

HD DOWN ON WEAK **CHINA** ECO NUMBERS, UKRAINE ..

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The S&P/ASX200 is down 7 points to 5451.1 at midday on lightish volume worth \$1.5 **billion**. There are 430 issues higher, 417 down. the SPI Futures is down 18 points to 5429 on light volume of 9619 contracts. Aussie 10 year bond yields were steady at 3.9%, the \$A is down about 15 points from early levels at 92.57US c.

*The banks have contributed 17.7 negative points to the index, insurers have contributed 0.3 negative points, resources have contributed 2.6 positive points, **property** trusts have contributed 0.7 negative points, retailers have contributed 1.9 positive points and Telstra has contributed 0.2 positive points.

The Nikkei Dow futures is closed on holiday, Shanghai CSI physical is down 12.39 points to 2013.97, Hang Seng futures is down 287 points to 21,737 points. S&P futures is down 2.5 points to 1871.890, Nasdaq futures is down 5 points to 3574.25. Dow futures is down 23 points to 16,424 points. Spot **gold** is up \$7 to \$1307. Crude is up 4c to \$99.80.

*HSBC's final reading of its **China** April PMI eased back to 48.1 from an initial 48.3, though it was still up a tick on March.

*The **China** official PMI Services released on Saturday rose to 54.8 in April from 54.5 in March the National Bureau of Statistics reported.

Our market was up earlier, sagged partly on disappointment when the special dividend from Westpac, expected by many, did not materialise, although the result was strong and good quality.

China numbers also continue to reflect a slowing economy.

"I'll call it up about 5"

"Bernborough" said, "The one thing that the market will be today is quiet. I don't expect much will happen today. There isn't much reason to go higher, although **gold** had a good rise. Westpac's result looks alright. I'll call it up about 5".

The S&P/ASX200 closed up 9.3 points to 5458.1 on Friday.

ECO NEWS

*The ABS reported Building Approvals for March 2014:

The trend estimate for total dwellings approved fell 0.8% in March and has fallen for two months.

The seasonally adjusted estimate for total dwellings approved fell 3.5% in March and has fallen for two months.

The trend estimate for private sector houses approved rose 1.1% in March and has risen for 15 months.

The seasonally adjusted estimate for private sector houses fell 0.7% in March and has fallen for two months.

The trend estimate for private sector dwellings excluding houses fell 3.3% in March and has fallen for four months.

The seasonally adjusted estimate for private sector dwellings excluding houses fell 7.0% in March and has fallen for two months.

The trend estimate of the value of total building approved fell 2.3% in March and has fallen for three months. The value of **residential** building fell 0.9% and has fallen for three months. The value of non-**residential** building fell 4.6% and has fallen for four months.

The seasonally adjusted estimate of the value of total building approved fell 11.0% in March and has fallen for three months. The value of **residential** building fell 3.2% following a rise of 0.2% in the previous month. The value of non-**residential** building fell 23.3% and has fallen for three months.

*ANZ reported a rise of 2.2% in April, with ANZ highlighting that "job advertising has recovered this year, having risen for four consecutive months at an annualised rate of nearly 30% over this period."

While the 4 month rate of growth is spectacular, the key point ANZ highlights is the really solid recovery in the annual rate of growth in Job Ads of 1.5% is now back in positive territory for the first time since August 2011.

They added: "Continuing increases in job ads historically have been a reliable indicator that the next move in interest rates is up."

ANZ Chief Economist for Australia Ivan Colhoun said:

Labour demand has strengthened this year...the pick-up in hiring intentions suggests employment growth will continue to improve modestly in the near term and the unemployment rate should be close to a peak around 6% or slightly lower.

However Colhoun also highlighted the risks posed to the economic outlook from the "larger-than-expected fiscal contraction", a reference to the upcoming federal budget, which is expected to include some harsh measures.

*The Federal Chamber of Automotive Industries on Monday revealed the worst monthly result since April 2012, amid growing uncertainty over next week's Federal budget. Sales fell to 80,710 vehicles for the month, down 5.2 % compared with the same period in 2013. The April result marked the fourth consecutive monthly drop in new car deliveries, bringing year-to-date figures to 347,080 (down 3.1 % on 2013).

TOP STOCKS

*Aquila rose 91.5c to \$3.36.5 on 4.7m shares on the report below while Aurizon fell 19c to \$4.98 on 10.7m shares.

*Insurance Australia rose 9c to \$5.80 on 4.5m shares.

*Westpac fell 47c to \$34.40 on 3.28m shares after a solid profit result and higher dividend, but no much anticipated special dividend.

*Bendigo and Adelaide Bank is untraded also report below.

Among the financials, AMP rose 1.5c to \$5.14.5 on 2.4m shares, ANZ fell 45c to \$33.89 on 3.1m shares, CBA shed 65c to \$78.49 on 943,715 shares, NAB fell 26c to \$34.30 on 2.1m shares.

Among the TMT's Telstra rose c to \$5.21 on 5.9m shares, Telecom NZ was steady at \$2.49 on 436,2567 shares, SingTel rose 3c to \$3.28 on 409,959 shares.

Among the resources BHP is up 20c to \$37.47 on 2.19m shares, RIO rose 52c to \$61.50 on 808,930 shares. Atlas rose 2.7c to 86.7c on 6m shares, Fortescue fell 4.5c to \$4.86.5 on 9.6m shares. OZ rose 8c to \$3.61 on 472,233 shares. Sandfire was up 22c to \$5.72 on 221,375 shares.

Among the oils, Woodside rose 2c to \$40.66 on 347,604 shares, Santos was up 18c to \$13.91 on 1.28m shares, **Oil** Search rose 14c to \$8.95 on 2.4m shares.

Among the golds, stocks were higher across the **board**. Newcrest rose 30c to \$10.43 on 1.2m shares, Oceana rose 10c to \$2.75 on 231,832 shares, Kingsgate gained 3.7c to 88.7c on 895,467 shares, Oceana was up 10c to \$2.75 on 231,832 shares.

AT THE SMALLER END

*Cynata rose 1.5c to 36.5c on 21,334 shares.

*Brumby Resources is untraded, last at 1.5c, also report below.

NEWS OF THE DAY

Changes in substantial reported April 30, May 1 and 2 inc posted separately.

LARGE CAP INDUSTRIALS

*AAD: Nine month earnings up 26.2%, led by Main Event

Ardent Leisure **Group** announced unaudited revenue and earnings for the nine months ended March 31 2014 with earnings at Main Event in the US up 26.2%.

Main Event Entertainment recorded total revenue of \$US65.63 **million**, up 23.6% for the nine months with EBITDA up 26.2% to \$US16.09 **million**. On a constant centre basis earnings before **property** costs increased 7.8% for the nine month period.

Goodlife Health Clubs EBITDA was up 16.7% TO \$25.23 **million** on record revenue worth \$121.54 **million** for the nine months.

The Bowling division EBITDA was up 9% to \$US11.11 **million**.

The Theme **Park** division revenue rose 2.1% to \$81.50 **million** while EBITDA was up 5.9% to \$29.18 **million** reflecting the success of marketing and operational initiatives.

The D'Albora Marinas recorded total revenues of \$17.96 **million** for the nine months, EBITDA was \$7.83 **million** vs \$8.33 **million** for the prior corresponding period, due to higher **property** costs in a number of marinas impacting overall results.

Gearing was 33.7% as at March 31, well within the **group's** target range of 30/35%. The **group** continues to look for **acquisition** opportunities.

*BEN: To acquire Rural Finance Corp from Vic Govt for \$1.78b/raising, SPP

Bendigo and Adelaide Bank Ltd announced it has agreed to **buy** the business and assets of Rural Finance Corporation of Victoria (Rural Finance) from the Victorian State Government earlier today, for all the assets and business including the loan book which will have an estimated value of approximately \$1.695 **billion** at proposed completion date of early to mid July this year.

BEN will pay about \$1.78 **billion** and has committed to maintaining Rural Finance's distinct brand and presence in 11 locations across Victoria.

BEN managing director Mike Hirst said rural Finance will work together with BEN's existing specialist agricultural business, Rural Bank to serve more than 5,200 farmers across Victoria with a loan book in excess of \$2.4 **billion**.

The bank proposes to maintain Rural Finance's range of community based programs including its Young Farmer Finance Scheme and the administration of farmer and exceptional circumstances assistance programs on behalf of the government.

Equity raising

BEN is undertaking a fully underwritten \$230 **million** share placement to selected institutional investors. Shareholders of record on May 2 will have the opportunity to participate in a non underwritten SPP in May, subscribing for up to \$5,000 of new BEN ordinary shares. Further details will be provided in due course.

*BEN: Great Southern Class Actions concluded Oct 24, no judgement as yet

Bendigo and Adelaide Bank Ltd announced the trial of the Great Southern class actions concluded on October 24 and the parties are awaiting judgment. Bendigo and Adelaide Bank Ltd confirms there are

ongoing without prejudice settlement discussions between the parties but no agreement has been reached. n

*LEI: HOCHTIEF offer final, will not be raised, closes May 9

Hochtief Australia Holdings Ltd has announced the offer for Leighton Holdings Ltd is final and will not be raised, it closes on May 9.

Hochtief currently has 61.09% of Leighton. (May 2)

*NWS: Acquires women's romance book publisher Harlequin for \$C455 mln

News Corp announced it has agreed to acquire Harlequin Enterprises from Torstar Corporation. Harlequin will become a division of HarperCollins Publishers, a News Corp subsidiary. It will remain headquartered in Toronto.

Harlequin is one of the world's leading publishers of women's fiction, with titles issued worldwide in 34 languages and **sold** in over 100 international markets. Harlequin publishes the work of more than 1,300 authors and releases more than 110 titles monthly. Approximately 40% of Harlequin's revenues come from books published in languages other than English. Currently 99% of HarperCollins books are published in English.

Purchase price is \$C455 **million** in cash.

*VAH: March numbers up on pcp despite late Easter impact

Virgin Australia Holdings Ltd advised March operating statistics were impacted by the Easter break occurring in April this year.

Passenger numbers for the month of March increased 2% and Available Seats decreased 2.4% on the prior corresponding period (pcp). Revenue Passenger Kilometres increased 1.6% and Revenue Load Factor increased 2.6% on the prior corresponding period (pcp).

Yield for March financial year 2014 to date was positive vs the pcp.

Virgin Australia international **operations** rose 11.5% in March and Available Seats rose 1.7% on the pcp. Revenue load factor fell 0.7%. the increase in passenger numbers was driven by higher loads for short haul international services as well as the residual impact of tropical Cyclone Evan on Pacific **island** services in the prior corresponding period.

TigerAir Australia passenger numbers in the month of March increased 7% and available seats increased 9.5% on the pcp. There was continued improvement in aircraft utilisation on the pcp, including the commencement of new routes of Sydney-Adelaide and Brisbane Adelaide services and a new Brisbane base opening on March 11 with the commencement of TigerAir Australia's 12th aircraft.

*WBC: Cash profit up 8%, int div 90c ff, DRP at no disc, outlook positive

Westpac **Group** Ltd for the half year ended March 31 announced a statutory net profit up 10% to \$3.622 **billion**. Cash profit was up 8% to \$3.772 **billion**. On net income up 4% to \$6.677 **billion**, with a 7% rise in average interest earnings assets and an 8 bps decrease in margins to 2.11%. The decline in margins principally reflects more intense competition in particular in the Institutional and New Zealand businesses.

A 90c fully franked interim dividend was announced, up 4c on the previous corresponding period, ex date May 14, record date is May 16. A 6NZ c imputation credit will be paid to New Zealand shareholders. The DRP is available at no discount. The **group** will **purchase** shares on market to satisfy the DRP for the interim dividend.

Core earnings were up 8% to \$5.694 **billion**. Cash earnings per share was up 7% to 121.3c.

Cash return on equities was 16.5%, up 43 basis points.

Common **equity** tier 1 capital ratio is 8.82% which the CEO said was the strongest in the sector.

Australian housing loans increased 5% with AFS mortgage growth at 0.9x system in the March quarter. Personal lending rose by 21% and business lending by 5% including the contribution from the Lloyds **acquisition**.

Group wide, customer deposits increased \$29 **billion** to \$389 **billion**, up 8%.

The expense to income ratio of 41.2% is sector leading.

Non interest income rose 9% to \$3.182 **billion**, driven largely by the wealth business.

Impairment charges were \$97 **million** lower.

Group CEO Gail Kelly said in the report the result was driven by a strong operating performance from each division, supported by a further improvement in asset quality.

Over the past six months Westpac has provided more than \$41 **billion** in new lending to Australian retail and business customers.

Outlook

Ms Kelly said the world economy had generally improved in recent times with Europe pulling out of recession and the US slowly moving towards trend growth. Partly offsetting that was a deceleration in growth in **China**, although expected to settle comfortably above 7%.

In Australia while households remain cautious, the pace of spending growth has lifted somewhat and confidence has trended higher.

She said she was positive about the second half for Westpac.

Analysts expectations: \$3.751.3 bln, div 90c/div 92c/\$3.626 bln, div 86c.

Analysts forecasts: The Financial Times reports as of May 02, 2014, the consensus forecast amongst 32 polled investment analysts covering Westpac Banking Corp advises investors to hold their position in the **company**. This has been the consensus forecast since the sentiment of investment analysts deteriorated on Aug 30, 2010.

Latest recommendation: **Buy** 4, outperform 4, hold 12, underperform 5, sell 2.

*On April 24 a leading broker said, "Westpac should see a pick up in revenue given improved lending, flattish NIM and wealth. BDD may be very low... the Westpac (and CBA) dividend rotation trade is likely to re-occur.

The broker added the sector is expected to deliver 4.1% eps growth. revenue is likely to be the highlight for all the banks, up 3.5%, and the best since the GFC. Credit growth has picked up, especially in housing, while funding benefits have eased margin pressure. Wealth income is also expected to be slid. This should enable the banks to report positive 'jaws' with cost to income ratios down 0.5% to 43%.

LARGE CAP RESOURCES

*AQA/AZJ/Other: Aurizon, Baosteel offer \$3.50 cash per share

Aquila Resources Ltd announced on May 3 it received a letter from Baosteel Resources Australia Pty Ltd and Aurizon **Operations** Ltd setting out a proposed joint conditional off market takeover offer for all of the outstanding shares in Aquila that they do not already own for \$3.50 cash per share.

In 2009 the Baosteel **group** invested in Aquila via a strategic placement and at that time also entered into a Memorandum of Strategic Cooperation in regard to Aquila's projects including the West Pilbara **iron ore** project.

(Baosteel has separately announced a **stake** of 19.79% as of May 3).

Since then Aquila has had numerous confidential discussions with the Baosteel **group** about its potential direct participation in the West Pilbara **Iron Ore** Project, however the unsolicited proposal to acquire control of Aquila is a new development.

Aquila will form an independent **board** sub committee to consider and evaluate the proposal and any resulting takeover offer and will update shareholders in due course.

At this time, Aquila shareholders do not need to take any action.

Aquila has appointed Goldman Sachs as financial adviser and King & Wood Mallesons as legal adviser.

MID TO SMALL INDUSTRIALS

*IMC: Repays \$C1.5 mln debt to Paladin Labs ahead of Travelan launch

Biopharmaceutical **company** Immuron Ltd CEO Amos Meltzer announced the **company** has repaid \$C1.5 **million** to Paladin Labs Inc, following Paladin and Immuron's license agreement for the distribution in Travelan in Canada and other countries.

The Canadian regulator Health Canada granted that approval in November 2013, expected to be followed by a launch of Travelan in Canada.

*MBE: To implement Direct Carrier Billing for easy mobile payments

Mobile Embrace Ltd announced it will implement Syniverse Direct Operator Billing (also known as Direct Carrier Billing) to provide consumers with a seamless mobile product engagement and mobile payment experience.

MBE's **m**-payment business Convey will integrate its end to end mobile marketing and **m**-payments infrastructure with the Syniverse Direct Operator Billing platform to expand its global reach and connectivity to mobile operators.

*SDM: Peter Watson appointed CEO and MD

Sedgman Ltd announced the appointment of Mr Peter Watson as CEO and MD effective June 1.

Peter is currently Sedgman's regional director responsible for the Australia West, Africa and Americas region and has held various senior executive roles since joining Sedgman in 2010.

Chairman Russell Kemprich unanimously decided Mr Watson was the right choice for the role.

*SKL: Further on proposed MOU with AppPharm for mobile VOIP/cap raising

Skywards Ltd advised as announced on January 24, it has entered into a binding agreement to acquire 100% of AussieSim Pty Ltd. as part of this process Skywards is currently seeking to raise a minimum of \$3 **million** in new **equity** and is to be renamed ZipTel Ltd. Patersons Securities Ltd has been appointed **lead** manager to the capital raising.

ZipTel has signed a MOU with Malaysian application development **firm** AppPharm Ltd to provide its proprietary developed platform ZipT as a white label VOIP business and consumer communication solution for use by AppPharm's multilevel marketing distribution agreements around the world. ZipT is a mobile based VOIP communication App that allows customers to make international calls at some of the lowest rates delivering crystal clear sound quality in lower data usage environments.

ZipTel will pay AppPharm a proportion of the total monthly revenue received from AppPharm customers.

ZipTel will charge an upfront tariff creation fee (within the \$US50,000 set up costs) along with a monthly account maintenance fee for the AppPharm agreed monthly tariff. Total set up costs will amount to \$US50,000 with payment to be offset against income received from AppPharm subscribers for the first 3 months.

MID TO SMALL RESOURCES

*BMY: Teck Australia placement, to take up to 70% in McArthur River

Brumby Resources Ltd announced it has entered into a significant earn in option arrangement with Teck Australia Pty Ltd, a wholly owned subsidiary of Canada's largest diversified miner Teck Resources Ltd to explore for zinc on Brumby's McArthur River tenements in the Northern Territory.

Teck will take a placement at 2c per share, providing Brumby with \$500,000 and may earn up to a 70% interest in the McArthur River Project by spending a minimum of \$3.5 **million** on exploration expenditure before June 30 2018 with a minimum of \$500,000 to be spent before June 30 2015.

Brumby now has 100/5 of EL 25467, acquiring the remaining 20% from Arnhem in exchange for 5 **million** shares to Arnhem and termination of the residual terms of the original option agreement entered into between Brumby and Arnhem.

*GMR/ARM: ARM to provide \$3 mln funding, repayment will give 19.9% **stake**

Golden Rim Resources Ltd announced it has arranged for \$A3 **million** in funding through a secured convertible loan from Aurora minerals Ltd. Subject to certain conditions including shareholder approval, Golden Rim may repay the loan by the issue of ordinary fully paid shares with the conversion of the first tranche resulting in Aurora having a 19.96% **stake** in Golden Rim, becoming GRM's largest shareholder

and a cornerstone investor. Repayment of the second tranche may be made in either cash or shares at Aurora's election.

*KNL: Update on graphite projects in Tanzania

Kibara Resources Ltd in an update on progress at its flagship Mahenge graphite project and its Merelani-Arusha graphite project, both located in Tanzania, said Kibara has signed a 3 month extension to the existing MOU to consolidate its Merelani-Arusha graphite project with the Richland **group**'s graphite assets in the region as announced on February 5.

The drilling program that commenced in March remains on schedule despite progress being hampered by heavy rainfall.

Kibara remains the only listed **company** with a sales partnership and binding offtake agreement for the **sale** of graphite, the **company** said in the report.

*NXS: Expects to be reinstated around May 7, when expert report is available

Nexus expects to be reinstated on the ASX immediately following the release of the independent expert's report to the market to enable shareholders to form an opinion on the Seven **Group** offer.

The **company** expects the independent expert's report will be received on or about May 7.

*PNL: Receives last necessary permit for Buck Creek **coal** project, Illinois

Paringa Resources Ltd announced it has been granted Surface Mine Control and Reclamation Act mine permit for the construction of surface mine facilities at the Buck Creek Project in the Illinois **coal** basin in Kentucky. This completes the long **lead** time permits required to construct and operate the Buck Creek mine.

*SOC/PMR: Final 4 DD hole results hit up to 19.98% Zn at Gibsons Mine

Precious Metal Resources Ltd, a 78% subsidiary of Sovereign **Gold Company** Ltd announced results from the 4 final diamond drill holes of a six hole program conducted at Gibsons Mine at the Halls Peak base metal field in northern NSW. Gibsons Mine will be transferred to Sovereign **Gold**, as reported on April 9, subject to shareholder approval.

Best results from the four remaining holds include 19.98% Zn, 10.695 Pb, 0.4% Cu, 41.4gpt Ag in DDH HP 029.

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