THE AUSTRALIAN

SE Business

HD **BANK GIG NOT REALLY A GAS**

BY John Durie
WC 1,257 words
PD 31 October 2014
SN The Australian
SC AUSTLN
ED Australian
PG 33
LA English

LP

NAB shareholders are still waiting to see better returns

NAB boss Andrew Thorburn leaves you in no doubt he is in a hurry to get the right answer for customers and hence shareholders, but the evidence left yesterday showed he has, through no fault of his own, a long way to go.

TD

CLSA's Brian Johnson put the issue into focus, noting earnings per share reported yesterday were $2.16 a share against $2.15 a share in 2000.

Bank chair Michael Chaney , wearing a black Rolling Stones T-shirt, was doing his best Jumpin' Jack Flash interpretation of Wednesday night's concert in Perth but shareholders are still waiting for satisfaction.

Thorburn has learned that when the profit numbers read 1 per cent growth it's best to have another narrative, which is why he left open the door to sell life insurance by making clear he wants wealth distribution but not necessarily manufacturing.

The bank has Morgan Stanley and Macquarie on the job looking for a **sale** of its British assets in whatever way possible. The climate has picked up in Britain but there are myriad regulatory issues to sort through and a deal is by no means guaranteed anytime soon.

The wealth product review is being conducted in-house and Thorburn's sense of urgency is a welcome sign, which will be widely applauded when and if the deals are done.

Yesterday was just more talk and Thorburn can really take a bow when he manages to produce better than 0.2 per cent growth and margin expansion rather than just a slowing in the contraction.

Regulatory cost hits are coming and his business base is showing no signs of actually growing with the same sense of urgency that Thorburn is applying to his job. In part business credit growth is outside his control, so all he can do is put the house into order to ensure when the swing comes NAB will be ready to pounce.

That much he is doing but, sadly, the results to date are as disappointing to him as they are for shareholders.

After this year's $1.3 **billion** writedown executive bonuses will be cut by 60 per cent and Thorburn will only collect 20 per cent of his potential maximum.

It's a tough game.

Durkan scores DON'T tell Rod Sims at the ACCC but Coles figures it has opened a price gap on its competitors which last quarter helped it to post same-store sales growth of 4.3 per cent in an otherwise soft retail market.

It was an impressive performance from Coles, marking the fastest quarterly sales growth since the fourth quarter of 2013 and of course the first quarter under new boss John Durkan .

Coles has outperformed Woolworths for a record 19 straight quarters and Monday's update from Woolies will show whether the streak hits 20.

The Coles numbers were along with continued strong numbers from Bunnings and Officeworks the standouts from the retail divisions. Not so good was Kmart , which has run into the same slowdown that has afflicted all department stores, and Target remains a basket case.

Coal sales were also down. Liquor remains a problem area for Durkan but, his friends at the ACCC aside, on every other score he is kicking goals.

Coke lacks fizz A SHORT covering rally helped Coca-Cola Amatil boss Alison Watkins look good for what was an underwhelming performance yesterday capped by the **sale** of 29 per cent of her Indonesian business to parent **company**Coca-Cola . The $500 **million** investment in the business was welcomed as meaning much-needed funds would be added to the business without Watkins reaching into her pockets.

CCA was sold short to the tune of over 5 per cent of the stock going into the strategy day, having fallen from a near-term high of $10.04 back in May to a low of $8.19 this month before closing up 4.5 per cent at $9.07 yesterday.

Coca-Cola owns just under 30 per cent of CCA and its funds will go directly into the Indonesian expansion, and effectively means the US **company** will control over half the fastest growing asset in Watkins's empire.

The Indonesian business is worth backing big time but how much better if Watkins could have done it on her own rather than facing the inherent conflict of handing **equity** to her largest shareholder and supplier, which has one clear aim — to maximise sales of its syrup.

Watkins won't hear a bad word about Atlanta and unlike her predecessor, who rarely mentioned the quasi-parent **company**, after yesterday's closed door strategy session she was maximum bullish on the opportunities.

Earnings per share for the **company**, which is dominated by a struggling Australian business, will fall 21 per cent to 52c a share, and Watkins made clear growth from those depressed levels would not come any time soon, forecasting mid-single-digit gains sometime in the future — making the chance of topping last year's 66c a share this decade look slim.

Watkins had UBS help her on the Coca-Cola**sale** and Port Jackson Partners on the strategy day, which showed, because management consultant speak was ever-present and any signs of upside for shareholders thin on the ground.

The promised $100m in cost savings over three years on a multi-**billion**-dollar cost base is not exactly worth writing home about. There are lifestyle, consumer preference and cost hurdles to overcome and Watkins has a big challenge ahead which hopefully she can conquer.

But yesterday didn't exactly inspire much confidence.

Scaling the Great Wall AMP is a classic case study on how to develop a business in Asia slowly and the process continued yesterday with a $240m investment in **China** Life Pension.

The deal follows a memorandum of understanding signed with the **company** back in 2009, which has since spawned a joint mutual fund operation including a $3.8bn money market fund.

Infamously, the **company** had planned a much bigger investment some 10 years earlier which was kyboshed by the board.

Murray Committee member Carolyn Hewson quit the AMP board in protest at the planned massive investment masterminded by former boss Paul Batchelor.

Australian shareholders tend to baulk at massive offshore investments but support gradual expansions, as evidenced by the backing given Mike Smith 's Asian plans with the ANZ, and AMP chief Craig Meller will find similar backing. It's a question of size and timing, and what looked like a disaster when Batchelor first raised the idea 15 years ago is now happening on a more orderly basis.

Meller was in Beijing yesterday to sign the deal, which for $240m gives him a 19.9 per cent **stake** in **China** Life Pension **company** — the largest such in **China**.

AMP has a close working relationship with **China** Life and earlier this year launched its first mutual funds jointly with the giant state-owned enterprise. AMP holds a 15 per cent **stake** in the venture, having first signed a memorandum of understanding with the **company** back in August 2009.

AMP is the first foreign **company** to **purchase** a **stake** in a **Chinese** pension **company**. The **stake** gives it three licences to offer pension services throughout **China**, and the venture is aimed at selling into the growing corporate pension market.AMP will have two people on the 13-member board and provide technical support to the venture.

NS gcat : Political/General News

RE austr : Australia | indon : Indonesia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | seasiaz : Southeast Asia

PUB News Ltd.

AN Document AUSTLN0020141030eaav0002p

