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Market Analysis

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June 2025 Australian Tax Loss Selling Update

The "*Tax Loss Selling*" investment strategy is based upon the theory that depressed shares can become *even more depressed* towards the end of June under selling pressure from investors seeking to realise losses (to offset against capital gains and minimise taxes) and that those depressed shares will then bounce back during July and August.

This can offer both a short term trading opportunity (i.e. buy depressed shares in June and sell in August) and depressed June prices could also be a good time to buy attractive shares as long term investments.

We ran a scan of all listed Australian shares using the following criteria: (1) the shares have fallen at least 50% from their annual highs (i.e. investors may have large unrealised capital losses, making these "tax loss" selling candidates), (2) a market capitalisation less than $1000 million (although many are much smaller) and (3) no net *insider* Sell trades over the last year (i.e. either net buyers or no trades).

Overal we have select four shares - two Medtech and two FinTech companies - offer good value, have high *insider* buying and which could bounce higher in value over the next couple of months.

BCAL Diagnostic (code BDX)

For many years your Editor's wife has been asking "Why can't they invent a simple blood test?".

Probably most women dislike mammograms and, apparently, they are not so good at detecting cancer in the 50% of women with "dense" breasts.

Well, after 15 years of research, BCAL Diagnostics has not just invented but commercialised that *simple blood test*.

The *BREASTESTplus* became commercially available in March this year at the **Sydney Breast Clinic** and availability will be rolled out across Australia this year. Government funded screening with this test may be a couple of years away, but it should be a more "cost effective" screening test than mammography.

A commercial launch in the US is likely in about a year with global expansion the year after.

Mammography sensitivity at identifying breast cancer is 90% in lower density breasts but falls to only 64% in women who have higher density breasts. Our understanding is *BREASTESTplus* has a slightly lower 86% sensitivity in lower density breasts but a much higher 91% sensitivity in high density breasts.

BREASTESTplus is a quick and easy, "simple blood test", "safe" and "highly accessible" while existing mammography screening is a "painful procedure" with X-ray "radiation exposure" and requiring "expensive infrastructure, reducing access".

The company notes that "nearly half of women aged 50-74" in Australia are "unscreened", indicating "a clear need for more accessible, less invasive tools".

This could be an example of a technology meeting our "Faster, Better, Cheaper" investment criteria (see *Market Analysis* Issue No. 580, October 2020), with *BREASTESTplus* perhaps eventually becoming the preferred screening method and replacing mammography.

While the company has been successful - and achieved a commercial launch - the share price has been weak, especially over the last few weeks, currently trading around 5.8 cents.

There have been four *insider* buys (and no sells) over the last year, all in the second half of 2024.

Cash in the bank is $5.0 million (1.4 cents per share).

The issued capital is 365,967,890 shares giving a market capitalisation of only $21.2 million.

Cyclopharm Ltd (code CYC)

Cyclopharm is a nuclear medicine company providing pulmonary diagnostic imaging worldwide, except in the US where it has only recently been approved. Interestingly (for investors) the company is building a recurring revenue business based upon high-margin patient consumables. Fixed equipment costs around US$14,000 (including installation, training, technology fee and servicing) but can generate up to US$70,000 per year in consumable sales.

The company's *Technegas* is available in 66 countries (where it has an 80-85% market share) and has recently been approved in the United States. The system was installed in 33 US sites in May and this is expected to reach 250-300 this calendar year. This would be a rapid expansion from the 55 *TechnegasPlus* units sold in 2024 and lead to strong growth in recurring consumable sales.

Around 600,000 nuclear medicine procedures are currently conducted annually in the US, worth around US$90 million per annum. Based upon experience in Canada and globally the company believes it can secure "in excess of an 80% [market] share" over the next 5-8 years.

These 600,000 procedures are just 15% of the total Pulmonary Embolism (PE) diagnostic market, the remaining 85% being Computed Tomography Pulmonary Angiograghy imaging. Cyclopharm is "confident in its ability to double the US nuclear medicine imaging for PE from 15% to 30%". This would generate US revenues of US$180 million annually for the company.

The company's research is seeking uses "Beyond PE" detection which could "unlock a global market opportunity estimated at up to US$900 million" annually.

For the year to 31 December 2024 the company reported revenues up 4.7% to $27.6 million and a *loss* of $13.2 million (*minus* 12.8 cents per share) and a cash operating *deficit* of $12.6 million.

Cash in the bank was $20.6 million (18.5 cents per share).

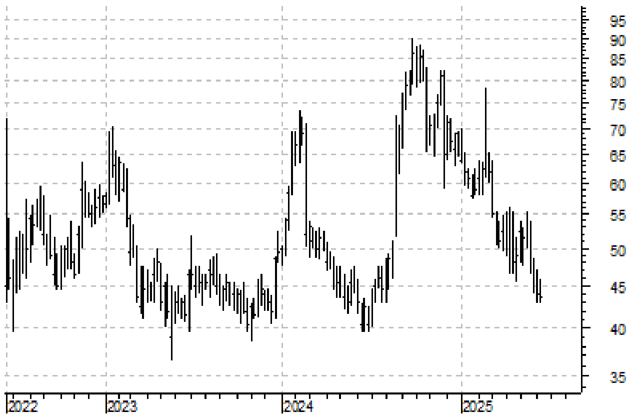
The issued capital is 111,136,880 shares, giving a market capitalisation of $113.4 million.

There have been three *insider* buys (and no sells).

The shares rose to a high of 250 cents in January this year but have since fallen 57% in value to 102 cents.

Cyclopharm has an established business in 66 countries and expanding into the large US market will provide the economies of scale to become profitable - with the company already researching new applications to further expand the use of its imaging technology.

Humm Group (code HUM)



Humm Group is a finance company providing Specialist Asset Finance (about 60% of lending) and Buy Now Pay Later consumer finance, mainly in Australia and New Zealand.

For the year to June 2024, revenues rose 21.3% to $619.3 million and net profit was up 144.8% to $7.1 million (1.3 cent per share). A steady 2.0 cents dividend was paid.

The half year to December 2024 saw revenues up 12.5% at $336.0 million and a net profit of $27.3 million (5.1 cents per share). The interim dividend was increased 66.7% to 1.25 cents.

The issued capital is 529,116,514 shares, giving a market capitalisation of $230 million. Net assets are 84.5 cents per share.

Three *insider* buy trades were made over the last year (and no sells).

There is nothing very exciting about a Finance company, but profits and dividends are increasing and the share price has dropped significantly over recent months. The shares look under-valued and depressed at 43.5 cents and could bounce back strongly over the next couple of months.

OFX Group (code OFX)

The core business was to provide small and medium sized businesses and individuals with a foreign exchange service for international payments but the group is now expanding to offer multi-currency accounts, account payable automation, debit cards and domestic payments - which it expects will *double* total payments (and presumably lift revenues?).

For the year to March 2025, revenues were *down* 5.2% at $217.1 million, with net profits *down* 20.6% at $24,862,000 (10.5 cents per share). No dividend was paid but the company was buying back shares on-market.

The issued capital is 233,122,209 shares, for a market capitalisation of $170.2 million. Cash (excluding client funds) was $51.0 million (21.9 cents per share).

Insiders have very actively been buying shares over the last year, with 10 *insider* buys (and no sells).

This is a profitable business - with expansion growth potential - but the shares have fallen 69% from their annual high. At 73 cents the share trade on a Price/Earnings ratio of 7. That looks low and the shares could bounce higher over the next couple of months.