under the radar report
SMALL CAPS

ISSUE 632
02 JANUARY 2025

HAPPY NEW YEAR! NEW DIVIDEND PORTFOLIO & MORE!

3 MESSAGES TO GET YOUR PORTFOLIO FIRING IN 2025 (AND BEYOND)

The big advantage individual investors have is patience. We don't have to report to unit holders every three months and we can hold onto stocks for as long as we like. We like to let our winners run, yes, but we also like to hold onto underperformers.

This is one reason our Small Cap Dividend Portfolios have done so well, delivering annual returns of 20% plus over the past few years, more than double the market, which for us is the S&P/ASX All Ords Index.

There are so many stocks that have become giants in our portfolios that were minnows for lengthy periods. For a number of years **Superloop (SLC)** wasn't delivering, then last year the telco network specialist climbed three-fold in the past 12 months. There have been many more examples of this, Under the Radar. Think **Codan (CDA)**, think **Avita Medical (AVH)**, think **Macquarie Technologies (MAQ)**, **Austal (ASB)**, **Neuren Pharma (NEU)**… I could go on.

The second message is that you cannot go broke taking a profit. This sage advice came from my Poppa and has held me in good stead. When a stock does really well, it's a good idea to take your costs out and let your profits run. This frees up your mind and your capital! You can look for more growth stocks.

Third, use 2025 to keep building up your portfolio's quality. A good indicator of value is profitability. Dividends indicate that a company is making profits, because you can't pay them otherwise. You don't invest on the basis of dividends, but they do generate confidence, which is what you need to combat uncertainty.

A bonus piece of advice is to invest in what you know and understand. If it seems too much of a leap of faith when coming to terms with a business model, then leave it. There are so many Small Cap fish in Under the Radar's sea and our team is always available to answer your questions. From all our team at Under the Radar, have a happy and prosperous 2025.

Richard Hemming
Head of Investments

the issue

> Invest in what you know and understand. If it seems too much of a leap of faith when coming to terms with a business model, then leave it.

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SMALL CAP DIVIDEND PORTFOLIO

Find out about 12 of our favourite Small Cap Dividend Payers, with an average yield of 5.0%

ACROW FORMWORK (ACF) — SPEC BUY

INDUSTRY	CONTRACTOR
MARKET CAP	$334M
DIVIDEND/SHARE	$0.060
DIVIDEND YIELD	5.5%
PRICE@ 01/01/2025	$1.10
NET CASH/DEBT	$68.9M
RISK RATING	4

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Provider of formwork, industrial access and commercial scaffolding. In mid November reported a pipeline of $198m, 5% in 3.5 months. FY25 revenue is forecast at $273m and operating earnings (EBITDA) of $85m, up 14%. Tailwinds from infrastructure construction and competitive edge its engineering team. The shares continue to be attractively priced relative to its peers, trading on a forward PE of around 8 and an EV/EBITDA ratio of 6.

AUSWIDE BANK (ABA) — SPEC BUY

INDUSTRY	LENDER
MARKET CAP	$250M
DIVIDEND/SHARE	$0.260
DIVIDEND YIELD	5.4%
PRICE@ 01/01/2025	$4.85
NET ASSETS	$290M
RISK RATING	4

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Has returned 22% since our upgrade to spec buy in September but we still like this Queensland-based bank, about to merge with Tasmania's MyState (MYS). The merger gives ABA shareholders just over a third of the new company, whose creation has been delayed by APRA until early next year. We see significant growth from the merger, which benefits ABA more, being the junior partner. This means dividend growth.

CENTREPOINT ALLIANCE (CAF) — SPEC BUY

INDUSTRY	WEALTH
MARKET CAP	$67M
DIVIDEND/SHARE	$0.020
DIVIDEND YIELD	6.0%
PRICE@ 01/01/2025	$0.34
NET CASH/DEBT	$9M
RISK RATING	4

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Already the fourth largest domestic adviser business and is expanding through a new superannuation platform, IconiQ, which allows CAF to push its managed portfolios. The group has a track record of paying dividends. FY25 EBITDA guidance of $10m implies dividends will continue. The acquisition by COG Financial (COG) of 19.9% offers takeover potential. Financial risks contained by a steady business and a strong balance sheet.

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SMALL CAP DIVIDEND PORTFOLIO

DATA3 (DTL) — HOLD

INDUSTRY	SERVICES
MARKET CAP	$990M
DIVIDEND/SHARE	$0.260
DIVIDEND YIELD	4.1%
PRICE@ 01/01/2025	$6.39
NET CASH/DEBT	$276.4M
RISK RATING	3

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Share price weakness provides an opportunity to buy this dividend delivering IT services heavyweight. The growth might be slowing, but it's still growth and is underpinned by big spending from its corporate customer base, as they beef up cyber security and AI functionality. A substantial component of its business is relatively low-margin software sales, but 67% of revenue comes from recurring contracted payments. We think DTL is a core portfolio holding.

ELDERS (ELD) — BUY

INDUSTRY	FOOD
MARKET CAP	$1262M
DIVIDEND/SHARE	$0.360
DIVIDEND YIELD	5.0%
PRICE@ 01/01/2025	$7.16
NET CASH/DEBT	-$437M
RISK RATING	3

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Operating earnings in FY24 (y/e 30 Sep) down 43% due to livestock prices, despite improving lamb price plus market share gains in fertiliser. Dividends were down 10 cents at 36 cents on prior year. Overshadowing this was the $475m acquisition of Delta Agribusiness. Elders is exposed to a broad and diverse range of agricultural inputs, and a cyclically depressed share price offers an opportunity to buy at a higher potential yield. The stock is trading below the price of the $7.85 equity raise for Delta. The yield of 5% based on a flat FY25 dividend (not fully franked) is good value if the company can return to growth.

EMBARK EARLY EDUCATION (EVO) — SPEC BUY

INDUSTRY	RETAIL
MARKET CAP	$141M
DIVIDEND/SHARE	$0.060
DIVIDEND YIELD	7.8%
PRICE@ 01/01/2025	$0.77
NET CASH/DEBT	$16M
RISK RATING	4

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Operates childcare centres, having acquired seven more in August for $20m; now has 36 centres. Demand is high and earnings are improving, despite difficulties obtaining staff. Acquisitions are the growth strategy. Shareholders receive 1.5 cent dividends every quarter. The company trades on low PE of 9.

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SMALL CAP DIVIDEND PORTFOLIO

EVOLUTION MINING (EVN) — BUY

INDUSTRY	GOLD
MARKET CAP	$9552M
DIVIDEND/SHARE	$0.150
DIVIDEND YIELD	3.1%
PRICE@ 01/01/2025	$4.81
NET CASH/DEBT	-$1520M
RISK RATING	3

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

A large domestic gold miner and a low cost producer with a portfolio of long life assets. Also a copper producer, a third of revenue. FY25 gold production forecast at 745k ounces at a cost of $1,525/ounce. Copper production guidance is 75k tonnes. Track record of paying dividends. Attractively priced on a forward PE of 14.5 times.

HANSEN TECHNOLOGIES (HSN) — BUY

INDUSTRY	SOFTWARE
MARKET CAP	$1089M
DIVIDEND/SHARE	$0.100
DIVIDEND YIELD	1.9%
PRICE@ 01/01/2025	$5.35
NET CASH/DEBT	-$24.5M
RISK RATING	3

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Yield should increase steadily led the Powercloud acquisition. The challenge will be to deliver reliable earnings growth through contract success. HSN is forecasting FY25 EBITDA of close to $100m. Customers are large utilities but single customer represents more than 8% of revenue, and the business is diversified by industry exposure and by geography, with 11 new contracts in FY24. A 10% increased full year 11 cents dividend would cost about $22m.

HELLOWORLD TRAVEL (HLO) — SPEC BUY

INDUSTRY	RETAIL
MARKET CAP	$315M
DIVIDEND/SHARE	$0.110
DIVIDEND YIELD	5.6%
PRICE@ 01/01/2025	$1.96
NET CASH/DEBT	$113M
RISK RATING	4

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

Reliable earnings, even though demand is cyclical. Over 10,000 advisors catering for travel demand, which has not abated. A track record of dividends; the FY24 payout ratio from net earnings was 60%. A historic price/earnings valuation of around 10x, with net cash and other investments, is cheap, even if HLO's growth stalls as consumer discretionary spending pressures impacted revenue growth and may herald an earnings plateau after both underlying EBITDA and EPS growth of 50% in FY24.

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SMALL CAP DIVIDEND PORTFOLIO

INFOMEDIA (IFM) — HOLD

INDUSTRY	SERVICES
MARKET CAP	$579M
DIVIDEND/SHARE	$0.050
DIVIDEND YIELD	3.2%
PRICE@ 01/01/2025	$1.54
NET CASH/DEBT	$70M
RISK RATING	3

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

We backed off our buy recommendation at higher levels but the stock has come back and it looks very good value. Recent earnings have our faith in the car parts catalogue specialist. The yield isn't big but the earnings certainty is high, the major component coming from subscriptions. The company also has net cash and produces large amounts of cash with relatively low investment requirement.

NZME (NZM) — BUY

INDUSTRY	MEDIA/ADVERT
MARKET CAP	$185M
DIVIDEND/SHARE	$0.074
DIVIDEND YIELD	7.5%
PRICE@ 01/01/2025	$0.99
NET CASH/DEBT	-$27.7M
RISK RATING	3

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

A market leader in radio, newspapers and digital property which earns reliable revenues from major advertisers as well as subscription and other digital income. Earnings have been flat for some years, but ample cash flow has repaid substantial debt means NZM pays healthy dividends. In early December, a trading update reported revenue growth of 5% for the quarter. Cost reductions have been implemented and second half operating earnings (EBITDA) are forecast at $57m, minimal growth over FY23. A payout ratio of 65% of free cash flow should deliver shareholders a NZ9 cent dividend (A8 cents).

XRF SCIENTIFIC (XRF) — SPEC BUY

INDUSTRY	CONTRACTOR
MARKET CAP	$274M
DIVIDEND/SHARE	$0.044
DIVIDEND YIELD	2.3%
PRICE@ 01/01/2025	$1.95
NET CASH/DEBT	$10.4M
RISK RATING	4

WHY ITS GOOD FOR DIVIDENDS AND GROWTH:

The mining services group provides mineral testing services and produces consistent earnings per share and dividend growth. This is driven both internally and by acquistion. In November the group acquired Labfit, a manufacturer of carbon sulphur and pH analysers. Trades on a reasonable cash flow valuation multiple and has an outstanding return on capital employed at over 23%.

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MEDADVISOR

SECTOR HEALTHCARE **INDUSTRY** EHEALTH MED TECH

Research Tip Update

What's New?
First-half (1h25) revenue is now expected to be down 25-30% from last year's $75.5m (1h24) on lower vaccination rates, with revenue being deferred until the second half in the US. Due to a robust Australian business and cost-cutting, operating earnings (EBITDA) are still expected to remain positive for the full year (FY25).

Just when the stock was starting to rebound after the previous downgrade, it's been hit again and is below our initial buy recommendation of 27 cents in February 2024.

Bull Points
· Growth in the US & Australia
· Strong cash flow

Bear Points
· Increasing capital expenditure
· Management of rapid US growth

Analysis: This is a high-risk early-stage growth stock that is sub-scale, which means revenues are not sufficient to prevent earnings volatility. Instead of approaching $250m a year in revenues, which has been its five-year target, they are going the other way!

A big factor in the company's favour is technology: THRiV, a patient engagement platform in the US has seen rising demand; to replicate this across the entire business MDR has the "Transformation 360" project. These factors (especially the latter) have enabled the company to maintain its target of being operating earnings positive in FY25.

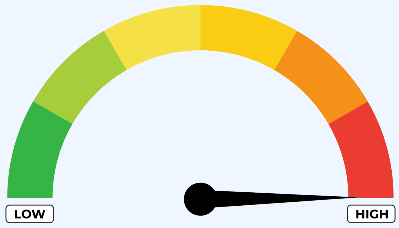
Just as important is the domestic business, which provides much-needed cash flow stability, where it services 90% of pharmacies and is benefiting from its mid-2022 acquisition of GuildLink, which partners with the Pharmacy Guild (now the biggest shareholder with a 21.5% sake).

Portfolio Risk Rating: We remain believers in the adherence strategy because big pharma and pharmacies require aids in mobilising patients to maintain medical treatment. It's just a bumpy ride and the valuation could be anywhere from 50 cents to $1 dependent on the trajectory of operating earnings.

RADAR RATING: Experiencing hiccups from growing fast. Cash flow means we are maintaining the faith, but removing from Best Buys.

RADAR RATING: **SPEC BUY**

RISK RATING



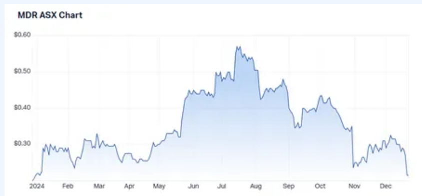
ASX CODE **MDR**

CURRENT PRICE **$0.225**

MARKET CAP $124M

DIVIDEND YIELD 0%*

NET DEBT ($M) -0.5M



DATA AS AT INITIAL COVERAGE:

DATE 15 FEBRUARY 2024

PRICE ($) 0.27

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OMNI BRIDGEWAY

SECTOR FINANCIALS **INDUSTRY** WEALTH

Research Tip Update

Upgrade from Hold

What's New?
During our portfolio review last month (Issue 630) we speculated on a catalyst for investor recognition of the litigation funder's capabilities. The answer came in December, when a fund manager, Ares, invested A$310m through into OBL's legal claims portfolio.

Luckily, the Under the Radar Report portfolio said it would purchase a further 2000 shares on Friday 13th at $1.01. After a 45% rise on the day of the Ares announcement, we are gratified that our position is now in the money.

Bull Points
· Value reinforced by A$310m Ares investment
· Global legal investment platform market leader

Bear Points
· Complexity of accounts
· Opaque underlying cashflow

Analysis: The Ares investment answers all questions about OBL's liquidity, and accelerates the transition to a capital-light business model. The structure will be to create a new Fund 9, owned 70% by Ares, that will be entitled to all of OBL's interests in over 150 existing cases, held through stakes in other OBL funds. OBL's 30% residual share would be worth $130m on the same valuation. The valuation that Ares is putting on the package is 80% of OBL's estimated fair value, and 3.2x invested capital. OBL retain a 2% management fee, very attractive these days.

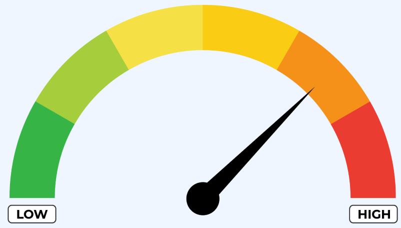
More financial details about OBL's ongoing operations will emerge at the HY25 results. Our previous work suggests that this is a strong business model, and OBL are market leaders. By taking all financial pressure away, the Ares transaction allows the business to fulfil its potential as a nimble and competitive operator.

Portfolio Risk Rating: The transaction puts a stamp of approval on OBL with long-term options to acquire $35m OBL stock. The cash from the sale will immediately repay all OBL's outstanding A$250m debt, and leave some additional liquidity. The question is, should we take profits or buy more. If you only have a small position, you can buy more, especially at $1.50 or less. This is a company making transaction.

RADAR RATING: It is easy to lose faith in your investment ideas when the price tanks. In this case, a company making investment from US alternative investments giant, Ares, transforms OBL's finances and deliver a capital-light funds management model.

RADAR RATING: **SPEC BUY**

RISK RATING



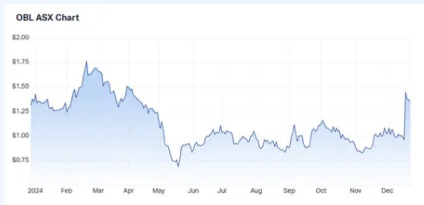
ASX CODE **OBL**

CURRENT PRICE **$1.45**

MARKET CAP $410M

DIVIDEND YIELD 0%*

NET DEBT ($M) -226M



DATA AS AT INITIAL COVERAGE:

DATE 14 NOVEMBER 2013

PRICE ($) 1.71

****PORTFOLIO***
The Under the Radar Report Portfolio holds 7000 OBL shares, 5% of the portfolio.

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Subscriber Picks

These are the stocks subscribers ask us about. We run our investment ruler over them and give you our Radar Diagnosis.

COMPANY	ASX CODE	DESCRIPTION	MARKET CAP ($M)	NET CASH / DEBT($M)	ENTERPRISE VALUE ($M)	LATEST PRICE ($)*	12-MNTH HIGH ($)	NOTES	RADAR DIAGNOSIS
APPEN	APX	Software	638.7	50	588.7	2.64	2.91	After the loss of large contracts with Google, up to a third of revenues, APX has recovered strongly from concerns that AI would render its services unnecessary, as revenues have stabilised. A $50m capital raise in October strengthens the balance sheet and funds short-term working capital for AI client projects.	Hi risk, being cash flow negative. But on the improve. WATCHLIST.
FIELD SOLUTIONS	FSG	Regional broadband network	16.9	-17.1	34	0.02	0.04	Two businesses. The core being telecommunication and network solutions in rural and regional Australia with specific focus on local government, mining and resources and agricultural customers. Plus, an infrastructure business built around 100 mobile telecommunication towers in partnership with Optus, funded partly by Federal Government grants, undergoing trials. First quarter operating cashflow of $5.2m funded heavy investment of $7.3m mainly in rural network infrastructure. Using loans to fund growth.	Very high risk but worth keeping an eye on. WATCHLIST.
IPH LIMITED	IPH	Intellectual property services	1383.5	-358.6	1742.1	5.02	7.29	Grown by acquisition to be one of the largest IP services groups in what are described as secondary IP markets, not US or UK/Europe. The group services 26 IP jurisdictions, with a recent focus on expansion in Canada, which accounted for 1/3 of FY24 revenue, and almost half the employees. A $100m placement in August 2024 helped fund Canadian expansion. FY24 underlying EBITDA of $195m shows the scale of the business, with Canada now pro-forma $80m.	Earnings leveraged to a strong US$. Debt is significant. HOLD.

Under the Radar's Fund Manager Round Table

Some of Australia's top investors deliver their opinion on the big picture, the small picture and all that lies in between. A must read for anyone looking to profit in 2025 and beyond.

Sam Koch

Portfolio Manager, Wilson Asset Management

Sam joined Wilson Asset Management in 2018 and works within WAM Capital, WAM Microcap, WAM Research and WAM Active. Previously Sam was an equity analyst and dealer at IFM Investors and an accountant at Colonial First State.

Andy Gracey

Portfolio Manager, Australian Ethical Emerging Companies Fund & Australian Ethical Australian Shares Fund

Andy manages one of the most successful Small Cap ethical funds in the world. It has consistently achieved double-digit returns over the past 23 years, of which he has been in charge for the past 18. He manages about $1.9 billion and specialises in medical technology and technology stocks.

Chris Prunty

Portfolio Manager, QVG Capital

Along-side Tony Waters has had success in Small Cap Portfolio management. First at Ausbil and now with QVG, managing the Opportunities Fund and the Long Short Fund.

2025 Round Table

Steven McCarthy

Portfolio Manager, DMX Asset Management

A qualified accountant with experience previously in corporate finance, where he was focused on company valuations and advisory, specializing in small industrials. His microcap focused fund has been running for over seven years.

Dean Fergie

Portfolio Manager, Cyan C3G Fund

Dean specialises in small-micro cap ASX listed stocks but has 30 years of experience in the funds management industry covering all major asset classes. He holds several formal qualifications including: Chartered Financial Analyst (CFA), Master of Applied Finance; and Bachelor of Engineering (Civil).

Portfolio Manager

Under the Radar Report

Under the Radar Report's Small Cap Portfolio Manager was previously a senior investment analyst for Fidelity International and has been managing director of an ASX listed company.

PART 1 – The Big Themes

What are the big trends for 2025 and how is your portfolio positioned to take advantage?

SAM KOCH: Three themes come to mind: recovery in the New Zealand economy; the Reserve Bank easing interest rates; and a lower Australian dollar.

New Zealand companies to benefit (which we own) include Summerset (NZ:SUM), Mainfreight (NZ:MFT) and NZX (NZ:NZX).

We've positioned our portfolio to take advantage of reducing domestic rates, owning: thematic, namely: Ingenia Communities (INA), EVT Group (EVT), and Brickworks (BKW).

Stocks whose earnings improve due to a weakening Aussie dollar are those with operations offshore, but it also imports inflation, so we're monitoring the situation.

We're also aware of the underperformance of companies exposed to growth in China (for example Resources and Chinese exposed consumer staples) as government stimulus has yet to inspire confidence of a return to growth for the local economy. We are currently underweight these sectors, however should the Chinese government effect greater stimulus than expected, these sectors could outperform.

ANDY GRACEY: We continue to believe consumers will place increasingly higher value on their own health and wellbeing in the aging populations of developed economies. We are significantly over-weight small-cap healthcare, with hernia repair Aroa Biosurgury (ARX), nurse-call systems provider Austco Healthcare (AHC), eye disease drug developer Opthea (OPT) and infection control company Nanosonics (NAN) all expected to contribute positively to portfolio returns in 2025.

We continue to invest in the software names because of the efficiencies the technology can bring. Our portfolios are positioned in Gentrack (GTK) and Hansen Technologies (HSN) on the thesis that distributed renewable energy generation will require more sophisticated billing services. We are invested into telematics software provider Eroad (ERD) where its software can generate cost savings and health & safety benefits to commercial road users.

PART 1 – The Big Themes

CHRIS PRUNTY: Domestic demand is weak, cost inflation is sticky and good people are hard to find. These attitudes are reflected in the macroeconomic data where job creation has been directly or indirectly due to government spend. To combat this we are tilting the portfolio to companies with offshore growth drivers or those that are taking market share.

STEVEN MCCARTHY: At DMX, we are genuine small-cap, under-the-radar investors with many of our positions having market caps less than $200m – a space that has been very much neglected since 2021. More recently, it has been pleasing to see some green shoots emerging among micro and nano-caps space, trading volumes picking up, broader investor interest returning, and new buyers with more confidence to bid stocks up emerging as we finish 2024.

In 2025, in what we expect to be a more 'risk-on' investing environment, we are likely to see more eyeballs and further interest return to more of these genuinely under-the-radar stocks. And when this interest returns, we believe investors will be pleasantly surprised as many of these lower-profile companies are now much better positioned in terms of earnings and cash flow and their fundamentals than they were three or so years ago, and offer attractive value particularly relative to the opportunities available amongst larger companies.

We believe that we are well positioned to take advantage of this renewed interest in small ASX companies as in recent years the departure of investors from the space has given us the opportunity to acquire and add to positions in these unloved companies at bottom of the cycle prices, in a manner that we think would be difficult to replicate in more bullish market conditions.

DEAN FERGIE: I feel it will be interesting to see how the focussed exuberance or extreme valuation gaps between marquee stocks in the Australian market plays out. The most high profile being the huge outperformance of CBA over the past year given its modest growth profile but multi-billion dollar stocks such as Pro Medicus (PME), WiseTech Global (WTC), Xero (XRO) and Hub25 (HUB) are all trading at more than 100x PE which, on traditional valuation metrics should not be sustainable. I will be interested to see if the market starts reverting to some sort of equilibrium.

PART 1 – The Big Themes

UNDER THE RADAR PORTFOLIO: The re-election of President Trump has created the dynamic of reshoring of American manufacturing back to the US, while differences in structural conditions are already leading to further appreciation of the US$.

There are a number of reasons to expect that inflation will remain sticky. The federal reserve will not reduce interest rates fast in this environment.

Basically, we've been through a (monetary) tightening cycle, where interest rates rose quickly, and now we're in a loosening cycle, which has been stalled because inflation is sticky and interest rates are not coming down at the pace previously hoped. The answer? A combination of small cap growth and blue-chip income.

The solution is simple: look at Under the Radar's our Best Buys, look at our Small Cap Dividend Portfolio, look at Blue Chip's Magnificent Seven.

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BEST STOCKS TO BUY

The stocks on this list are quality companies that we believe offer great return potential for the risk faced.

ACROW FORMWORK (ACF) — SPEC BUY

INDUSTRY	**CONTRACTOR**
MARKET CAP	**$334M**
DIVIDEND YIELD	**5.5%**
12 MONTH HIGH	**$1.35**
PRICE @ 2025-01-01	**$1.10**

Formwork is on a strong growth path including internally developed proprietary products and processes. Industrial Services is one-third of revenue targeting recurring business, and is expected to grow through M&A.

ALLIANCE AVIATION (AQZ) — SPEC BUY

INDUSTRY	**CONTRACT AVIATION SERVICES**
MARKET CAP	**$478M**
DIVIDEND YIELD	**0%**
12 MONTH HIGH	**$3.40**
PRICE @ 2025-01-01	**$2.97**

Balance sheet and cashflow are limiting factors, despite strong operating fundamentals. Rerating likely when close to free cash flow positive with enlarged E190 fleet utilised.

ELDERS (ELD) — BUY

INDUSTRY	**FOOD**
MARKET CAP	**$1.262B**
DIVIDEND YIELD	**5%**
12 MONTH HIGH	**$9.97**
PRICE @ 2025-01-01	**$7.16**

The agricultural cycle has been a headwind, but ELD is a long-term asset for a diversified portfolio. Well positioned for potential cyclical upside.

ENERGY ONE (EOL) — SPEC BUY

INDUSTRY	**SOFTWARE**
MARKET CAP	**$206M**
DIVIDEND YIELD	**0.9%**
12 MONTH HIGH	**$6.86**
PRICE @ 2025-01-01	**$6.63**

A niche in an active market. Delivery of organic revenue growth has been held back at the bottom line in FY24 by investment for future prospects, and the potential for further medium-term growth is good.

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HANSEN TECHNOLOGIES (HSN) — BUY

INDUSTRY	**SOFTWARE**
MARKET CAP	**$1089M**
DIVIDEND YIELD	**1.9**
12 MONTH HIGH	**$5.88**
PRICE @ 2025-01-01	**$5.35**

The founder led business is working hard on Powercloud, which will create new growth opportunities if it can be successfully turned around. The much larger core business is cash-generative and is still growing.

INTELLIGENT MONITORING GROUP (IMB) — SPEC BUY

INDUSTRY	
MARKET CAP	**$192M**
DIVIDEND YIELD	**0%**
12 MONTH HIGH	**$0.82**
PRICE @ 2025-01-01	**$0.56**

The tailwinds from increasing commercial and retail demand for security are there and the group has a dominant position in a lucrative market. Financial and operating risks are high.

NORTHERN STAR RESOURCES (NST) — BUY

INDUSTRY	**GOLD**
MARKET CAP	**$17.751B**
DIVIDEND YIELD	**3.5%**
12 MONTH HIGH	**$18.32**
PRICE @ 2025-01-01	**$15.44**

Northern Star reaffirms its position as the largest Australia-domiciled gold producer with Hemi, which adds ~25% to gold production over the medium term.

NZME (NZM) — BUY

INDUSTRY	**MEDIA**
MARKET CAP	**$185M**
DIVIDEND YIELD	**7.5%**
12 MONTH HIGH	**$1.04**
PRICE @ 2025-01-01	**$0.99**

We maintain our positive recommendation because the stock is cheap on current earnings, is well-positioned to benefit early from NZ economic growth and pays dividends.

XRF SCIENTIFIC (XRF) — SPEC BUY

INDUSTRY	**CONTRACTOR**
MARKET CAP	**$274M**
DIVIDEND YIELD	**2.3%**
12 MONTH HIGH	**$1.93**
PRICE @ 2025-01-01	**$1.95**

Exposed to materials testing, which is essential for global mining and industrial users. Capital light model, high margins, self-funding growth.

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99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest? They're Under the Radar.

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