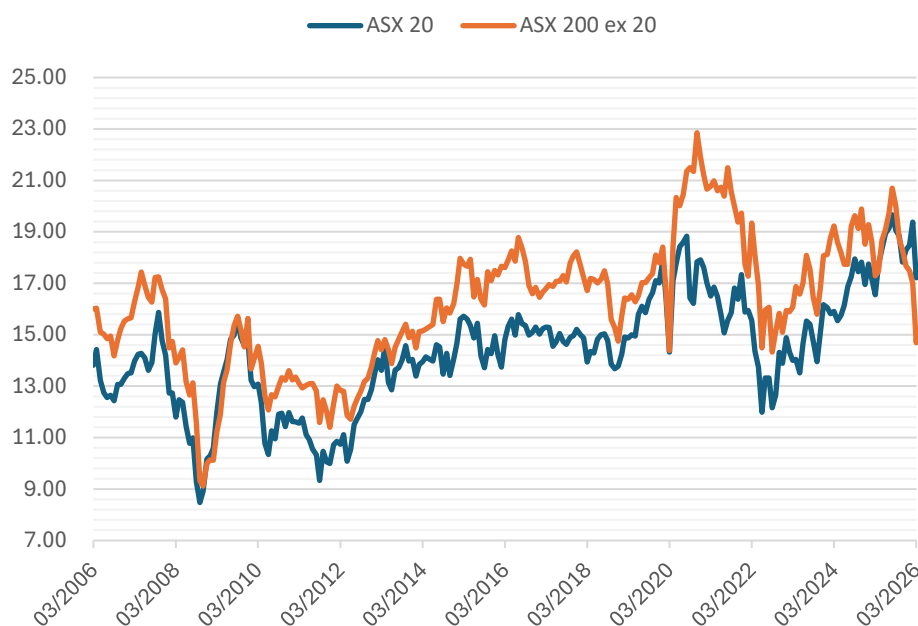


Index Forward 12-month Price to Earnings Ratio - 20 Years



In this quarterly, we provide a collection of portfolio company commentaries following the February reporting season.

We provide a deeper dive into sleep apnea leader Resmed in our article “Resmed - some facts”. We then consider why investors should pay closer attention to how companies arrive at the bottom line in “Apples and coconuts”. This is followed up with a closer look at three portfolio holdings: FINEOS Corporation Holdings, TechnologyOne and WiseTech Global.

**Photo:** An illustration of the current dislocation in the ASX market, where investors have pushed the valuations of companies outside the ASX20 to decade lows and below the valuations of those companies inside the ASX20. This is historically unusual given the material differences in annual growth rates that constitute the businesses that make up these two indexes.

Source: Factset, provided by Macquarie Equities.





Selector is a Sydney based fund manager. Our team combines deep experience in financial markets with diversity of background and thought. We believe in long-term wealth creation and building lasting relationships with our investors.

We focus on stock selection, the funds are high conviction, concentrated and index unaware. As a result, the portfolios have low turnover. Our ongoing focus on culture and financial sustainability lends itself to strong ESG outcomes.

Selector has a 21-year track record of outperformance and we continue to seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.

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## In Brief – March Quarter

Dear Investor,

From November 2025 to February 2026, all the companies held in the portfolio delivered yearly or interim financial updates. These are important time points as they represent the factual progress of each entity.

This period also coincided with significant macroeconomic events that have dislocated markets. The fallout of U.S. imposed tariffs continued to play out and there was a refocus on government debt profiles, with a flow-on effect to U.S. 10-year yields, rising above 4%.

Metals such as gold and silver surged and new agentic large language models (LLM) by Artificial Intelligence (AI) businesses were released, namely OpenAI and Anthropic. Finally, the war in Iran shifted all attention away from what was said to what was feared.

It is a story that has played out throughout financial market history: an emphasis on what cannot be measured often at the expense of rational decision making.

This is not unusual. When investors grow impatient, disillusioned or when short-term narratives crowd out long-term arithmetic, prices can detach from business reality. That process often runs further and faster than seems sensible. It is uncomfortable, but it is not altogether surprising.

We own a small number of businesses because we believe concentration, when paired with discipline, is an advantage rather than a flaw. The businesses we own did not suddenly become less competitive in January, nor did their balance sheets weaken in February or March. What changed was sentiment, and sentiment has never been a reliable guide to long-term outcomes.

Predicting the future is not our starting point. Ours is to allocate capital sensibly, avoid permanent capital loss and let compounding do the heavy lifting. At these times, there are many factors at play, many of which are combining to deliver volatile share price outcomes. At some point a more rational market will return, that duly considers and rewards a business based on merit.

We rightly acknowledge that we are closer to the coal face. Engaging with management teams and boards allows us to gauge the individual progress of each

business and better understand the issues at play. But real progress is based on facts, the earnings delivered, the strength of the balance sheet and the reinvestment profiles that underpin the future of any business.

To that end during these two reporting periods, capturing all the businesses held, a few points of relevance are worth sharing. Firstly, on a weighted basis, 70% of the portfolio delivered higher operating profits (EBITDA) when compared to the previous corresponding period.

Secondly, more than half of the portfolio carried a net cash position.

Thirdly, 84% of the portfolio was dividend paying and/or undertaking a share buyback.

Finally, approximately 30% of the portfolio delivered a return on capital employed (ROCE) greater than 30%.

These are all important metrics to us, among others. However, at this very juncture, investors are looking the other way, fearful of AI, concerned with wars and questioning the future direction of inflation and interest rates.

### Artificial Intelligence (AI)

Turning specifically to AI, we would offer the following observations. Generalised statements certainly grab headlines, but without a proper understanding of the topic, they are simply opinions.

When GLP-1 weight loss drugs first hit the headlines in a big way back in 2023, the indiscriminate market impact across a range of industries was severe, extending from food and beverage companies to health businesses.

In our portfolio universe, Fisher & Paykel Healthcare and Resmed were both targeted. In the case of Resmed, its shares fell 46% over a six-month period, dropping to a low of \$21.14 by October 13, 2023. Today, three years on and with current evidence that Continuous Positive Air Pressure (CPAP) remains the gold standard for treating sleep apnea, Resmed shares are exchanging at \$32.16.

In contrast, Novo Nordisk, one of the major players in the weight loss drug industry, with its Ozempic-branded offering, saw its market value drop from a peak

valuation of circa US\$660b in 2024, to its current level of US\$164b.

The weight loss drugs have not gone away; in fact, they continue to gain marketing approvals in countries and are now also available in a pill. What has changed, though, is the broader understanding of their use and application. We no longer see market-grabbing headlines and investors jumping at weight loss shadows.

It is fair to say the implications of AI are far more profound. That may be the case, however, the initial response following the release of Anthropic's Claude Opus 4.6 and OpenAI's ChatGPT 5.3 new coding models may, in the fullness of time, reflect an extreme and simplistic view on its impact on current business models.

We note that the application of these AI models has garnered diverse industry views. Yet what is clear, even at this early stage, is their rapid adoption across business and indeed daily life practices.

While the following comments reflect individual views, they have merit in our eyes.

### WiseTech

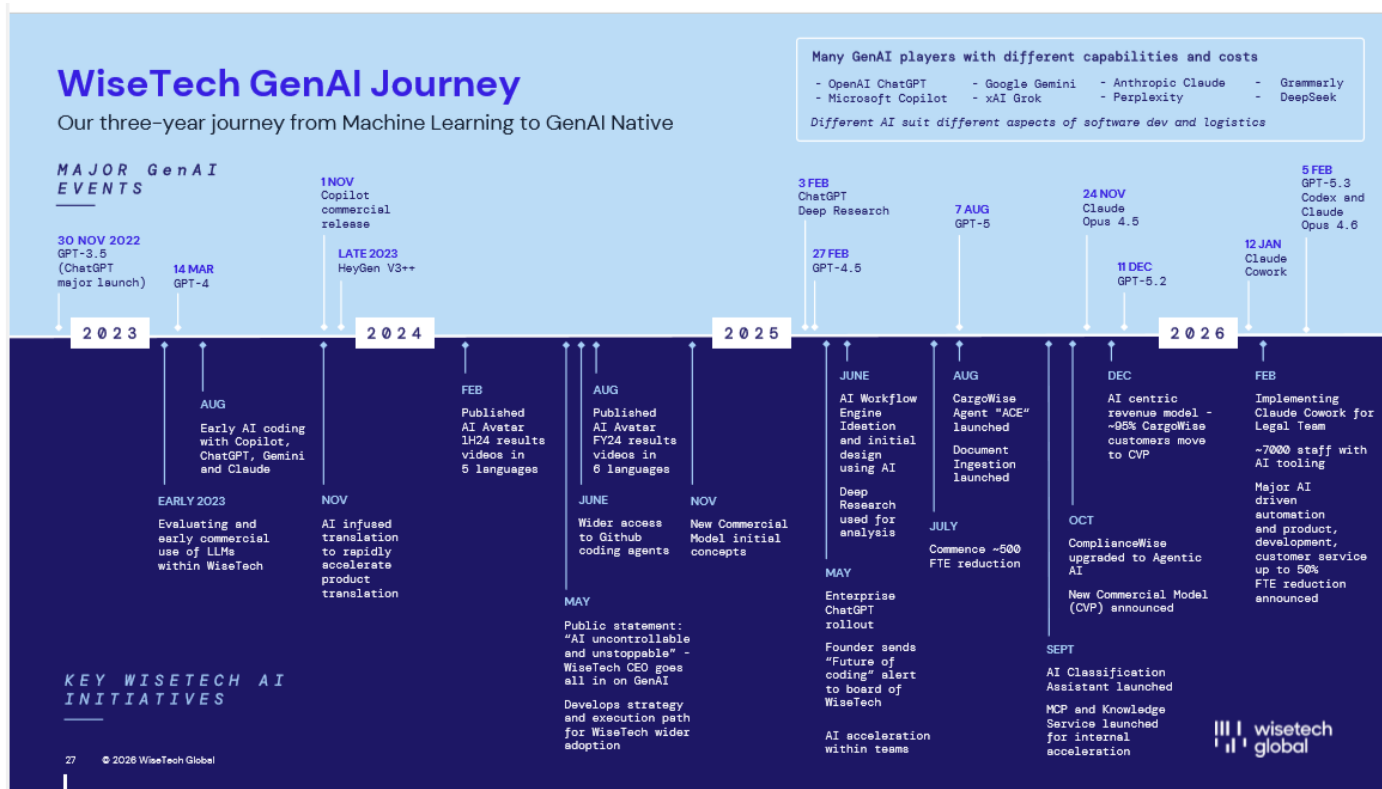
First, WiseTech CEO Zubin Appoo, a business we own in the portfolio, presenting at the recent half year results. The accompanying journey profile is highlighted below.

*“Software development has experienced its most significant shift in decades. Large language models have fundamentally changed how code is written, tested and maintained. I am prepared to say this clearly, the era of manually writing code as the core act of engineering is over. What has not changed is the importance of deep domain expertise, knowing what to build, which problems matter and how global trade and logistics operate. AI amplifies the productivity of our expertise in logistics and trade, the rich data sets that WiseTech holds and the network advantage that we have built over 30 years. And it allows us to move faster from ideas to real customer value through the efficiencies it brings in software development and product creation.*

*We expect our AI transformation journey to deliver:*

- *A leaner, more efficient AI-led organization supporting a structurally lower cost base and improved scalability.*
- *A stronger, more deeply embedded platform as AI-driven automation, labour efficiency and risk reduction becomes even more paramount to customers.*
- *The ability to leverage our transaction-based commercial model, deliberately aligned to value rather than number of users.*
- *And significantly higher productivity and efficiency in software development, turning investment into customer value faster.”*

Figure i: WiseTech: AI journey has been years in the making



Source: WiseTech investor presentation February 2026

When you consider all the AI investments the company has made to date, one thing sets it apart from virtually every competing offer: it runs its CargoWise software on a single database. This affords the company extraordinary flexibility in deploying AI seamlessly, across every customs declaration, compliance check and transaction completed. This data density, when combined with its single code database, is the moat that WiseTech will further exploit with the deployment of AI learnings.

**Xero**

Next, comments from software accounting firm Xero CEO Sukhinder Singh Cassidy, a business we do not own. Singh Cassidy’s career is worth reflecting on, as outlined on the company’s profile page.

*“With more than 25 years’ experience in Silicon Valley as a CEO, digital leader and board member, she has experience building and scaling global companies including Google, Amazon, Yodlee, Joyus and StubHub.”*

*As President of StubHub from 2018 to 2020, Sukhinder oversaw more than US\$5b in total GMV and its US\$4b sale in 2020. Prior to StubHub Sukhinder spent seven years in ecommerce, founding video commerce pioneer Joyus and premium talent marketplace theBoardlist.*

*Earlier in her career Sukhinder built Google’s revenue and operations across Asia Pacific and Latin America to over US\$2b in annual revenues and 2000 people in the region from 2003 to 2009. Sukhinder also served as the business founder at fintech pioneer Yodlee from 1999 to 2003.*

*Sukhinder has previously served on the boards of Ericsson, Tripadvisor, Urban Outfitters, Stitchfix and J.Crew. She holds a Bachelor of Arts (Honors), Business Administration from Western University, Ontario, Canada.”*

On 3 March 2026, CEO Singh Cassidy shared an opinion piece in the Australian Financial Review (AFR), *“I run Xero. These are my business lessons to win the AI game.”*

*“Over the past 30 years, I’ve had a front-row seat to several firsts that fundamentally reshaped our digital lives. From launching the first third-party marketplaces at Jungle/Amazon and building the fintech data backbone at Yodlee, to launching Google Maps and pioneering video commerce at Joyus, I’ve seen the same patterns of disruption repeat.”*

*As the business world navigates the current AI revolution, these patterns aren’t just historical trivia,*

*they are the blueprint for our future. Here are the four lessons I've learnt from witnessing these firsts over 30 years of operating.*

**Lesson 1: Right thesis, wrong timing**

*The most painful lesson in tech is that you can be absolutely right about the future and still be a decade too early for mass adoption.*

*Being first is a vanity metric; being right on time for your customers and their appetite is critical to mainstream adoption.*

**Lesson 2: Don't count out the transformers**

*There is a myth that the pioneer always wins. In reality, the real value is captured by the transformers as well – incumbents who watch the first wave, learn, and then scale – can end up being very big winners, if they are willing to transform themselves fast.*

*This transformer lens is now an industry-wide imperative. For established platforms, the goal is not to observe the AI shift from the sidelines, but to proactively transform themselves into agentic AI powerhouses.*

**Lesson 3: Innovation doesn't shrink the pie, it exposes the TAM**

*The most dangerous fallacy in tech is the fixed pie theory. History proves that when you lower friction through technology, the market doesn't just shift; it expands exponentially.*

*The cloud explosion: In 2006, the hosting market was a fraction of what it is today. By 2025, the global cloud computing market reached \$US781 billion and is projected to hit \$US3.3 trillion by 2033. Cloud didn't just*

*replace legacy servers; it grew the pie by more than 20 times by making compute accessible to every entrepreneur on earth.*

*We are seeing the same pattern emerge with the current AI cycle. It is not merely a tool for back-office optimisation but a catalyst for a radical expansion of the digital economy.*

*By democratising sophisticated intelligence, AI is set to trigger a four-fold business software market expansion by 2035. The true economic dividend is the massive redeployment of human capital. As AI evaporates administrative friction, millions of entrepreneurs can finally pivot from compliance to innovation and growth. This is the structural shift required to close the productivity gap that has stalled the global economy for a decade and continues to challenge the Australian economy.*

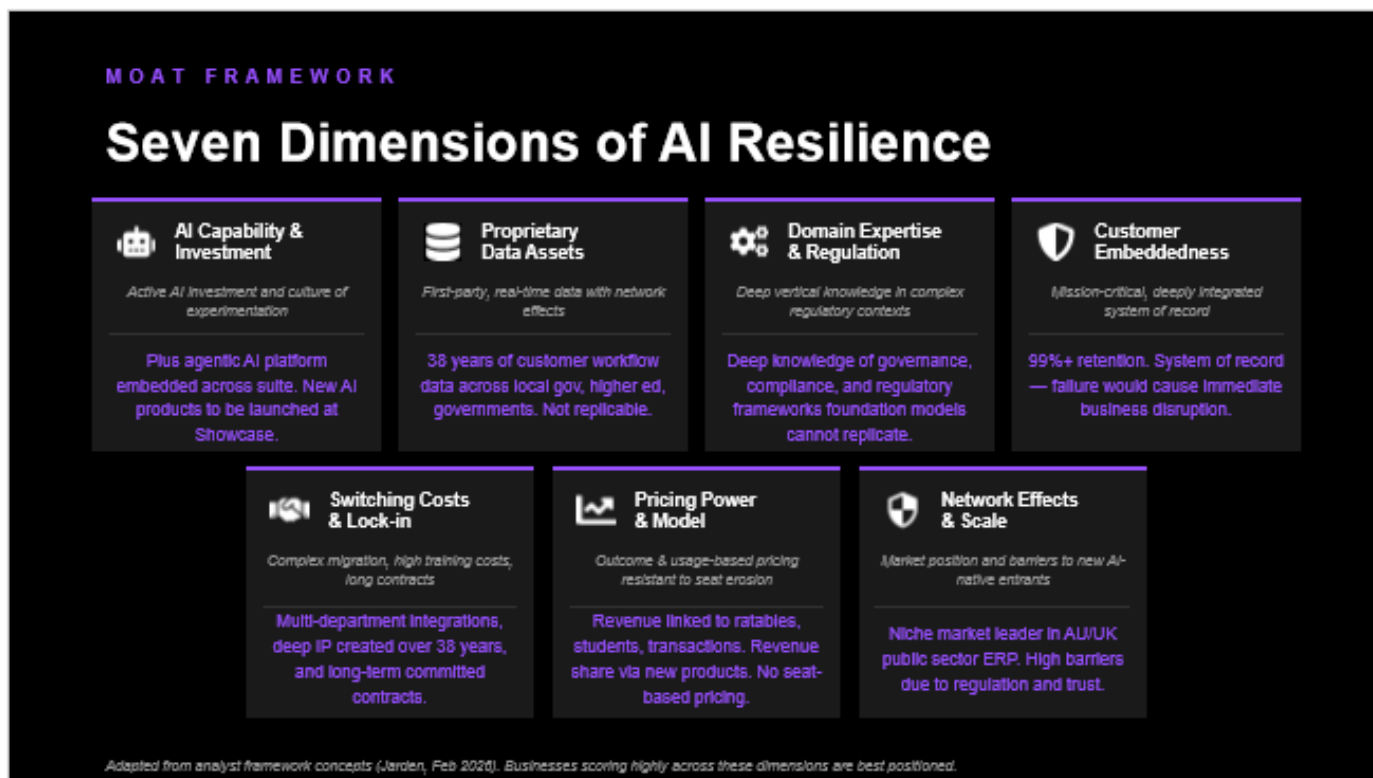
**Lesson 4: Enduring businesses are built, not bought**

*I witnessed the dotcom boom and bust, and more recently, the COVID-19 bubble. The ultimate lesson is that winners aren't defined by who raises the most money in the beginning. Winning is earned through capital discipline and strong business models, and defined by those who can build big, profitable and enduring businesses over the long haul."*

**TechnologyOne**

Perhaps the most impressive and succinct discussion on AI was presented by TechnologyOne CEO Edward Chung at the company's annual general meeting, held on 18 February 2026. [Figure ii](#) highlights the business Moats that TechnologyOne has built over the past 43 years.

Figure ii: Moats



Source: TechnologyOne Annual General Meeting February 2026 presentation

We agree with the views expressed by CEO Chung that it is too simplistic to place all software businesses under the same banner. Companies that offer solutions without proprietary data or workflow integration will be legitimately threatened. Contrast this with regulated verticals. Those that have embedded AI directly within their platforms, while offering the highest level of cyber security, mission critical products for governments and universities, and access to historical private data. Combine this with pricing linked to transactions rather than a per seat basis, and these organisations become difficult to usurp. More likely, their position will be enhanced.

As we consider the structural implications of AI, we have formed some early views that the strongest non-code moat holders are using AI as a tailwind, not navigating a headwind. When we look across the portfolio holdings, we see similar characteristics on offer at Breville, CAR Group, FINEOS, Pro Medicus, REA Group, SEEK, TechnologyOne and WiseTech.

Government regulation will also play an increasing role. Ever mindful of their electoral standing, politicians will act when confronted with a potential loss of control. Witness the recent public spat that the U.S. Government has levelled at Anthropic. This will not be

the last intervention, and while AI delivers the productivity benefits that many have identified, their respective business moats are narrower and more fragile than many people assume.

In addition, as unprofitable private businesses, the risk of scaling and the significant need for new capital investment to deliver on AI's potential remains a key concern. At the same time, competitor differences are not as obvious, leading to commoditisation of core models and the expected aggressive price competition that is most likely to eventuate. These are traits not necessarily consistent with moat or monopoly type technology businesses, which the likes of Google and Microsoft have in the past enjoyed.

The Economist, in its piece on 13 March, "Why investors won't know what to make of AI for a while", summed up the situation well in its concluding comments, "Fans of efficient markets may be maddened by this inability to peer accurately into the future. But markets reflect only the collective wisdom of today's investors. For as long as conversations between two Silicon Valley technologists produce three answers about AI's impact on the world, no one will be the wiser."

## Index risk

The ASX 200 index is dominated by fewer stocks and higher stock concentration. Combined, the major resource operations of BHP, Rio Tinto and the five major banks now contribute over 40% of the index. This top-heavy nature could be justified if these weightings reflected top-line and bottom-line profitable growth. The financial reporting from BHP and Rio would show their respective profits peaked in 2022, while the banks have struggled to generate any meaningful organic growth, relying in part on cost-out programs and the ongoing capitalisation of technology costs.

Compiled S&P data also highlights the lift in market valuations, notably the ASX20 trailing price to earnings ratio (PER) that sits at 21x at the end of March.

This is a by-product of investors increasingly looking to replicate the index weighting to avoid underperformance, and our superannuation industry funds that are constrained by the 'Your Super Performance Test' reporting, which punishes under performance.

In this context, no super fund Board Trustee will jeopardise a Fund's ability to remain open to new investor flow at the expense of differentiating widely from the competitor pack or pre-determined index weighting.

As such, the gravity of the weight of money appears to have outweighed the fundamentals, creating a situation that is unlikely to be sustained. Ultimately, earnings growth does matter and valuations that are out of step with growth expectations will be questioned.

Our portfolio approach, consistently applied over two decades of investing, represents a collection of businesses running their own race. There is no index hugging or market replication.

Each business is selected on merit, notably people, uniqueness, balance sheet strength, and delivery of real earnings per share growth.

When they all come together, and not all do, the expected outcome is share price outperformance that validates the effort and the tangible delivery of financial performance.

## Quarterly

In this quarterly, we discuss company reporting season, highlighting a selection of businesses held. We provide a deeper dive into sleep apnea leader Resmed in our article titled "Resmed - some facts". As we noted earlier, Resmed's share valuation was impacted when weight loss drugs first hit the market, only to change course once the facts were introduced. We then consider why investors should pay closer attention to how companies arrive at the bottom line in our article "Apples and coconuts".

## Buybacks

At a time of increasing investor fear and in a market where boards have been historically reluctant to undertake share buybacks, the sheer number either currently in train or recently completed is telling.

Within our portfolio, twelve companies have adopted this capital management tool, sending a crystal-clear message to investors and shareholders alike of the value on offer.

## Front page graph – market dislocation

As the front-page graph illustrates, investors have pushed valuations of companies that sit outside the ASX20 down to decade lows.

It is a situation that appears unsustainable and likely to revert just as quickly, as investor focus invariably shifts from fear to a refocus on company specific fundamentals.

The March quarter reflected a very difficult macroeconomic and geopolitical backdrop, that directly and indiscriminately impacted the share market values of the companies held within the portfolio.

Short-term outcomes, however, rarely provide a fair assessment of long-term investment decisions.

Our conviction rests with the businesses we own and their demonstrated ability to compound earnings over time. None lost competitiveness this quarter; sentiment did. That distinction matters.

Periods such as this are uncomfortable, but they are not unfamiliar, nor are they inconsistent with past market behaviour.

Our newsletters are intended to narrow the gap between portfolio decisions and investor

understanding, and constructive feedback — positive or otherwise — is always valued

In recent months several investors have contacted us and we welcome those discussions. We remain available to any investor who would like to engage further, whether in person or virtually.

Please reach out and the Portfolio Managers will schedule a suitable time.

For the March 2026 quarter, the Fund delivered a gross negative return of 19.16% compared to the All-Ordinaries Accumulation Index, which posted a loss of 2.66%.

We trust you find the quarterly informative.

Regards,

Selector Investment Team

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*“Credit has this issue that if a business does really well, your upside is capped, you just get your interest. And then you have the full downside - and this is where this becomes a problem.”*

---

*Steffen Meister, Chair of Swiss-based Partners Group, in the Financial Times, March 2026*

### Public market liquidity doesn't matter until it matters

We appreciate that many investors are not suited to public market ownership and the gyrations that occur. Share price action is a transparent outcome of price discovery. Whether we agree or disagree, the market dictates the outcome on any given day. Over the long run, the direction of individual share prices is generally influenced by business performance. A company that can deliver higher earnings will invariably attract a higher valuation.

For all its faults, the share market has one big advantage, liquidity. Investors have the option to buy, sell or hold on any day irrespective of their views on valuation. The attraction of liquidity doesn't matter until it matters.

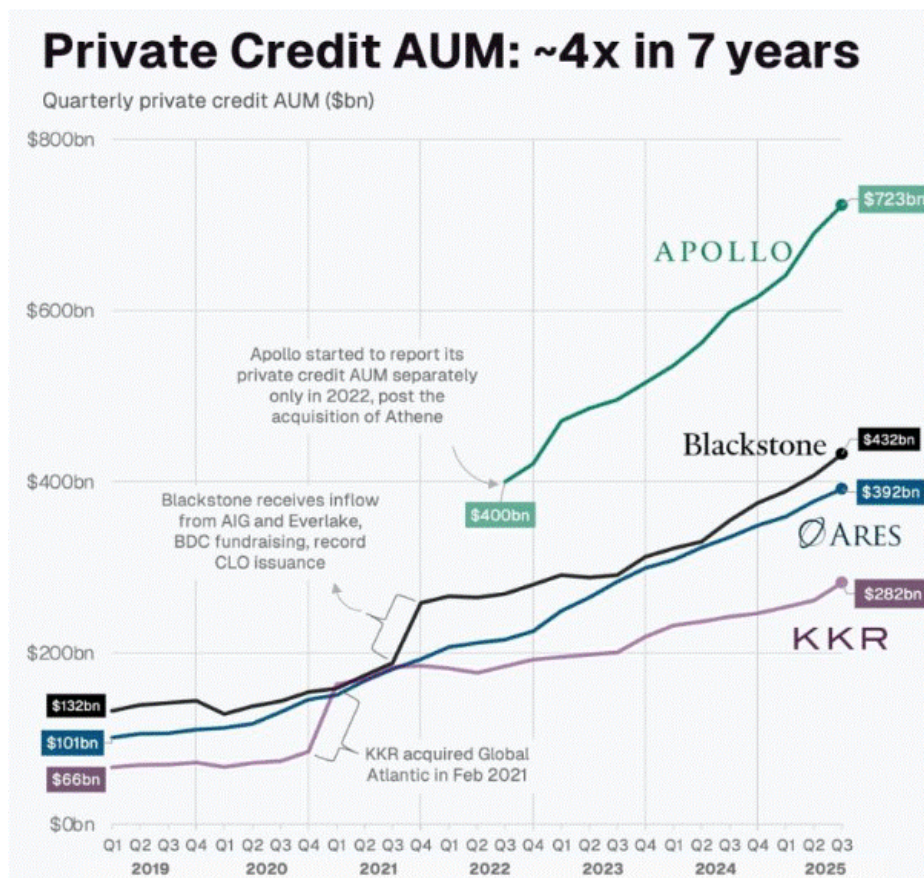
Rather than fret about daily ups and downs, what investors should take comfort from is that public market valuations are real, have been tested by an external audience with the added option of providing liquidity. This is not an add-on service; it is a feature that investors have until recently taken for granted.

In recent months, the question around valuations and access to liquidity has become a more vocal topic for investors in private equity and private credit.

The opening quote from the Chair of Swiss-based Partners Group, Steffen Meister, sounded the alarm for investors looking to redeem from private credit funds. Many investors, we imagine, would have been drawn to the high yields on offer, but less so to the capital risk and limited access to liquidity.

As Meister points out, *“you get the interest”* but even more pointedly *“you have the full downside”* on capital invested when something goes amiss. We are seeing this play out now, with major private credit funds imposing redemption restrictions as investors look to exit. This is evident across a growing number of private credit funds, including Blackstone, BlackRock, Cliffwater and Blue Owl, that have experienced exponential assets under management growth since 2019 reflected in [Figure iii](#).

Figure iii: Private credit 2019-2025



Source: UBS

We highlighted our concerns around private credit in our September 2024 Quarterly Newsletter article titled "Opaque world of private credit". At the time, we ended with a comment from the International Monetary Fund's assessment:

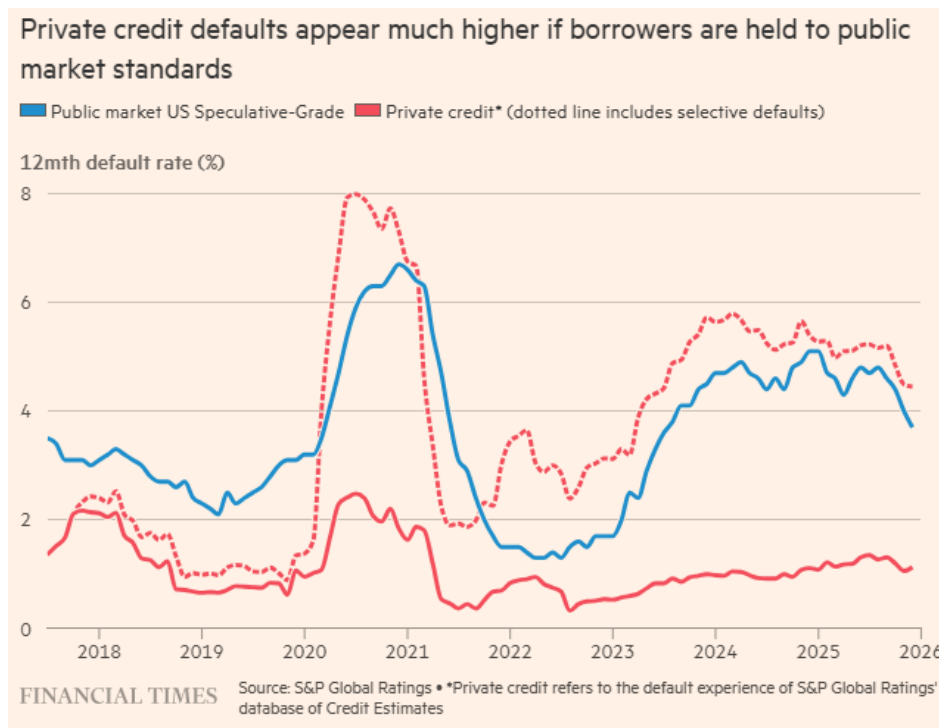
*"Private corporate credit has created significant economic benefits by providing long-term financing to corporate borrowers. However, the migration of this lending from regulated banks and more transparent public markets to the more opaque world of private credit creates potential risks.*

*Valuation is infrequent, credit quality isn't always clear or easy to assess, and it's hard to understand how systemic risks may be building given the less than clear interconnections between private credit funds, private equity firms, commercial banks, and investors.*

*Today, immediate financial stability risks from private credit appear to be limited. However, given that this ecosystem is opaque and highly interconnected, and if fast growth continues with limited oversight, existing vulnerabilities could become a systemic risk for the broader financial system."*

Meister now points to the risk of growing default rates, which have been materially lower than in public markets, as reflected in Figure iv.

Figure iv: Default rates: Private v Public



Source: Financial Times 12 March 2026

*" default rates had been 'so low' that private credit lenders had coped by managing diversified portfolios of loans that they then levered again. But that...will not quite work anymore if you see more defaults, lower net spreads."*

Public share markets, on the other hand, offer valuation transparency, whether we like it or not. There will be a day of reckoning when both private credit and private equity will have to front investors on transaction-based valuations tested by the public market or via asset sales, rather than relying on discounted cash flow models (DCF).

Until then, we have two distinct markets operating. The public markets that whipsaw, reflecting macroeconomic, geopolitical and individual company performance, compared to private markets, which operate in a closed environment with little transparency and even less ability to liquidate. We prefer the former.

**SFM**

*Aside: In an open letter to U.S. Secretary of the Treasury Scott Bessent, author Nick Nemeth puts the case forward on the opaqueness that currently governs an increasing pool of capital. Nemeth makes his case for greater oversight:*

*"I am writing to you about nearly \$13 trillion that marks its own homework. \$9.4 trillion in private equity. \$3.5 trillion in private credit. The largest pool of self-marked capital in the history of global finance."*

The link to his letter follows:

[An open letter to Secretary Bessent](#)

## Portfolio Overview

Table 1: Performance as at 31 March 2026<sup>1</sup>

	3 Month	6 Month	1 Year	3 Year <sup>2</sup>	5 Year <sup>2</sup>	10 Year <sup>2</sup>	15 Year <sup>2</sup>	20 Year <sup>2</sup>	Since Inception <sup>2</sup>
Fund (gross of fees)	(19.16)	(29.00)	(24.62)	(1.53)	(0.01)	7.45	10.35	7.74	9.83
Fund (net of fees)	(19.46)	(29.55)	(25.76)	(2.99)	(1.53)	5.65	8.44	5.88	7.87
All Ords. Acc. Index	(2.66)	(3.44)	11.29	9.36	8.36	9.46	8.10	6.95	8.26
Difference (gross of fees)	(16.50)	(25.56)	(35.91)	(10.89)	(8.37)	(2.01)	2.25	0.79	1.57

Inception Date: 30/10/2004

<sup>1</sup>Performance figures are historical percentages. <sup>2</sup>Returns greater than 1 year are annualised and assume the reinvestment of distributions. Past performance should not be taken as an indicator of future performance.

Graph 1: Gross value of \$100,000 invested since inception

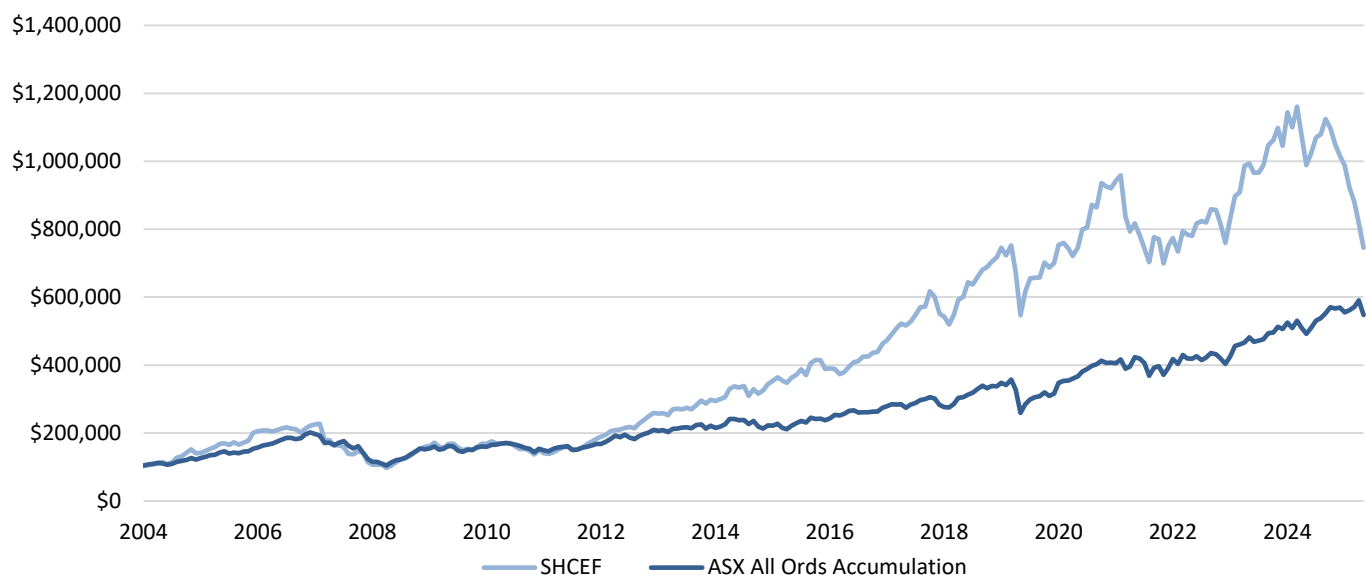


Table 2: Portfolio's Top 10 Holdings

Top 10 March 2026	%	Top 10 December 2025	%
TechnologyOne	8.34	Resmed	7.31
Nanosonics	8.33	CAR Group	7.12
Resmed	7.30	Nanosonics	7.09
Aristocrat Leisure	6.67	TechnologyOne	6.94
CAR Group	6.61	Aristocrat Leisure	6.90
FINEOS Corporation Holdings	5.72	Cochlear	6.44
Fisher & Paykel Healthcare	5.19	FINEOS Corporation Holdings	6.08
Cochlear	5.19	Pro Medicus	5.70
James Hardie Industries	5.02	James Hardie Industries	4.72
Reece	4.34	Fisher & Paykel Healthcare	4.44
<b>Total</b>	<b>62.71</b>	<b>Total</b>	<b>62.72</b>

Table 3: Unit prices as at 31 March 2026

Unit Prices	Entry Price	Mid Price	Exit Price
	\$2.2875	\$2.2818	\$2.2761

Selector employs a high conviction, index unaware, stock selection investment strategy. The Fund's top 10 positions usually represent a high percentage of its equity exposure. Current and past portfolio composition has historically been very unlike that of your average "run-of-the-mill index hugging" fund manager. Our goal remains focused on truly differentiated broad-cap businesses rather than the closet index hugging portfolios offered by most large fund managers.

Table 4: ASX sector performance – March 2026 quarter

S&P ASX Industry Sectors	Quarter Performance (%)
Energy	34.86
Utilities	8.48
Consumer Staples	8.11
Materials	2.50
Financials	(0.12)
Telecommunications	(2.81)
Industrials	(6.59)
Consumer Discretionary	(15.44)
A-REITS	(17.11)
Healthcare	(17.75)
Information Technology	(28.07)

Table 5: Fund's industry weightings

Industry group	March 2026 (%)	December 2025 (%)
Health Care Equipment & Services	30.04	30.97
Software & Services	17.06	17.18
Media & Entertainment	13.64	14.78
Consumer Services	8.53	8.97
Pharmaceuticals, Biotech & Life Sciences	7.27	5.94
Capital Goods	5.31	4.65
Materials	5.02	4.72
Consumer Durables & Apparel	4.22	3.75
Commercial & Professional Services	3.50	3.34
Automobiles & Components	3.41	4.08
Financial Services	1.09	0.78
Cash & Other	0.89	0.83

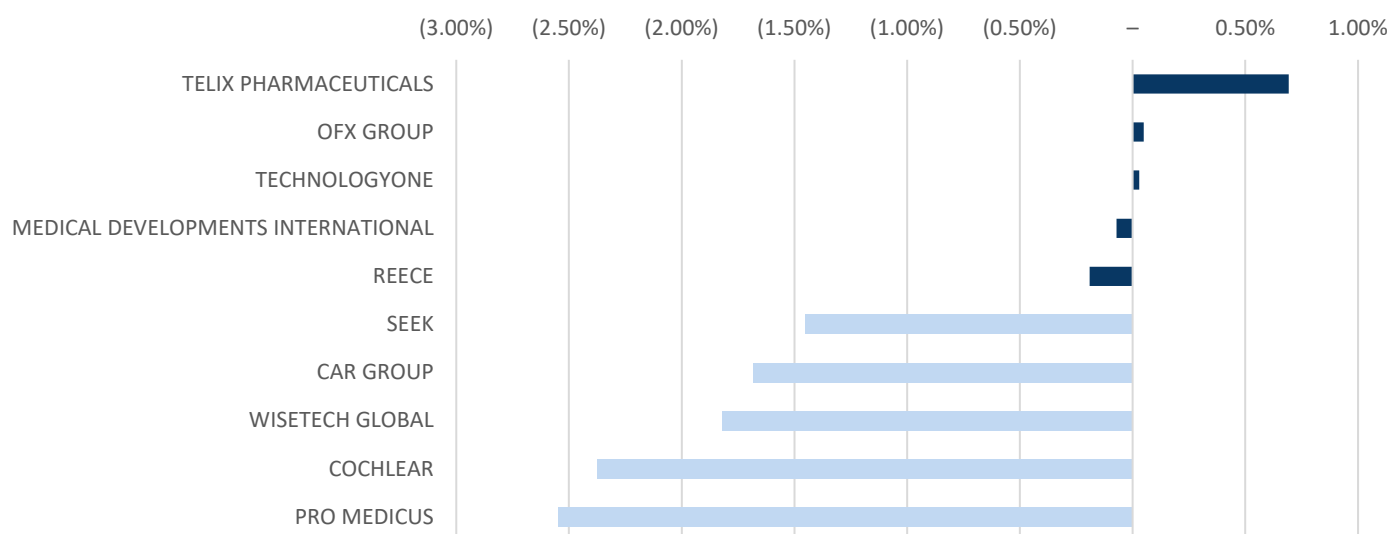
**Table 6: Portfolio turnover as at 31 March 2026**

Period	Turnover %
1 Year	3.66
2 Years	6.64
3 Years	6.19
5 Years	7.08
10 Years	7.12
15 Years	6.69
20 Years	6.26
Since inception	6.04

- Turnover shown as annualised percentages
- Turnover = Lesser of purchases or sales divided by average funds under management for the period
- Turnover calculation excludes cash flows greater than 1% of FUM over any given period

## Portfolio Contributors

**Graph 2: Contributors and Detractors – March 2026 quarter**



# Environmental, Social and Corporate Governance (ESG)

## ESG Roadmap

Consideration			
Social	Human Capital Management	Community (including MS*)	Best Interests
Governance	Board effectiveness	Shareholder interests	Risk, Litigation & Cyber
Environment	Climate Targets	Renewable targets	Progress against target

### Roadmap scorecard

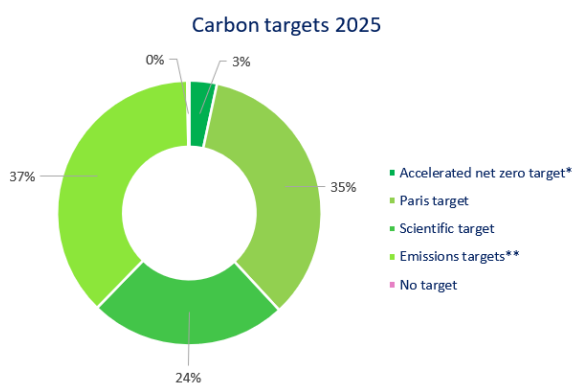
9 filters applied to each portfolio business

\*Modern Slavery (MS)

The ESG Roadmap is reviewed quarterly with data updated annually by reporting companies. Further detail on our ESG Roadmap and how ESG is integrated into the investment process can be found in the SFML ESG & Voting Policy, available at <https://selectorfund.com.au/esg>.

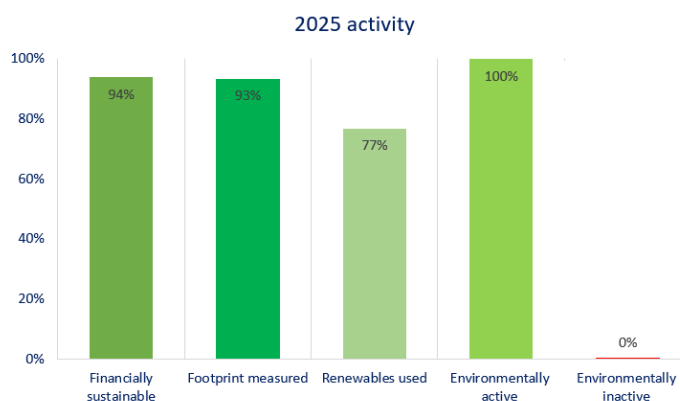
## Carbon Risk Analysis

### Portfolio Reporting 2025



#### What we are seeking

- Paris targets
- Science based targets
- Emissions targets
- Renewable energy targets



#### What we are monitoring

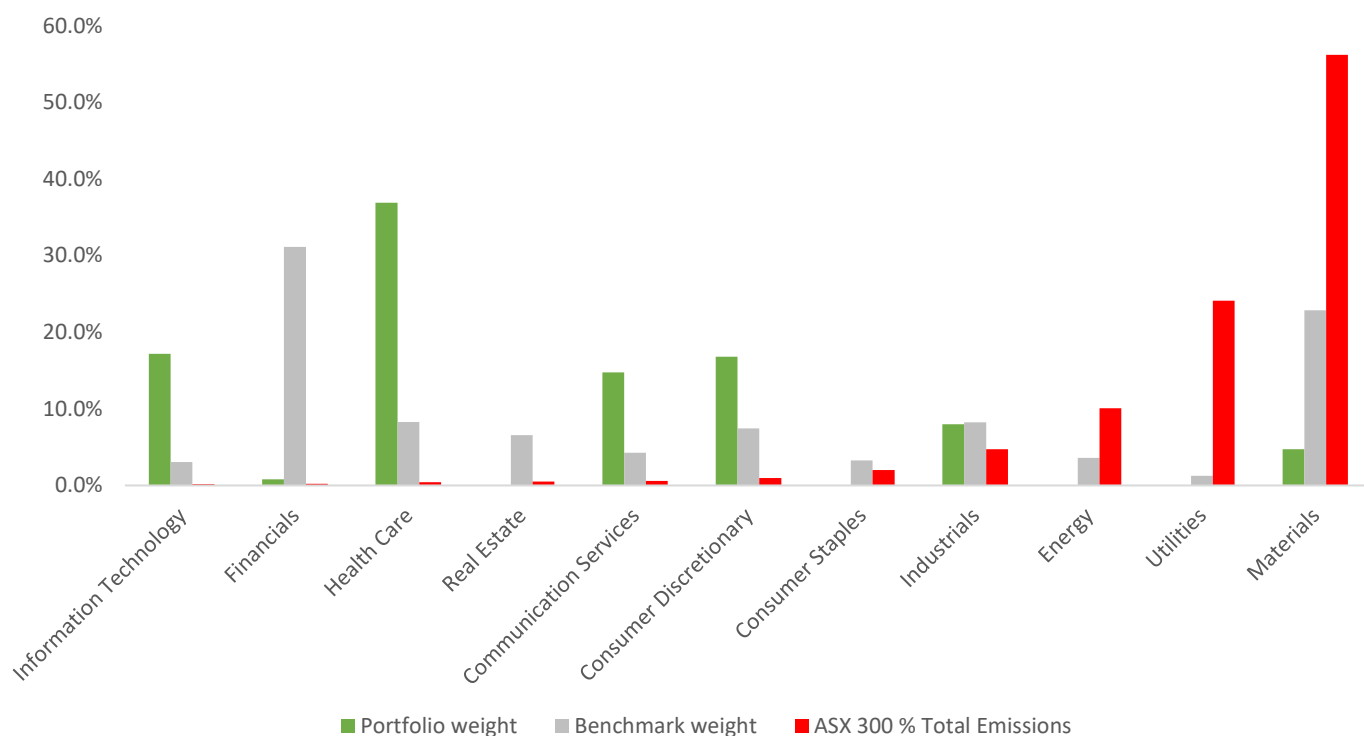
- Financial sustainability
- No efforts
- No accountability

\*Net zero across all scopes by 2030

\*\*Has at least measured emissions or energy use or set a target

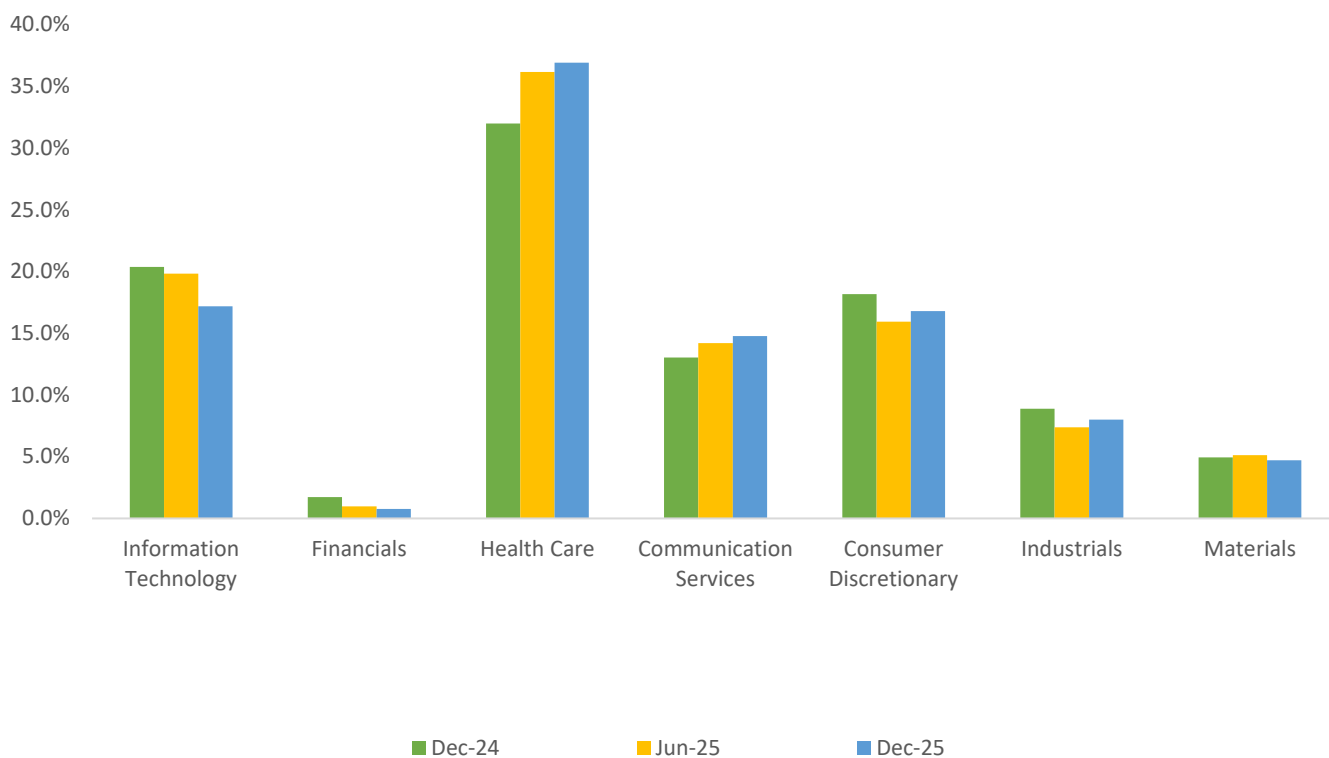
Source: SFML Research

Graph 3: SHCEF vs ASX 300 Carbon Exposure 31 December 2025



Source: SFML & LSEG

Graph 4: Portfolio Carbon Exposure Periodic Change



Source: SFML & LSEG

Table 7: SFML Portfolio carbon intensity

Carbon intensity method <sup>1</sup>	SFML <sup>2</sup>	ASX 300 <sup>2</sup>
Carbon to value invested	3.58	29.20
Carbon to revenue	14.23	109.46
Weighted Average Carbon Intensity (WACI)	9.29	101.92

Source: SFML & LSEG

<sup>1</sup>Last reported financial year revenue as at 31 December 2025

<sup>2</sup>Scope 1 and 2 emissions (estimated if not reported).

- **Carbon to value invested** – this calculation is the aggregation of estimated owned constituent greenhouse gas emissions<sup>2</sup> per \$1m market capitalisation as at 31 December 2025. It allocates the emissions investors are responsible for based on their level of ownership, enabling them to measure their contribution to climate change.
- **Carbon to revenue** – this calculation reflects the aggregation of estimated owned constituent greenhouse gas emissions<sup>2</sup> per \$1m generated in apportioned revenues. It allocates the emissions investors are responsible for based on their ownership of company revenues.
- **Weighted Average Carbon Intensity (WACI)** is the weighted average of individual company's estimated carbon intensities (emissions over revenues), weighted by the investment proportion of the constituents.

Table 8: SFML Top 10 emitters and total Portfolio Revenue impact of AUD\$90 Carbon tax

Portfolio	Revenue (\$m) <sup>1</sup>	CO2 Emissions <sup>2</sup> (Tonnes)	\$90 Carbon Tax (\$m)	Impact on Revenue (%)
SFML Top 10 Emitters	65,493.11	1,087,309	97.86	(0.15%)
SFML Portfolio – Total	77,000.91	1,110,685	99.96	(0.13%)
ASX 300 Top 30 Emitters	641,078.84	204,081,009	18,367.29	(2.87%)
ASX 300 Index – Total	1,371,252.10	220,853,748	19,876.84	(1.45%)

Source: SFML & LSEG CO<sub>2</sub> Emission data

<sup>1</sup>Last reported financial year revenue as at 31 December 2025

<sup>2</sup>Scope 1 and 2 emissions (estimated if not reported).

*Note: ASX 300 index revenue impact from a carbon tax is 11x larger than SFML portfolio*

Table 9: Fundamentals behind comparing SFML Top 10 Emitters and ASX 300 Top 30 Emitters

Portfolio	Percentage of Total Portfolio	Percentage of Total Portfolio's Emissions
SFML Top 10 Emitters	41.04%	97.90%
ASX 300 Top 30 Emitters	26.56%	92.41%

Source: SFML & LSEG CO<sub>2</sub> Emission data

*Note: ASX 300 Top 30 Emitters revenue impact from a \$90 carbon tax is 19x larger than SFML Top 10 Emitters*

## Reporting Season Snapshot

### Breville Group (ASX:BRG)

Breville Group is a leading global designer, developer and distributor of small appliances primarily across coffee, cooking and food preparation. The business operates a portfolio of brands, including:

- Breville (Sage brand used in Europe, the Middle East and Africa)
- Le Leit – a premium Italian coffee machine business acquired in 2022
- Baratza – a Seattle-based premium coffee grinding business acquired in 2022
- Beanz – an online marketplace of speciality coffee roasters developed in-house by Breville
- ChefSteps – a culinary platform acquired in 2019, covering recipes and classes, with dedicated content for Breville's product range (Breville+ solution).

Breville sells in over 70 countries either directly ("Global Product") or through a distribution model. Breville was founded in 1932 and employs over 1,100 staff.

	HY26 (\$m)	HY25 (\$m)	Change
<b>Revenue</b>	1,098.7	997.5	+10.1%
<b>Gross Profit</b>	389.5	366.3	+6.3%
<i>margin</i>	35.4%	36.7%	
<b>Operating Profit (EBIT)</b>	145.8	144.8	+0.7%
<i>margin</i>	13.3%	14.5%	
<b>Profit after Tax</b>	98.2	97.5	+0.7%
<i>margin</i>	8.9%	9.8%	
<b>Operating Cash Flow</b>	(6.2)	(23.9)	
<i>Capital Expenditure (CAPEX)</i>	46.1	42.1	
<b>Net Debt</b>	43.6	55.1	

Breville reported a strong half year result, delivering record revenue of \$1.1b, which has doubled over the last six years. Growth was supported by ongoing new product development, scaling new geographies, double-digit growth in the coffee category and resilient premium consumer demand.

The highlight was management's well-executed manufacturing diversification program, which reached its goal of having at least 80% of U.S. gross profit dollars manufactured outside of China by the end of December 2025. Commenting on the achievement, CEO Jim Clayton said, *"I cannot overstate the complexity of this task given the speed. Working closely with our manufacturing partners, we moved what we planned slightly ahead of schedule and equally importantly are*

*delivering the same quality of products off the new lines."*

The company is entering phase two of the project, moving the remaining production out of China and localising the supply chain.

The impact of the U.S. tariffs in the half on gross profit margin amounted to 1.3%, with total cash payments for tariffs increasing \$43m.

Despite the disruption, the business continues to sensibly invest in the future across new market expansion, marketing and product development, whilst delivering operating profit in line with plans and improving its net debt position. Following the collection of seasonal peak receivables in December, Breville

ended January with a net cash position of \$70.1m versus \$18.7m in the prior corresponding period.

### New product development

In the half, Breville announced four new products across three brands in the coffee and cooking category.

Breville's new Oracle Dual Boiler and Baratza's Encore ESP Pro grinder helped deliver double-digit growth in the Coffee segment.

The Oracle Dual Boiler, launched in August 2025, is Breville's most advanced connected machine designed to bring professional-quality coffee to the home. The device lets consumers switch between automatic and manual mode and features a dial-in system that monitors and automatically adjusts the grind settings to improve the consistency of each shot of coffee. The Dual Boiler won Best New Product at the World of Coffee Dubai in January.

In Cooking, the company launched its EyeQ toaster in select markets in October after 10 years of development. The toaster introduces an industry-first feature by using optical sensors to track colour changes, rather than time. Commenting on the innovation, Doug Nash, Breville's Global Product Officer, said "Until now,

*every toaster no matter the brand or price, has relied on timed heating, which is why toast can turn out uneven, inconsistent, or burnt. For over two decades, we've been leading the way making toasters ever more effortless and delightful. The EyeQ Auto Toaster is a breakthrough that fundamentally changes what's possible in toasting, and we're thrilled to be bringing it to kitchens all over the world."*

At the results presentation, Breville announced the upcoming launch of Lelit's Mara X3 prosumer machine initially in the UK and select European markets. The device adds a flow control paddle, allowing users to adjust the pressure and water flow during a shot of coffee. CEO Clayton said, "What makes this particularly noteworthy is that Pagaia [paddle] is leveraging a BRG patent. It's a concrete example of Lelit joining BRG [Breville] and then unlocking value for its customers using BRG [Breville] IP."

Powering the company's product innovation is the deliberate action to increase research and development (R&D) investment from 8.4% of revenue in 2016 to ~14% of revenue. R&D captures investment in new product development and manufacturing tooling, marketing and technology investments.

Figure 1: New product development





Source: Breville Group HY26 results presentation

### Geographic expansion and store experience

Since FY17, Breville has entered more than 13 countries directly, with the newest markets (South Korea, China, Mexico and the Middle East) growing at over 50% in the half. Breville continues to evolve its customer experience within each region, highlighting initiatives in South Korea and Mexico in its half year results presentation.

Breville entered the South Korean market in 2022, marking its first direct entry into Asia. The company augmented its retail presence by establishing a Cafe and store concept in the same building as its headquarters, a first for Breville or any home coffee machine brand in Korea.

The initial concept was awarded South Korea Brand Store of the Year in the 2025 Retail Asia Awards, recognising its impact on driving customer awareness and experience in delivering quality coffee at home. In the half, Breville followed up the concept with a

standalone café in Seongsu, expanding its premium café quality brand presence.

In Mexico, Breville launched its store-in-store offering in the region's most premium department store, El Palacio de Hierro in Mexico City, marking the company's entry into retailers.

In the U.S, Best Buy announced a material structural change to its retail store format, announcing Breville as one of three primary brands (alongside Dyson and Shark Ninja) in small domestic appliances. In November, Breville rolled out 300 store-in-store formats across the network. Best Buy also selected two secondary brands (De'Longhi and Bella), which will share an aisle across its stores, with all other brands de-ranged.

The company maintains a long growth runway through geographic expansion and further penetration across regions. South Korea, as an example only, surpassed New Zealand gross profit in 2024 with a population approximately 9.6x larger.

Figure 2: Examples of Breville’s recent store experiences

## Continuing to Invest in Store Experiences



Seongsu, Korea



Mexico City, Mexico



300 Door Best Buy Installation



18

**BRG GROUP** | Breville Sage LEBIT BARATZA beanz ChefSteps

Source: Breville Group HY26 results presentation

### Outlook

Breville expects FY26 EBIT to marginally increase over FY25, assuming no significant change in economic conditions, supply chain interruptions or tariff increases. The company remains focused on progressing its manufacturing diversification initiative and accelerating its AI program, with CEO Clayton personally leading the second phase of the company-wide training.

Breville Group has a market capitalisation of \$4b.

## CSL (ASX:CSL)

CSL's origins date to 1916, initially as the Commonwealth Serum Laboratory, before listing on the Australian Stock Exchange in 1994. The company now comprises three main reporting business segments. The flagship is CSL Behring, housing the global leading Plasma operations, with a total addressable market valued at US\$38b. The second is the global number two player in influenza treatment, Seqirus, addressing a market valued at US\$7b. The third is CSL Vifor operating in the iron deficiency and nephrology arena, with a global addressable market valued at US\$5b.

The company serves patients in over 100 countries and employs over 29,000 at balance date 2025.

	HY26 (US\$m)	HY25 (US\$m)	Change
<b>Revenue</b>	<b>8,332</b>	<b>8,483</b>	<b>(1.8%)</b>
<b>Gross Profit margin</b>	55.6%	55.5%	
<b>Underlying EBITDA</b>	<b>2,775</b>	<b>3,238</b>	<b>(14.3%)</b>
<i>margin</i>	33.3%	38.2%	
<b>Underlying Profit after Tax</b>	<b>1,946</b>	<b>2,074</b>	<b>(6.3%)</b>
<i>margin</i>	24.9%	25.3%	
<b>Operating Cash Flow</b>	<b>1,302</b>	<b>1,259</b>	
<i>Capital Expenditure (CAPEX)</i>	656	533	
<b>Net Debt</b>	<b>8,416</b>	<b>8,841</b>	

In November 2025, we attended the company's investor day held in Chicago, U.S. The three-day event covered all aspects of the CSL business and included site tours across both the Plasma and Seqirus manufacturing footprint.

Changes to the leadership team had also been underway before the visit, leading to the appointment of the group's Chief Strategy Officer, Ken Lim, as its new Chief Financial Officer.

Other key executives in attendance included CEO Paul McKenzie, Chief Commercial Officer Andy Schmeltz and Chief Operating Officer Dr Mary Oates.

In the month leading up to the investor day, the group's annual general meeting provided a difficult backdrop. A second consecutive non-binding vote against the remuneration report led to a board spill resolution that failed to pass.

CSL also unveiled a business reset. Complexity, underinvestment in key areas and speed to market concerns had stymied the business.

The business required simplification, making the decision to cut up to 15% of its workforce, reduce its R&D physical footprint from 11 sites to six and close 22

underperforming plasma centres, totalling pre-tax one-off costs of US\$700-US\$770m, alongside an expectation of US\$500m of annual pre-tax savings by 2028.

On 10 February 2026, the group announced the resignation of CEO Paul McKenzie and the appointment of Gordon Naylor as interim CEO. Naylor previously served as the group's CFO during his 33-year tenure with the business.

Clearly, the Board has spoken of the need for urgency and, importantly, to address key deficiencies identified in the leadership team. The appointment of Naylor is a safe pair of hands, but he brings a long corporate memory and is described by the Chair and former CEO Brian McNamee as a "*clear thinker, calm under pressure and a proven performer*".

The appointment of a new permanent CEO will take as long as required and is clearly centred on the Board identifying the skill sets and individual attributes needed to drive the business for the next decade.

### Result

The company delivered an operationally weaker first half, impacted by restructuring charges and divisional weakness in the group's core Plasma division.

Group revenues were weaker, down 2% to US\$8.3b, while net profits fell 6% to US\$1.9b. Importantly, cash flow was strong at US\$1.3b with the company announcing a share buyback totalling US\$750m.

There are multiple moving parts in the CSL business segments, but in short, the focus is centred on CSL

Behring (Plasma). Both Seqirus and Vifor operations are crudely expected to sustain current levels of revenues and profitability.

In the half, the CSL Behring business delivered 65% of group revenues totalling US\$5.4b and 61% of group operating profits equalling US\$2.3b.

Figure 3: CSL HY26 business segment

## Segment Financial highlights

US\$ millions reported	CSL Behring		CSL Seqirus		CSL Vifor	
	1H26	Change % at CC <sup>1</sup>	1H26	Change % at CC <sup>1</sup>	1H26	Change % at CC <sup>1</sup>
<b>Sales</b>	<b>5,335</b>	<b>(7%)</b>	<b>1,534</b>	<b>(2%)</b>	<b>1,223</b>	<b>13%</b>
Other Revenue	115	(13%)	112	(6%)	13	(38%)
<b>Total Revenue</b>	<b>5,450</b>	<b>(7%)</b>	<b>1,646</b>	<b>(2%)</b>	<b>1,236</b>	<b>12%</b>
Gross Profit <sup>4</sup>	2,788	(7%)	993	(5%)	849	14%
GP % <sup>4</sup>	51.2%	+10bps	60.3%	(210bps)	68.7%	+150bps
Sales & Marketing	(455)	(3%)	(117)	(8%)	(213)	5%
<b>Operating Result<sup>4</sup></b>	<b>2,333</b>	<b>(9%)</b>	<b>876</b>	<b>(7%)</b>	<b>636</b>	<b>22%</b>
Operating Segment % <sup>4</sup>	42.8%	(80bps)	53.2%	(270bps)	51.5%	+450bps

<sup>15</sup> Driven by **Our Promise**

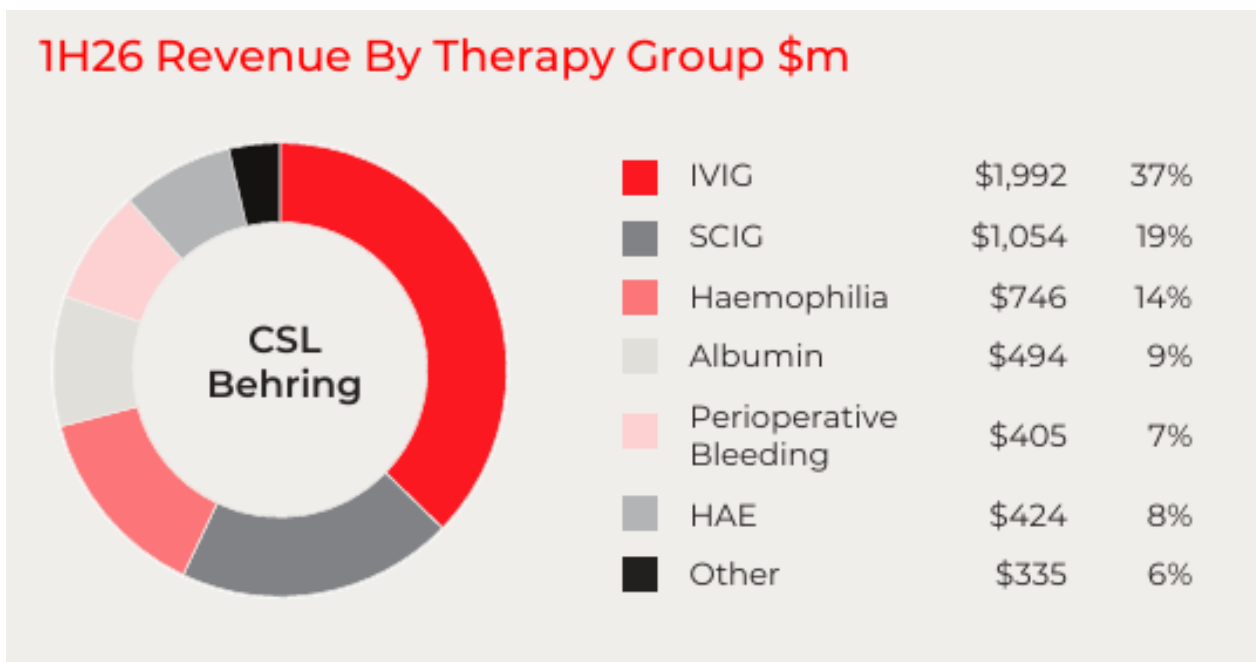
**CSL**

CSL 1H26 presentation material

As set out above, Behring's gross profit margins sit at 51%, improving from COVID-19 lows of sub 50%. While the long-term target is to achieve previous highs of 57%, at a minimum, new manufacturing initiatives incorporating Horizon 2 aim to lift this further. In March, the company gave the green light to this project,

announcing, "The Kankakee expansion, expected to be operational by 2031, will incorporate CSL's Horizon 2 manufacturing process, a patented, yield enhancing technology that enables significantly greater production of immunoglobulin from the same base amount of plasma".

Figure 4: CSL Behring Therapies 1H26



CSL 1H26 presentation material

The appointment of Naylor as CEO is very much about getting back to basics and understanding where the company has erred. Current share market valuations would suggest the business is broken or structurally in trouble. We would suggest this is an overly simplistic view of the role CSL plays within the plasma industry.

To be clear, CSL is the global market leader in immunoglobulin sales (Ig) with a global share of 31%, followed by Takeda at 28% and Grifols at 25%.

However, its share in the U.S. is lower at 25%, while Rest of World sits at 35%. The demand for Ig remains robust, with growth rates of mid-to-high single digits expected over the near term.

Management openly acknowledges the company has dropped the ball over recent years, having not marketed the key products of Privigen (IVIG), with a 25% share and Hizentra (SCIG), with a 55% share. This is being addressed with a field force now in place in the U.S.

In the speciality products area, CSL faces greater competition across therapies, including Haemophilia (Berinert 1H26 negative 4%) and Perioperative bleeding (Kcentra 1H26 negative 18%), offset by recently approved Hereditary Angioedema (HAE) drug Andembry.

HAE remains an important opportunity for CSL, addressing a market estimated at US\$3b, of which the incumbent Takhzyro currently holds a 50% market share.

However, Andembry is set to increase pressure on Takhzyro by offering potential advantages in both convenience and efficacy. Andembry is administered subcutaneously once per month, whereas Takhzyro is applied every 2-4 weeks.

In the half, Andembry recorded sales of US\$76m, having received U.S. FDA approval in June 2025.

### Guidance

Despite the weaker first half, the company has guided to a strong finish with full year guidance of revenue growth of 2%-3% in constant currency. Net profit, excluding one-off restructuring costs, is set to grow by 4%-7%.

Should these numbers pan out, group revenues of US\$15.8b and net profits of US\$3.3b are likely.

The company is currently trading on an FY26 operating multiple (EBIT) of 9.5x.

The company has a market capitalisation of A\$64b and is undertaking a US\$750m buyback program.

## Pro Medicus (ASX:PME)

Pro Medicus is a global provider of enterprise imaging software, representing 11 of the top 20 U.S. hospitals. The company has remained founder-led since it was established in 1983 and has 132 employees across the U.S., Germany and Australia, at the time of its latest annual report.

	HY26 (\$m)	HY25 (\$m)	Change
<b>Revenue</b>	<b>125</b>	<b>97</b>	<b>28%</b>
<i>% Recurring</i>	90%	95%	
<b>Gross Profit margin</b>	<b>100%</b>	<b>100%</b>	
<b>Operating Profit (EBIT)</b>	<b>90</b>	<b>70</b>	<b>30%</b>
<i>margin</i>	72%	67%	
<b>Net Profit after Tax</b>	<b>67</b>	<b>52</b>	<b>30%</b>
<i>margin</i>	54%	54%	
<b>Net Cash &amp; Investments</b>	<b>222</b>	<b>182</b>	
<b>Operating Cash Flow</b>	<b>65</b>	<b>49</b>	<b>33%</b>
<i>Capital Expenditure (CAPEX)</i>	(5)	(4)	

Co-founder, major shareholder and CEO Sam Hupert summed up the recent results the best: *“the most successful half in the company’s history”*.

### The half year

In the table above, we only provide a comparative snapshot to half year 2025. However, if you zoom out to full year 2023, the company earned more in HY26 than it did for the whole of FY23, which netted \$61m.

On almost every metric, the Pro Medicus business is making positive strides. For the first time, it closed the period with a five-year minimum contract value exceeding \$1b, lifted by seven new wins totalling \$280m. The company also completed six contract implementations which will generate incremental revenues and profits in future periods.

The most significant of these relate to the 10-year, \$330m Trinity Health contract, first awarded in November 2024. Implementation began in October 2025, with an expected completion date of October 2026. The scale of the undertaking should not be underestimated, covering over 650 radiologists and each cohort stage (five in total) equivalent to implementing a large, multi-site academic institution.

The breadth of product offerings also grew. Cardiology, as the newest offering, was included in two recent wins.

Notably, the University of Colorado Health, with an estimated value of \$17m-\$26m, forming part of the total \$170m, seven-year *“Full Stack+1”* deal.

The new Visage 7 Digital Pathology offering completes the *“ologies”*. Deals are expected to follow, but most importantly, the Visage 7 platform covers all the modalities – Radiology, Cardiology, Pathology – using the same code base, with a single viewer for all images in the hospital’s electronic health record (EHR).

This development is an important marker of future deals. Announcing the Colorado deal, CEO Hupert said, *“Notably, they have also opted for our cardiology offering, which will provide UHealth with a truly unified enterprise imaging solution, a trend we see continuing as more and more healthcare enterprises look to consolidate their disparate imaging solutions”*.

### AI

Much has been written about Artificial Intelligence (AI) and its expected impact on both the industry and the Pro Medicus business. The market has already concluded AI will have a negative impact.

We disagree.

In December 2024 and again in 2025, we attended the industry’s most important annual radiological

conference at the Radiological Society of North America (RSNA) held in Chicago, U.S.

During our most recent visit, it appeared every vendor at RSNA was not only fully cloud-enabled but also AI first. However, saying and doing are worlds apart, as the following perspectives aim to illustrate.

We supplemented this with a visit to the University of California, Los Angeles (UCLA) in October 2025, and a one-on-one meeting with Dr Edward Zaragoza, the Vice Chair of Radiology IT. The discussion centred on the Visage offering and its role at UCLA. Suffice to say, Dr Zaragoza highlighted why Visage is so highly prized by the industry and how it has captured more than 10% of the U.S. market.

It has done so against incumbents, such as General Electric (GE), which Visage replaced at UCLA. Signed in 2021, the seven-year, \$31m contract was considered one of the most important at the time, as it acted as a global reference site for other hospitals and was among the most respected academic hospitals in the U.S.

Dr Zaragoza recommended Visage, noting these key bullet points:

- Radiologists love it.
- Installation and service are second to none.
- It went live without a hitch.
- The user interface enables workflow efficiency.
- The system just “doesn’t go down”.
- Internal expertise (IP) “*hanging protocol*” all images are reset before launching, which is critical for radiologists in how images are displayed and hung.
- Delivery of images described as “*like liquid flowing*”.
- Demand for images is growing from three million to now five million per annum.
- Its ability to label images is “*exquisite*”.

In March 2026, we listened to Visage Co-founder and current Pro Medicus Chief Technology Officer Malte Westerhoff speak about the business.

Malte is based in Berlin, Germany, the main hub for the group’s research and development. Again, some important bullet points to consider:

- Malte met CEO Hupert in 2008. Described as “*culturally a great match*”.
- Imaging “*needs to be a diagnostic statement,*” “*not just a photo view*”.

- Points of difference: cloud and GPUs (graphics processing unit, an electronic circuit designed to speed computer graphics and image processing).
- Combining Cloud + GPUs “*smoother interaction*” when interfacing with data.
- Pro Medicus agile mindset; started with scientific visualisation turning 2D into 3D/4D. Disrupted the traditional market mindset.
- Moat – hundreds of small interfaces that tie into user workflow, “*a maths and physics foundation of visible light and microscopy*”.
- AI – we “*believe in fewer, smarter people*”.

The following points speak specifically to Malte’s thoughts on the market reaction to AI and its potential impact on the company:

- Too blunt an assessment.
- The framework is too complex for hospitals.
- The risks of mistakes are too high.
- Regulatory burden – hurdles are high (i.e. U.S. FDA).
- Competitors “*unlikely to catch up*”.
- Pro Medicus “*doesn’t have to adjust strategy...can accelerate the strategy*”.
- Radiologists are becoming more effective and efficient but still need to sign off on reports and face the patient. So, the need for radiologists won’t go away.
- AI offers greater integration of data.
- AI enables data to be embedded.
- Trust – Visage provides the platform and sits between the patient and the hospital platform. Privacy of data, cybersecurity.
- AI is an evolution.
- Platform is Proprietary – think Amazon. Visage platform, “*It is a beautiful model*”. Owning the platform provides enormous flexibility to add or subtract algorithms when appropriate.
- “*Companies that own the platform will be the winners*”.
- AI revenue – “*very confident over the next 12-18 months will see Pro Medicus generate AI revenues*”.
- Why Pro Medicus? Disrupt the market by doing things differently. Not monolithic. Open, modular, transparent, collaborative.
- GE is “*not a threat that we see*”.

## Power of Pro Medicus 'transaction' model

Securing new contracts is a source of future growth, but retaining existing customers through contract renewals speaks volumes about the service and belief in the platform.

In March 2026, the company announced two significant contract renewals, MedStar and Zwanger-Pesiri, for a further five years each, with a combined minimum value of \$40m.

The largest of the two is with MedStar and includes the addition of the new Cardiology offering. The renewal has a value of \$31m, a big jump from the original contract value of \$18m signed just five years earlier. It's a material uplift, even when excluding the addition of Cardiology.

The second is with Zwanger-Pesiri, now extending into its second five-year renewal period, valued at \$9m. From the original \$5m contract value, this reflects a near doubling over 10-years.

Hopefully, it is not lost on anyone that the Pro Medicus business model is one of the best we have witnessed. Why?

- Offers a mission-critical platform
- Transaction based
- Long-duration contracts
- High renewal track record
- U.S. market leader
- The highest operating margins in any industry observed
- Founder-led mentality
- Conservative financial backing
- Latency to capture significant market share and growth

## OpenAI

As an exercise, we asked OpenAI's ChatGPT to run a discounted cash flow model (DCF) on Commonwealth

Bank (CBA) as if it were 2005 and again for 2015 and 2020. The results are as follows:

- 2005 | CBA DCF | \$50-\$55 | share price market average \$44
- 2015 | CBA DCF | \$85-\$90 | share price market average \$85
- 2020 | CBA DCF | \$50 | share price market average \$67

The CBA share price is currently \$176. OpenAI in 2026 suggests a DCF range of \$65-\$105.

The purpose of this is to illustrate that DCFs are the most dominant method used by analysts to value businesses. In the case of CBA, valuations are only as good as the assumptions plugged in, and in the case of DCFs, there are a lot of assumptions to enter to get any outcome desired.

For Pro Medicus, of the five analysts that cover the company and considered in this note, all had DCFs before the reporting season within a range of \$291-\$350 per share.

Post reporting season and incorporating the AI meltdown that occurred in February, the DCF range has compressed to \$180-\$300 per share, with the bulk sitting below \$250.

Interestingly, there have been no discernible changes to growth rate assumptions used, which remain at circa 25%+ per annum. What has changed is the share price and the subsequent herd mentality of 'not sticking one's neck out'.

## Summary

Like previous periods, the company has given no formal 2026 full year guidance, except to confirm a stronger second half and confidence in its ability to sustain growth going forward.

Pro Medicus has a market capitalisation of \$13.7b and a net cash balance sheet plus investments of \$222m.

## Reece (ASX:REH)

Reece is a leading supplier of plumbing, bathroom, waterworks and heating, ventilation, air-conditioning, and refrigeration (HVAC-R) products. The company was founded in 1920 and employs approximately 9,000 people across more than 960 branches in Australia, New Zealand and the United States.

	HY26 (\$m)	HY25 (\$m)	Change
<b>Revenue</b>	<b>\$4,648</b>	<b>\$4,402</b>	<b>6%</b>
ANZ Revenue	\$2,062	\$1,980	4%
U.S. Revenue <sup>1</sup>	\$2,585	\$2,422	7%
<b>EBITDA</b>	<b>\$448</b>	<b>\$475</b>	<b>(6%)</b>
margin	9.6%	10.8%	
<b>EBIT</b>	<b>\$262</b>	<b>\$305</b>	<b>(14%)</b>
margin	5.6%	6.9%	
<b>Profit after Tax</b>	<b>\$144</b>	<b>\$181</b>	<b>(20%)</b>
margin	3.1%	4.1%	
<b>Net debt</b>	<b>\$1,008</b>	<b>\$646</b>	
Leverage	1.5x	0.8x	

<sup>1</sup>U.S. sales up 6% in USD

In February, Reece reported HY26 revenue of \$4.65b, up 6% and operating profit (EBIT) of \$262m, down 14% due to continued market softness and elevated costs associated with ongoing network expansion and investment.

### ANZ

In the ANZ region, sales revenue rose 4% to \$2.1b and operating profit declined 7% to \$179m, reflective of ongoing investment in people, digital initiatives and modest cost inflation. Reece sees its network density as a key competitive advantage and continues to forge ahead with its growth strategy, adding four net new branches, bringing the ANZ network to 680 at period end.

### U.S.

In the U.S., sales revenue increased 6% to US\$1.7b, while operating profits were down 26% to US\$55m, due to ongoing network expansion. Margins are expected to lift over time as trading conditions improve and newer branches mature.

The group continues to scale, adding 19 new stores in the half, bringing the U.S. network to 286 locations.

Reece maintains that it can sustainably add 10 to 15 new branches per year. The development of Reece's U.S. team is a critical driver of long-term success, supporting network growth through experienced local leadership and market expertise. During the half, the group continued to invest in development programs aimed at deepening trading skills and leadership capability.

Eight years on from the acquisition of MORSCO, the U.S. strategy remains on track. At the time of acquisition, CEO Peter Wilson made it very clear this was a long-term opportunity, measured in decades, not years.

*"What we have here is a 100-year-old place that needs a refurbishment while you're living in it. So, we have started by re-stumping the place. Then there needs to be a new roof and walls. The biggest thing will be when we rewire the company, which is the technology part. The opportunity for Morsco is even bigger than I thought but there is still foundational risk. We need to get it right because it is a 10-year journey."*

### 2030 Vision

CEO Wilson used the earnings update to reiterate Reece's 2030 Vision to be the 'trades most valuable

partner'. This vision is closely aligned to the group's purpose of "building a better world for customers by being the best", with management emphasising that sustainable value creation is driven by helping trade customers operate more efficiently in an increasingly complex and digital environment.

Execution of the 2030 Vision is focused on three strategic priorities:

- Operational excellence
- Accelerating innovation
- Investing for profitable growth

Operational excellence centres on achieving consistently high service levels and execution across an expanding branch footprint. Accelerating innovation means staying ahead of customer needs through product development and digital initiatives, such as maX, the group's digital experience platform for trade customers. Investing for profitable growth is underpinned by the group's ongoing branch expansion.

CEO Wilson noted, "Our 2030 vision is to be our trade's most valuable partner and the commitment to our blueprint, especially in these challenging periods, enables us to deliver on our customer promise and succeed in the long term."

Figure 5: 2030 Vision



Source: Reece HY26 results presentation

### Capital management

Reece's capital management approach is consistent and centred on maintaining balance sheet strength, while continuing to invest in the business and returning capital to shareholders when appropriate, as shown in Figure 6.

In the half, the group funded ongoing organic investment, including store refurbishments and 23 net new branches, while also completing \$401m of both off and on market share buybacks, reflecting confidence in underlying cash generation despite softer market conditions.

Figure 6: Capital management priorities

# Capital management priorities



Source: Reece HY26 results presentation

## 2030 Remuneration Framework

In March, Reece announced the finalisation of a new remuneration framework for Chair & CEO, Peter Wilson and Group President & Managing Director, Sasha Nikolic. The revised framework replaces short-term incentives with a single, long-dated equity structure that vests progressively through to FY30, directly linking executive outcomes to the successful delivery of the group’s long-term strategy.

Chair of Remuneration Committee, Jacqueline Chow commented, *“Having consulted widely on the best approach, the new Reece 2030 remuneration framework has been designed to reinforce Reece’s unique ownership structure, entrepreneurial spirit, long-term view, and relentless focus on customers. It will*

*reward the delivery of ambitious targets that will drive significant value for shareholders if achieved.”*

## Outlook

Management maintains a cautious outlook for the remainder of FY26, with demand expected to stay subdued across both ANZ and the U.S., and no material improvement anticipated in the near term.

Reece took the unusual step of providing guidance, reflecting management’s confidence in the outlook and business strategy. For the full year, management guided to EBIT in the range of \$520m-\$540m, reflecting both the softer operating environment and the impact of continued investment.

Reece has a market capitalisation of \$8.2b.

## Resmed – Some facts

When Resmed reported its quarterly and half yearly update in January 2026, it provided an opportunity to consider the past.

We have held Resmed for over two decades and followed its progress since 2003. The following numbers reflect the company's evolution and financial progress.

### Resmed Financial Summary: 2003-2026

US\$m	FY03	FY13	FY25	1H26
<b>Sales</b>	<b>274</b>	<b>1,515</b>	<b>5,146</b>	<b>2,758</b>
COGS	100	574	2,061	1,043
<b>Gross profit</b>	<b>173</b>	<b>941</b>	<b>3,086</b>	<b>1,715</b>
<i>Gross margins</i>	<i>63.1%</i>	<i>62.1%</i>	<i>60.0%</i>	<i>62.2%</i>
SGA	85	391	991	538
<i>SGA % rev</i>	<i>31.0%</i>	<i>25.8%</i>	<i>19.2%</i>	<i>19.5%</i>
R&D	21	121	331	178
<i>R&amp;D % rev</i>	<i>7.7%</i>	<i>8.0%</i>	<i>6.4%</i>	<i>6.5%</i>
<b>Total Operating expenses</b>	<b>106</b>	<b>586</b>	<b>1,370</b>	<b>740</b>
<i>Operating expenses % rev</i>	<i>38.7%</i>	<i>38.7%</i>	<i>26.6%</i>	<i>26.8%</i>
<b>EBIT</b>	<b>67</b>	<b>355</b>	<b>1,686</b>	<b>999</b>
<i>EBIT margin</i>	<i>24.5%</i>	<i>23.4%</i>	<i>32.8%</i>	<i>36.2%</i>
<b>PBT</b>	<b>67</b>	<b>387</b>	<b>1,764</b>	<b>943</b>
<i>PBT margin</i>	<i>24.4%</i>	<i>25.5%</i>	<i>34.2%</i>	<i>34.2%</i>
<b>NPAT underlying</b>	<b>45</b>	<b>350</b>	<b>1,407</b>	<b>786</b>
<i>NPAT margin</i>	<i>16.4%</i>	<i>23.1%</i>	<i>27.3%</i>	<i>28.5%</i>
Net Cash	1	575	541	753
EPS cents	33	240	957	538
DPS cents	0	76	219	120
Shares on issue (m)	138	146	147	146
ROCE	27%	21%	23%	24%
Market Capitalisation (US\$b)	1.35	6.59	37.93	37.71

### The business

The company has stayed true to its core business origins. Today, it is led by CEO and Chairman Michael Farrell. Farrell joined the company in 2000 before eventually serving as President of the Americas region

from 2011 to 2013. His appointment to CEO in 2013 followed the stepping down of founder and prior CEO, Peter Farrell (Michael's father).

While initially wary of public companies anointing family members in key roles, sufficient time has since

passed to make a judgment call. On this score, the management team, led by its CEO, has executed the business case well, maintaining global leadership and a strong financial scorecard.

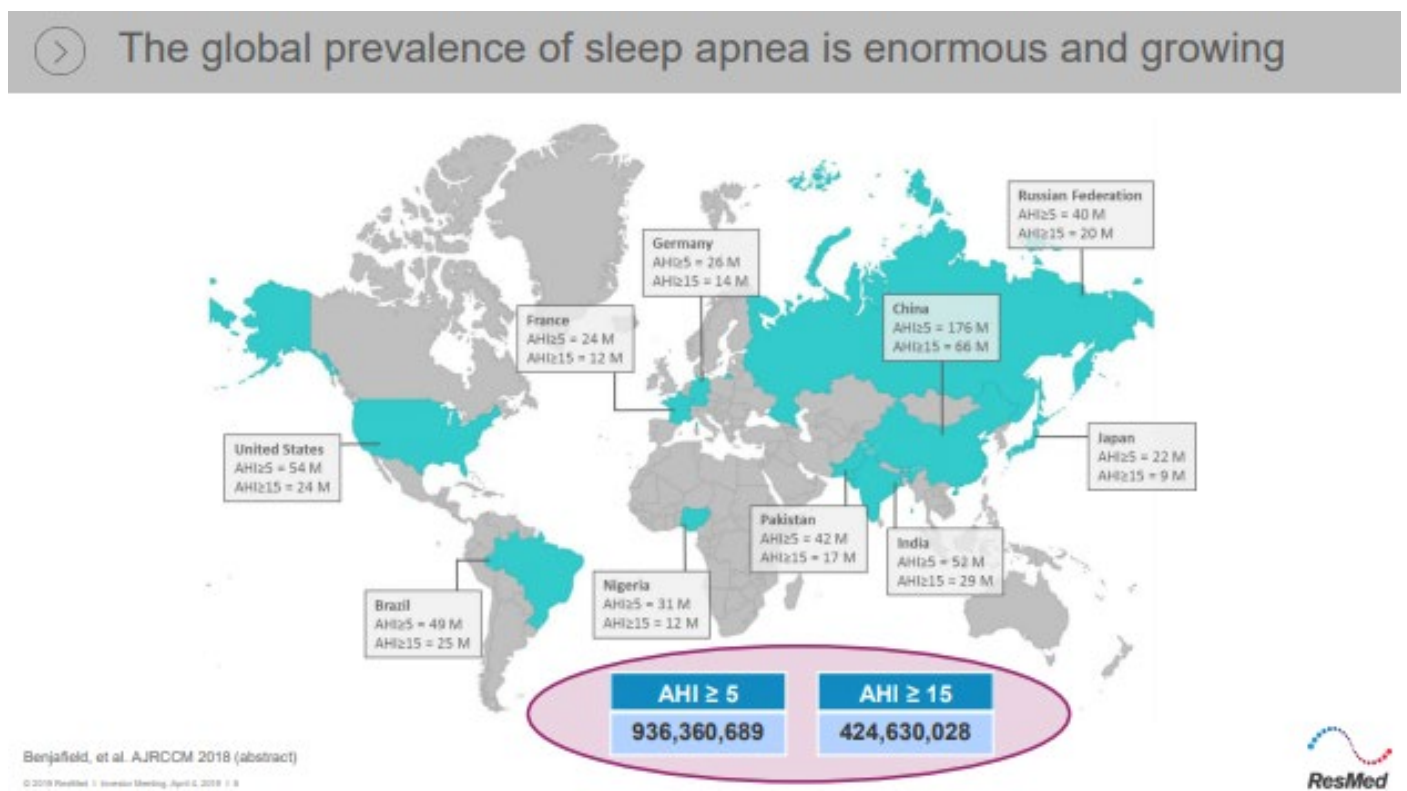
Resmed, which stands for "Respiratory Medicine", started in 1989 when Peter Farrell set about commercialising his prototype Continuous Positive Airway Pressure (CPAP) device. The company listed in 1995 and over the ensuing decades focused almost exclusively on the barriers to sleep, or more precisely, the lack of healthy sleep.

Sleep Disordered Breathing (SDB) describes a range of

conditions where a person's breathing becomes irregular during sleep. This can include insufficient ventilation or, in many cases, obstructive sleep apnea (OSA), where a person stops breathing for a period of 10 seconds or more.

Figure 7 illustrates the global prevalence of sleep apnea. The Alpha Hypopnea Index (AHI) measures the degree of sleep apnea: 5-14 episodes per hour are considered mild, while 15 or more are moderate to severe. In this context, there are estimated to be 936m apnea sufferers and within that, 424m moderate to severe patients.

Figure 7: Sleep apnea global prevalence

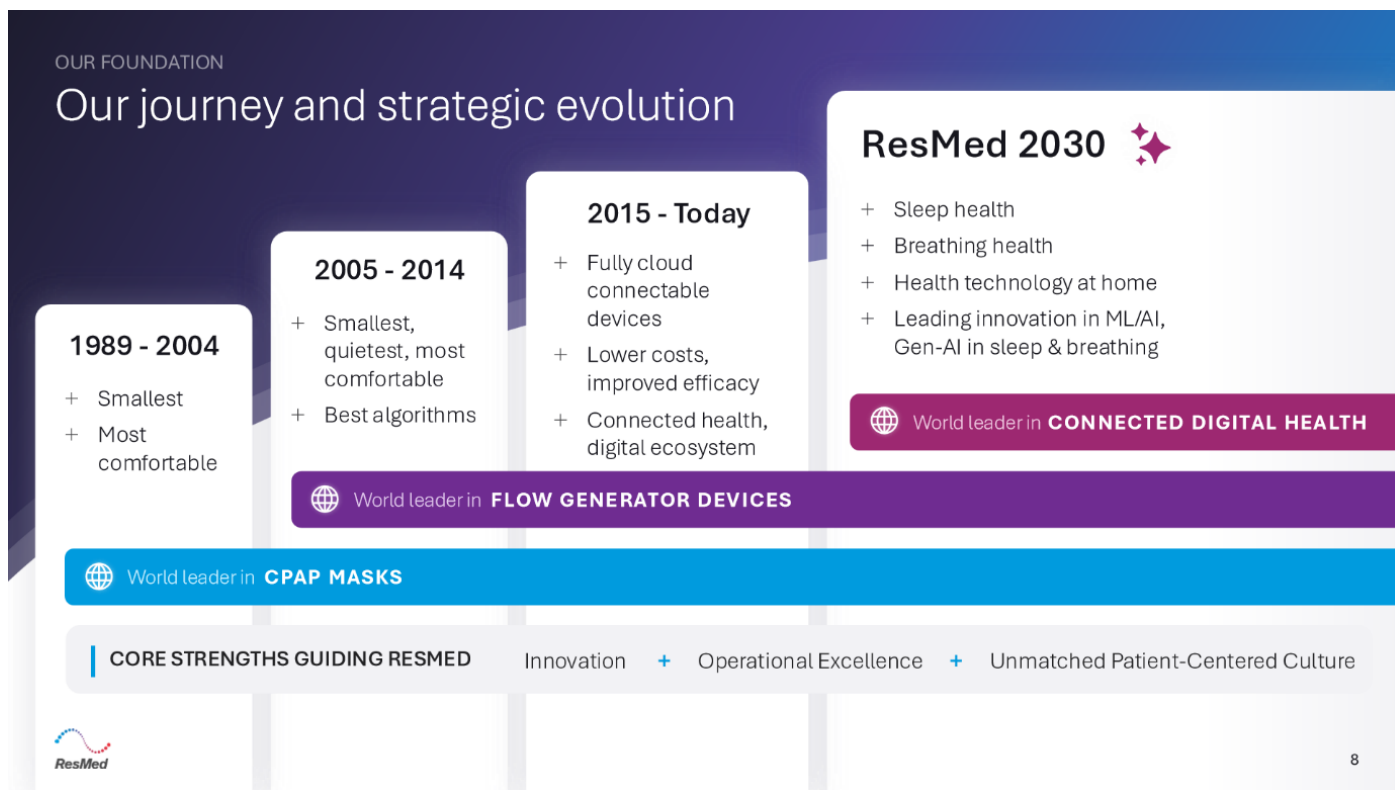


Source: Resmed investor meeting presentation April 2019

The company's investor day held in September 2024 reinforced the group's purpose, defined by its 2030 aspirations. As Figure 8, Figure 9 and Figure 10 illustrate, Resmed is focused on addressing the

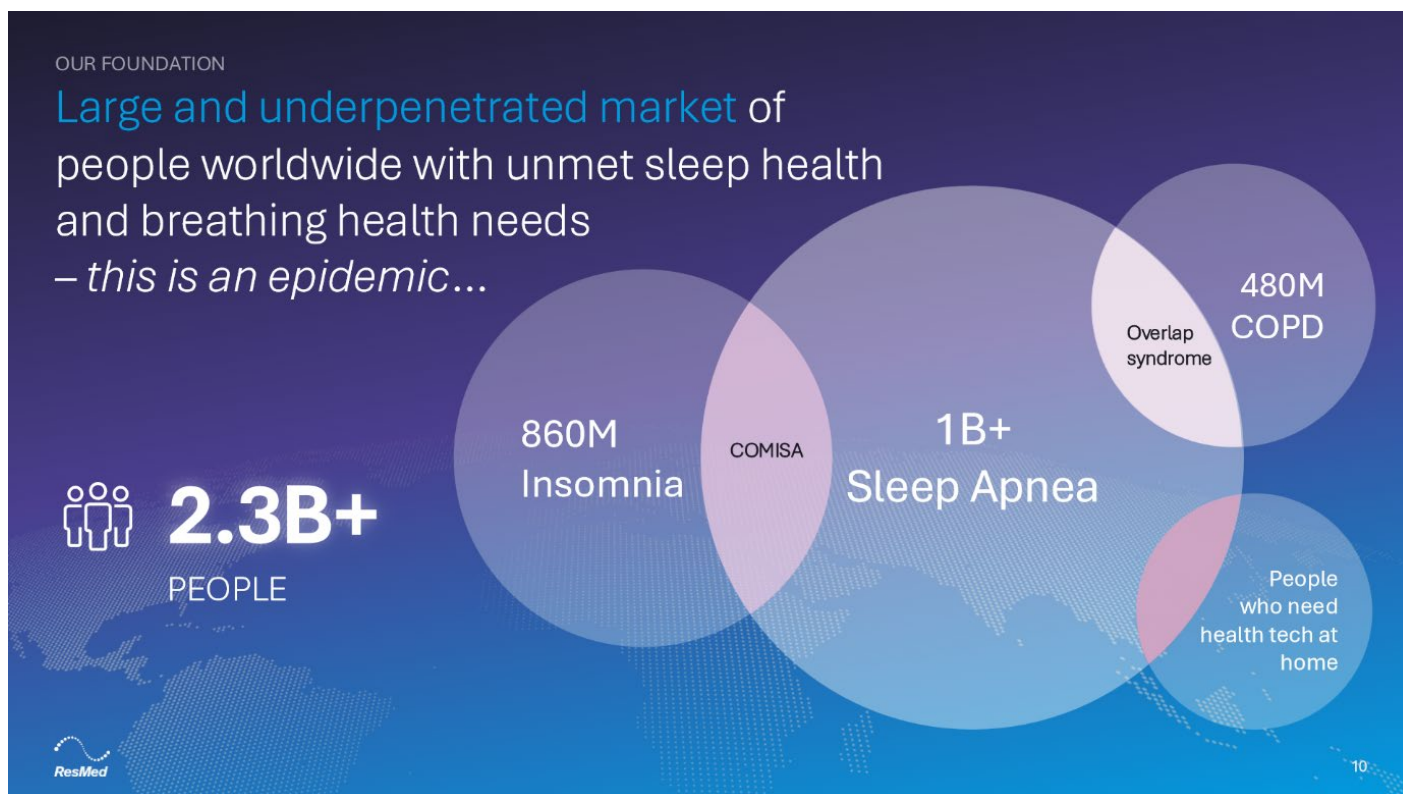
underlying causes of sleep health. Figure 8 highlights its progress from a standing start in 1989 to today, as the leading global provider of CPAP sleep devices and masks.

Figure 8: Resmed’s progress 1989-2025



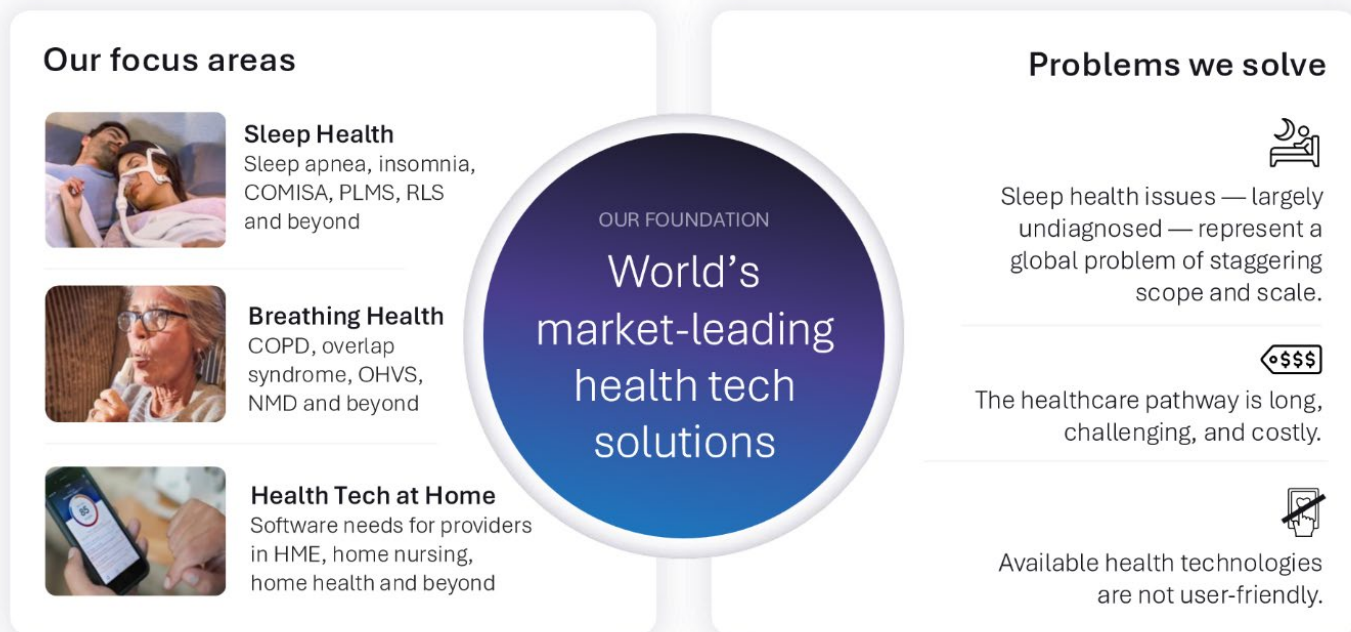
Source: Resmed 2024 Investor Day presentation

Figure 9: The opportunity in addressing healthy sleep



Source: Resmed 2024 Investor Day presentation

Figure 10: Resmed foundations



Source: Resmed 2024 Investor Day presentation

Today, Resmed finds itself in a strong financial position. It has evolved, having competed aggressively and invested to change the status quo of treating sleep.

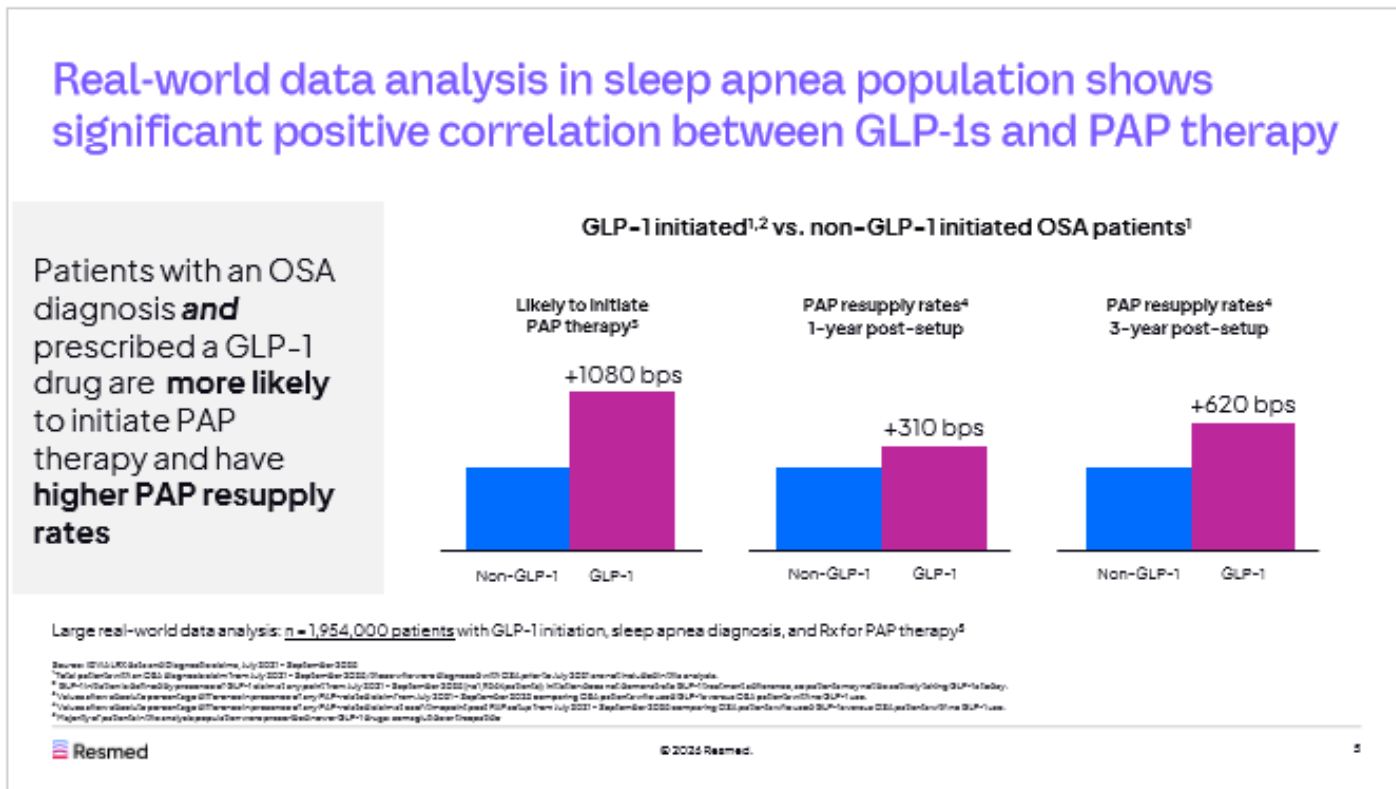
Three of the mega trends identified by CEO Farrell continue to play out and include:

1. The shift toward out of hospital care as the accepted treatment pathway for patients.
2. The adoption of digital health enabling hospital care to take place both efficiently and effectively.

3. The elevation of respiratory care in the medical field.

The fourth we would now add is awareness. Better understanding and monitoring of sleep conditions are changing attitudes and driving clinical adoption. Recent data also suggests a positive correlation between GLP-1 drugs and improved patient compliance. Looking over three years, since the introduction of GLP-1s, Resmed's data (Figure 11) shows a 6% uplift in patient adoption of CPAP therapy due to improved awareness.

Figure 11: GLP-1s PAP therapy data



Source: Resmed 2Q26 investor presentation

That said, the business has faced and continues to face challenges. We have the scars to prove it. While not an exhaustive list, the company has weathered regulatory oversight, predominantly in the U.S., under the Competitive Bidding Program that aims to cap reimbursement rates for CPAP devices and masks.

Adding to this is the ongoing risk of product recall, should the authorities deem such action warranted. In 2021, the company's key competitor Respireonics, owned by Philips, initiated a worldwide recall of all its CPAP and ventilator devices, totalling over 15 million devices worldwide and more than 5 million in the U.S.

While Philips continues to sell products in global markets, it remains restricted in the U.S. under a Consent Decree, in essence, a legally binding agreement with the U.S. Food and Drug Administration (FDA) that requires compliance fixes before market access is allowed. At the time of writing, this restriction remains in place.

And then there is the emergence of new drugs and alternative treatment paths that will test the current status quo.

Yet one of the biggest challenges lies within. Dealing with growth and sustaining a pace of growth over a very long duration is a competence few companies can match.

The facts

In the financial table above is a snapshot of the company's key financial outputs since 2003. The period captures 23 years of operations. We have provided data points in increments of at least 10 years to provide a line of sight. The latest period is six months and coincides with the most recent reporting from the company.

Some factual points to note.

Revenues

The company has undertaken acquisitions, but the majority of growth has been organic. From 2003 to 2025, the company has delivered a revenue compound growth rate of 14.3% per annum.

Gross profit

Over the same period, gross profits have compounded at 14% per annum. The COVID-19 era impacted gross

profits as supply lines and the cost of procurement rose sharply. Recent results data shows gross profit margins rising, from 60% in 2025 to 62.2% in the 2026 half year.

### Total operating expenses

Total operating expenses have compounded at 12.3% per annum over the 22 years to 2025, while research and development (R&D) investment, a key component in sustaining future growth, has compounded at a higher rate of 13.3% per annum.

### Earnings before interest & tax (EBIT)

Operating profits have compounded at 15.8% per annum, reflecting improving operating leverage. In the six months to December 2025, operating profits as a percentage of revenues rose to 36.2%. This compares to 24.5% in 2003, 23.4% in 2013 and 32.8% in 2025.

### Net profit after tax (NPAT)

Net profits have compounded at 16.9% per annum since 2003. If a business can generate higher operating leverage, the benefits should be reflected on the bottom line. This seems to be the case. In January 2026, the company reported a 28.5% net after tax margin, up from 16.4% in 2003, 23.1% in 2013 and 27.3% in 2025.

### Net cash

The company has historically maintained a net cash position on its balance sheet. From time to time, it has moved into a net debt position when undertaking acquisitions. In 2003, the company held a neutral cash position, which rose to US\$541m in 2025, and is showing a net cash position of US\$753m for the 2026 half year.

### Earnings per share (EPS)

EPS has lifted and followed the growth in profits. Importantly, the company has avoided earnings dilution, which comes when additional shares are issued, as we discuss below.

### Dividends per share (DPS)

The company introduced dividends in 2012. Until that point, the focus was on expanding geographically and investing in operations and R&D. Since 2012, DPS has lifted in line with profits and today represents a payout ratio of 23%, although no formal payout ratio is in place.

### Shares on issue

In 2003, the company held 138m shares on issue (bonus adjusted). In 2013, this stood at 146m shares, and it remains at that level in 2026.

### Return on capital employed (ROCE)

Our calculation of ROCE has improved since 2013, reflecting a period of operational and manufacturing investment as the business has scaled. Resmed now finds itself sitting comfortably above 20%.

### Market Capitalisation

Since 2003, the value of the business has risen from US\$1.4b to US\$37.7b as of 31 December 2025. The accompanying chart highlights the share price movement on the ASX since listing in 1999. The company maintains a dual listing on the NYSE and the ASX, with the NYSE being the primary exchange.

Figure 12: Resmed ASX share price performance 1999-2026



Source: Iress

### From the past to the present

The company has demonstrated over an extended period that it has not only survived but thrived. The numbers speak for themselves, while the quality and durability of the business are equally evident. That said, there is no assurance of ongoing success.

The events that have transpired, including COVID-19, the marketing of GLP-1s and the forced recall of Philips products from the market illustrates the future is just that, the future.

We have no greater insights into how this business may evolve. The company has spoken of its aspirational and medium-term targets out to 2030. Figure 13 speaks to these targets.

Figure 13: Resmed 2030 aspirations

5-year global outlook underpinned by strong foundation and execution of 2030 strategy

**5-Year Global Outlook**

High single digits

**% Revenue Growth**

---

Earnings growth higher than revenue growth

**Underpinned by 2030 Strategy:**

- + Increasing overall market growth via accelerating demand generation
- + Optimizing the patient pathway to diagnosis and therapy
- + Delivering on our pipeline of next-generation products
- + Continuing to drive operating excellence

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Source: Resmed Q226 investor presentation

What we do know is that current management has navigated the external environment over a long period and has done so in a conservative manner, retaining net cash flexibility alongside a consistent reinvestment ethos. Should they succeed on their aspirations, the outcomes should deliver higher revenues, improving margins and bigger profits.

The company's discipline around capital management,

now evident via a long-duration buyback program, complements its strategic intent to deliver operational excellence.

### Summary

The past may not indicate what the future looks like, but it sure helps in forming a view, irrespective of its limitations. **SFM**

## Apples and coconuts

The public arena offers little cover for businesses reporting to shareholders. There are the key messages from management teams, the slides, the upward-sloping graphs, and the audited numbers. These statements, the profits and loss, the cash flow and lastly the balance sheet, piece together the true status of a business.

Why are these important? Because investors will gravitate toward the headlines, while the truth is often hidden from plain sight.

Recently, we were introduced to an investment book by Pulak Prasad, *What I learnt about investing from Darwin*. It's an excellent read for those interested in gaining insights into science, investing and their respective intersections.

Central to Prasad's approach is looking back to gain business insights and relying less on forecasting. While history may not repeat itself, there is much to be gained from understanding *why* a business is winning. As Prasad noted, when such attributes are found in one place, they are a good leading indicator of businesses worth exploring.

The most important metric is the level of returns generated on a company's capital (ROCE). Unsurprisingly, the higher returns, the better, and Prasad has chosen 20% as a good starting point. Beyond this, other characteristics that invariably appear on the short list include companies that:

- Deliver superior products and services
- Allocate capital prudently
- Attract and retain quality employees
- Manage its cost structure
- Maintain a quality balance sheet and is ideally debt free
- Innovate by taking calculated risks

Now, imagine if you relied solely on making decisions based on your forecasting ability.

As Prasad explains, this approach is quite literally guesswork.

Consider calculating a company's financials for the year. You need to forecast at least ten different numbers, ranging from units sold, price per unit, cost of goods sold, sales expenses, receivables, capital expenditure and so on.

If each of the ten forecasts were 90% accurate, overall, it would still only be 35% accurate (90% to the power of 10).

That is for one year.

Go into the next and the one after, and the chances diminish quickly.

The point Prasad makes very well is that the business world is fluid. There are many moving parts and for any external analysis undertaken, there is a high percentage of guesswork.

Inevitably, the further out one estimates, the higher the risk of getting things wrong. Heaven help if you extrapolate 10 years.

Management teams understand the budgetary process and make their best estimates one year out. Importantly, though, they have the option of pulling many levers to make the numbers stack up.

While revenues are what comes in and are outside the control of managers, the cost line is made up of more discretionary items, including marketing and investment spend. How these are treated in the profit and loss statement or allocated in the balance sheet is of a greyer nature.

### Computershare & Commonwealth Bank

We own Computershare in the portfolio, but not Commonwealth Bank.

In the most recent first half 2026 result, Computershare management was questioned on its level of total operating expenditure. It rose 7.7% over the half compared to the same time last year.

Figure 14: Computershare operating expenditure profile

## Other expenditure

Operating costs	1H23	2H23	1H24	2H24	1H25	2H25	FY23	FY24	FY25	1H26
Cost of Sales	183.6	187.2	182.0	202.4	162.0	198.3	370.8	384.3	360.3	175.7
Personnel	652.9	678.3	653.2	671.5	601.3	620.5	1,331.1	1,324.6	1,221.8	649.9
Occupancy	15.9	18.3	19.7	17.8	18.6	16.9	34.2	37.5	35.5	14.6
Other Direct	66.4	92.1	78.2	78.7	69.1	72.8	158.5	156.9	141.9	75.2
Computer/External Technology	51.7	53.6	57.1	62.2	57.9	58.9	105.3	119.3	116.8	63.2
<b>Total Controllable Costs</b>	<b>786.8</b>	<b>842.3</b>	<b>808.2</b>	<b>830.2</b>	<b>746.9</b>	<b>769.1</b>	<b>1,629.1</b>	<b>1,638.3</b>	<b>1,516.0</b>	<b>803.0</b>
<b>Total Operating Expenditure</b>	<b>970.5</b>	<b>1,029.4</b>	<b>990.1</b>	<b>1,032.6</b>	<b>908.9</b>	<b>967.4</b>	<b>1,999.9</b>	<b>2,022.7</b>	<b>1,876.3</b>	<b>978.7</b>

Note 1: Computer / external technology includes hardware, software licenses, network and voice costs, 3<sup>rd</sup> party vendor fees and data centre costs.

Technology Costs	1H23	2H23	1H24	2H24	1H25	2H25	FY23	FY24	FY25	1H26
Development	63.0	79.2	64.5	72.4	48.3	61.4	142.2	136.9	109.7	59.9
Infrastructure	59.7	60.3	63.3	68.0	63.0	72.4	120.0	131.3	135.3	68.3
Maintenance	25.6	30.3	21.8	20.6	19.1	28.1	56.0	42.3	47.2	30.6
Admin	9.7	13.5	12.2	14.4	11.7	13.4	23.2	26.6	25.1	13.5
<b>Total Technology Costs</b>	<b>158.1</b>	<b>183.3</b>	<b>161.8</b>	<b>175.3</b>	<b>142.1</b>	<b>175.2</b>	<b>341.4</b>	<b>337.1</b>	<b>317.3</b>	<b>172.3</b>
<b>Technology costs as a % of revenue</b>	<b>10.5%</b>	<b>10.8%</b>	<b>10.0%</b>	<b>10.3%</b>	<b>9.4%</b>	<b>10.9%</b>	<b>10.6%</b>	<b>10.2%</b>	<b>10.2%</b>	<b>10.9%</b>

Note 2: Technology costs include personnel, occupancy and other direct costs to technology services. No internal development cost is capitalised.

Capex breakdown	1H23	2H23	1H24	2H24	1H25	2H25	FY23	FY24	FY25	1H26
Information Technology	11.3	24.9	12.0	7.1	14.2	15.6	36.3	19.1	29.8	7.4
Communication Services Facilities	0.0	1.1	0.0	4.0	0.6	1.2	1.2	4.0	1.8	0.2
Occupancy	5.5	6.6	2.4	6.1	2.1	6.5	12.1	8.5	8.6	3.3
Other	0.4	0.0	0.9	3.9	5.3	1.3	0.4	4.9	6.6	1.3
<b>Total Capex</b>	<b>17.2</b>	<b>32.7</b>	<b>15.3</b>	<b>21.2</b>	<b>22.2</b>	<b>24.7</b>	<b>49.9</b>	<b>36.5</b>	<b>46.8</b>	<b>12.2</b>

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Source: Computershare 2026 first half results presentation

Figure 14 shows total operating expenses grew from US\$909m to US\$979m. However, the more relevant numbers sit in the second table. Here, the company has lifted technology costs from US\$142m to US\$172m, but most importantly, it has treated these costs as an

expense item that flows through to the profit and loss account.

In short, the costs are treated and dealt with in the year of expenditure and shareholders see a lower profit as a result. It is transparent and clean.

Figure 15: Computershare balance sheet December 2025

**COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2025

	Note	31 December 2025 \$m	30 June 2025 \$m
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,111.1	1,255.7
Other financial assets		113.6	122.7
Receivables		517.0	546.9
Financial assets at fair value through profit or loss		5.9	0.1
Current tax assets		41.8	53.3
Prepayments		102.3	67.1
Assets classified as held for sale	8	63.5	12.9
Other current assets		9.6	7.7
<b>Total current assets</b>		<b>1,964.8</b>	<b>2,066.4</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		10.9	68.1
Investments accounted for using the equity method		9.0	9.0
Financial assets at fair value through profit or loss		48.1	50.0
Property, plant and equipment		154.7	159.3
Right-of-use assets		110.3	114.3
Deferred tax assets		201.5	229.8
Intangibles		2,604.6	2,638.5
<b>Total non-current assets</b>		<b>3,139.1</b>	<b>3,269.0</b>
<b>Total assets</b>		<b>5,103.9</b>	<b>5,335.4</b>
<b>CURRENT LIABILITIES</b>			
Payables		566.4	595.8
Borrowings	9	-	198.2
Lease liabilities		26.2	25.3
Current tax liabilities		26.1	62.3
Financial liabilities at fair value through profit or loss		0.4	3.4
Provisions		59.1	49.4
Liabilities classified as held for sale	8	28.9	6.8
<b>Total current liabilities</b>		<b>707.1</b>	<b>941.2</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables		35.6	35.2
Borrowings	9	1,516.1	1,585.4
Lease liabilities		109.2	112.3
Deferred tax liabilities		240.0	241.7
Financial liabilities at fair value through profit or loss		219.4	227.2
Provisions		29.5	38.3
<b>Total non-current liabilities</b>		<b>2,149.8</b>	<b>2,240.1</b>
<b>Total liabilities</b>		<b>2,856.9</b>	<b>3,181.3</b>
<b>Net assets</b>		<b>2,247.0</b>	<b>2,154.1</b>
<b>EQUITY</b>			
Contributed equity	11	28.8	28.8
Reserves		(173.1)	(168.6)
Retained earnings		2,389.5	2,292.1
Total parent entity interest		2,245.2	2,152.3
Non-controlling interests		1.8	1.8
<b>Total equity</b>		<b>2,247.0</b>	<b>2,154.1</b>

Source: Computershare December 2025 balance sheet

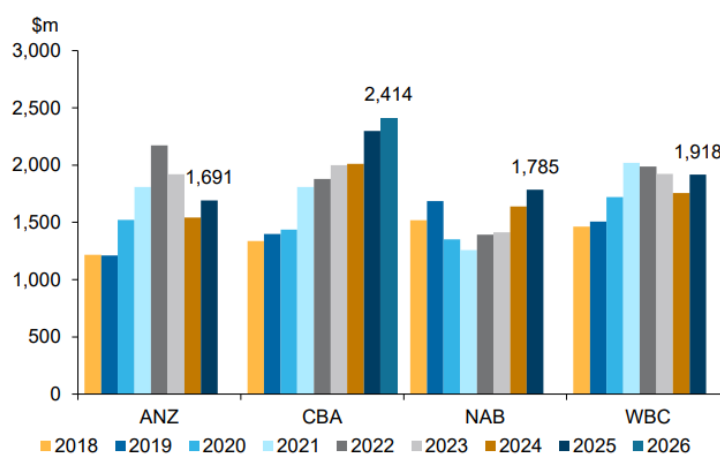
Figure 15 provides a snapshot of the group's financial standing as of December 2025. As you review the asset side of the ledger, what should become apparent is the conservative standing of the accounts. Apart from a high cash balance position, the next largest item is intangibles, which relate to past acquisitions, most notably the 2021 US\$750m acquisition of the Wells Fargo Corporate Trust business. What does not appear are capitalised software items since the company's preference is to expense them as incurred.

In fact, the capital expenditure profile shown in Figure 14 reflects this conservative approach, dropping from US\$22m in the first half of 2025 to US\$12m during this latest half.

### Commonwealth Bank

Commonwealth Bank, on the other hand, has taken a different path. Recent research from Macquarie Group highlights how the major banks differ in both their level of investment spend and how that is accounted for, as shown in Figure 16 & Figure 17.

Figure 16: Major banks' annual investment spend profile

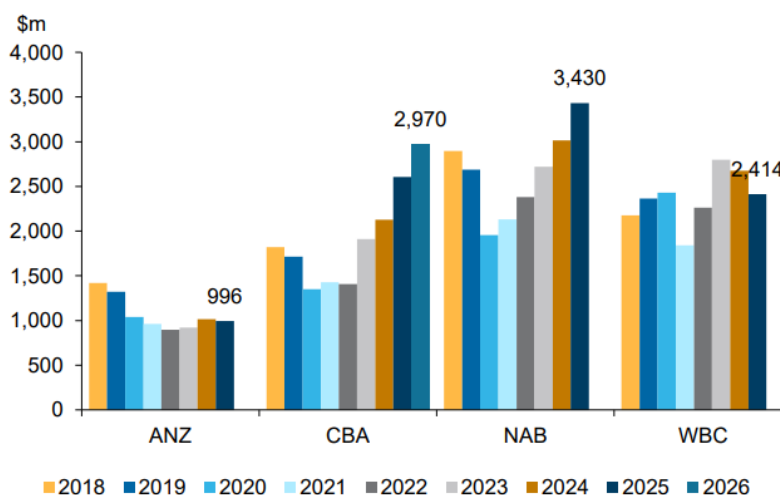


Source: Company data, Macquarie Research, February 2026

Note: Annualised for banks that have only reported 1H25.

Source: Macquarie Research Feb 2026

Figure 17: Major banks' capitalised software profile



Source: Company data, Macquarie Research, February 2026

Source: Macquarie Research Feb 2026

Two things should be apparent. Firstly, annual investment spend for Commonwealth Bank is trending upwards. In the first half of 2026, according to Macquarie, spend sat at \$2.4b on a run-rate basis, continuing the trend seen since 2018. The bank expenses 47% of investment spend and capitalises the remainder on the balance sheet. As such, the more questionable number to focus on is the Capitalised Software balance on the company's balance sheet.

In the latest period, the balance was \$3.0b. Macquarie notes the bank currently amortises circa \$700m on a per annum basis compared to the capitalised spend of circa \$1.2b per annum. In short, not only is the capitalised software balance big, but the gap between what goes through the profit and loss account (i.e., the amount that is amortised) is much lower, some \$500m, than what is added onto the balance sheet.

Shareholders may be rejoicing at the bank's net profit gymnastics and share price performance, but this level of capitalisation highlights the differing interpretation of data and results.

We would argue that Computershare has taken the more prudent and conservative route. It comes at the expense of lower reported profits today, but there are no legacy items on the balance sheet.

In contrast, Commonwealth Bank and indeed all the major banks choose to capitalise more of their spend, creating longer-term issues and potentially distorting today's reported profits.

### National Australia Bank

In mid-April 2026, National Australia Bank announced, amongst other items, a change to its software capitalisation policy. This will see \$1.4 billion of previous amortised software spend, that had sat on the balance sheet written off in one go.

To put that into context. Macquarie Research forecast underlying operating profit for the bank this year at

\$10.8b. This one-off write-down would equate to 13% of this profit. This will still leave circa \$2.0b remaining on the balance sheet.

Furthermore, the bank will continue to amortise approximately 50% of its annual software spend, that is currently running at \$1.8b.

In short, NAB has been over stating their profits for some years. Investors can be either dismissive of this or can rightly conclude that a more prudent and conservative approach would have been to expense these costs when incurred.

### Comparisons

As Prasad suggested, with so many moving parts, simply accepting a reported number without understanding the sum of the parts is, in our eyes, like comparing apples with coconuts.

If we use Prasad's preferred ROCE financial metric, Computershare stood at 37% at the end of 2025, a level that has consistently remained at or above the 20% mark, except during the COVID years.

In contrast, the Commonwealth Bank's ROCE, as calculated by the bank, was 6.5%, while what is a better metric for the bank, ROE (Return on Equity), came in at 13.7%. Either way, the returns generated by the bank reflect a lower margin business, despite the market's adulation.

The illustration we provided here is to show how businesses can impact profit outcomes. The actions that the banks take may be in line with modern day accounting standards, but they are undoubtedly of a lower quality than the numbers reported by Computershare management.

No business is perfect, but the fewer the exceptions, the better the outcomes. **SFM**

## FINEOS Corporation Holdings

### Business

FINEOS Corporation Holdings plc (ASX:FCL) is the global market leader in core systems software for the life, accident and health (LA&H) insurance industry, specialising in employee benefits and absence management. The company's flagship cloud-based platform, FINEOS AdminSuite, provides end-to-end insurance processing across underwriting, claims, absence, billing, payments, and provider management.

FINEOS serves seven of the top 10 Tier-1 U.S. employee benefits insurers, the largest LA&H insurer in Canada and holds approximately 70% market share of Australia's employee benefits insurance. Over 80% of revenue now comes from North America, reinforcing the company's market leadership position in the world's largest insurance market.

Founded in Dublin, Ireland in 1993 by CEO Michael Kelly and listed on the ASX in August 2019, FINEOS operates globally with approximately 863 employees across North America, Europe, Australia and New Zealand. All financials are reported in EUR.

FY25 was a milestone year as FINEOS returned to statutory profitability for the first time since its ASX listing in 2019. The company had a history of profitability as a private company before its IPO; the post-listing losses reflected the deliberate investment in platform expansion, cloud migration and North American market penetration required to scale the business.

For FY25, the company reported revenue of €138.4m (up 3.9%, or 6.3% in constant currency), EBITDA of €30.4m (up 50.1%), and net profit after tax of €1.0m, reversing a €5.8m loss in FY24. The key metric is North American subscription growth. Since 2019, this has risen 5.2x from €11.7m to €61.5m, a compound annual growth rate (CAGR) of approximately 31%. Global subscription revenue has also increased 3.3x from €22.3m to €75.6m (~22% CAGR) over the same period, while total revenue has grown 1.9x (11.2% CAGR). The investment thesis now shifts from capital preservation to margin expansion trajectory.

Management has guided that lower margin services revenue will remain flat as this work is increasingly undertaken by professional systems integrators. At the time of the FY25 result (25 February 2026), the market capitalisation was approximately A\$850m; at the time of writing, it is approximately A\$810m (share price A\$2.35 on 24 March 2026). The company has no debt and closed FY25 with €27.8m in cash. A new AdminSuite client was secured for Policy, Billing & Claims in 1Q FY26.

Management's medium-term targets (subscription mix of 65% by FY27 and 75% by FY29, gross margin moving toward 80%, and EBITDA margins improving to 25% by FY27 and 40% by FY29) were reiterated at the March 2026 investor day and are directionally supported by the 2H25 trajectory. Platform volumes, 10x annual life event cases since 2020, 2.5m+ projected for FY26, and US\$40b+ cumulative payment volumes demonstrate genuine operational scale beneath the financial metrics.

## Financials

	FY25 (€m)	FY24 (€m)	Change
<b>Revenue</b>	<b>138.4</b>	<b>133.2</b>	<b>+3.9%</b>
<i>Subscription</i>	75.6	69.9	+8.2%
<i>Services</i>	62.2	62.2	flat
<i>Initial Licence Fees</i>	0.6	1.1	declining
<b>Subscription % of Total Revenue</b>	<b>54.6%</b>	<b>52.5%</b>	<b>+2.1pp</b>
<b>Gross Profit</b>	<b>105.5</b>	<b>100.4</b>	<b>+5.1%</b>
<i>margin</i>	76.2%	75.4%	+0.8pp
<b>EBITDA</b>	<b>30.4</b>	<b>20.2</b>	<b>+50.1%</b>
<i>margin</i>	21.9%	15.2%	+6.7pp
<b>Net Profit/(Loss) After Tax</b>	<b>1.0</b>	<b>(5.8)</b>	<b>turnaround</b>
EPS (basic)	0.003	(0.017)	turnaround
<b>ARR (at 31 Dec 2025)</b>	<b>78.3</b>	<b>71.2</b>	<b>+10.0%</b>
Cash from Operations	38.6	27.5	+40.4%
Free Cash Flow	6.4	n/a	n/a
Cash on Hand	27.8	19.8	+€8m
Debt	Nil	Nil	n/a
R&D (people costs) as % revenue	34.7%	37.0%	-2.3pp

Note: All figures in EUR. Revenue of €138.4m was up 3.9% reported, or 6.3% in constant currency (€141.7m), slightly above the midpoint of prior guidance. The return to statutory profitability (NPAT €1.0m vs loss of €5.8m) is the most significant earnings event in the company's listed history. EBITDA of €30.4m at 21.9% margin represents a 50% increase on FY24 and demonstrates meaningful operating leverage as subscription revenue scales.

## Cash Flow comment

Cash generated from operations improved 40.4% to €38.6m in FY25, driven by stronger subscription revenue collection and lower operating expenses. Free cash flow of €6.4m was supported by an additional €1.6m cash receipt from exercised share options. The company closed FY25 with €27.8m in cash, up €8m from the prior year, and no debt. FINEOS has a five-year committed AWS infrastructure agreement (signed December 2022), which management intends to renegotiate this year.

Cash generation is accelerating from a low base. The €38.6m operating cash flow on €30.4m EBITDA shows

clean cash conversion and an unencumbered balance sheet. As subscription revenue grows as a proportion of total revenue, cash flow predictability should improve further. The AWS contract renegotiation is a modest risk to watch as committed cloud spend can create margin headwinds if utilisation falls short of contracted minimums.

## Business comment

## Negatives

- Customer concentration is a structural characteristic of the enterprise insurance software market. There is a limited number of Tier 1 carriers

globally, and among its customers are seven of the top 10 insurers in the U.S. The genuine risk is implementation delay: a single large carrier postponing a go-live or migration phase can shift revenue between periods. However, this risk is substantially mitigated by switching costs; once a carrier implements AdminSuite across claims, absence, billing and policy, the operational entrenchment is near-permanent. No material customer losses have been disclosed.

### Interesting

- Headline revenue growth of 3.9% (6.3% constant currency) understates the quality of the current momentum. The metric that matters is North American subscription revenue, which has compounded at ~30% annually since IPO (5.2x growth). The flat services revenue and declining licence fee streams are a deliberate strategic choice. FINEOS is actively redirecting services work to systems integrator partners (PwC, EY, Capgemini, Deloitte) to expand delivery capacity and focus internal resources on product. At ~3x EV/Revenue, FINEOS trades at a significant discount to Guidewire (~8x-10x) and the Duck Creek acquisition multiple (~6x), despite operating in the same vertical with comparable switching cost dynamics.
- Initial licence fee revenue continues to decline as expected, as on-premise customers migrate to cloud subscriptions. Each licence fee dollar that falls away is replaced by a higher-value, recurring subscription stream over time (cloud migrations typically deliver 2x-3x the original licence fee value in annual subscription revenue). The near-term headline revenue drag is a feature of the transition, not a risk.
- R&D investment of 34.7% of revenue (down from 37% in FY24) is the primary driver of future market expansion. FINEOS has built the only cloud-native, end-to-end insurance administration platform at scale in the LA&H vertical. This sustained investment created the product breadth (Quote-to-Claim) that enables up-sell and cross-sell multiples of 2x-3x per customer. R&D intensity is on a clear downward path toward 30% by FY27 and 25% by FY29 as the platform matures and AI-driven development productivity accelerates. The declining R&D ratio, combined with growing subscription revenue, is the core margin expansion mechanism.

### Positives

- Subscription revenue grew 8.2% to €75.6m, now 54.6% of total revenue (up from 52.5% in FY24). As of 31 December 2025, ARR was €78.3m, up 10% from €71.2m. An incremental €5m of ARR was generated in 1H25, marking the strongest half since 2023. The SaaS mix shift is progressing.
- The company returned to statutory profitability, achieving NPAT of €1.0m vs a loss of €5.8m in FY24. This validates the business model's capacity to generate positive earnings as subscription revenue scales. H2 FY25 was stronger, with H2 revenue of €71.3m and H2 net income of €2.2m.
- Operating expenses reduced 6.3% (~€5m) year-on-year, reflecting cost discipline, lower-cost region expansion, automation and increasing use of AI internally. Both cost control and subscription growth drove the EBITDA margin expansion from 15.2% to 21.9%.
- Gross margin improved to 76.2% from 75.4%, tracking toward the long-term target of 80%. This reflects the higher-margin subscription mix and scale efficiencies.
- Customer quality and retention remain strong. Seven of the ten largest U.S. employee benefits insurers use FINEOS. Guardian Life implementation is ahead of schedule, with a multi-billion-dollar book of business migrating onto FINEOS mid-FY26. New York Life is also a significant platform customer.
- FINEOS won four new North American carrier customers in FY25. These customers licensed AdminSuite software for Claims and Absence, and two also added the FINEOS IDAM solution. Two of these new customers have commenced projects expected to go live in 2026, and a further AdminSuite customer was secured for Policy, Billing & Claims in 1Q FY26. Deal cycles in enterprise insurance are inherently long (12 to 24 months for Tier 1 carrier procurement), making each new win a material event with multi-year revenue contribution.
- FINEOS was awarded Technology Innovation of the Year 2025 at the Technology Ireland Industry Awards for its FINEOS Embedded AI. This recognised the embedding of secure, transparent

and explainable AI directly into FINEOS AdminSuite on the cloud-native FINEOS Platform. FINEOS Embedded AI enhances triage, summarisation and document understanding to support faster, more consistent decisions while maintaining essential human oversight. Legacy core systems are not suitable for enabling the AI automation and the insights required in the complex, highly regulated LA&H industry. This independent recognition validates the platform’s technology leadership.

*As a Dublin-headquartered Irish software company, FINEOS is eligible for Enterprise Ireland’s In-House RD&I Fund. This fund provides up to 50% co-funding for companies developing new or substantially improved products, services or processes. Given FINEOS’s active investment in embedded AI, predictive analytics, and data intelligence across the AdminSuite platform, a grant application targeting AI and data development would appear well aligned with the fund’s criteria. FINEOS has previously received Irish government development support. A successful application could partially offset R&D costs and accelerate the AI roadmap without diluting shareholders.*

- Guardian Life announced on 31 March 2026 (post results) the completed integration of FINEOS AdminSuite for Employee Benefits into Guardian Absence Solutions, delivered on time and within budget. This is the single most important proof point in the company’s history. A Tier 1 U.S. carrier with \$86.8bn in admitted assets now running unified billing, plan administration, claims and absence on a modern cloud-native FINEOS platform. CEO Kelly stated the implementation gives Guardian “a competitive edge over carriers who continue to rely on multiple outdated legacy core systems”. The successful go-live validates FINEOS’ ability to deliver at enterprise scale and serves as a powerful reference case for pipeline conversion across the U.S. employee benefits market. Guardian Life’s Phase 2 implementation is expected to go live in FY26, involving the migration of a multi-billion-dollar book of business onto the FINEOS AdminSuite.

## R&D

R&D people costs as a percentage of revenue declined from 37.0% in FY24 to 34.7% in FY25, reflecting scale efficiencies and the shift of development work to lower-cost regions. In absolute terms, R&D spending remains

significant given the complexity of building and maintaining enterprise-grade insurance administration software across claims, absence, billing, underwriting and policy modules. Management reiterated a target of 30% R&D as a percentage of revenue by FY27 and 25% by FY29. The company is increasingly embedding AI into its platform (generative AI, predictive models, smart automation) and using it internally to drive development productivity.

R&D intensity of 34.7% is high relative to mature SaaS peers, but FINEOS operates in a complex, regulated vertical where product depth is the moat. The downward trajectory is encouraging and the FY27 target of 30% appears achievable given the cost-efficiency trends. AI-driven development productivity could further accelerate this.

## Debt

FINEOS has no debt. The company closed FY25 with €27.8m in cash and equivalents, up from approximately €20m in FY24. The balance sheet is unencumbered and the company has funded its growth trajectory entirely through organic cash generation and the IPO capital raised in 2019.

	<b>FY25</b>
Gross Debt	Nil
Cash & Equivalents	€27.8m
Net Cash Position	€27.8m
Net Leverage	Net cash (0.0x EBITDA)

## Other

### People

Michael Kelly remains CEO and co-founder. Through his investment vehicle, Jacquel Investments Limited, Kelly holds approximately 51% of FINEOS’s issued share capital, making him the controlling shareholder. Kelly has been a consistent on-market buyer of additional CDIs, most recently converting and acquiring shares during FY26. This level of founder ownership and ongoing purchasing is uncommon among ASX-listed technology companies and provides direct alignment between management and shareholder interests. Ian Lynagh serves as CFO and Eoin Kirwan as Chief Product Officer. Leadership is stable with no governance concerns raised at the FY25 result.

Kelly’s 30+ year tenure and direct relationships with Tier 1 carrier decision-makers are a genuine competitive asset in an industry where trust and domain credibility drive procurement outcomes.

**Large customers**

Among FINEOS’ customers are seven of the top 10 Tier-1 U.S. employee benefits carriers. The reference to six of the top 10 in FINEOS’s disclosures reflects the fact that the seventh, Lincoln Financial, is still on-premise. Approximately 85% of the FINEOS customer base has shifted to the cloud. The remaining 15% present upside if they migrate to cloud subscriptions. As clear laggards,

we assume some risk of attrition from on-premise customers, which is factored into the outlook.

The table below identifies the top 10 carriers by group life, accident and health premium volume and indicates known FINEOS relationships. New York Life and Guardian Life use the full FINEOS AdminSuite across claims, absence, policy and billing. Unum uses FINEOS for absence and disability modules. The remaining FINEOS customers are understood to use selected modules. Carriers listed without a FINEOS relationship may use competing platforms, legacy in-house systems, or are not publicly disclosed as FINEOS customers.

Rank	Carrier	FINEOS	Modules / Notes
1	<b>MetLife</b>	Yes	Use at least one FINEOS module
2	Prudential Financial	—	
3	<b>New York Life GBS</b>	Yes	Full AdminSuite (Claims, Absence, Policy, Billing)
4	<b>Unum Group</b>	Yes	Absence & Disability modules
5	The Hartford	—	
6	<b>Lincoln Financial</b>	Yes	FINEOS on-premise
7	The Standard	—	
8	<b>Sun Life (US)</b>	Yes	Use at least one FINEOS module
9	<b>Guardian Life</b>	Yes	Full AdminSuite (Claims, Absence, Policy, Billing)
10	<b>Mutual of Omaha</b>	Yes	Use at least one FINEOS module

The top 10 customers exemplify FINEOS’s three-way selling motion: upsell, cross-sell and new name.

Firstly, New York Life and Guardian Life use the end-to-end suite of modules that make up the AdminSuite platform. They will continue to migrate books of premiums onto the platform. Potential new product launches or M&A by these carriers could present additional upside.

Secondly, MetLife demonstrates a large carrier that can adopt new modules by enabling additional features within the AdminSuite platform. This is not to suggest that migrating legacy systems is easy, but the modular architecture allows incremental adoption with lower friction than a full rip-and-replace.

Thirdly, Prudential Financial is a new-name logo that FINEOS would dearly like to win. CEO Kelly notes a Prudential win would warrant an ASX announcement as it would represent a material change in the company’s trajectory.

**Platform & AI**

FINEOS continues to invest in AI capabilities across its AdminSuite platform, including generative AI for claims assessment, predictive models for absence duration and smart automation for workflow processing. The company has also launched FINEOS Absence for Employers, targeting the direct-to-employer market in the U.S. for absence management. Management described the competitive landscape as favourable for this expansion. A strategic partnership with Sutherland was announced to transform absence solutions for U.S. employee benefit carriers.

The Sutherland partnership, combined with the EY alliance, broadens the systems integrator ecosystem, an important enabler for scaling implementations beyond what FINEOS can service internally.

## Cash generation

Today, the company's cash balance sits at €27.8m. The cash generation capabilities of the business are not fully appreciated by the market. As subscription revenue scales toward management's medium-term targets and operating leverage continues to build, FINEOS is entering a phase where cash generation should accelerate materially. This outlook is largely based on its ability to upsell and cross-sell to its existing 50+

customers. New names, the unknown piece, which we know are hard to come by, make up a smaller component of management's outlook.

The table below projects approximate cash generation using the FY26 revenue guidance midpoint and management's stated targets for subscription mix, gross margin, EBITDA margin and R&D intensity, with ~17% annual revenue growth assumed for FY28 to FY29 (consistent with the subscription-led growth trajectory).

€m	FY26E	FY27E	FY28E	FY29E
<b>Revenue</b>	<b>149.5</b>	<b>~169</b>	<b>~192</b>	<b>~225</b>
Revenue growth	~8%	~13%	~14%	~17%
Subscription % of revenue	~60%	65%	~70%	75%
<b>Subscription revenue</b>	<b>~89</b>	<b>~110</b>	<b>~134</b>	<b>~169</b>
<b>Services revenue</b>	<b>~61</b>	<b>~59</b>	<b>~58</b>	<b>~56</b>
Gross margin	~76%	75%-77%	~78%	80%
<b>Gross Profit</b>	<b>~114</b>	<b>~128</b>	<b>~150</b>	<b>~180</b>
R&D (people) as % revenue	~33%	30%	~28%	25%
EBITDA margin	~23%	25%	~32%	40%
<b>EBITDA</b>	<b>~34</b>	<b>~42</b>	<b>~61</b>	<b>~90</b>
Approx. Operating Cash Flow	~38	~46	~63	~88
Approx. Free Cash Flow	~10	~20	~35	~60
Cumulative FCF (from FY26)	~10	~30	~65	~125
<b>Real EPS</b>	<b>~0.029</b>	<b>~0.046</b>	<b>~0.090</b>	<b>~0.159</b>
<b>Real EPS Growth</b>	<b>n/m</b>	<b>~59%</b>	<b>~96%</b>	<b>~77%</b>

*Note: FY26 revenue uses management guidance midpoint (€149.5m). Services revenue is assumed to decline ~2.5% annually (midpoint of flat to -5%) from the FY25 base of €62.2m as FINEOS redirects implementation work to SI partners. Subscription revenue derived from management's stated subscription mix targets (65% by FY27, 75% by FY29). Gross margin, EBITDA margin and R&D targets are management's stated medium-term goals (reiterated at the March 2026 investor day). Free cash flow approximated as EBITDA less estimated capitalised development and working capital movements. Real EPS derived from estimated NPAT (EBITDA less D&A and tax at ~15% to 16% effective rate) on ~345m shares outstanding. All figures are approximate and illustrative.*

*The cumulative free cash flow potential is striking. If FINEOS executes to its stated targets, the business could generate approximately €125m in cumulative free cash flow over the four years to FY29. Equivalent to roughly 30% of the current enterprise value. The services revenue headwind (~2.5% annual decline) is deliberate and more than offset by subscription growth compounding at 20%+ annually. The current €27.8m cash balance understates the forward cash generation capacity of a debt-free SaaS business with 75%+ gross margins, declining R&D intensity and a subscription base compounding at double digits. Real EPS growth from ~€0.03 to ~€0.16 over four years reflects the powerful operating leverage embedded in the model. At today's valuation, the market is pricing minimal credit for this cash generation and earnings trajectory.*

## Company guidance

FINEOS provided FY26 guidance at the 25 February 2026 results release as follows:

	<b>FY26 Guidance</b>
Total revenue	€147m to €152m
Subscription revenue target	65% of total by FY27, 75% by FY29
Gross margin target	75% by FY27, 80% by FY29
EBITDA margin target	25% by FY27, 40% by FY29
R&D (people) as % revenue	30% by FY27, 25% by FY29
Cost growth	~3% to 4%

Guidance drivers cited by management:

- Strong pipeline of carrier implementations and migrations, including the Guardian Life Phase 2 go-live.
- Continued shift from on-premise licence fees to cloud subscription revenue.
- Four new customer wins in FY25, contributing to recurring revenue from FY26.
- Expansion into the direct-to-employer absence management market.
- Ongoing cost efficiency through lower-cost region expansion, automation and AI productivity gains.

The FY26 revenue guidance of €147m-€152m implies 6%-10% growth, a meaningful acceleration from the 3.9% reported growth in FY25. The midpoint (€149.5m) would represent the strongest revenue growth since

FY23. The medium-term EBITDA margin target of 40% implies significant margin expansion from the current 21.9%. This is achievable if subscription mix reaches 75% and R&D intensity declines to 30%, but the timeline is multi-year and execution-dependent.

### Moat

In terms of our roadmap, FINEOS has historically scored well on a qualitative basis and adequately in terms of quantitative factors, given that we make room for early-stage businesses. As recurring revenue grows, the promise of free cash flow, margin expansion and real EPS growth makes FINEOS an attractive opportunity. Below, we consider some enduring qualities by applying the 7 Powers framework (Hamilton Helmer, 2016) to the business:

<b>Power</b>	<b>Definition &amp; Assessment</b>	<b>FCL Evidence</b>
<b>1. Scale Economies</b>  <b>★ FUTURE POTENTIAL</b>	FINEOS is the largest focused player in the Life, Accident & Health (LA&H) insurance software vertical. Its direct competitors are Majesco (ClaimVantage), and Vitech (V3locity). Guidewire and Duck Creek focus on Property & Casualty (P&C) and serve a different market. Within LA&H, FINEOS has invested heavily in a complex and regulated vertical platform. R&D costs are largely fixed and spread across a growing subscription base. Scale advantages are building as the platform matures and the customer base expands.	34.7% of revenue in R&D. ~863 employees. Deployed with seven of top 10 Tier-1 U.S. employee benefits insurers. >80% of revenue from North America. Ranked #1 in life insurance claims software. New York Life and Guardian Life using end-to-end AdminSuite.

Power	Definition & Assessment	FCL Evidence
<p><b>4. Switching Costs</b></p> <p>★ <b>STRONG</b></p>	<p>Enterprise insurance administration systems are deeply embedded in carrier operations. Implementation timelines of 12 to 36+ months, regulatory complexity and operational risk make switching prohibitively expensive. Once live, carriers are locked in for effective perpetuity.</p>	<p>Multi-year implementation cycles. Mission-critical operational infrastructure. U.S. absence legislation is complex and varies by state, creating deep regulatory entrenchment. Unum’s long tenure on the FINEOS platform demonstrates that once embedded, carriers do not switch. Revenue scales with employees (a standard feature of absence and disability cover) and with premiums for other modules. As the FINEOS platform delivers operational efficiencies, carrier premium volumes grow and FINEOS revenue scales accordingly.</p>

Overall Moat Assessment: FINEOS possesses one strong power (Switching Costs) and one emerging power (Scale Economies). The strongest moat characteristic is Switching Costs. Once a Tier 1 carrier implements AdminSuite across claims, absence and billing, the operational entrenchment is near-permanent. Scale Economies have not yet been fully realised but are building as FINEOS extends its lead as the largest focused LA&H platform vendor and its subscription base continues to compound.

7 Powers verdict: one strong (Switching Costs) and one with future potential (Scale Economies). The moat is narrower than WiseTech’s in breadth, but the switching cost dynamic in enterprise insurance administration is among the strongest in enterprise software. The principal constraint is the niche addressable market, which limits the ultimate revenue ceiling relative to horizontal SaaS platforms.

**Conclusion**

While FINEOS’s FY25 result marks the long-anticipated profitability inflection, this has largely been ignored by a market fixated on AI disruption. Revenue of €138.4m was solid if unspectacular, but the composition of that revenue – Subscription at 54.6% and growing, ARR at €78.3m and up 10% – tells a more compelling story than the headline growth rate suggests. EBITDA of €30.4m at

21.9% margin, up from 15.2%, demonstrates meaningful operating leverage. The return to statutory profitability (NPAT €1.0m) after years of losses is a credibility milestone that validates the SaaS business model. We also note the impact of the €2.4m AWS provision due to contracted cloud services that were not required. Approximately €1.0m was allocated to cost of sales and the balance to R&D. Without this provision, EBITDA would have been approximately €32.8m (23.7% margin) and NPAT approximately €3.4m. We expect the full amount will wash through as the next contract period, currently being negotiated, takes this into account.

The business is unencumbered by debt, generates positive cash flow and has a clear path to margin expansion as subscription revenue grows toward the 65% and 75% targets. The Guardian Life Phase 2 migration and the recent customer wins provide near-term catalysts. At approximately A\$750m market capitalisation, with no debt and €27.8m in cash, FINEOS is priced modestly relative to the quality of its customer franchise and the embedded earnings optionality from scaling subscription revenue. The key risks are customer concentration, slow deal cycles in a conservative industry and the niche addressable market that constrains the ultimate earnings ceiling.

## Snapshot

### Snapshot Summary

Market Cap (at result, 25 Feb 2026)	A\$850m
Market Cap (at time of writing)	A\$750m
Enterprise Value (EUR)	~€440m
EV/Revenue (FY26 guided midpoint)	~2.9x
EV/EBITDA (FY25)	~14.5x
Net Cash	€27.8m
Shares Outstanding	344.8m

Report prepared using public information from FINEOS Corporation's FY25 results release (25 February 2026), earnings call transcript, and secondary sources. All figures are in EUR unless stated. This document is for informational purposes only and does not constitute financial advice.

### Appendix | Cash Generation forecast (AUD)

The table below restates the Cash Generation forecast in Australian dollars using the prevailing EUR/AUD exchange rate of 1.67, as of 2 April 2026.

	FY26E (A\$)	FY27E (A\$)	FY28E (A\$)	FY29E (A\$)
<b>Revenue</b>	<b>250m</b>	<b>~282m</b>	<b>~321m</b>	<b>~376m</b>
Revenue Growth	~8%	~13%	~14%	~17%
Subscription % of Revenue	~60%	65%	~70%	75%
<b>Subscription Revenue</b>	<b>~149m</b>	<b>~184m</b>	<b>~224m</b>	<b>~282m</b>
Services Revenue	~102m	~99m	~97m	~94m
Gross Margin	~76%	75%-77%	~78%	80%
Gross Profit	~190m	~214m	~250m	~301m
R&D (people) as % Revenue	~33%	30%	~28%	25%
EBITDA Margin	~23%	25%	~32%	40%
<b>EBITDA</b>	<b>~57m</b>	<b>~70m</b>	<b>~102m</b>	<b>~150m</b>
<b>Approx. Operating Cash Flow</b>	<b>~63m</b>	<b>~77m</b>	<b>~105m</b>	<b>~147m</b>
<b>Approx. Free Cash Flow</b>	<b>~17m</b>	<b>~33m</b>	<b>~58m</b>	<b>~100m</b>
<b>Cumulative FCF (from FY26)</b>	<b>~17m</b>	<b>~50m</b>	<b>~109m</b>	<b>~209m</b>
<b>Real EPS</b>	<b>~0.048</b>	<b>~0.077</b>	<b>~0.150</b>	<b>~0.266</b>
Real EPS Growth	n/m	~59%	~96%	~77%

Note: All EUR figures converted at EUR/AUD 1.67 (spot rate as at 2 April 2026). Percentage-based metrics (margins, growth rates, subscription mix, R&D intensity) are currency-neutral and unchanged from the EUR table. Real EPS in AUD assumes ~345m CDIs outstanding. Exchange rate applied as a static conversion; actual AUD outcomes will vary with prevailing rates at time of reporting.

Figure 18: Unum HR Connect technology stack



Source: Anthropic (Claude) AI

# TechnologyOne

## Business

TechnologyOne Limited (ASX:TNE) is one of Australia's largest enterprise Software-as-a-Service (SaaS) company and an ASX 100 constituent. The company develops, sells, implements and supports a fully integrated cloud ERP platform, sold exclusively as an end-to-end SaaS solution. The SaaS+ implementation, as a concept and full solution, is a unique offering in the world of ERP, as it is delivered both faster and risk free to the end user. TechnologyOne currently implements its software in 126 days and is on a pathway to 30 days by 2028. It operates across six vertical markets: local

government, central government, education, health and community services, asset-intensive industries, and financial services. TechnologyOne serves more than 1,300 organisations across Australia, New Zealand, the U.K., and the broader Asia-Pacific region, including over 73% of all Australian and New Zealand councils, more than 230 government departments and agencies, and over 100 higher education institutions. The company has been carbon-neutral since 2021.

## Financials

All figures are in Australian dollars. FY25 full-year results (year ended 30 September 2025):

	FY25 (A\$m)	FY24 (A\$m)	Change
<b>Total Revenue</b>	610.0	520.3	+17%
<b>Annual Recurring Revenue (ARR)</b>	<b>554.6</b>	<b>470.2</b>	<b>+18%</b>
SaaS Fees (recurring)	553.0	468.0	+18%
<b>Consulting &amp; Other Revenue</b>	<b>57.0</b>	<b>52.3</b>	<b>+9%</b>
<b>Profit Before Tax (PBT)</b>	181.5	152.9	+19%
margin	29.8%	29.4%	+40bps
<b>Net Profit After Tax (NPAT)</b>	<b>137.6</b>	<b>118.0</b>	<b>+17%</b>
<b>EBITDA</b>	<b>255.7</b>	<b>215.8</b>	<b>+18%</b>
margin	42%	41%	Expanding
EPS	42.1 cps	36.2 cps	+16%
<b>R&amp;D Investment (total)</b>	<b>153.7</b>	<b>~130</b>	<b>+~18%</b>
% of revenue	25%	25%	
<b>Free Cash Flow</b>	<b>184.2</b>	<b>118.7</b>	<b>+55%</b>
% of NPAT	134%	101%	+33pp
Cash & Investments	319.6	246.0	+30%
Rule of 40	59%	52%	+4pp
Ordinary dividend (total FY25)	26.6 cps	22.4 cps	+19%
Special dividend	10.0 cps	n/a	
<b>Total FY25 Dividends</b>	<b>36.6 cps</b>	<b>22.4 cps</b>	<b>+63%</b>
NPAT payout ratio	87%	62%	Elevated
Net Debt/(Cash)	(319.6)	(278.7)	
Net Revenue Retention (NRR)	115%	117%	
Customer churn	~1%	~1%	

FY25 was TechnologyOne's 16th consecutive year of record profit, revenue and ARR. A track record unmatched among Australian-listed technology companies. The ARR milestone of A\$500m was crossed in 1H FY25, 18 months ahead of the company's stated target. The Rule of 40 (Revenue growth + free cash flow margin) score of 59% places TechnologyOne firmly among the highest-quality SaaS businesses globally.

## Cash flow

Free cash flow increased 55% to \$184.2m in FY25, representing 134% of NPAT, a materially higher conversion ratio than FY24 (approximately 101%). Cash and investments grew to \$319.6m, and the company remains debt-free. The elevated cash conversion reflects TechnologyOne's transition to annual SaaS billing (customers pay upfront ahead of delivery), which structurally front-loads cash collection. The special dividend of 10 cents per share (approximately \$45m) was funded from the balance sheet, leaving the company in a strong net cash position at year-end.

Cash conversion above 100% of NPAT is structurally possible in SaaS businesses with prepaid annual contracts. TechnologyOne's billing model means it is, in effect, an interest-free financier to its customers. A durable structural advantage that grows as ARR grows.

## Business

### Negatives

There were limited operational negatives in FY25, reflecting the quality of the result. The key areas of caution are:

- Growth rate arithmetic: 18% ARR growth on an \$554m base is impressive, but the absolute increment (\$84m) needs to grow to maintain the percentage rate. Management has pointed to the U.K. expansion and PLUS (AI agentic system) as the primary drivers to sustain or accelerate growth. These remain unproven at scale.
- Consulting revenue margin drag: Consulting and other revenue of \$57m generates structurally lower margins than SaaS fees, diluting the group's overall profitability. The AGM slides noted this segment is managed for strategic support (customer success and onboarding) rather than profit maximisation.
- <sup>1</sup>UK margin dilutive to group: TechnologyOne UK Limited reported FY25 turnover of £20.4m (up 36% from £15.1m) and operating profit of £1.1m (up from £0.3m), with NPAT of £0.7m (FY24 £81k loss). The UK is now profitable on a standalone basis, but the ~5% operating margin remains well below the groups PBT margin of 30%, and the UK still absorbs material ongoing investment in staffing, localisation and sales capacity. Operating leverage is emerging as turnover grows faster than administrative

expenses, but a closing of the UK to group margin gap will take several years. Note the UK entity's turnover (£20.4m) is lower than group-reported UK ARR of \$51.8m, reflecting intercompany revenue attribution between the UK subsidiary and parent

○ Source: TechnologyOne UK Limited full accounts, filed Companies House 19 April 2026

- High payout ratio: Total FY25 dividends of 36.6 cents per share (including the 10-cent special) represented approximately 87% of NPAT. While the balance sheet comfortably supports this, the elevated payout ratio leaves less internal capital available for reinvestment or M&A optionality.
- SaaS valuation de-rating: TechnologyOne has not been immune to the broader SaaS apocalypse that has impacted the ASX technology sector. The stock has fallen year to date, driven by a market narrative that AI will commoditise traditional software businesses. The S&P/ASX 200 Information Technology Index hit its most oversold reading since the dot-com bust in February. This de-rating has occurred despite TechnologyOne upgrading guidance and delivering record results. The indiscriminate nature of the sell-off does not distinguish between businesses that are genuinely at risk from AI disruption and those that are beneficiaries.

*The SaaS disruption narrative mischaracterises businesses like TechnologyOne. As the AGM presentation noted, systems of record with proprietary data, mission-critical platforms, and businesses with data-driven outcome-based pricing are gaining value, not losing it. No council is going to hand its financial reporting system to an AI chatbot. No university is going to manage student enrolments through a tool built in a weekend using a large language model. The regulatory, compliance and audit requirements make that impractical. TechnologyOne's PLUS AI strategy positions the company as a beneficiary of AI, not a victim. The current valuation discount reflects sentiment, not fundamentals.*

### Positives

- 16th consecutive year of record profit, revenue and ARR, with no exceptions or one-off items distorting the result.
- ARR of \$554.6m grew 18%, crossing the \$500m milestone 18 months ahead of schedule. Net Revenue Retention of 115%, meaning existing

customers are expanding their spend by an average of 15% per annum, is exceptional for a business of this maturity.

- EBITDA margin expanded from approximately 41% to around 42%, demonstrating operating leverage even as the company continues to invest heavily in R&D (\$153.7m, ~25% of revenue) and U.K. expansion.
- Free cash flow conversion of 134% of NPAT confirms the SaaS billing model is generating a structural cash advantage. The debt-free balance sheet, with A\$319.6m cash, provides optionality without financial risk.
- The Rule of 40 score of 59% (18% revenue growth + 41% FCF margin) places TechnologyOne among the elite tier of global SaaS businesses by efficiency. This is not a metric that management markets aggressively. The score speaks for itself.
- PLUS, TechnologyOne’s whole-of-enterprise agentic AI layer, was the centrepiece of the 18 February 2026 AGM address. Management described PLUS as embedded across all modules and positioned to unlock a new generation of customer productivity gains. Early pilots have generated positive customer feedback.
- FY26 guidance was provided at the AGM for ARR growth of 16%-18% and PBT growth of 18%-20%, a step up from the 13%-17% PBT growth guided in FY25.

**Vertical and regional performance**

Local government remains TechnologyOne’s largest vertical, with approximately 73% penetration across Australian and New Zealand councils. Growth in this vertical is now predominantly driven by upsell (new modules, SaaS+ pricing uplift) rather than new logos. Education (100+ universities) and central government (230+ departments) are the next largest verticals. Financial services and asset-intensive industries represent earlier-stage, higher-growth segments. The U.K., TechnologyOne’s most significant international market, has successfully replicated the local government vertical playbook, and management sees education and central government as the next verticals.

*AGM management note: Ed Chung devoted significant time at the AGM to the PLUS AI platform, describing it as the most significant product development in TechnologyOne’s history. He characterised the market opportunity as a ‘once in a generation’ shift. Language that warrants scepticism until adoption data is*

*available, but signals where management’s confidence and investment are directed.*

**R&D comment**

TechnologyOne invested \$153.7m in R&D in FY25, equivalent to approximately 25% of total revenue. The dominant R&D priority in FY25 was the development and rollout of Plus, which is embedded across the full ERP platform rather than bolted on as a separate product. Additional R&D investment was directed toward expanding U.K.-specific compliance modules, deepening the financial services vertical product and building out the SaaS+ commercial framework.

At 25% of revenue, TechnologyOne’s R&D intensity is high for an ERP vendor. Most mature enterprise software companies invest 15%-20%. This is a deliberate choice: TechnologyOne competes by building, not buying, and the 16-year record of product-led growth validates the strategy.

**Debt**

TechnologyOne is debt-free. As of 30 September 2025, the company held \$319.6m in cash and investments and carried no borrowings. This is a deliberate balance sheet philosophy. Management has consistently stated a preference for organic growth funded from operating cash flows over debt-funded M&A. The 10-cent per share special dividend, declared at the FY25 results, returned approximately \$45m of surplus capital to shareholders while preserving the balance sheet’s strategic optionality. The company has an undrawn revolving credit facility available for working capital purposes, but it is not a source of structural funding.

Metric	FY25
Gross Debt	Nil
Cash & Investments	\$319.6m
Net Cash Position	\$319.6m
Net Leverage	Net cash
Interest Income	Modest (cash deposits)
Credit Facility	Undrawn Revolving Credit Facility (working capital only)

**Other**

TechnologyOne is led by CEO Ed Chung (appointed in 2017), succeeding founder Adrian Di Marco, who

continues to serve as Executive Chair Emeritus). TechnologyOne achieved inclusion in the ASX 50 index in September 2025, a milestone that introduces structural buying from passive index funds and broadens its institutional investor universe.

### Plus

The Plus AI platform launch was the strategic centrepiece of the AGM. Positioned as a whole-of-enterprise AI layer embedded across all TechnologyOne modules, Plus is designed to automate workflows, surface insights and enable agentic task completion within the ERP environment. Management cited early pilots across local government and education customers. There are no disclosed competitors offering an equivalent embedded AI layer within the enterprise SaaS verticals TechnologyOne occupies in Australia. Plus has recently become the fastest-selling product release the company has delivered to date.

In early April 2026, James Cook University (JCU) announced a landmark 10-year agreement with TechnologyOne to adopt the complete OneEducation SaaS+ platform. This move marks a significant step in JCU’s digital transformation, consolidating core systems into a single, integrated enterprise platform, designed to unify operations and create a trusted, whole-of-university information foundation. By establishing a single source of truth across the institution, JCU can unlock the full value of AI, automation and analytics.

As part of the expanded agreement, JCU will bring Human Resources, Payroll, Facilities Management and Document Management onto the TechnologyOne platform, extending its existing footprint. The full OneEducation platform will span Student Management, Curriculum Management, Timetabling and Scheduling, Financials, Supply Chain, Human Resources and Payroll, Enterprise Asset Management and Enterprise Content Management, within a single integrated environment.

TechnologyOne COO Stuart MacDonald described JCU’s decision as a strong validation of the company’s strategy and the power of Plus, noting that it is most powerful when it can draw on the full context of an institution. JCU COO Hilary Kavanagh described the agreement as a strategic transformation that will reshape how the university operates for the next decade and beyond.

The agreement is a powerful proof point for the Plus and SaaS+ strategy. It demonstrates the willingness of existing customers to consolidate their entire enterprise onto TechnologyOne when the AI and platform value proposition is compelling. The deal also validates the upsell and cross-sell thesis that underpins the ARR growth model. If this pattern repeats across TechnologyOne’s 100+ higher education customers, the revenue and ARR implications are material.

No acquisitions have been flagged at or since the AGM. TechnologyOne’s growth strategy remains organically driven. Competitive dynamics in the Australian ERP market remain benign. Oracle and SAP do not compete aggressively in TechnologyOne’s target verticals at the organisational tier it serves.

### Cash generation

TechnologyOne’s cash generation profile is among the strongest in Australian enterprise software. The prepaid annual SaaS billing model structurally front-loads cash collection, resulting in FCF conversion consistently above 100% of NPAT. With no debt, \$319.6m in cash and ARR compounding at close to 20%, the forward cash-generation trajectory is significant.

### Company guidance

At the 18 February 2026 AGM, TechnologyOne materially upgraded its FY26 guidance (year ending 30 September 2026):

Metric	FY26 Guidance (AGM, 18 February 2026)
ARR growth	16% to 18%
ARR target	\$643m to \$654m
PBT growth	18% to 20%

Guidance upgrade drivers cited by management at the AGM:

- Strong pipeline momentum entering FY2026, with several large government and education contracts in advanced stages.

- SaaS+ commercial model generating higher-than-anticipated ARPU uplift from existing customers upgrading to richer module sets.
- TechnologyOne’s U.K. local government penetration is expanding faster than expected and the education vertical is opening ahead of schedule.
- Early customer willingness to pay for AI-enabled functionality, though specific revenue contribution from AI has not yet been disclosed.

The AGM guidance upgrade was the primary market catalyst, driving an approximate 7% share price re-

rating on the day. Even so, the stock remained around 17% lower year-to-date in 2026, at the time of the AGM, reflecting the broader de-rating of the ASX technology sector. The next material catalyst is the 1H26 result, scheduled for 19 May 2026.

The table below projects approximate financial outcomes using the upgraded AGM guidance parameters for FY26 and reasonable assumptions for FY27 to FY28 based on management’s stated \$1b ARR target by FY30.

Metric	FY25 (\$m)	FY26E (\$m)	FY27E (\$m)	FY28E (\$m)
<b>ARR</b>	<b>554.6</b>	<b>~649</b>	<b>~753</b>	<b>~866</b>
<i>ARR growth</i>	<i>18%</i>	<i>~17%</i>	<i>~16%</i>	<i>~15%</i>
<b>Total Revenue</b>	<b>610.0</b>	<b>~708</b>	<b>~814</b>	<b>~928</b>
<i>Revenue growth</i>	<i>17%</i>	<i>~16%</i>	<i>~15%</i>	<i>~14%</i>
<b>EBITDA</b>	<b>255.7</b>	<b>~304</b>	<b>~358</b>	<b>~417</b>
<i>margin</i>	<i>42%</i>	<i>~43%</i>	<i>~44%</i>	<i>~45%</i>
<b>PBT</b>	<b>181.5</b>	<b>~216</b>	<b>~255</b>	<b>~298</b>
<i>margin</i>	<i>29.8%</i>	<i>~30%</i>	<i>~31%</i>	<i>~32%</i>
<b>NPAT</b>	<b>137.6</b>	<b>~164</b>	<b>~193</b>	<b>~226</b>
<b>Free Cash Flow</b>	<b>184.2</b>	<b>~197</b>	<b>~232</b>	<b>~271</b>
<b>Cumulative FCF (from FY26)</b>		<b>~197</b>	<b>~428</b>	<b>~700</b>
<b>R&amp;D as % of Revenue</b>	<b>25%</b>	<b>~25%</b>	<b>~25%</b>	<b>~24%</b>
<b>Rule of 40 score</b>	<b>59%</b>	<b>~59%</b>	<b>~59%</b>	<b>~59%</b>
<b>Real EPS</b>	<b>42.1 cps</b>	<b>~50 cps</b>	<b>~59cps</b>	<b>~69cps</b>
<i>Real EPS growth</i>		<i>~19%</i>	<i>~18%</i>	<i>~17%</i>

*Note: FY26 uses AGM upgraded guidance midpoints (ARR ~20% growth, PBT ~19% growth). FY27 to FY28 assumes gradual ARR growth deceleration (18%-17%) on a larger base, consistent with management’s \$1b ARR by FY2030 target. Consulting revenue assumed flat at ~\$60m-\$63m. EBITDA margin expanding from ~42%~45% as SaaS+ scales and operating leverage builds. FCF conversion assumed at ~125% of NPAT reflecting prepaid annual SaaS billing. Real EPS on ~400m shares outstanding. All figures are approximate and illustrative.*

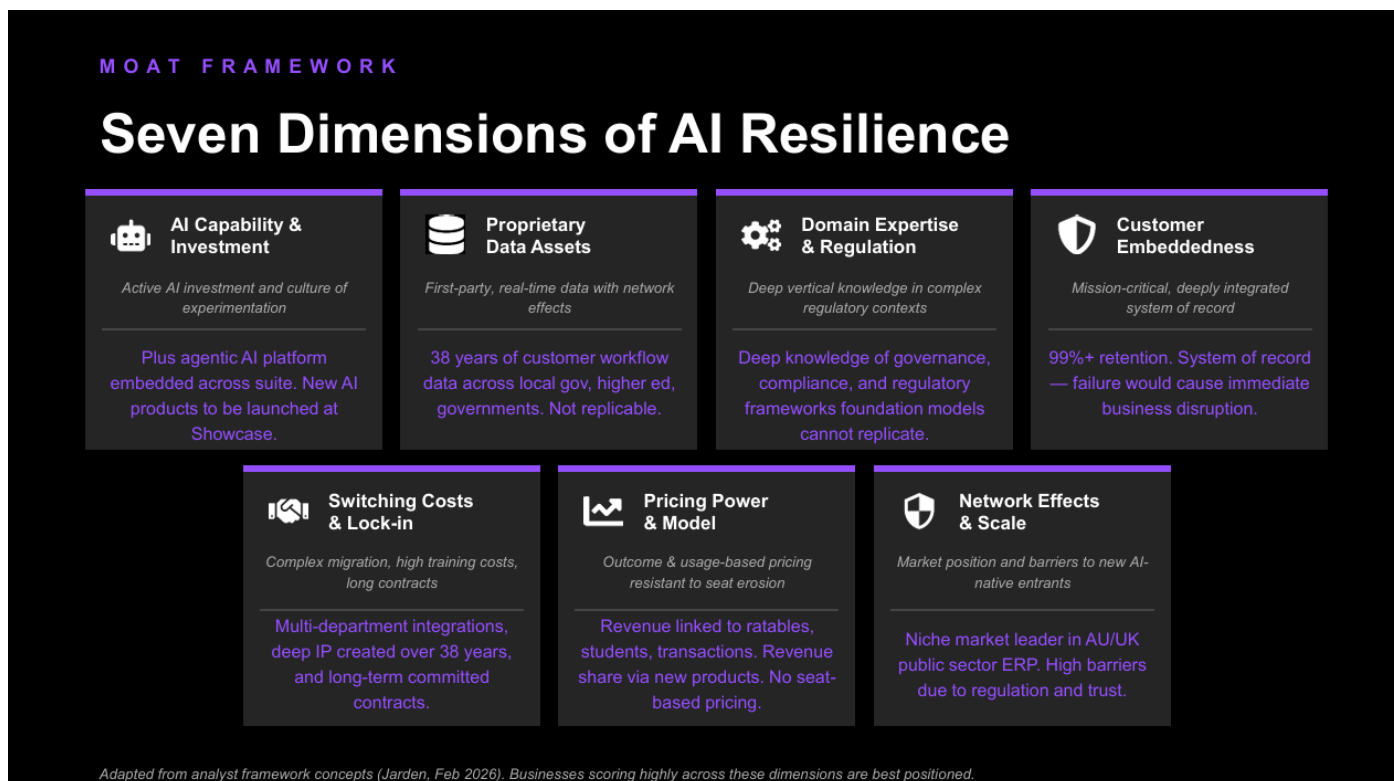
*The cumulative free cash flow potential over three years is approximately A\$753m. This is equivalent to roughly 10% of the current enterprise value. Combined with the existing A\$319.6m cash balance, TechnologyOne could be sitting on over A\$1b in cash by FY28, absent acquisitions or capital returns beyond the ordinary dividend. The Rule of 40 score remains above 60% across the forecast period. This is an elite tier globally. Real EPS growth of approximately 20% per annum on a debt-free balance sheet with near-zero churn is a rare combination in enterprise software.*

## Moat

At the AGM, TechnologyOne introduced the Seven Dimensions of AI Resilience. The framework (adapted

from Jarden, February 2026) identifies the characteristics of SaaS businesses best positioned to withstand AI disruption. TechnologyOne scores strongly across all seven dimensions.

Figure 19: Seven dimensions of AI resilience



The 7 Powers framework (Hamilton Helmer, 2016) identifies seven durable sources of business power that sustain competitive advantage and pricing power over time. Of the seven powers, two apply to

TechnologyOne. The remaining five (Scale Economies, Network Economies, Branding, Cornered Resource and Process Power) do not clear the bar on rigorous assessment.

Power	Definition & Assessment	TNE Evidence
<p><b>3. Counter-Positioning</b></p> <p>★ <b>STRONG</b></p>	<p>TechnologyOne’s single-instance, vertical-specific cloud ERP model is structurally difficult for large incumbents (Oracle, SAP, Microsoft) to replicate without cannibalising their existing perpetual-licence and horizontal ERP businesses. These vendors have consistently failed to compete effectively in TechnologyOne’s served verticals at the mid-market tier. Not from a lack of capability, but because a genuine counter-positioning dynamic makes imitation economically irrational for them. The SaaS+ implementation model is a further structural differentiator. TechnologyOne implements its software in 126 days, with a pathway to 30 days by 2028. Global incumbents rely on professional systems integrators for multi-year implementation projects. Replicating TechnologyOne’s direct implementation model would require these vendors to disenfranchise the SI partner ecosystem that generates a significant portion of their revenue. This makes the gap self-reinforcing.</p>	<p>Oracle, SAP and Microsoft do not compete aggressively in Australian/NZ local government, councils or mid-tier education. 73% council penetration achieved without material incumbent response over 16+ years.</p>

**4. Switching Costs**

★ **STRONG**

TechnologyOne’s ERP platform is deeply embedded in the operational, financial and compliance infrastructure of its customers. Migrating from a fully integrated cloud ERP, which handles payroll, finance, procurement, asset management and reporting for a council or university is a multi-year project with significant staff retraining, data migration and risk. Customer churn of approximately 1% per annum is the empirical proof. It is structurally near impossible to leave. The transition to SaaS+ pricing deepens the lock-in further, as customers progressively expand the module set they rely on.

~1% annual churn. NRR of 115% shows customers are expanding, not contracting. 73% council penetration over 16 years with essentially no competitive displacement.

Overall Moat assessment: Strictly applying the 7 Powers framework, TechnologyOne possesses two genuine powers: Counter-Positioning and Switching Costs. That is a strong result. Most listed businesses earn one at best. The combination is particularly durable. Counter-Positioning means large incumbents are structurally disinclined to compete and Switching Costs mean customers who have adopted the platform are structurally disinclined to leave. Together, they create a two-sided moat that reinforces itself over time as penetration deepens.

7 Powers verdict: 2 Strong (Counter-Positioning, Switching Costs). The absence of Network Economies is the key differentiator from a business like WiseTech’s CargoWise, which benefits from genuine data network effects. TechnologyOne’s moat is deep and durable within its served verticals, but it does not compound in the same exponential manner. Plus represents the most credible path to a third power (potentially Network Economies or Process Power), but that case has not yet been made empirically.

**Conclusion**

TechnologyOne’s FY25 result and the 18 February 2026 AGM confirm a business of unusual quality: 16 consecutive years of record profit, revenue and ARR; a Rule of 40 score of 59%; 134% free cash flow conversion; a debt-free balance sheet with \$319.6m cash; and a 115% net revenue retention rate that speaks directly to the depth of customer dependency. The AGM guidance upgrade, lifting ARR growth guidance to 18% to 23%, was supported by concrete drivers (SaaS+ pricing momentum, U.K. acceleration, Plus AI early adoption) and was received positively by the market.

Viewed through the 7 Powers lens, TechnologyOne earns two genuine and durable powers. These two powers, operating together across 16 years of execution, explain the 16-year record and the compounding ARR base. The Plus AI platform is an interesting option. If it generates measurable, quantifiable productivity outcomes for customers, it could unlock a third power and justify a further re-rating. Until adoption data is available, it is optionality, not certainty.

**Balance Sheet & Valuation Snapshot**

**at AGM (18 Feb 2026)**

Market Capitalisation	\$7.7b
Enterprise Value (EV)	\$7.4b
ARR	\$554.6m (FY25)
EV/ARR	~13x
EV/EBITDA	~29x
Net Cash	\$319.6m (debt-free)

Report prepared using public information from TechnologyOne’s FY25 results release (November 2025) and AGM 2025 CEO presentation (18 February 2026, Brisbane). All figures are in AUD unless stated. This document is for informational purposes only and does not constitute financial advice. **SFM**

# WiseTech Global

## Business

WiseTech Global Limited (ASX:WTC) is a global provider of logistics technology, best known for CargoWise, its unified, cloud-based platform for freight forwarding, customs, compliance and supply chain management. The company serves more than 22,000 logistics companies across 193 countries, including 23 of the top 25 global freight forwarders and 46 of the top 50 global third-party logistics providers. After acquiring e2open on 4 August 2025 at an enterprise value of US\$2.1b (WiseTech's largest acquisition to date, dwarfing the combined US\$1.2b spent across 55 prior acquisitions over 10 years), the company expanded its network to over 500,000 connected enterprises across manufacturing, logistics, channels and distribution. Today, its ecosystem capabilities can service approximately 80% of global manufactured trade flows.

WiseTech is creating a multi-sided marketplace that connects carriers, logistics providers, importers, exporters and shippers. Alongside the integration of a major acquisition, the business is undertaking a momentous transformation. Simultaneously, it is introducing a new commercial model, embedded agentic AI, and the more complex Container Transport Operations (CTO) alongside a JV partner, while undergoing management and board renewal. At the time of the 1H26 result (25 February 2026), the company's market capitalisation was approximately A\$16b. As of the time of writing, the market capitalisation has fallen to approximately A\$12.8b. Richard White serves as Executive Chair and Chief Innovation Officer. CEO Zubin Appoo leads day-to-day responsibilities. The company is seeking a CFO to succeed the very capable interim CFO Caroline Pham, who will likely transition to a new role.

*After a period of self-inflicted personal (tabloid) chaos, Richard White has settled into the dual roles noted above. While we endorse founders moving to Executive Chair, under these circumstances, this is an area to monitor over the next 6 to 12 months.*

## Results | Key surprises

### 1. Phase 2 efficiency program. Up to 50% headcount reduction in Product & Development

The most significant disclosure at the H1 FY26 result was the announcement of the second phase of WiseTech's efficiency program. Starting in 2H26 and

continuing into FY27, the company expects to reduce headcount, initially in product and development and customer service, including e2open, by up to 50%. As part of its long-term strategic focus on higher-margin recurring revenue and its commitment to building a higher-performance culture, this program will likely result in a reduction of approximately 2,000 roles in FY26 and into FY27. Management noted the first phase of the program is complete, having already delivered more than 500 role reductions in FY26, with an FY27 target of ~US\$18m annual run-rate EBITDA savings (FY26 target of ~US\$9m net cost-out achieved in 1H26, ahead of plan). The financial impact of the second phase is not expected to be material to FY26 outcomes, as execution costs are projected to offset any near-term savings.

This is the most significant organisational restructuring in WiseTech's history. The framing, AI enabling a smaller, higher-performance team, is consistent with the company's commercial model transition. The scale (up to 50% of product and development headcount) is a bold structural bet that warrants close monitoring over the next 12 to 18 months.

### 2. FY26 guidance maintained

Despite the scale of transformation and the complexity of the e2open integration, WiseTech reaffirmed its full-year FY26 guidance, excluding the phase 2 restructuring, with the impact in FY26 expected to be immaterial as costs offset savings. This reaffirmation was a meaningful positive surprise: the market had risk-weighted a guidance cut given the moving parts. Maintaining guidance signals management's confidence in three areas: the core CargoWise business is performing to plan, 95% of customers have transitioned to the new model, and the e2open integration is tracking within expected parameters.

Guidance that is maintained through a period of significant operational change is a credibility signal. It also implies that savings from the Phase 2 efficiency program, while not material to FY26, are expected to flow into FY27 EBITDA, improving the medium-term earnings trajectory. Getting above the bottom end of guidance will be determined by the larger contracted customer base, who make up 30% of revenue and are yet to transition to the new commercial model.

## Financials

	HY26 (US\$m)	HY25 (US\$m)	Change
<b>Revenue</b>	<b>672.0</b>	<b>381.0</b>	<b>+76%</b>
<i>WTG ex. e2open</i>	422.6	381.0	+11%
<i>CargoWise</i>	372.4	331.7	+12%
<i>e2open (5 months)</i>	249.4	n/a	n/a
<b>Gross Profit</b>	<b>529.9</b>	<b>329.0</b>	<b>+61%</b>
<i>margin</i>	79%	86%	-7pp
<b>EBITDA (reported)</b>	<b>252.1</b>	<b>192.3</b>	<b>+31%</b>
<i>margin (reported)</i>	38%	50%	-13pp
<i>margin (organic CW)</i>	51%	51%	flat
<b>Operating Profit (EBIT)</b>	<b>149.6</b>	<b>149.7</b>	<b>flat</b>
<b>Statutory NPAT</b>	<b>68.1</b>	<b>106.4</b>	<b>-36%</b>
<b>Underlying NPAT</b>	<b>114.5</b>	<b>112.1</b>	<b>+2%</b>
<b>Underlying EPS (cents)</b>	<b>34.3</b>	<b>33.7</b>	<b>+2%</b>
<b>Basic EPS (cents)</b>	<b>20.4</b>	<b>32.0</b>	<b>-36%</b>
<b>Operating Cash Flow</b>	<b>231.7</b>	<b>202.7</b>	<b>+14%</b>
<b>Free Cash Flow</b>	<b>153.6</b>	<b>124.1</b>	<b>+24%</b>
<i>Conversion</i>	61%	65%	-4pp
<b>Recurring Revenue %</b>	<b>95%</b>	<b>98%</b>	<b>-3pp</b>
<b>R&amp;D Investment (total)</b>	<b>175.3</b>	<b>137.0</b>	<b>+28%</b>
<i>% of Revenue</i>	26%	36%	-10pp
<b>Net Debt/(Cash)</b>	<b>2.0b</b>	<b>(0.1)</b>	<b>Elevated</b>
<i>Net Leverage (ND/EBITDA)</i>	3.2x	(0.5x)	Elevated
<b>Interim Dividend (cents)</b>	<b>6.8</b>	<b>6.7</b>	<b>+1%</b>

Note: e2open was acquired on 4 August 2025; H1 FY26 includes five months of e2open revenue (US\$249.4m). Statutory NPAT fell 36% to US\$68.1m, driven by acquired amortisation (US\$38.4m net of tax) and M&A costs (US\$10.8m). Underlying NPAT of US\$114.5m, up 2%, is the more comparable earnings measure. Reported EBITDA of US\$252.1m at 38% margin reflects e2open dilution and restructuring costs. Organic CargoWise EBITDA margin held flat at 51%. e2open's EBITDA margin was 22% reported and 34% excluding restructuring costs, showing 6pp expansion from FY25 pro forma. CargoWise recurring revenue was 99%.

### Cash flow

Operating cash flow increased 14% to US\$231.7m in 1H26, reflecting the addition of e2open's recurring subscription revenues and continued strong cash conversion from CargoWise. Free cash flow of US\$153.6m was up 24%, with a free cash flow conversion rate of 61% of underlying NPAT. This is a solid result given the significant increase in net finance costs (US\$68.3m, up from US\$2.0m in 1H25) driven by acquisition debt interest. The company declared an

interim dividend of 6.8 cents per share (fully franked), representing a 20% payout ratio of underlying NPAT. WiseTech has guided to meaningful deleveraging over the FY26 full year through organic free cash flow generation, targeting net leverage below 2.5x within 18 to 24 months.

As debt is repaid and interest costs decline, free cash flow conversion should recover materially. This is one of the key financial inflection points to watch over FY27 to FY28.

## Business comment

### Negatives

Several headwinds featured in the H1 FY26 result:

- Gross profit margin compressed 7 percentage points to 79% (from 86%), driven by e2open's structurally higher cost base in cost of revenues. e2open carries a greater proportion of professional services revenue with more headcount in delivery due to product customisations. Excluding e2open, gross margins were flat on the prior period.
- Statutory NPAT fell 36% to US\$68.1m, primarily due to acquired amortisation (US\$38.4m net of tax) and M&A costs (US\$10.8m). These are non-cash or one-off items. The underlying NPAT of US\$114.5m, up 2%, is the cleaner measure, though even this modest growth reflects the earnings dilution from the acquisition.
- Net leverage rose to approximately 3.6x FY26 guided midpoint EBITDA (US\$568m). This is elevated relative to WiseTech's historically ungeared balance sheet. Net finance costs of US\$68.3m (H1 FY25: US\$2.0m) are a direct and material headwind to both statutory and underlying earnings.
- WiseTech announced a second phase of its efficiency program, targeting up to 50% reduction in product, development and customer service headcount (approximately 2,000 roles in FY26 and into FY27). While strategically coherent, the execution risk is real and near-term disruption is inevitable. See *'Results | Key surprises'* above for full details.
- e2open integration risk is substantial. e2open has a complex legacy multi-product architecture and a sales-led go-to-market model that is structurally different from WiseTech's product-led approach. Transitioning e2open to WiseTech's model is a multi-year task with meaningful execution risk.
- DSV have publicly endorsed DB Schenker's Tango platform. See extended comment in Other.

### Positives

- CargoWise revenue grew 12% to US\$372.4m, including 9% organically, reinforcing the core platform's sustained competitive momentum, with growth broad-based across all customer cohorts. CargoWise customer attrition remains below 1%, a

level that has been consistent for more than 13 years of measurement.

- WiseTech, excluding e2open, grew 11% to US\$422.6m, demonstrating the underlying business is healthy and compounding, independent of the acquisition.
- Phase 1 of the efficiency program delivered ahead of plan: the FY26 target of ~US\$9m net cost-out was achieved in 1H26, and the FY27 run-rate target of ~US\$18m annual EBITDA savings is on track. This is an early proof point that management can execute on its operating model transformation.
- CargoWise Value Packs (the new transaction-based commercial model) launched in December 2025 and have been rolled out to approximately 95% of CargoWise customers. This pricing transition aligns revenue to the value delivered through automation and scale and is a structural positive for long-term revenue quality. In summary, value is up and seats are out.
- New LGFF rollout momentum with 57 Large Global Freight Forwarder (LGFF) rollouts contracted or in production as of 31 December 2025, including 11 of the top 25. Four new LGFF rollouts signed in FY26 to date (Sankyu, CJ Logistics, Blue Water Shipping, XPD Global), with two more added since period end. Importantly, sales cycle friction is lower.
- Management called out "green shoots at e2open". The initial product evaluation is positive.

### R&D comment

WiseTech invested US\$175.3m in R&D in H1 FY26, up 28% from US\$137.0m in H1 FY25, representing 26% of total revenue (down 10 percentage points from 36% in H1 FY25). The percentage decline reflects e2open's sales-led approach, driving a lower proportion of R&D investment and lower capitalisation rates than WiseTech's historically product-led model. Excluding e2open, WiseTech reinvested 33% of revenue in R&D, broadly in line with 2H FY25. Capitalised development investment was 48% of total R&D (H1 FY25: 54%), again diluted by e2open's lower capitalisation rate. WiseTech delivered 1,060 new product enhancements to the CargoWise application suite in 1H FY26, bringing the five-year total to over 6,300 enhancements from more than US\$1b invested.

### Debt

As of 31 December 2025, US\$2.4b of WiseTech's US\$3.0b senior unsecured syndicated facility was

drawn. The facility comprises four tranches: a US\$572.5m 2-year term loan, a US\$875.0m 3-year revolving credit facility (US\$600m undrawn), a US\$810.0m 4-year term loan and a US\$742.5m 5-year term loan, with staggered maturities from July 2027 to July 2030. Cash on hand of US\$358.4m resulted in net

debt of approximately US\$2.0b. Net leverage of approximately 3.6x FY26 guided midpoint EBITDA (US\$568m) is elevated, but management has guided to deleveraging below 2.5x within 18 to 24 months via free cash flow generation. Total liquidity (cash plus undrawn revolving credit facility) exceeds US\$950m.

**HY26**

<b>Drawn Debt (from US\$3.0b facility)</b>	<b>US\$2.4b</b>
<b>Cash &amp; Equivalents</b>	<b>US\$358.4m</b>
<b>Net Debt</b>	<b>US\$2.0b</b>
<i>Net Leverage (ND/EBITDA)</i>	<i>~3.0x (on FY26 guided midpoint EBITDA)</i>
<b>Annualised Interest Expense</b>	<b>~US\$144m</b>
<b>Debt Structure</b>	<b>US\$3.0bn syndicated: 4 tranches (Jul 2027 to Jul 2030)</b>

## Other

### People

Richard White serves as Executive Chair and Chief Innovation Officer, a role that keeps him central to product strategy and innovation without the day-to-day operational CEO responsibilities. Zubin Appoo leads the business as CEO. This structure resolved the governance uncertainty that had weighed on the stock through FY25. The 1H26 result (25 February 2026) was delivered cleanly, without governance distraction. WiseTech operates 40 product development centres globally, with around 7,000 employees across 40 countries. The 2,000-head workforce restructuring, up to 50% reduction in product, development and customer service headcount, is the most significant organisational change in the company's history.

The leadership governance question has been a material overhang on the stock for over a year. For now, its resolution reduces headline risk. The workforce reduction is a bold strategic bet on AI productivity that warrants close monitoring over the next 12 to 18 months.

### **New commercial model. CargoWise Value Pack (CVP)**

WiseTech has introduced a new commercial model centred on the CargoWise Value Pack (CVP). This is a material business change as the company moves from seat-based selling to a combination of transactions completed and consumption. Within the new model,

automation is incentivising higher CVP usage, with WiseTech reporting a 2x-5x increase in AI usage, which adds to pricing power. Two new LGFFs have signed on to CVP, with the company noting an easier selling cycle due to lower friction, which in turn opens CargoWise to the SME channel. The new billing model lends itself to disbursing fees from the logistics company (the CargoWise software user) to its clients, the beneficial cargo owner, as an immaterial fee alongside freight and logistics charges. To date, 95% of CargoWise users are transitioning to the new model. The remaining 5% are large players accounting for approximately 30% of CargoWise revenue and are locked into longer-dated contracts with negotiated discounts. Historic attrition across the CargoWise base remains below 1%. Management reports conversations with key customers have been positive, noting they are awaiting the new contracts from WiseTech rather than resisting the transition.

The CVP transition is the most significant commercial change in CargoWise's history. Longer term, if CVP is successful, selling friction is lower, the TAM is larger and pricing power increases. The revenue outcome for FY26, particularly whether the company lands above or below the midpoint of guidance, will be substantially determined by how and when these large contracted customers convert. The disbursement model is strategically elegant: it passes the software cost to the cargo owner, reducing price sensitivity for the freight forwarder and expanding the total addressable pool of payers.

### DSV Schenker | Key renewal risk

Renewal of existing LGFF contracts under the CVP model remains a key risk to the business, and DSV Schenker is the lightning rod. DSV has publicly stated that its recently acquired Tango platform is being evaluated for ongoing use as an alternative or complement to CargoWise. WiseTech management has acknowledged that Tango’s Euro and US land transport functionality is reputed to be strong and may currently be ahead of CargoWise for that specific capability. That said, Tango requires a third-party customs solution. Tango has a clear product capability gap and is unlikely to match CargoWise functionality. CEO Appoo has expressed confidence that current and future product integrations and iterations, including Matchbox and other CargoWise roadmap developments, will increase the gap over time. On a monthly basis, DSV is shifting customers onto CargoWise at a rate that is in line with, and in some months, above expectations. In the short term, with structural risk fears elevated, DCF-focused investors are discounting this risk accordingly. One analyst has projected that the DSV risk equates to

approximately US\$80m-US\$90m in revenue by 2030, which could have a similar impact on the bottom line given CargoWise’s high incremental margins. “Digital sovereignty” sounds clean. We believe that a complete shift to in-house systems with known gaps, away from an industry standard, carries material execution risk initially, followed by operational risk forever. WiseTech has been repriced. The risk now clearly sits with DSV.

DSV Schenker is the largest single customer risk in WiseTech’s history. The outcome of this renewal, and the signal it sends to other large LGFF customers watching from the sidelines, will be a defining event for the stock over the next 12 to 24 months. Management’s confidence is credible given CargoWise’s breadth, but Tango’s land transport capability is a genuine product gap that warrants monitoring.

### Company guidance

WiseTech reaffirmed full-year FY26 guidance at the 25 February 2026 results release (year ending 30 June 2026) as follows:

	<b>FY26 Guidance</b>
Group revenue	US\$1.39b to US\$1.44b
Group EBITDA	US\$550m to US\$585m
CargoWise revenue growth	~14% to 21%
Net leverage target	<2.5x within 18 to 24 months

Guidance drivers cited by management:

- CargoWise revenue growth of ~14%-21%, led by LGFF rollouts, new and existing customer growth, CTO launch and the new commercial model.
- Workforce restructuring savings flowing through in H2 FY26, with Phase 1 FY27 target of ~US\$18m annual run-rate EBITDA savings achieved in 1H26 ahead of plan.
- Margin expansion, as e2open integration costs normalise and 2H margin driven by cost efficiencies, new products and CVP rollout.
- FY26 EBITDA margin exit run rate of 43%-44%, with >10pp dilution from first-time consolidation of e2open and ~US\$45m-US\$50m of one-off e2open integration, retention and break costs driving 2pp-3pp of margin dilution.

The EBITDA guidance range of US\$550m-US\$585m implies meaningful margin recovery in H2 FY26 as integration costs normalise and synergies accelerate. The midpoint (US\$568m) represents approximately 42% EBITDA margin on guided revenue, a step toward the group’s long-term margin target.

### Moat

WiseTech has traditionally scored well on our qualitative and quantitative roadmap. The cultural piece, including the founder’s personal issues, independent findings and board departures, presents challenges that we continue to monitor. The underlying structural foundation has been questioned in the SaaS valuation de-rating, and the collapse in market capitalisation raises additional questions about durability. Below, we apply an independent filter to the question of durability.

The 7 Powers framework (Hamilton Helmer, 2016) identifies seven durable sources of business power that create sustained competitive advantage and pricing power. Of the seven powers, three apply to WiseTech.

The remaining four (Counter-Positioning, Branding, Cornered Resource, Process Power) do not clear the bar on rigorous assessment.

Power	Definition & Assessment	WTC Evidence
<b>1. Scale Economies</b> <b>★ STRONG</b>	Fixed costs spread over greater volume create a structural cost advantage that compounds over time. CargoWise’s R&D investment (33% of CargoWise revenue ex. e2open, US\$175.3m group total) is largely fixed. Each incremental customer reduces the average development cost per customer. No competitor operates at comparable scale across 193 countries, making meaningful replication prohibitively expensive. DSV’s Tango platform has capability gaps including customs. Their ability to achieve data sovereignty would disprove this thesis.	US\$175.3m R&D on 22,000+ logistics companies across 193 countries. Over US\$1bn invested in product development over the last five years, delivering 6,300+ enhancements. Per-customer development cost falls as the base grows.
<b>2. Network Economies</b> <b>★ STRONG</b>	CargoWise benefits from genuine data network effects. Every freight transaction, customs filing and compliance event processed improves the platform’s AI classification models, enriches the global tariff and compliance database, and deepens carrier connectivity. The platform becomes measurably more accurate and valuable as volume grows. An advantage no new entrant can replicate without scale.	~US\$2tn in annual trade processed. AI-driven document automation and customs classification improve directly with transaction volume. This is a genuine data moat, not a marketing claim.
<b>4. Switching Costs</b> <b>★ STRONG</b>	CargoWise is embedded into the core operational infrastructure of freight forwarders. It handles customs, compliance, accounting, CRM and operations within a single platform. Migrating away requires retraining staff, re-integrating carrier and customs data, and accepting months of operational disruption. This is not a theoretical switching cost. It is operationally catastrophic in practice, as evidenced by near-zero large-account churn.	Customer attrition below 1% for 13+ consecutive years. Transaction-based pricing deepens platform dependency over time. Zero large-scale customer exits reported to date.

Overall Moat Assessment: Applying the 7 Powers framework strictly, WiseTech’s CargoWise business possesses three genuine powers: Scale Economies, Network Economies, and Switching Costs. That is an unusually high count. Most businesses earn one or two at most. The e2open acquisition does not yet exhibit equivalent power characteristics. Its moat profile is thinner and its switching costs are less entrenched. Successful platform integration over 3 to 5 years could extend CargoWise’s network effects to the shipper

segment, potentially adding further depth. That remains an aspiration, not a current reality.

7 Powers verdict: 3 Strong (Scale, Network, Switching Costs). This is a high-quality moat by any standard. Counter-Positioning, Branding, Cornered Resource, and Process Power do not apply. While CargoWise exhibits strengths in these areas, they are better explained as manifestations of its Scale and Network advantages rather than independent, durable sources of power.

## Conclusion

The H1 FY26 result reflects a company in active transformation under CEO Zubin Appoo and Executive Chair Richard White. Revenue of US\$672.0m, up 76%, was predominantly acquisition-driven, but CargoWise's 9% organic growth and 12% total growth to US\$372.4m confirm the core platform's competitive momentum is intact. Underlying NPAT of US\$114.5m, up 2%, understates the earnings-quality story. The drag from acquired amortisation (US\$38.4m net of tax) and integration costs is real but finite. The maintenance of full-year guidance driven by the scale of transformation and the complexity of integration signals that management has conviction in the FY26 earnings path.

Viewed through the 7 Powers lens, CargoWise remains one of the highest-quality software businesses on the ASX, with genuine and durable Scale Economies, Network Economies and Switching Costs. The AI-enabled operating model reset (up to 2,000 role

## Snapshot

### Snapshot Summary

Market Cap (at result, 25 Feb 2026)	A\$16b
Market Cap (at time of writing)	A\$12.8b
Enterprise Value (USD)	US\$10.5b
EV/EBITDA Guided midpoint	18.5x
Net Debt	US\$2.0b (~A\$3.1b)
Net Leverage	3.2x EBITDA
Cash on Hand	US\$358.4m

reductions) is a bold bet on technology-driven productivity that could structurally improve unit economics if executed well. At approximately A\$12.8b market capitalisation (having fallen from ~A\$16b at the time of the result) and net debt of approximately US\$2.0b (3.6x FY26 guided midpoint EBITDA), investors are paying far less for the quality of the CargoWise franchise and the option on a successful e2open integration.

FY26 EBITDA guidance of US\$550m-US\$585m implies meaningful earnings growth from H1 levels. If delivered, this provides a credible pathway to deleveraging within management's stated timeframe, while significantly de-risking the business. We believe DSV risk is priced and CTO represents a free option on industry-transforming innovation. Disrupting and transforming is rarely a simple quest and comes with risk to earnings. On the flip side, the combination of Brand, Leadership, Unique IP and recurring revenues rewards long-term investors handsomely.

*Report prepared using public information from WiseTech Global's H1 FY26 results release (25 February 2026). All figures are in USD unless stated. This document is for informational purposes only and does not constitute financial advice. **SFM***

## Company Engagements – March 2026 Quarter

Date	Company	Description
19-Jan	4DX	4DMedical Investor Webinar
20-Jan	YOJ	Yojee UBS Management Meeting
21-Jan	TLX	Telix Pharmaceuticals Citi Management Meeting
27-Jan	ALL	Aristocrat Leisure Management Meeting
28-Jan	RMD	Resmed UBS Industry Insights Call
28-Jan	TNE	TechnologyOne Management Meeting
29-Jan	COH	Cochlear UBS Industry Insights Call
30-Jan	RMD	Resmed 2Q26 Results Call
30-Jan	RMD	Resmed GS Management Meeting
3-Feb	RMD	Resmed Management Meeting
4-Feb	TLX	Telix Pharmaceuticals Management Meeting
5-Feb	OFX	OFX Group Management Meeting
6-Feb	REA	REA Group HY26 Results Call
9-Feb	CAR	CAR Group HY26 Results Call
9-Feb	RMD	Resmed Barrenjoey Industry Insight Call
9-Feb	CAR	CAR Group Barrenjoey Management Meeting
9-Feb	REA	REA Group Barrenjoey Management Meeting
9-Feb	OFX	OFX Group Management Meeting
10-Feb	CSL	CSL Barrenjoey Industry Insight Call
10-Feb	REA	REA Group Management Meeting
10-Feb	CAR	CAR Group UBS Management Meeting
10-Feb	CAR	CAR Group Management Meeting
10-Feb	CSL	CSL Investor Briefing
11-Feb	JHX	James Hardie Industries 3Q Results Call
11-Feb	CPU	Computershare HY26 Results Call
11-Feb	CSL	CSL HY26 Results Call
11-Feb	CPU	Computershare Management Meeting
12-Feb	BRG	Breville HY26 Results Call
12-Feb	PME	Pro Medicus HY26 Results Call
12-Feb	CSL	CSL MST Management Meeting
12-Feb	CPU	Computershare JP Morgan Management Meeting
12-Feb	BRG	Breville Macquarie Management Meeting
12-Feb	BRG	Breville Barrenjoey Management Meeting
13-Feb	JHX	James Hardie Industries Management Meeting
13-Feb	COH	Cochlear HY26 Results Call
16-Feb	COH	Cochlear Management Meeting
17-Feb	BRG	Breville Management Meeting
17-Feb	RWC	Reliance Worldwide HY26 Results Call
17-Feb	SEK	SEEK HY26 Results Call
17-Feb	SEK	SEEK Barrenjoey Management Meeting
18-Feb	PME	Pro Medicus JP Morgan Management Meeting
18-Feb	TNE	TechnologyOne Annual General Meeting
18-Feb	SEK	SEEK JP Morgan Management Meeting
19-Feb	SEK	SEEK Management Meeting
19-Feb	RWC	Reliance Worldwide Barrenjoey Management Meeting

<b>Date</b>	<b>Company</b>	<b>Description</b>
19-Feb	ALL	Aristocrat Leisure Annual General Meeting
19-Feb	MVP	Medical Developments International HY26 Results Call
19-Feb	PME	Pro Medicus JP Morgan Management Meeting
20-Feb	TLX	Telix Pharmaceuticals FY25 Results Call
20-Feb	PNV	PolyNovo HY26 Results Call
23-Feb	REH	Reece HY26 Results Call
23-Feb	PNV	PolyNovo Macquarie Management Meeting
24-Feb	ARB	ARB Corporation HY26 Results Call
24-Feb	NAN	Nanosonics HY26 Results Call
24-Feb	NAN	Nanosonics Barrenjoey Management Meeting
24-Feb	PNV	PolyNovo Morgans Management Meeting
24-Feb	ARB	ARB Corporation Macquarie Management Meeting
24-Feb	REH	Reece Management Meeting
25-Feb	FLT	Flight Centre Travel Group HY26 Results Call
25-Feb	WTC	WiseTech Global HY26 Results Call
25-Feb	ARB	ARB Corporation Morgans Management Meeting
25-Feb	FLT	Flight Centre Travel Group Macquarie Management Meeting
25-Feb	NAN	Nanosonics GS Management Meeting
25-Feb	FLT	Flight Centre Travel Group Management Meeting
25-Feb	ARB	ARB Corporation Management Meeting
25-Feb	NAN	Nanosonics Management Meeting
25-Feb	FCL	FINEOS Corporation Holdings FY25 Results Call
26-Feb	TLX	Telix Pharmaceuticals UBS Management Meeting
26-Feb	WTC	WiseTech Global UBS Management Meeting
26-Feb	FCL	FINEOS Corporation Holdings Management Meeting
27-Feb	LPX.NYSE	Louisiana Pacific Barrenjoey Management Meeting
27-Feb	NAN	Nanosonics Morgans Management Meeting
3-Mar	RWC	Reliance Worldwide Management Meeting
3-Mar	PNV	PolyNovo Management Meeting
5-Mar	COCH.NAS	Envoy Medical UBS Management Meeting
5-Mar	TLX	Telix Pharmaceuticals Investor Briefing
6-Mar	NAN	Nanosonics UBS Management Meeting
6-Mar	MVP	Medical Developments International Management Meeting
10-Mar	PME	Pro Medicus Barrenjoey Management Meeting
10-Mar	TLX	Telix Pharmaceuticals Investor Briefing
10-Mar	JHX	James Hardie Industries Management Meeting
11-Mar	CSL	CSL Barrenjoey Industry Insight Call
11-Mar	TLX	Telix Pharmaceuticals Management Meeting
17-Mar	TLX	Telix Pharmaceuticals UBS Industry Insights Call
17-Mar	CSL	CSL Management Meeting
18-Mar	TLX	Telix Pharmaceuticals Barrenjoey Industry Insight Call
18-Mar	CSL	CSL Barrenjoey Industry Insight Call
19-Mar	WTC	WiseTech Global JP Morgan Industry Insights Call
19-Mar	WTC	WiseTech Global UBS Industry Insights Call
19-Mar	WTC	WiseTech Global JP Morgan Industry Insights Call
19-Mar	WTC	WiseTech Global JP Morgan Industry Insights Call
20-Mar	PME	Pro Medicus Morgans Management Meeting

<b>Date</b>	<b>Company</b>	<b>Description</b>
23-Mar	FCL	FINEOS Corporation Holdings Management Meeting
24-Mar	REH	Reece UBS Industry Insights Call
24-Mar	RMD	Resmed Barrenjoey Industry Insight Call
24-Mar	WTC	WiseTech Global Management Meeting
25-Mar	COCH.NAS	Envoy Medical GS Industry Insights Call
25-Mar	RMD	Resmed UBS Industry Insights Call
25-Mar	FCL	FINEOS Corporation Holdings Investor Day
25-Mar	PME	Pro Medicus Barrenjoey Management Meeting
25-Mar	PME	Pro Medicus GS Management Meeting
25-Mar	FCL	FINEOS Corporation Holdings UBS Management Meeting
26-Mar	COH	Cochlear Management Meeting
27-Mar	FCL	FINEOS Corporation Holdings Management Meeting
31-Mar	TLX	Telix Pharmaceuticals Barrenjoey Emerging Healthcare Conference
31-Mar	NAN	Nanosonics Barrenjoey Emerging Healthcare Conference

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