THE AUSTRALIAN

SE MarketWatch

HD **Here's a car deal you can't walk away from**

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WC 852 words
PD 17 July 2014
SN The Australian
SC AUSTLN
ED Australian
PG 23
LA English

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AP Eagers (APE) $5.68 THE Queensland-based car dealer's fortunes are explained in a graph showing it takes an average 26 weeks for a PAYE toiler to buy a Holden. In the early 1990s it took 43 weeks — and buyers now get much more for their money.

New car sales hit another record in 2013 and there's no hint that the (slightly) abating Australian dollar has tempered sales. But the sector is notoriously competitive and healthy stock levels mean dealer margins have moderated.

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The Nick Politis-controlled Eagers yesterday pre-announced a record $33.5 million, 7 per cent higher half, which puts the dealer on course to smash last year's record $64m full-year result.

In the second half, Eagers will benefit from the $50m acquisition of Ian Boettcher Motors and the Craig Black Group, both in Queensland. Eagers is a "buy buy buy''. Drive away no more to pay.

While the stock trades at fair value of around 14 times earnings, punters get Eagers' 19.9 per cent stake in WA rival Automotive Holdings — and a dollop of intrigue about Politis's intentions — thrown into the deal.

Altura Mining (AJM) 17.5c THE junior this week became the Pilbara's seventh iron ore producer with the official opening of its Mount Webber mine, 70 per cent-owned and operated by Atlas Iron.

The vaunted output of 3-6 million tonnes a year won't exactly bother the likes of Rio which, incidentally, dug up a record 73 million tonnes in the second quarter.

But here's hoping the direct-shipping operation is small but perfectly formed. It's a fickle period for iron ore, but Altura is confident of turning a quid with "all in'' cash costs of $80 a tonne, or $49 a tonne over the seven-year mine life.

There's a second asset arguably not reflected in Altura's $70m market cap: its fully owned Pilgangoora lithium prospect down the road. Pilgangoora, the third-biggest undeveloped hard-rock lithium deposit globally, is the subject of a pre-feasibility study due in the second half.

The idea is that rather than entering a JV with monied partners on crippling terms, Altura will use the ferrous rivers of, er, gold to finance the $100m-odd project.

Pilgangoora boasts 25 million tonnes (indicated and inferred) with 310,000 contained tonnes.

The prospects for lithium were underscored overnight by the $US6.2 billion ($6.6bn) merger of US chemicals maker Albemarle with rival Rockwood Holdings.

Albemarle's motive is to access Rockwood's low-cost lithium production in Chile's Atacama Desert, in readiness for a boom in electric cars.

Spec buy.

Iluka Resources (ILU) $8.53 YESTERDAY'S quarterly production numbers were open to interpretation, but in any event investors were happy to push the stock 4 per cent higher on the promising side commentary on pricing and demand.

Iluka disclosed second-quarter output of 96,000 tonnes of zircon and 44,000 tonnes of rutile and synthetic rutile, taking total first-half output to 252,000 tonnes, 5.9 per cent higher than the previous half.

On the current run rate, Iluka could struggle to hit full (calendar 2013) guidance of 360,000 tonnes of zircon and 190,000 tonnes of rutile-synthetic rutile.

In its glory days, Iluka churned out 575,000 tonnes in the 2011 first half and 443,000 tonnes in the 2012 first half.

As the world's second-biggest mineral sands producer and biggest rutile supplier, Iluka can influence the market more than the average bear. Thus, management has taken the approach of "flexing" — in other words, deliberately curtailing — production to react to the sharp decline in demand for its industrial ingredients.

Rutile is used in ceramics (such as white bathroom tiles) and is thus exposed to the housing sector, notably **Chinese** apartments.

Ongoing pricing pressure meant that 2014 first-half revenues declined 10 per cent to $343m.

In its commentary, management points to patchy demand for zircon, but with no sign of any fallout from weaker **Chinese** lending data in April and May.

Volumes are not likely to be "materially different" to 2013, while the average received price of $US1080 a tonne remains similar to that achieved in the December 2013 quarter.

In the case of titanium dioxide (used for pigment and an end-product of rutile), an uptick in demand is expected to continue.

In short, Iluka appears to be managing itself out of the malaise with a "less is more" approach to production and managing costs.

We rate Iluka as a buy on the theory the worst is over for our only listed pure-play producer.

Not that everyone agrees: "We see significant risk to medium-term earnings estimates with the current share price implying a significant recovery in sales volumes and realised prices,'' chides Macquarie Equities.The Australian accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser. The author does not hold any of the shares mentioned..

NS c21 : Output/Production | ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document AUSTLN0020140716ea7h00031