HD **Kerry Stokes will be asking Santa for a much better 2015**

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The **billionaire** is under attack on four fronts, with the media business and **oil** and gas draining his wealth.

http://media.crikey.com.au/wp-content/uploads/2014/12/kerry-stokes.jpg

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As we approach the end of 2014, the toll of the lost **millions**, or rather **billions**, from the wealth of some of our **billionaires** is one of the unexpected features of the past 12 months. From Gina Rinehart to James Packer, Lachlan Murdoch to Bruce Gordon, some of our previously Teflon-coated rich folk have emerged the poorer as sharemarkets, **coal**, **iron ore** and **oil** and gas prices fall. But none more so than Kerry Stokes, who has watched the prices of his two main companies, Seven Group Holdings and Seven West Media, sink as the year went on, especially in the past two months.

Complicating matters for Stokes is the move into the **oil** and gas industry earlier this year via a $347 **million** grab for the failed Nexus **Energy**, which could go bad, resulting in the possibility of multimillion-dollar losses at a time when the share price is under pressure from the collapse in **iron ore** and **coal** prices and the slide in the **Chinese** economy. Even if there are no losses on the Nexus play, investors are questioning Stokes' plan to build an **oil** and gas business in Seven Group Holdings at a time when **oil** prices have fallen by 40% to 50%.

In fact, Stokes has been copping it on three, no, four sides. He is looking like one of the earliest and biggest casualties of the **iron ore** and **oil** price slides and the slump in the Australian media sector, and the slowing in the **Chinese** economy, which feeds back into Seven Group Holdings. (Fortescue Metals founder Andrew Forrest is the biggest loser from just one activity—**iron ore mining** in his case).

The share prices of both of Stokes' listed companies, Seven West Media and Seven Group Holdings, hit 52-week lows this week. Seven West Media's shares touched $1.36 this week, having started 2014 around $2.10. Seven Group owns 35% of Seven West Media, but it has a further 20% tied up in convertible preference shares.

Seven Group Holdings shares touched a 52-week low of $5.05 this week, after hitting a year high of $9.42 in early March. The shares have lost a massive 46% from the high. Stokes owns 69.7% of Seven Group Holdings after the latest share buyback ended. The **company** can't run another buyback without endangering Seven Group's attractiveness to investors because Standard & Poor's requires companies in its key indices (which investors follow closely) to have a minimum free float of 30% of the issued capital. Any buyback would reduce that float and could cause Seven Group shares to fall as investors whose holdings track these indices sell out of the **company**.

Seven West Media's problems flow from the admission at the AGM in November that earnings and revenues this year were under pressure. And while Seven thinks revenues will recover in the second half of the financial year, it says there won't be much of an increase if any on the 2013-14 figure. And then there's the start of the Netflix streaming business next March, which some fearful investors reckon will hurt Seven and the rest of the local TV industry (including Ten and its would-be saviour, Foxtel).

Some investors also see Seven hard pressed to defend its No. 1 position in the Australian TV market next year, with its lock on 40% of TV ad revenues coming under pressure. And then there's the print **operations**, with The West Australian and other titles in Perth and Pacific Magazines. Remember that when it was created from the merger of West Australian Newspapers and the Seven Network (driven by

Stokes), Seven West Media had a value of $4.1 **billion**. Yesterday it was just over $1.4 **billion**. That's $2.7 **billion** up in smoke.

The collapse in Seven West Media shares means Seven group holdings could have to take impairment charges on its 35% **stake**, as it did a couple of years ago. Those losses were written back when Seven West Media shares subsequently rose, but there's doubt it will happen as quickly in 2015.

But it is Seven Group that is the real headache for Stokes. Not only are investors worried about the **oil** and gas plays (the **company**'s CEO, Don Voelte, used to run Woodside Petroleum), it is being hammered by the slowing **Chinese** economy, especially for **coal** and **iron ore**.

The **company**'s WesTrac subsidiary has the Caterpillar franchise for north-east **China**. In Australia the slide in **coal** and **iron ore** prices has also hit WesTrac in Western Australia, New South Wales and Queensland. Well over 1000 jobs have been hacked out of the **company** this year, and more could go in 2015 if **iron ore** and **coal** prices don't recover.

The Santa rally seen in the stockmarket yesterday and today will help take a little of the pressure off the share prices of both companies, but won't reassure investors that the two Stokes companies can shake free of their chains—lower **iron ore** and **coal** prices, doubts about **oil** and gas deals, the sluggish **Chinese** economy and the continuing structural changes monstering broadcast and other media.

RF http://www.crikey.com.au/?p=473787

CO entity : Nexus Energy Ltd | tvaus : Seven Group Holdings Ltd. | wanhl : Seven West Media Limited

IN i211 : Metal Ore Mining | i2111 : Iron Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i1 : Energy | i13 : Crude Oil/Natural Gas | i475 : Printing/Publishing | i4751 : Newspaper Publishing | i97411 : Broadcasting | i9741102 : Television Broadcasting | imed : Media/Entertainment | ipubl : Publishing

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