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Genuity Investment Strategy
Group wishes all our clients and
their families a happy holiday
season. We will be offering our
insights into investment themes,
trends, and opportunities again
from late January 2026.
Have a wonderful break!



WILSONS
ADVISORY



Quality Cyclical – Looking Offshore

Our weekly view on Australian equities.

17 December 2025

Hawkish RBA Favours Offshore Over Domestic Earners

The sharp shift in Australia's monetary policy outlook in recent months – with markets now fully pricing a rate hike in 2026 – has removed a key tailwind for Domestic Cyclical.

As we explored in last week's report, Domestic Cyclical – including companies across Retail, Media, Consumer Services, Building Materials and Capital Goods – are particularly vulnerable to the risk of higher short-term domestic interest rates. Historically, these sectors have tended to underperform in the lead-up to RBA rate hikes, as investors price in a softer household-spending environment. As such, we recommend steering clear of Domestic Cyclical at this juncture.

Read [An ASX Road Map for the RBA's Path Ahead](#)

In this environment, our preference within the Industrial (non-Resources) Cyclical category is towards offshore earners – particularly companies with material US-based earnings – where macro dynamics are more supportive of cyclical. With the Fed still in a cutting cycle, cost-of-living pressures easing and pro-growth US fiscal policies in place (including Trump's 'Big Beautiful Bill' and deregulation efforts), the US economy provides a broadly supportive backdrop for US-exposed cyclical.

More broadly, when investing in Industrial Cyclical – whose earnings are to some extent sensitive to the ebbs and flows of the economic cycle – our overarching focus is on companies with quality

attributes, including high returns on invested capital, strong market positions and durable competitive advantages. We also prioritise genuine structural growth stories, which support a degree of resilience through the cycle and allow companies to weather tougher economic or industry conditions as they occur.

In this vein, two of our preferred Quality Cyclical with predominantly offshore earnings profiles are Aristocrat Leisure (ALL) and CAR Group (CAR). Both offer attractive double-digit earnings growth prospects and trade at compelling valuations following recent share price weakness. In this report, we reiterate our conviction in both stocks, highlight their structural growth stories, and summarise our investment theses.

Figure 1: ASX 200 Industrial Cyclical comparison table

Name	Ticker	Sub-sector	Revenue mix*			Forward P/E		3 year CAGR (FY25-28)	PEG ratio	ROIC
			Aust.	North America	RoW	Current	+/- 5yr avg			
'Domestic earners'										
SGH Limited	SGH	Industrials	100%	0%	0%	18.2	28%	9%	1.9	16%
The Lottery Corp	TLC	Gaming	100%	0%	0%	27.0	-3%	10%	2.6	20%
JB Hi-Fi	JBH	Retail & Consumer Goods	95%	0%	5%	19.6	22%	7%	3.0	46%
Wesfarmers	WES	Retail & Consumer Goods	94%	0%	6%	31.0	17%	8%	3.7	22%
REA Group	REA	Online Classifieds	94%	0%	6%	35.1	-21%	16%	2.2	46%
ARB	ARB	Retail & Consumer Goods	77%	12%	11%	23.3	-16%	10%	2.3	17%
Seek	SEK	Online Classifieds	70%	1%	29%	34.3	-21%	30%	1.1	14%
^Qantas	QAN	Airlines	55%	15%	30%	8.0	15%	8%	1.0	15%
'Offshore earners'										
CAR Group	CAR	Online Classifieds	45%	26%	29%	26.4	-16%	14%	1.9	12%
Reece	REH	Building Materials	43%	57%	0%	26.1	-21%	7%	3.6	10%
Reliance Worldwide	RWC	Building Materials	17%	65%	18%	13.5	-16%	9%	1.4	13%
James Hardie	JHX	Building Materials	13%	74%	13%	17.6	-12%	1%	nm	9%
Aristocrat	ALL	Gaming	10%	85%	5%	20.3	-8%	13%	1.6	37%
Light & Wonder	LNW	Gaming	10%	65%	25%	14.3	-37%	23%	0.6	16%
Brambles	BXB	Industrials	7%	56%	38%	20.0	8%	12%	1.7	20%
Amcor	AMC	Packaging	5%	48%	47%	9.8	-29%	10%	1.0	10%

Figure 1 includes a select group of the largest Industrial Cyclical per our internal classification; it is not intended to be all-inclusive. *Estimated 2025 revenues based on publicly available information. Figures may not add to 100 due to rounding. ^While ~45% of revenue is generated on international routes, we estimate ~70% of Qantas' customers are Australian.

Source: Refinitiv, Visible Alpha, Wilsons Advisory / Canaccord Genuity.

Aristocrat – “You Gotta Know When to Hold ‘em”

Aristocrat (ALL) has now fallen ~30% since early 2025, after underwhelming interim and full-year FY25 results in May and November, respectively.

The most recent FY25 result nevertheless had plenty to like – headline EBITA was 2% ahead of consensus, the group returned to double-digit earnings growth in the second half, and game performance continues to track well.

However, the stock has sold off post-result, likely reflecting concerns around earnings quality, with revenues increasingly skewed toward outright game sales – which surprised to the upside – while higher-quality, recurring gaming operations revenues missed consensus expectations.

We view the recent share price weakness as overdone given our thesis remains intact and we remain confident the business is well placed to deliver double-digit earnings growth over the medium and long-term, supported by three key factors:

1

Resilient industry growth and supportive macro

Despite concerns around potential cyclical headwinds in the US gaming market, particularly within Las Vegas, the US market has remained resilient in aggregate. Industry data shows that total gross gaming revenues (GGR) grew +7.2% YoY in Q3 2025, while land-based casino revenues grew 3.5% YoY, including 4.0% YoY growth in slots.

Casino admissions and event bookings (RFP activity) have also remained healthy, rising 6.7% YoY and 12.8% YoY, respectively. Moreover, industry surveys indicate that sentiment among casino executives is at its most positive level since early 2022, with capex budgets expected to remain broadly stable over the next 6–12 months.

Management has pointed to improving GGR momentum and a more robust consumer into FY26, which we also expect to be supported by extension of US tax cuts alongside recent – and potentially further – Fed rate cuts.

2

Consistent market share gains

Aristocrat continues to gain market share in North America, largely at the expense of IGT, Everi, Konami and AGS. In Q3 2025, Aristocrat had 454 net installs, followed by Light & Wonder at 347, IGT at 70, Konami at -63 and Everi at -94. Despite already being the clear market leader, with ~43% share, the runway for further gains remains substantial.

We are confident the company can sustain share gains over the medium-term, supported by its industry-leading development & design spend (>2x the next peer), which supports a consistently best-in-class, top-ranking games portfolio.

Recent game performance metrics reflect this strength, with Aristocrat's North American portfolio running at ~1.4x the house average and maintaining a clear gap to peers. Aristocrat also holds four of the top 10 best-performing premium leased games, including House of the Dragon and Phoenix Link, alongside the long-standing Dragon Link franchise.

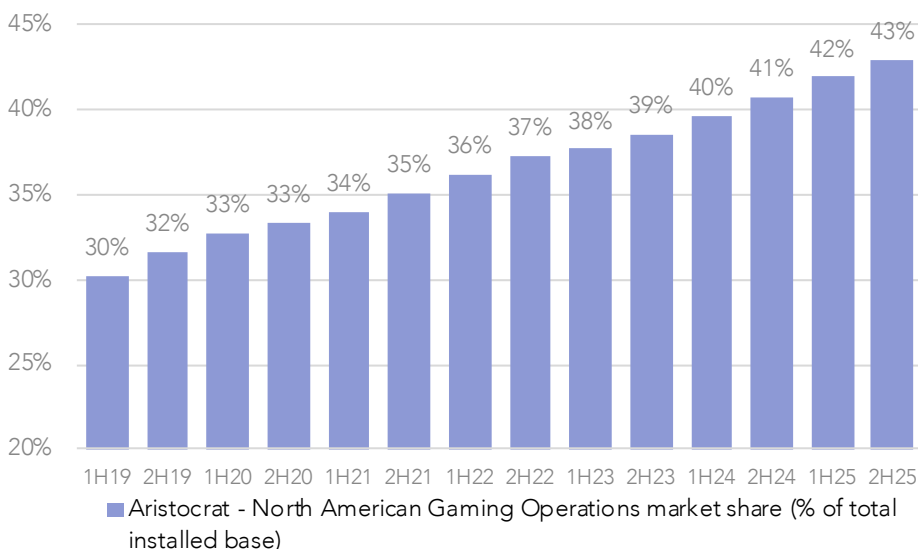
3

Substantial balance sheet dry powder

Aristocrat's balance sheet has significant dry powder, with a net debt to EBITDA ratio of just 0.2x – well below the target leverage range of 1–2x – providing substantial capacity for M&A or capital management, particularly given the company's excellent cash generation.

Management continues to actively pursue material strategic M&A, which we expect to be focused on accelerating the growth of Aristocrat Interactive – its nascent real money gaming segment. Consensus implies the company has A\$3.8bn of excess balance sheet capacity to the mid-point of its target leverage range in FY26e.

Figure 2: Aristocrat has a long history of consistent share gains in the North American market



Market shares are based on the five largest suppliers in the North American gaming operations market.
Source: Visible Alpha, Wilsons Advisory / Canaccord Genuity.

Mid-teens growth at a market multiple

Aristocrat trades on a forward P/E of ~20x, which is towards the low end of its 10-year range of 18–24x. On a relative basis, the stock is priced broadly in line with the ASX All Industrials Index, despite historically commanding a 24% premium. In our view, at current levels the market undervalues Aristocrat, given its above-market (mid-teens) medium-term EPS growth outlook and the quality of the business as a global market leader with a top-quartile ROIC and a durable competitive moat. Accordingly, with our investment thesis intact and the US macro-backdrop increasingly supportive, recent share price weakness presents an attractive buying opportunity.

CAR Group – Domestic Engine, Global Acceleration

CAR Group (CAR) has fallen ~25% since reporting its FY25 result in early August, despite delivering a solid outcome featuring double-digit EBITDA growth in line with expectations. The share price weakness largely reflects a broad de-rating across tech and tech-adjacent names. In addition, market concerns around potential AI-driven disruption – specifically the risk that AI agent-led discovery could reduce site traffic – have weighed on the Online Classifieds sector more broadly. We view these concerns as largely sentiment-driven and overblown given CAR's firmly entrenched competitive moat.

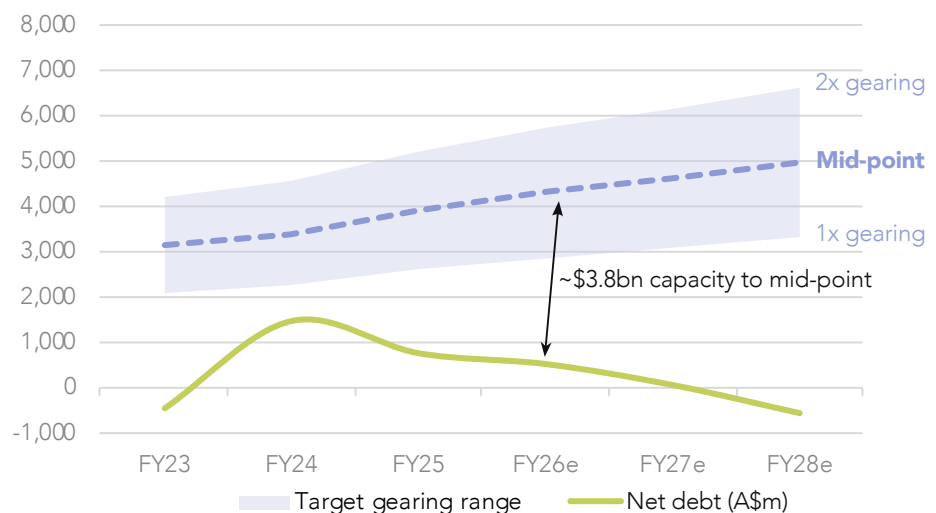
Importantly, our investment thesis remains intact, with CAR Group remaining in a fundamentally strong position. We remain confident the group will deliver mid-teens EPS growth over the medium-term. Our thesis can be summarised into three key points:

1

Carsales provides a steady foundation

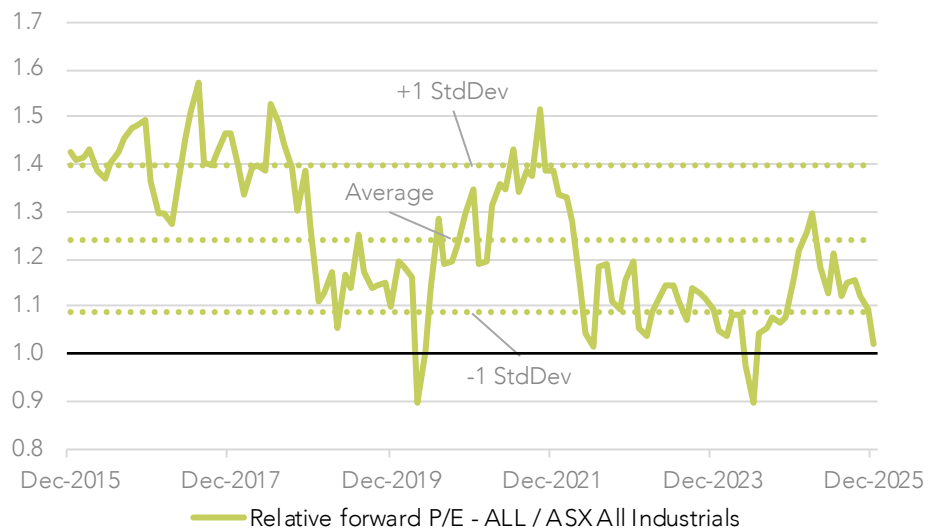
CAR's domestic business, Carsales, continues to provide a steady ballast for the group. As a relatively mature (and already dominant) business with high market penetration, and with limited structural growth, it is expected to deliver low single-digit volume growth over the medium term.

Figure 3: Substantial balance sheet capacity provides flexibility for future M&A or capital management



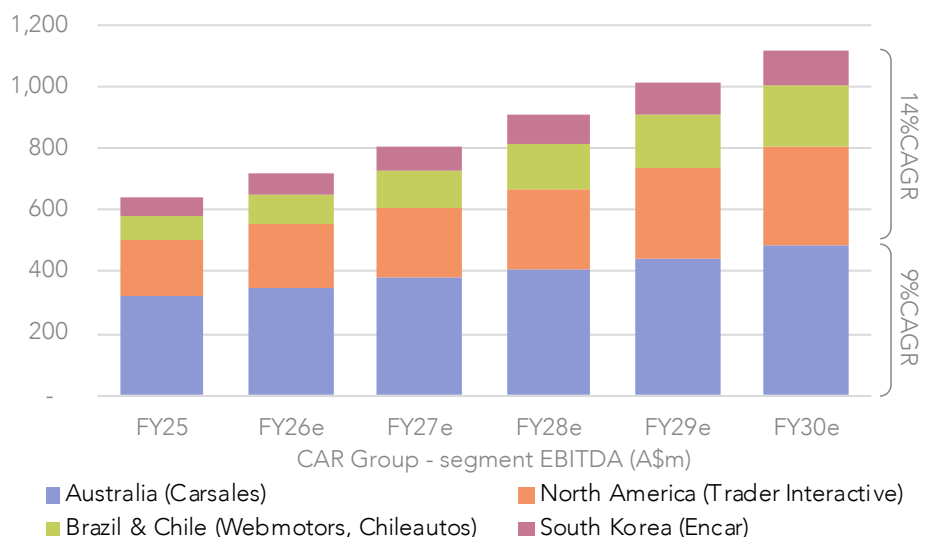
Gearing target range is based on Aristocrat's 1-2x net debt / EBITDA target range, in conjunction with consensus EBITDA forecasts. Source: Visible Alpha, Wilsons Advisory / Canaccord Genuity.

Figure 4: Aristocrat's forward P/E is broadly in line with the ASX All Industrials, well below its average historical premium of 24%



Source: Refinitiv, Wilsons Advisory / Canaccord Genuity.

Figure 5: CAR Group's international businesses are key to its growth outlook



Source: Visible Alpha, Wilsons Advisory / Canaccord Genuity.

Nonetheless, Carsales is well positioned to sustain high single-digit revenue growth by improving yield (i.e., revenue per listing) through pricing, increasing depth penetration (e.g., Premium Listings), and expanding its product offering (e.g., C2C Payments) to enhance its value proposition and capture more of the seller/dealer journey. Over the near-term, cyclical conditions appear to be improving domestically, with improving website traffic leading to stronger volumes to start FY26.

2

International markets underpin attractive medium-term growth outlook

CAR's international segments account for the majority of earnings and are key to the group's growth outlook. Its offshore businesses include its US RV classifieds platform, Trader Interactive, as well as Webmotors in Brazil and Encar in South Korea. These businesses operate in large, structurally growing online classifieds markets that are significantly underpenetrated relative to Carsales, with penetration rates in the low to mid-single digits, supporting a long runway for growth.

Trader Interactive (TI) is particularly important to the growth story. Despite a challenging cyclical backdrop for RV dealers in recent years, which has seen end-market volumes soften, the business has delivered consistent double-digit growth. This has been supported primarily by improving depth penetration and price increases. A key contributor to growth has been yield enhancements through greater dealer adoption of Premium Select, TI's flagship depth product, which provides dealers greater higher visibility through elevated on-site ranking, leading to increased buyer enquiries and faster time to sale.

In combination, mid-teens EBITDA growth from CAR's international businesses, alongside steady high-single-digit growth in Carsales, should underpin double-digit group earnings growth over the medium term – broadly in line with the five-year historical EPS CAGR of ~15%.

3

US cyclical concerns are easing, supported by an improving macro

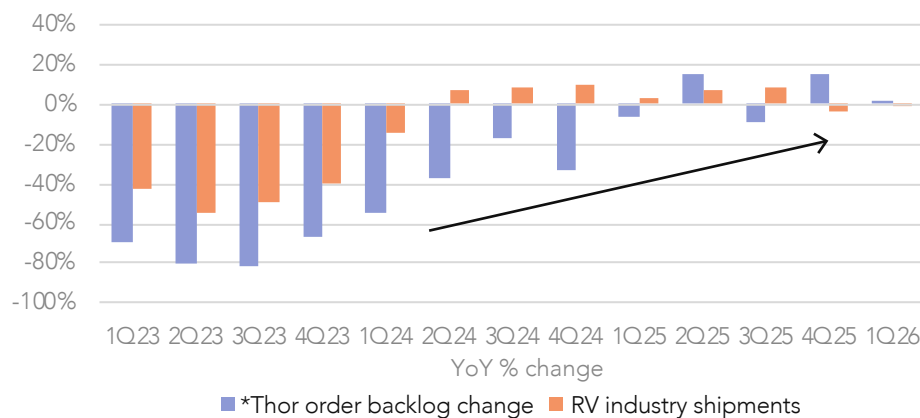
Conditions in the US recreational markets are showing early signs of improvement heading into FY26, with TI's growth rebounding sequentially in 2H25 after a period of cyclical weakness, as RV sales normalised post-pandemic. This trend is reflected in stabilising RV shipments and dealer backlogs. TI's workforce is also expanding (+9% YoY), arguably reflecting management's confidence in the near-term outlook.

More broadly, the improving US macro environment – including recent Fed rate cuts and supportive fiscal policy – should support new dealer subscriptions, higher renewal rates, increased depth penetration, and potential price increases in February/March 2026. Overall, while TI remains focused on delivering growth regardless of market conditions, improving RV sales should provide a cyclical tailwind – or at least help reduce headwinds – over the medium term.

Global growth at a reasonable price

CAR trades on a forward P/E of ~26x, below its five and ten-year averages and at its lowest level in nearly three years. On a relative basis, CAR trades at a 25% discount to key Online Classifieds peer REA Group (REA), despite similar (mid-teens) medium-term EPS growth, a longer runway from its international presence, and less near-term competitive risks compared with REA (which faces the entrance of both CoStar and Google). Relative to the ASX All Industrials, CAR trades on a 32% premium to the index – its lowest since early 2019 and well below its long-term average of 60%. Accordingly, with its earnings growth outlook remaining attractive, CAR's undemanding valuation offers an attractive buying opportunity.

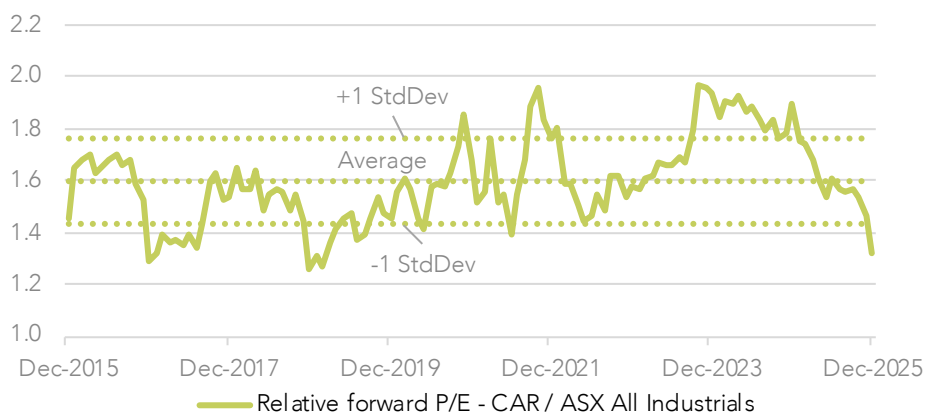
Figure 6: US recreational markets are showing early signs of stabilisation



*Thor is the largest RV manufacturer in the US.

Source: Thor Industries, RV Industry Association, Wilsons Advisory / Canaccord Genuity.

Figure 7: CAR Group trades at its cheapest level relative to the ASX All Industrials since early 2019



Source: Refinitiv, Wilsons Advisory / Canaccord Genuity.

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