flow outlook.

CATALYST METALS LIMITED ((CYL)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/0/0

Catalyst Metals acquired Old Highway gold project from Sandfire Resources ((SFR)) for -$32.5m, and Bell Potter reckons it is a logical and value-accretive deal.

The project is 40km from the company Plutonic gold operation, with a resource of 2.1Mt at 3g/t containing 206koz of gold.

The company announced details for the Zone 400 deposit at the project, and the broker has updated the model with a forecast of 1H27 commencement.

The broker expects the project will lift the company's production to 200kozpa over a 10-year life from 170kozpa. Rating upgraded to Buy from Hold. Target rises to $7.05 from $6.30.

GOODMAN GROUP ((GMG)) Upgrade to Buy from Neutral by UBS .B/H/S: 5/1/0

UBS upgrades Goodman Group to Buy from Neutral, with a slightly lower target price of $36 from $36.80, due to increased confidence around the data centre funding outlook, reduced market expectations, and around 10% medium-term operating EPS growth, which UBS states is "unique" for a REIT.

The analyst explains the market was too quick to discount the group's data centre pipeline of 5GW at $100bn without accounting for funding constraints, so the $4bn equity raising came as a surprise, the broker believes.

UBS estimates over $10bn in capital will be needed by FY29 to commence 5GW without joint venture agreements of circa $6bn. The latter can be funded via retained earnings and asset sales.

The analyst has an upside target price case of $44.70, reflecting data centre pipeline growth above 5GW due to tailwinds from AI/cloud demand growth.

ILUKA RESOURCES LIMITED ((ILU)) Upgrade to Buy High Risk from Neutral High Risk by Citi .B/H/S: 3/2/0

Citi upgrades Iluka Resources to Buy/High Risk from Neutral/High Risk following a reassessment of the broker's rare earths refinery valuation.

The broker lifts its target to $5.30 from $4.60, incorporating the benefit of accelerated tax allowances it believes Iluka can access.

The 12-month target price is raised to $5.20 from $4.40, with the risked refinery valuation now at 92cps and unrisked at $1.08cps based on a long-term NdPr price of US$90/kg.

Citi notes peer Lynas Rare Earths ((LYC)) is priced off US$106/kg, highlighting potential valuation upside.

JUDO CAPITAL HOLDINGS LIMITED ((JDO)) Upgrade to Neutral from Sell by Citi .B/H/S: 4/2/0

Citi upgrades Judo Capital to Neutral from Sell, noting recent share price weakness offers a more balanced risk/reward. Shares have traded down around -35% from 2025 highs.

Management reaffirmed FY25 guidance.

The broker highlights risks around net interest margins (NIM) due to widening term deposit spreads and potential rate cuts. April's volatility in swaps has pressured spreads, a risk Citi expects could persist.

Slower gross loan growth reflects proactive portfolio risk management, though asset quality remains mixed.

Peer banks show gradual deterioration, and Citi expects bad and doubdtful debts (BDD) expenses to stay elevated across the sector.

The target price eases slightly to $1.55 from $1.60.

LINDSAY AUSTRALIA LIMITED ((LAU)) Upgrade to Add from Hold by Morgans .B/H/S: 3/0/0

More M&A activity from Lindsay Australia, with the latest being the acquisition of a Tasmanian refrigerated transport business SRT Logistics, for -$108.2m.

Morgans sees benefits from geographic and seasonal earnings diversification and via the leverage of shared assets.

The company provided FY25 EBITDA guidance, representing a downgrade versus the consensus forecast as the Queensland business is impacted by weather and softer volumes in 2H.

The broker lifted FY26-27 EPS forecasts by 12% and 5%, respectively, but lowered FY25 following the guidance.

Target rises to 85c from 80c. Rating upgraded to Add from Hold.

LENDLEASE GROUP ((LLC)) Upgrade to Buy from Neutral by Citi .B/H/S: 2/2/1

Confirming media reports, Lendlease Group announced it is in late-stage negotiations for a joint venture development of its UK portfolio with The Crown Estate, for a 50:50 JV covering six developments.

Citi highlights a successful deal could realise between $250m$300m for Lendlease and confirms the strategic position of a capital return, which the broker believes the market is currently not pricing in.

No change to Neutral rating and $7.50 target price.

MACQUARIE GROUP LIMITED ((MQG)) Upgrade to Add from Hold by Morgans and Upgrade to Neutral from Sell by Citi.B/H/S: 2/3/0

Morgans assesses Macquarie Group's FY25 net profit as largely in-line, with net profit 1% ahead of consensus. The final ordinary dividend of $3.90/share was above the broker's forecast of $3.80.

Banking and Financial services result was the highlight, benefiting from loan portfolio and deposit growth. The broker notes the outlook for this segment is slightly more positive.

Group operating expenses were well managed, but commodities and global market business saw a softer outcome on lower trading income and lower risk management.

The broker lifted the net operating income forecasts for FY26-27, but also raised other costs estimates, resulting in a -2.4% decline to FY26 cash earnings and a -3.1% cut to FY27.

EPS forecasts for FY26-27 cut while dividend forecasts raised. Rating upgraded to Add from Hold.

Target price rises to $223.89 from $218.57.

On the back of Macquarie Group's FY25 earnings report, Citi upgrades the stock to Neutral from Sell. The target price is raised to $200 from $177.

The group reported net profit in line with both the broker's and consensus estimate, and with such a substantial shift in global economic conditions post the March year-end, the focus was always on guidance.

Citi believes the highest risks for earnings in the coming year lie in MAM net operating offset income, commodities, and investment-related income from MacCap.

Commentary suggests there is possible upside from public market gains on sales, and commodities are coming off an "average" year. MacCap is expected to become more exposed to private credit.

The broker highlights management has multiple levers to increase return on equity, including a share buyback of around $1bn, exiting green assets, and reinvesting circa $3bn of gross proceeds from public markets.

Reflecting reduced revenues from MAM and MacCap, the analyst lowers FY25/FY26 earnings assumptions by around -4%.

NRW HOLDINGS LIMITED ((NWH)) Upgrade to Buy from Buy/High risk by Citi .B/H/S: 3/1/0

Citi explains the ongoing saga of OneSteel and NRW Holdings' position as a secured creditor.

The South Australian government's decision to vest ownership of assets to an entity under administration has undermined NRW's position, such that the broker believes full recovery seems unlikely.

The company has been impacted by this saga and weather-related disruptions to mining, with the market cap shrinking by -19% since February's trading halt, the analyst highlights.

A robust order book underpins a positive view from Citi, with the broker stressing the OneSteel Whyalla travails are already discounted in the share price following the downward revision in 1H25 earnings expectations.

The rating is upgraded to Buy from Buy/High risk with a lower target price of $3.65 from $3.85,

RELIANCE WORLDWIDE CORP. LIMITED ((RWC)) Upgrade to Add from Hold by Morgans .B/H/S: 4/2/0

Morgans upgrades Reliance Worldwide to Add from Hold and lifts the target price to $5.45 from $4.00.

The broker highlights trade negotiations in Geneva over the past weekend between China and the US, noting the decline in tariffs is a boost to Reliance Worldwide as some concerns are alleviated.

In the May 8 update, management indicated around 48% of the Americas' cost of goods sold were sourced outside the US and were potentially subject to tariffs. The company is transitioning its sourcing from China to Vietnam, Taiwan, Korea, and Thailand.

Morgans now estimates the tariff impact to be around -US$6m in FY26. The analyst believes the balance of risks is now skewed to the upside.

XERO LIMITED ((XRO)) Upgrade to Add from Hold by Morgans .B/H/S: 5/1/0

The highlight of Xero's FY25 result for Morgans was 25% y/y subscriber growth in North America, which beat its forecast and was also marginally above consensus. The broker notes this is important for the company's growth ambitions.

Tight cost management was also a positive, supporting incremental capital on sales and marketing going ahead, which, together with improved product profile, is expected to boost subscriber growth.

Overall revenue was in line, and the "rule of 40" was exceeded with operating profit up 48% y/y.

In 2H25 specifically, the broker also points to higher ARPU in North America, up 25% y/y, which lifted revenue up 28% y/y. The UK business saw ARPU grow 18% y/y and revenue lifted 26% y/y.

The broker lifted FY26-27 expenses forecasts, leading to a cut in EPS forecasts.

Target price rises to $215 from $188 on an increase in DCF-based valuation and roll forward. Rating upgraded to Add from Hold.

Downgrade

AVITA MEDICAL INC ((AVH)) Downgrade to Speculative Buy from Add by Morgans .B/H/S: 1/1/0

Morgans lowers its target for Avita Medical to $3.76 from $4.36 and downgrades to Speculative Buy from Add, citing heightened balance sheet risk.

Although first quarter revenue grew by 67% year-on-year to US$18.5m, it was flat quarter-on-quarter and missed the broker's expectations around cash burn and progression toward breakeven.

Operating expenses were higher than forecast at -US$27.5m, and the cash balance of US$25.8m leaves less than two quarters of runway, note the analysts, raising concerns about a potential capital injection.

Cost-saving measures and new product launches are expected to support a path to breakeven by the end of 3Q25, suggests the broker, assuming 13% quarterly sales growth and a reduced cost base.

Despite recent challenges, the broker highlights the company's product pipeline and retains a positive long-term view.

CHARTER HALL RETAIL REIT ((CQR)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/1/0

Following attendance at Charter Hall Retail REIT's investor day and tour of some assets in Sydney, Macquarie has left forecasts unchanged.

The REIT believes its portfolio and capital structure are positioned for growth, but the broker is forecasting -0.2% operating EPS compounded annual growth in FY24-27 due to interest expense headwinds.

The broker acknowledges portfolio improvement following the acquisition of Hotel Property Investments and noted the REIT is currently working on 10 capital recycling opportunities.

Target unchanged at $3.51. Rating downgraded to Neutral from Outperform for valuation reasons.

CORONADO GLOBAL RESOURCES INC ((CRN)) Downgrade to Neutral from Buy by UBS and Downgrade to Hold from Speculative Buy by Morgans .B/H/S: 0/5/0

Coronado Global Resources cops a downgrade to Neutral from Buy at UBS with a decline in the target price to 19c from 31c.

The broker explains Coronado's operational and financial leverage to the coal market as the outlook has continued to soften.

Post the miner's 1Q25 trading update, the analyst points to ongoing margin pressure despite achieving productivity and cost gains and assessing a number of variable assumptions. The analyst forecasts larger cost outs of -US$150m in 2025 compared to guidance of US$100m.

UBS concludes further funding will be needed. Specifically, deferral of investment spending now kicks the can down the road and will require sustained capital investment to compensate in the longer term.

The broker lowers EPS estimates substantially, doubling the expected loss for FY25.

Morgans remains of the view coal prices have found their floor and the risk is for upside, but moderated its outlook for prices, resulting in cuts to target prices for coal stocks.

The broker believes worsening supply-side dynamics, rather than demand, will nudge prices higher. Downside risk looks limited given current prices are becoming uneconomic for miners.

Queensland PHCC price forecast for FY25 cut by -2% to US$198.6, and for FY26 trimmed by -5% to US$201. Newcastle thermal coal price forecast cut by -5% to US$120.4 for FY25 and by -13% to US$108.1 for FY26.

In the near term, the broker expects companies to focus on costs and delay capex, and highlights cuts to dividends are likely

Sharp cut in Coronado Global Resources' target price to 18c from 90c as the broker sees valuation risk on liquidity challenges.

Rating downgraded to Hold from Speculative Buy.

TREASURY WINE ESTATES LIMITED ((TWE)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 4/2/0

Treasury Wine Estates has announced current CEO Tim Ford will step down in September, with Sam Fischer, formerly of Lion and Diageo, to take over in October.

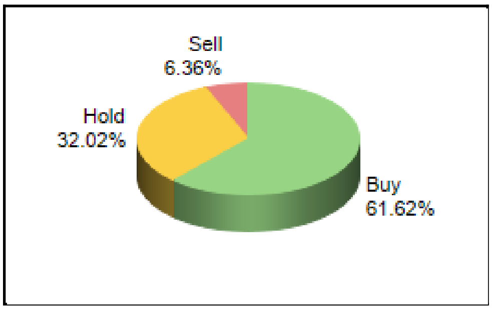
While Macquarie views the appointment positively, the unexpected leadership change introduces uncertainty around the company's medium-term strategy, particularly for the key Penfolds segment.

No update was provided on FY25 guidance, which had already been downgraded in February. With the new CEO not starting until late October, the broker does not expect any near-term strategic shifts and remains cautious on the group's outlook.

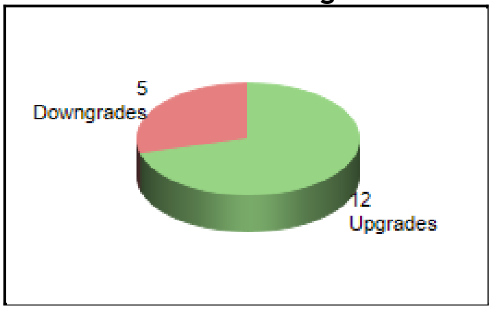
Macquarie's earnings forecasts for FY26 and FY27 are cut by -5.3% and -9.5% respectively, reflecting reduced confidence in recovery and long-term growth. Growth expectations for Penfolds have also been lowered.

After lowering its target by -24% to $8.90, thy broker downgrades the rating for Treasury Wine Estates to Neutral from Outperform.

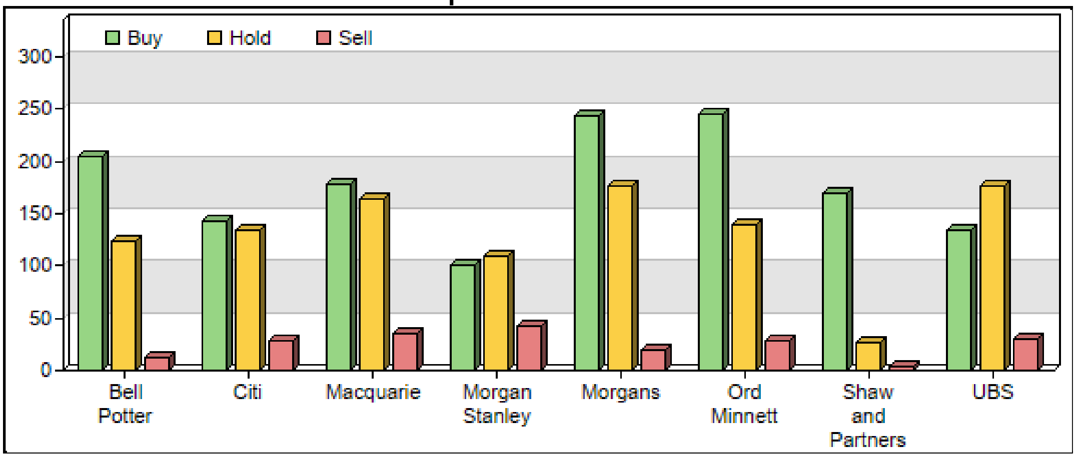
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BLUESCOPE STEEL LIMITED	Buy	Buy	Ord Minnett
2	CATALYST METALS LIMITED	Buy	Neutral	Bell Potter
3	GOODMAN GROUP	Buy	Neutral	UBS
4	ILUKA RESOURCES LIMITED	Buy	Neutral	Citi
5	JUDO CAPITAL HOLDINGS LIMITED	Neutral	Sell	Citi
6	LENDLEASE GROUP	Buy	Neutral	Citi
7	LINDSAY AUSTRALIA LIMITED	Buy	Neutral	Morgans
8	MACQUARIE GROUP LIMITED	Buy	Neutral	Morgans
9	MACQUARIE GROUP LIMITED	Neutral	Sell	Citi
10	NRW HOLDINGS LIMITED	Buy	Buy	Citi
11	RELIANCE WORLDWIDE CORP. LIMITED	Buy	Neutral	Morgans
12	XERO LIMITED	Buy	Neutral	Morgans
Downgrade				
13	AVITA MEDICAL INC	Buy	N/A	Morgans
14	CHARTER HALL RETAIL REIT	Neutral	Buy	Macquarie
15	CORONADO GLOBAL RESOURCES INC	Neutral	Buy	Morgans
16	CORONADO GLOBAL RESOURCES INC	Neutral	Buy	UBS
17	TREASURY WINE ESTATES LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	360	LIFE360 INC	30.120	27.210	10.69%	4
2	BOE	BOSS ENERGY LIMITED	3.973	3.759	5.69%	7
3	PNV	POLYNOVO LIMITED	2.163	2.057	5.15%	3
4	RWC	RELIANCE WORLDWIDE CORP. LIMITED	5.058	4.817	5.00%	6
5	XRO	XERO LIMITED	205.667	196.150	4.85%	6
6	LAU	LINDSAY AUSTRALIA LIMITED	0.980	0.940	4.26%	3
7	ILU	ILUKA RESOURCES LIMITED	5.280	5.120	3.13%	5

8	MQG	MACQUARIE GROUP LIMITED	211.578	206.314	2.55%	5
9	ALQ	ALS LIMITED	18.150	17.750	2.25%	5
10	JBH	JB HI-FI LIMITED	97.800	95.657	2.24%	7

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	CRN	CORONADO GLOBAL RESOURCES INC	0.220	0.388	-43.30%	5
2	SMR	STANMORE RESOURCES LIMITED	2.950	3.200	-7.81%	3
3	DNL	DYNO NOBEL LIMITED	2.924	3.090	-5.37%	5
4	ALL	ARISTOCRAT LEISURE LIMITED	73.514	76.929	-4.44%	7
5	WHC	WHITEHAVEN COAL LIMITED	6.657	6.936	-4.02%	7
6	TWE	TREASURY WINE ESTATES LIMITED	11.955	12.422	-3.76%	6
7	JHX	JAMES HARDIE INDUSTRIES PLC	50.914	52.743	-3.47%	7
8	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	22.800	23.557	-3.21%	3
9	SUL	SUPER RETAIL GROUP LIMITED	14.992	15.458	-3.01%	6
10	ORA	ORORA LIMITED	2.363	2.435	-2.96%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	XRO	XERO LIMITED	190.572	134.082	42.13%	6
2	MQG	MACQUARIE GROUP LIMITED	1083.575	985.000	10.01%	5
3	FPR	FLEETPARTNERS GROUP LIMITED	34.567	33.025	4.67%	3
4	GNC	GRAINCORP LIMITED	39.640	38.025	4.25%	5
5	360	LIFE360 INC	59.163	57.358	3.15%	4
6	GQG	GQG PARTNERS INC	23.773	23.105	2.89%	5
7	DNL	DYNO NOBEL LIMITED	17.825	17.560	1.51%	5
8	NWS	NEWS CORPORATION	130.790	129.172	1.25%	3
9	IAG	INSURANCE AUSTRALIA GROUP LIMITED	45.540	45.160	0.84%	5
10	JDO	JUDO CAPITAL HOLDINGS LIMITED	7.680	7.620	0.79%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SMR	STANMORE RESOURCES LIMITED	0.754	4.340	-82.63%	3
2	CRN	CORONADO GLOBAL RESOURCES INC	-24.865	-15.931	-56.08%	5
3	PDN	PALADIN ENERGY LIMITED	-2.374	-1.669	-42.24%	7
4	VGL	VISTA GROUP INTERNATIONAL LIMITED	3.982	4.604	-13.51%	3
5	PMT	PATRIOT BATTERY METALS INC	-7.306	-6.841	-6.80%	5
6	NIC	NICKEL INDUSTRIES LIMITED	5.301	5.667	-6.46%	6
7	WHC	WHITEHAVEN COAL LIMITED	33.086	34.943	-5.31%	7
8	ALL	ARISTOCRAT LEISURE LIMITED	248.850	262.000	-5.02%	7
9	CHN	CHALICE MINING LIMITED	-4.133	-4.000	-3.33%	4
10	LAU	LINDSAY AUSTRALIA LIMITED	7.033	7.267	-3.22%	3

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WEEKLY REPORTS

Uranium Week: Europe's Nuclear About Face

The tussle between short interests in Australian uranium stocks continues with brokers questioning the resilience as supply/demand fundamentals support uranium prices and nuclear energy.

-New trend: European countries doing an about face on nuclear energy
-Geo-politics continues to cloud the outlook for U308 supply
-Australian companies are stress tested for lower uranium prices
-ASX Shorts not backing down

By Danielle Ecuyer

Against a backdrop of burgeoning growth in demand for nuclear energy, and ergo demand in uranium, supply challenges are also heightened.

Short interests have upped the ante, pushing a fifth Australian U308 stock into the top twenty of most shorted companies on the ASX.

Unpacking the latest demand, supply dynamics

European resistance to ongoing nuclear energy has continued to decline, most notably with the latest announcement from Germany's new government under Chancellor Merz. Germany would no longer thwart French efforts to ensure nuclear power is treated like renewable energy in EU regulation.

The FT reports the change has come about as Germany looks to join France's nuclear shield as a deterrent against any future Russian aggression. Austria is the only remaining EU state opposed to nuclear power.

Belgium's federal parliament voted to repeal the 2003 nuclear phase-out law last week on May 15, effectively ending the country's long-standing plan to eliminate nuclear power when existing facilities retired.

This decision allows for the construction of new reactors and extends the operation of existing ones, such as Doel 4 and Tihange 3, until at least 2035.

A day earlier, Denmark announced it is re-assessing its 40-year ban on nuclear energy, originally imposed in 1985. The government plans to study the potential of newer nuclear technologies, particularly small modular reactors (SMRs), with a comprehensive report expected next year.

Spain's Congress approved a non-binding proposal urging the government to reconsider its nuclear phase-out plans, which aimed to close all reactors by 2035, in February this year. The proposal reflects growing concerns about energy reliability and the role of nuclear power in achieving climate targets.

In February 2025, the Italian government adopted a plan to return to nuclear power nearly 40 years after it was banned by a 1987 referendum. The plan includes the construction of advanced modular reactors to produce sustainable nuclear energy and decarbonise the most polluting industries.

In January, the Swiss government proposed reversing the country's decision to phase out nuclear power, responding to a popular initiative advocating for the inclusion of all climate-friendly electricity generation methods, including nuclear.

The Swiss proposal aims to overturn the 2017 referendum ban on new nuclear plant construction.

Nuclear lobbying and legal tensions

The global uranium and nuclear energy landscape has seen a wave of significant developments over the past week, reflecting both political tensions and shifting energy policies.

In the United States, the nuclear industry is ramping up lobbying efforts to preserve subsidies under the Inflation Reduction Act. Companies such as Oklo, backed by Sam Altman, have dramatically increased their lobbying budgets amid concerns the removal of tax credits could jeopardise small modular reactor (SMR) initiatives and broader clean energy ambitions.

French uranium firm Orano is entangled in a legal standoff with the military-led government of Niger. The company has launched legal action following the arrest of its director and police raids on its Niamey offices.

With over five decades of operations in the country, Orano is now reportedly considering divesting its uranium assets in Niger, citing growing political instability and operational risks.

US Interior Department has fast-tracked approval for Anfield Energy's Velvet-Wood uranium mine project in Utah.

As part of President Trump's broader push for domestic energy production, the environmental review process was shortened to just 14 days.

Anfield also plans to reopen its Shootaring Canyon mill to bolster uranium processing capacity in the US nuclear supply chain.

<u>SPUT placement eases concerns</u>

Concerns over the Sprott Physical Uranium Trust (SPUT) were alleviated last week with the completion of a US$25.55m private placement of trust units.

Canaccord Genuity views the placement as an optimistic sign, with investors realising a -9% loss on the trade as units are priced below the net asset value.

The issue also alleviates concerns SPUT would need to sell U3O8 to fund operations.

The CEO of Sprott Asset Management John Ciampaglia stated:

"Since the Trust was launched in 2021, it has purchased approximately 48 million pounds of U3O8 and not sold or loaned out a single pound. I would like to take this opportunity to strongly reiterate that SPUT has the tools, including this private placement, to deliver on its intention not to sell any of the physical uranium that SPUT holds on behalf of thousands of investors."

<u>Kazatomprom delays pressure uranium outlook</u>

In further positive news, Kazakhstan's Budenovskoye uranium project, a joint venture between Kazatomprom (51%) and Russia's Rosatom (49%), is experiencing significant delays, raising concerns about global uranium supply.

Initially, production from sections 6 and 7 was projected to reach 2,500 tonnes in 2024, with plans to scale up to 6,000 tonnes by 2026.

However, recent reports indicate 2024 production is now expected to be only 500 tonnes, with the 6,000-tonne target postponed to 2027.

The delays are attributed to a combination of factors, including disputes among shareholders over contractor selection, shortages of sulphuric acid essential for uranium extraction, and construction setbacks at the site.

These issues have led Kazatomprom to revise its 2025 production forecast downward by -17%, from an initial estimate of 30,500-31,500 tonnes to a range of 25,000-26,500 tonnes.

The project's challenges are further compounded by geopolitical tensions. The 2022 sale of a -49% stake in Budenovskoye to Rosatom, reportedly pushed through by Kazakhstan's sovereign wealth fund without full consent from Kazatomprom's management, led to the resignation of several senior executives.

The deal has raised concerns about the influence of Russian interests on Kazakhstan's uranium industry.

<u>U3O8 price lifts but remains below 2025 open</u>

The announcements, along with increased demand from utilities, realised a lift in the U3O8 TradeTech spot price to US$71/lb, up US$1 or 1.4% in the last week, and up 9.2% over the past month.

The price does remain down -22% on a year earlier and remains below the start of 2025 by -6.6%.

TradeTech's U3O8 mid-term price indicator came in at US$72/lb, unchanged, and the long-term price indicator remains at US$80/lb.

<u>Carry trades support price stability</u>

In the uranium market, carry trades refer to contractual transactions where a trader or intermediary buys uranium at the spot price, stores it, and then delivers it to a utility under a future-dated contract at a premium price.

This strategy earns the trader a "carry"; the difference between the purchase and sales price while covering costs like storage, financing, and insurance.

Canaccord Genuity estimates a large portion of the volumes in the spot market comes from carry trades, which are estimated at up to 4mlbs in 2025 or 10mlbs annualised, which is a significant rise on the historical average over the last five years of 35mlbs.

With an 11% rise in the U3O8 spot price from the March 17 550-day low around US$63.45/lb, the analyst retains break-even at an estimated US$71-US$72/lb, which is viewed as a "quasi floor" under the spot price.

<u>Utilities dominate 2024 spot purchases</u>

Canaccord Genuity proposes the purchasing behaviour from utilities has had an impact in recent times, a view TradeTech also outlined recently.

The interplay with higher spot pricing over term prices, combined with geopolitical concerns and more notably tariffs, has kept utilities on the sidelines.

Canaccord notes utilities purchased over 75% of overall spot volumes in 2024, and longer-term demand-side drivers are likely to form the basis for a breakout in the term price as utilities need to move back into the market.

The drivers are listed as follows by the broker:

-*Increasing demand* from reactor life extensions, restarts, and new builds, notably in China. As highlighted in last week's Uranium Weekly:

"Morgan Stanley stresses the same point, detailing China is leading the way globally in nuclear reactors, having approved another ten new reactors in April. This is the fourth consecutive year China has approved ten or more new developments.

[researcher] Oregon Group states China has 58 operable reactors with 158 proposed. In comparison, the US has 94 operable reactors with 13 proposed, and Russia 36 in operation and 51 proposed.

India has 24 with 28 proposed. Globally, 362 reactors are proposed compared to 440 operable."

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

-*Primary supply* remains "fragile" with challenges on mine restarts and ramp-ups as well as geopolitical issues.

-*Declining secondary supply*. The analyst estimates around 40mlbs of secondary supply met base demand in 2024, which is circa 21% of demand compared to the historical rate at around 35%. Future demand will need to be supplied by primary production.

-A lack of high enough incentive pricing for new producers to move forward on projects, including **Bannerman Energy** ((BMN)) and **Deep Yellow** ((DYL)). Rising costs are also challenging the incentives for new production.

-Term contracting remains well below replacement rates and previous cycle averages, which is not viewed as sustainable as demand increases.

Canaccord reckons a base in the U308 term price at US$80/lb has been put in place over the last year and the **"stage is set for the next leg up"**.

The analyst suggests a stronger second half of 2025, including easing geo-political tensions, which should support more interest in contracting, as well as the entrance of large utilities into the market after a hiatus period.

Historically the sector can experience steep upward price moves after a period of consolidation and stability.

<u>Broker positioning and ASX short interest</u>

Canaccord reiterates its positive take on uranium and uranium stocks despite the rally of around 19% in share prices over the last month.

Valuations are viewed as not challenging. The preferred exposure is with **Paladin Energy** ((PDN)), rated Buy, target price $12.80, **Silex Systems** ((SLX)), Speculative Buy, target price $6.46 in Australia, and **NexGen Energy** ((NXG)) in Canada, Speculative Buy, target price CA$15.00.

Ord Minnett has put pen to paper again, updating its uranium stock coverage and stress-testing the resilience of companies if the term price is lower than the broker's base case, which assumes the term price returns to a long-term estimate of US$80/lb.

Modelling for two scenarios, including term prices at US$80/lb and spot at US$73/lb and secondly, term prices at US$70/lb and spot prices at US$63/lb (the bear case), the analyst highlights free cash flow yield remains "significant" for all stocks.

Paladin retains a target price of $9.50 and **Lotus Resources** ((LOT)) of 35c, Buy rated and Speculative Buy, respectively.

While the target price for **Boss Energy** ((BOE)) is upgraded to $6 from $4.50 under the scenario of a possible **"short squeeze"**, which the broker believes seems **"inevitable"**.

As at May 12, the ASX has five uranium stocks in the top 20 of most shorted, up from four the week before: https://fnarena.com/index.php/analysis-data/the-short-report/

Boss retains the top position with total shorts down slightly to 23.59% from 24.85%; Paladin is the second most shorted at 15.47% from 16.24% a week earlier. Deep Yellow is at position five at 12.31% from 12.41%; Lotus at sixteenth at 8.42% from 9.01%, and Bannerman at nineteenth, 8.16% from 7.35%.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	16/05/2025	0.0700	▲60.00%	$0.10	$0.03			
AEE	16/05/2025	0.1200	▼- 4.17%	$0.19	$0.10			
AGE	16/05/2025	0.0300	▼-12.50%	$0.07	$0.02		$0.100	▲233.3%
AKN	16/05/2025	0.0100	0.00%	$0.02	$0.01			
ASN	16/05/2025	0.0500	▲ 3.77%	$0.17	$0.05			
BKY	16/05/2025	0.5200	▲ 2.97%	$0.66	$0.30			
BMN	16/05/2025	2.6100	▼- 9.77%	$4.87	$1.76		$4.700	▲80.1%
BOE	16/05/2025	3.5800	▼- 5.58%	$5.99	$1.99	188.4	$3.973	▲11.0%
BSN	16/05/2025	0.0140	0.00%	$0.11	$0.01			
C29	16/05/2025	0.0400	0.00%	$0.13	$0.03			
CXO	16/05/2025	0.0900	▲35.62%	$0.16	$0.06		$0.090	
CXU	16/05/2025	0.0100	0.00%	$0.04	$0.01			
DEV	16/05/2025	0.0800	▲ 3.75%	$0.45	$0.07			
DYL	16/05/2025	1.2000	▼- 7.41%	$1.83	$0.75	-1210.0	$1.570	▲30.8%
EL8	16/05/2025	0.2900	▼- 9.38%	$0.62	$0.19			
ERA	16/05/2025	0.0030	▼-50.00%	$0.05	$0.00			
GLA	16/05/2025	0.0100	0.00%	$0.02	$0.01			
GTR	16/05/2025	0.0040	0.00%	$0.01	$0.00			
GUE	16/05/2025	0.0600	0.00%	$0.13	$0.05			
HAR	16/05/2025	0.0600	▼- 3.64%	$0.12	$0.03			
I88	16/05/2025	0.0900	0.00%	$1.03	$0.08			
KOB	16/05/2025	0.0400	0.00%	$0.18	$0.04			
LAM	16/05/2025	0.7200	0.00%	$1.04	$0.48			
LOT	16/05/2025	0.1700	0.00%	$0.49	$0.13		$0.325	▲91.2%
MEU	16/05/2025	0.0500	▲ 6.82%	$0.06	$0.03			
NXG	16/05/2025	8.3600	▼- 3.31%	$13.53	$6.44		$14.650	▲75.2%
ORP	16/05/2025	0.0300	0.00%	$0.11	$0.03			
PDN	16/05/2025	5.6100	▼- 9.23%	$17.98	$3.93	-241.3	$8.507	▲51.6%
PEN	16/05/2025	0.6200	0.00%	$2.44	$0.55		$1.000	▲61.3%
SLX	16/05/2025	3.0500	▲ 8.22%	$6.72	$2.28		$6.500	▲113.1%
TOE	16/05/2025	0.1900	▼- 2.50%	$0.41	$0.15			
WCN	16/05/2025	0.0300	▼- 9.38%	$0.04	$0.01			

Uranium - U3O8

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

WEEKLY REPORTS

The Short Report - 22 May 2025

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

Summary:

Week Ending May 15th, 2025 (most recent data available through ASIC).

10%+

BOE	22.74%
PDN	15.24%
MIN	13.81%
IEL	12.92%
DYL	11.84%
PLS	11.80%
PNV	11.01%
CTT	10.89%
LTR	10.77%
KAR	10.03%
DMP	10.02%

Out: XCLWAY, LIC

XCLWAY refers to an Australian Government Exchange-Traded Treasury Bond

9.0-9.9%

LIC	9.91%
SLX	9.14%
CTD	9.05%

In: LIC, CTD

8.0-8.9%

CU6	8.72%
LOT	8.37%
LYC	8.27%
IGO	8.06%
BMN	8.06%

In: IGO, BMN
Out: CTD

7.0-7.9%

RIO	7.69%
JLG	7.65%

SGR	7.55%
TWE	7.45%
JHX	7.38%

Out: IGO, BMN, MP1

6.0-6.9%

PWH	6.55%
STX	6.45%
NEU	6.40%
ADT	6.39%
NXT	6.23%
INR	6.19%
MP1	6.18%
CHN	6.08%
RMS	6.07%
MSB	6.06%

In: NEU, NXT, MP1, RMS, MSB
Out: SYR, NCK, GMD

5.0-5.9%

ZIP	5.91%
CUV	5.84%
GMD	5.69%
AD8	5.67%
VEA	5.48%
BRG	5.43%
SFR	5.41%
NCK	5.31%
IPX	5.30%
IMU	5.28%
CIA	5.27%
PEN	5.20%
NVX	5.20%
SYR	5.13%
PTM	5.11%

In: GMD, BRG, NCK, SYR, PTM
Out: NXT, MSB, NEU, RMS, FLT

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.8	0.8	NAB	0.8	0.8
ANZ	0.4	0.4	QBE	0.4	0.3
BHP	0.5	0.5	RIO	7.7	7.5
CBA	1.1	1.2	STO	0.4	0.7
COL	0.7	0.6	TCL	0.7	1.2
CSL	0.5	0.5	TLS	0.5	0.5

FMG	1.0	1.1	WBC	0.9	1.0
GMG	0.4	0.5	WDS	3.4	3.2
JHX	7.4	7.3	WES	0.6	0.6
MQG	0.8	0.7	WOW	0.9	0.8

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: Dicker Data, Catapult & Aspen Group

This week's In Brief highlights the beneficiary of an interest rate easing cycle; a technology growth stock and a property investment/development group in the geographical sweet spot.

-Dicker Data's margin dip
-Catapult International powering ahead
-Aspen Group in the sweet spot of property values

The quote of the week comes from Morgan Stanley:

"(...) we think that de-escalation [between US and China] reduces the risk of a sudden stop in trade volumes and a sharp rise in the unemployment rate. That said, it virtually locks in an environment of slow growth and firm inflation."

Dicker Data's AI margin retreat

The market turned its nose up at the AGM trading update from Australia's number one specialist technology hardware distributor Dicker Data ((DDR)), sending the stock down almost -6% by the close of trade on Wednesday.

Analysts take a slightly more nuanced interpretation of the latest update on sales momentum, albeit both Goldman Sachs and Jarden have trimmed EPS estimates and target prices.

The nub of the problem for Dicker Data lays in the slower-than-expected recovery in demand and macro conditions impacting more than anticipated on small and medium-sized businesses across Australia.

For the calendar year-to-date, gross sales rose 17.4% due to a higher contribution from enterprise sales. This was actually better-than-expected following 10% growth in the previous period and 8.3% growth in 1H25.

Jarden emphasises the result was also achieved in a period of election uncertainty and with different timing of Easter holidays and Anzac Day which would have weighed on April sales this year (instead of late in March).

Margins were lower than forecast, with a large AI deal diluting gross profit margins to 9.1% from 10.1% the year previously.

With the RBA cutting rates for the second time this year, Dicker Data is highlighted by both brokers as positioned for recovery in demand assisted by the local rate easing cycle.

Net interest expense is forecast to decline, as the company has a variable rate debt profile, and as demand rises.

Margins for SMEs are also expected to normalise with an ongoing recovery in the PC and networking cycle.

Higher-margin AI PCs are also becoming a larger proportion of total PC sales.

Goldman Sachs notes the Windows 10 refresh cycle is leading to an uptake of higher-value devices.

Management at Dicker Data does anticipate profit before tax margins to improve to the mid-3ppts as the year progresses, against the 2.9% reported year-to-date.

Jarden trims EPS estimates to account for the softer-than-expected update, as does Goldman Sachs. Target price slips to $10.88 from $11 for Jarden and by -8% to $9.08 for Goldman Sachs.

Jarden is Buy-rated and believes Dicker Data is at an earnings inflexion point.

Goldman Sachs is Neutral-rated with the expectation of improving demand throughout the rest of 2025.

FNArena's consensus forecasts, based on modeling by UBS and Morgan Stanley, suggest Dicker Data shares are currently yielding 5.6% and 6.1% from prospective dividend payouts in respectively FY25 and FY26.

The first interim dividend for FY25 was paid out earlier this month.

Catapult filled with healthy stamina

Catapult Group International ((CAT)) enjoyed a target price upgrade from Canaccord Genuity after releasing a robust FY25 earnings report.

Annual contract value rose 18% to US$101m with Performance and Health generating US$65m, up 17%, and Tactics and Coaching at US$33m, a rise of 18%.

Total revenue advanced 19% year-on-year, closely tracking growth in annual contract value, while lower-margin Media revenue capped gross profit margins at 81%, flat on the previous year, with a slight rise in other variable costs.

Management handled operating expenses well, rising by 6% only.

Canaccord believes the company generates "best-in-class" metrics that reflect the quality of Catapult. Cross-selling activity included more sporting teams adopting new video solutions.

A lightly elevated churn rate at 4.3% and a slightly softer annual contract value retention were attributed to the cessation of the Russian operations.

Positively, management is expanding into new sports and regions, with wins in soccer across EMEA and LatAm markets, alongside a pick-up in baseball and basketball in North America.

The launch of next-gen Vector 8 platform, with an April rollout, is expected to drive more exposure into new and existing sports.

Tactics and Coaching, including video solutions, evidenced annual contract revenue growth for New Video Solutions of 42% with the latest video product suite.

The latter division is flagged as the bulk contract revenue driver for the company to US$200m, with vertical teams anticipated to experience accelerated growth.

Cash flow generation is expected to continue to grow, with management flagging "higher free cash flow" over FY26, paving the way for bolt-on acquisition opportunities.

Management at Catapult has a rule-of-40 as its north star aim and achieved a rule-of-21 in FY25.

Canaccord maintains a Buy rating with an upgraded target price to $5 from $4.20, incorporating a compound average growth rate in revenue of 19% and longer-term earnings before interest and tax margins of 30%.

Aspen's premium not a turn-off

Moelis doesn't shy away from Aspen Group's ((APZ)) 41% premium to net asset value post the recent $68m equity raising via an institutional placement at $2.90 per share, a 26% premium to net asset value.

The raising includes a $4m top-up from the share placement plan, alongside the sell down of its remaining 13% stake in Eureka Group Holdings ((EGH)) for $27.5m, the aftermath of a previously failed take-over attempt.

The capital inflows have lowered gearing to 13% from 27%, which increases optionality for future growth.

By way of context, Aspen is an investment and management group specialising in providing affordable accommodation solutions across the country.

The company focuses on serving approximately 40% of Australian households with annual incomes under $90,000, offering housing options priced at or below $400,000 or with weekly rents under $400.

The analyst points to the recent tours of the WA and SA portfolios, which represent around 60% of the total property assets. Strategically, Aspen usually acquires assets at a sizeable discount to replacement cost and holds them at accrued cost until the development is finished.

Moelis believes there is considerable embedded value in the portfolio against the open market valuations, which could be realised.

Post the property tour, the analyst estimates the fair value of the portfolio at $2.98 per share and stresses the realisable value of assets to be "materially" above the book value.

For example, additional value could be unlocked by selling the Perth Apartments, which constitute around 60% of the WA assets (WA at 46% of total assets) as part of a strata structure. Moelis explains Perth has one of the tightest occupancy rates for any residential market in Australia at just 0.7%.

Rental growth remains at circa 6% compared to a plateauing across the rest of Australia, while average dwelling values have risen 33% in the last two years.

Moelis believes the premium attached to the stock is justified given Aspen's track record of achieving 21% return on equity over the last 4.5 years.

The property tour has resulted in a rise of the broker's target price to $3.83 from $3.30 and a maintained Buy rating.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 23-05-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

CORE LITHIUM LIMITED ((CXO)) Upgrade to Neutral from Sell by Jarden.B/H/S: 0/0/0

Core Lithium's updated restart study for the Finniss lithium project contained a pre-feasibility study and focused on a conceptual underground mine plan.

Jarden notes the study showed a halving in mining unit costs to $63-73/t from $120/t in last year's update. It also showed a significantly lower pre-development capex of -$170-200m from -$282m estimated before.

The challenge for the company, in the broker's view, is to secure funding, and non-dilutive funding would be an upside risk.

Rating upgraded to Neutral from Sell. Target lifted to 10c from 7c.

Downgrade

EAGERS AUTOMOTIVE LIMITED ((APE)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

After reassessing Eagers Automotive's forecasts for FY25, Canaccord Genuity has concluded factors such as April holiday timings and Federal election in 1H25 mean earnings skew to 2H is likely.

No change to FY25 net profit forecast of $400.5m, but the broker now sees $182.4m in 1H and the remaining in 2H.

The broker believes bolt-on acquisitions will continue to be the company's strategy, but at some point, it will need to boost the balance sheet.

Rating downgraded to Hold from Buy. Target lifted to $17.20 from $17.00 on valuation roll-forward.

AVITA MEDICAL INC ((AVH)) Downgrade to Underweight from Market Weight by Wilsons.B/H/S: 0/0/0

Avita Medical's 1Q25 revenue missed Wilsons' forecast by -21%, and while the company reiterated FY25 guidance of US$100-106m, the broker isn't as optimistic and is forecasting US$92.2m.

The company announced a reduction in field sales team headcount to 82 from 108 to cut costs, but the broker isn't warming up to the strategy to redeploy them in sales from the service-based model.

The key question is whether the 2Q25 12-month revenue covenant target of US$78m will be met. The broker's US$79.4m forecast suggests it will, but it comes with a caution the venture debt lender may be less tolerant of another covenant miss.

Rating downgraded to Underweight from Market Weight. Target cut to $1.92 from $3.20.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	CORE LITHIUM LIMITED	Neutral	Sell	Jarden
Downgrade				

2	AVITA MEDICAL INC	Sell	Neutral	Wilsons
3	EAGERS AUTOMOTIVE LIMITED	Neutral	Buy	Canaccord Genuity

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
ALD	Ampol	$25.34	Goldman Sachs	31.80	30.80	3.25%
ALL	Aristocrat Leisure	$60.54	Goldman Sachs	74.00	77.00	-3.90%
			Jarden	64.00	68.00	-5.88%
APE	Eagers Automotive	$17.65	Canaccord Genuity	17.20	17.00	1.18%
AVH	Avita Medical	$2.03	Wilsons	1.92	3.20	-40.00%
AZJ	Aurizon Holdings	$2.94	Goldman Sachs	3.60	3.70	-2.70%
BGL	Bellevue Gold	$0.90	Canaccord Genuity	1.50	N/A	N/A
BMN	Bannerman Energy	$2.71	Petra Capital	5.33	4.23	26.00%
BTR	Brightstar Resources	$0.66	Canaccord Genuity	1.50	0.08	1775.00%
CIP	Centuria Industrial REIT	$3.09	Moelis	3.73	3.72	0.27%
CSL	CSL	$246.89	Jarden	317.61	314.37	1.03%
CXO	Core Lithium	$0.09	Jarden	0.10	0.07	42.86%
			Petra Capital	0.14	0.59	-76.27%
DSK	Dusk Group	$0.84	Canaccord Genuity	1.40	1.60	-12.50%
GDF	Garda Property	$1.15	Moelis	1.60	1.57	1.91%
GTK	Gentrack Group	$10.88	Wilsons	11.82	12.10	-2.31%
IAG	Insurance Australia Group	$8.64	Jarden	8.00	7.70	3.90%
IMM	Immutep	$0.29	Canaccord Genuity	0.98	0.95	3.16%
LAU	Lindsay Australia	$0.70	Wilsons	0.99	0.87	13.79%
MM8	Medallion Metal	$0.25	Petra Capital	0.45	0.43	4.65%
MVF	Monash IVF	$0.80	Wilsons	1.40	1.43	-2.10%
NEU	Neuren Pharmaceuticals	$13.12	Petra Capital	31.45	31.19	0.83%
NWS	News Corp	$49.87	Jarden	54.00	53.00	1.89%
NXS	Next Science	$0.09	Wilsons	N/A	0.27	-100.00%
ORA	Orora	$1.96	Jarden	2.35	2.40	-2.08%
PNV	PolyNovo	$1.31	Wilsons	1.62	1.85	-12.43%
PSC	Prospect Resources	$0.14	Canaccord Genuity	0.45	0.40	12.50%
SLC	Superloop	$2.60	Canaccord Genuity	2.78	2.58	7.75%
			Jarden	2.60	2.50	4.00%
			Wilsons	N/A	2.48	-100.00%
XRO	Xero	$182.09	Goldman Sachs	205.00	201.00	1.99%
			Jarden	190.00	180.00	5.56%
	Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

BMN BANNERMAN ENERGY LIMITED

Uranium Overnight Price: $2.62

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

Petra Capital outlines the ongoing works at Etango by Bannerman Energy with cash at March quarter end at $68.8m and some -$26m committed for future works.

The analyst explains first production is currently delayed by a quarter even though the final investment decision has been deferred by a year since initiating coverage on the stock in May 2024.

Bannerman is believed to be waiting for higher pricing which should be evidenced as utilities return to the market, Petra details.

The final investment decision is expected in 2H 2025 with the stock up around 70% in recent weeks and short interest sitting at some 15-days average trading volume to cover.

The stock remains Buy rated with a $5.33 target price.

This report was published on May 16, 2025.

Target price is **$5.33** Current Price is **$2.62** Difference: **$2.71**
If **BMN** meets the Petra Capital target it will return approximately **103%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 2.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 113.91**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **17.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.64**.

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

CAA CAPRAL LIMITED

Aluminium, Bauxite & Alumina Overnight Price: $11.04

Taylor Collison rates ((CAA)) as Outperform (2)

Taylor Collison believes Capral remains undervalued, with the market underestimating the potential for residential volumes headwind to become a tailwind in 2H25.

Specifically, the analyst notes approvals data for detached dwellings has been positive y/y for a number of quarters.

The broker also sees no direct impact on volumes from the 25% tariff on Australian aluminium, given operations are largely domestic, but remains watchful.

The company is also expected to benefit from productivity initiatives, including trade center acquisitions and upgrade projects in Penrith and Smithfield.

Minor downward revisions to forecasts. Outperform retained. No target price.

This report was published on May 15, 2025.

Current Price is **$11.04**. Target price not assessed.
The company's fiscal year ends in December.

Forecast for FY25:

Taylor Collison forecasts a full year **FY25** dividend of **101.50** cents and EPS of **169.20** cents.
At the last closing share price the estimated dividend yield is **9.19%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.52**.

Forecast for FY26:

Taylor Collison forecasts a full year **FY26** dividend of **126.30** cents and EPS of **210.50** cents.
At the last closing share price the estimated dividend yield is **11.44%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.24**.

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

CSL CSL LIMITED

Pharmaceuticals & Biotech/Lifesciences Overnight Price: $245.21

Jarden rates ((CSL)) as Overweight (2)

Jarden's Overweight rating on CSL is largely based on expectations of a recovery in gross margin at its Behring division, and a majority of that is linked to donor fees.

The broker recently surveyed the company's sites for donor fee trends, and discovered a -10.9% reduction for new donors and -8.9% cut for return donors. For context, donor fees were raised during covid to boost collections.

The analyst expects gross margin improvements of 150bps in 2H26 and 115bps in 1H27 from fee reductions identified, and has factored in margin improvements from other sources.

All in all, the broker is now more confident of its forecast for 220bps margin improvement in 2H26 and 280bps in 1H27.

Overweight. Target rises to $317.61 from $314.37.

This report was published on May 18, 2025.

Target price is **$317.61** Current Price is **$245.21** Difference: **$72.4**
If **CSL** meets the Jarden target it will return approximately **30%** (excluding dividends, fees and charges).
Current consensus price target is **$327.51**, suggesting upside of **33.6%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **403.39** cents and EPS of **926.25** cents.
At the last closing share price the estimated dividend yield is **1.65%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **26.47**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **1011.4**, implying annual growth of **N/A**.
Current consensus DPS estimate is **463.0**, implying a prospective dividend yield of **1.9%**.
Current consensus EPS estimate suggests the PER is **24.2**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **443.57** cents and EPS of **996.61** cents.
At the last closing share price the estimated dividend yield is **1.81%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.60**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **1162.4**, implying annual growth of **14.9%**.
Current consensus DPS estimate is **527.1**, implying a prospective dividend yield of **2.1%**.
Current consensus EPS estimate suggests the PER is **21.1**.

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

D2O DUXTON WATER LIMITED

Agriculture Overnight Price: $1.53

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

Petra Capital acknowledges its previous concerns on Duxton Water no longer exist, with weather-related headwinds turning into tailwinds, the company is now debt-free, and there's an opportunity to internalise management.

The broker notes earnings and cash flow are likely to improve significantly as the climate pattern moves from La Ninas into a drier period.

The analyst believes the recent share price rally doesn't fully capture the positives.

Buy. Target retained at $2.10.

This report was published on May 19, 2025.

Target price is **$2.10** Current Price is **$1.53** Difference: **$0.57**
If **D2O** meets the Petra Capital target it will return approximately **37%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **7.40** cents and EPS of **18.00** cents.
At the last closing share price the estimated dividend yield is **4.84%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.50**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **7.70** cents and EPS of **10.50** cents.
At the last closing share price the estimated dividend yield is **5.03%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.57**.

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

GDF GARDA PROPERTY GROUP

REITs Overnight Price: $1.15

Moelis rates ((GDF)) as Buy (1)

Garda Property has upgraded guidance for the second time in FY25, Moelis notes, with funds from operations (FFO) guidance lifted by 12% in February following a 17% rise in August.

The broker attributes earnings growth to an expanding lending book supported by capital release from the North Lakes asset sale, expected to settle in August 2025.

Post-sale, net debt is forecast to reduce to -$157m or around 28%, providing flexibility for acquisitions, developments or further lending. Buy rating retained. Target price raised to $1.60 from $1.57.

This report was published on May 15, 2025.

Target price is **$1.60** Current Price is **$1.15** Difference: **$0.455**
If **GDF** meets the Moelis target it will return approximately **40%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **7.20** cents and EPS of **7.50** cents.
At the last closing share price the estimated dividend yield is **6.29%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.27**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **7.50** cents and EPS of **10.10** cents.
At the last closing share price the estimated dividend yield is **6.55%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.34**.

Market Sentiment: **0.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

MVF MONASH IVF GROUP LIMITED

Healthcare services Overnight Price: $0.85

Wilsons rates ((MVF)) as Overweight (1)

Wilsons reviewed Monash IVF's outlook following the embryo mix-up incident that the company was aware of in February but confirmed in April following a media report.

A review is underway, with findings expected in the coming weeks. The broker believes it will likely be characterised as a rare, one-off incident and will have a modest financial and reputational impact.

FY26-27 revenue forecast cut by -2%. The broker highlights the company targeted 200bps EBITDA expansion by FY27 at the 1H25 result, and it is forecasting only a 100bps increase mainly from international portfolio contribution.

Overweight. Target weakened to $1.40 from $1.43.

This report was published on May 13, 2025.

Target price is **$1.40** Current Price is **$0.85** Difference: **$0.55**
If **MVF** meets the Wilsons target it will return approximately **65%** (excluding dividends, fees and charges).
Current consensus price target is **$1.30**, suggesting upside of **52.6%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **5.40** cents and EPS of **7.70** cents.
At the last closing share price the estimated dividend yield is **6.35%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.04**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **8.0**, implying annual growth of **N/A**.
Current consensus DPS estimate is **5.2**, implying a prospective dividend yield of **6.1%**.
Current consensus EPS estimate suggests the PER is **10.6**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **5.70** cents and EPS of **8.20** cents.
At the last closing share price the estimated dividend yield is **6.71%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.37**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.9**, implying annual growth of **-1.2%**.
Current consensus DPS estimate is **5.2**, implying a prospective dividend yield of **6.1%**.
Current consensus EPS estimate suggests the PER is **10.8**.

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

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