

# FINANCIAL REVIEW

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HD New Hope waits for coal to fire  
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With \$1.1 billion cash in the bank, the Soul Pattinson-controlled New Hope Corp is sitting out the slump in coal prices as it waits for the right buying opportunity to emerge.

But with little pick-up in coal prices anticipated over the next 12 to 18 months, it may have longer to wait, especially following last week's decision by China to ban imports of dirtier qualities of coal from next January, which is likely to maintain pressure on coal prices.

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New Hope on Tuesday reported that its net profit fell to \$58.4 million from \$74.1 million in the year to July, with earnings per share dropping to 7¢ from 8.9¢. And it will dig into reserves to pay its dividend with the final dividend cut to 5.5¢ (2¢ final plus a 3.5¢ special dividend) down from 10¢ paid a year earlier, which takes the full-year payout to 11.5¢, down from 16¢ paid last year.

The net profit from coal dived to just \$10.8 million from \$74.1 million a year earlier, the bulk of its profit coming from its treasury contribution of \$44.3 million, thanks largely to its pile of cash. "They're making very little out of coal, it made some out of third-party use of its infrastructure, some from interest income and also from the sale of shares in Westside," one analyst said. 'M&A is all about timing'

"We can't see much point in being there until they decide what they're going to do with the money," Paterson Securities analyst Matthew Trivet said.

Not on the list of prospective acquisitions are coal assets in Africa, Indonesia or Mongolia, New Hope chief executive Shane Stephan says.

"We'll look at North America – as well as Australia," he said, while also assessing prospects in coking coal, where the group has no operations. "Our board wants growth and M&A is all about timing – and the times are becoming much better for M&A.

"There are a number of opportunities coming available and the time is coming when [sellers] are looking at their operations and price expectations more realistically."

New Hope is confident the changes under way in China, which will squeeze out supplies of dirtier coal, will be to the advantage of exporters, since it reckons the new regulations will force out unwanted domestic supplies.

"China is the clearing market in the Asia-Pacific," Mr Stephan said. "It is reducing domestic coal supplies and that will flow through to an improvement in the seaborne prices."

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