

HD Treasury Wine Stock Doesn't Reflect Risks: JPM -- Market Talk

WC 1,638 words

PD 6 August 2014

ET 09:19

SN Dow Jones Institutional News

SC DJDN

LA English

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23:19 GMT [Dow Jones] KKR & Co. (KKR) and Rhone Capital's A\$5.20/share indicative offer to **acquire** Treasury **Wine** (TWE.AU) looks attractive, but several risks remain, says J.P.Morgan. Investors should be mindful of the experience of Goodman Fielder, which recently recommended a cut-price offer from Singapore's Wilmar International Ltd. (F34.SG) and **Hong Kong's** First Pacific Co. (0142.HK) after they wrapped up due diligence. "There is no guarantee that a bid (for TWE) will emerge post due diligence, let alone that it will remain at A\$5.20 per share," J.P.Morgan says.

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"This risk requires a discount." Also, the broker believes the best-case completion date is September 2015, with due diligence likely to take four to six weeks, a scheme meeting taking six weeks to arrange, and the deal almost certain to require approval from **China's** Ministry of Commerce. J.P.Morgan, which rates Treasury **Wine** at underweight, thinks the stock should be trading at A\$4.80/share. TWE last traded at A\$5.17.

(david.winning@wsj.com; @dwinningWSJ)

23:19 GMT [Dow Jones] The rally in Treasury **Wine** Estate's (TWE.AU) share price suggests more downside risk than upside for investors, even against the backdrop of a raised bid from KKR and Rhone **Group**, says UBS. It lifts its sum-of-the-parts-based target on TWE to A\$4.33/share from A\$4.20 but retains a sell recommendation. The brokerage says TWE's strategy, including spending on a narrowed **brand** portfolio and bringing forward the release dates for premium wines, makes sense but execution isn't certain. It anticipates further cost cutting to accompany the upcoming fiscal 2014 results as well as possibly more impairment charges, which will further cloud the **wine company's** near-term earnings outlook. TWE closed Tuesday at A\$5.17. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

23:07 GMT [Dow Jones] Harold Park in suburban Sydney is used to winners and losers, as the site of a former paceway where punters would gather to bet on harness racing. Now, it looks like paying off for Mirvac **Group**, an Australian property developer that dug up the track and is building dozens of apartments there. J.P.Morgan says Mirvac's FY15 earnings growth will be dependent on the margin at Harold Park, as it likely will provide more than 50% of residential revenue. "We're increasingly confident on Harold Park given sales are 18 months ahead of feasibility studies where Mirvac's focus has been more on velocity of sales as opposed to price growth," the broker says. "This should ensure healthy project margins through FY15-18, and more than A\$1 **billion** in revenue." J.P.Morgan, which rates Mirvac at overweight with a A\$1.93 price target, expects the **company** to report an FY14 operating profit of A\$439.9 **million** on Aug. 21. MGR last traded at A\$1.78. (david.winning@wsj.com; @dwinningWSJ)

23:06 GMT [Dow Jones] Xerox Corp. (XRX) is moving toward rapid prototyping of services in its innovation **group**, according to chief technology officer Sophie Vandebroek. The copy machine pioneer needs to innovate in services now that the **company** has transitioned to providing back office services. Xerox is taking a page from a software development method known as Agile, which focuses on smaller projects and quick iteration. Innovation may be needed on the services side to offset falling sales of printers and copiers in the most recent quarter. (rachael.king@wsj.com, @sfwriter)

23:00 GMT [Dow Jones] The USD/JPY is likely to consolidate the downside after renewed concerns over the Ukrainian situation stoked risk-averse sentiment among investors overnight. "The sentiment isn't good and the upside will be heavy," says Shinji Kureda, head of FX trading **group** at Sumitomo Mitsui Banking. But the market reaction to this sort of news tends to be short-lived, and the pair could be

supported around 102.40. Meanwhile, the upside will likely be capped around 102.80. The pair is at 102.63 against 102.59 in late New York on Tuesday. Polish foreign minister, Radoslaw Sikorski, was quoted by Bloomberg News as saying Russian units are poised to pressure or invade Ukraine. (tatsuo.ito@wsj.com)

22:55 GMT [Dow Jones] RBCCM upgrades Downer (DOW.AU) to Outperform from Sector Perform after raising its target price to A\$5.20 from A\$5.00. The broker points to significantly lower debt, a share buyback and marginally higher forecasts behind the upgrade. "The irony for Downer is that whilst it has reported a very strong cash flow result, its share price has fallen," analyst Heath Andrews says. "On a relative basis, we see Downer as good value in the sector and believe it should rally on the back of what was a solid FY2014 result." It adds that Downer is trading at a 6.3 times expected FY2015 enterprise value to earnings before interest and tax, a 23% discount to peers. DOW last A\$4.58. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2248 GMT [DOW JONES]--Federal regulators gave a sharp rebuke to banks over bankruptcy scenarios the regulators said weren't realistic. But it could still take years for the government to take drastic action, like forcing the banks to break up or shrink. Banks will have a least a year, and as many as three years, to respond to the regulators' criticisms, and even then breaking up the banks might not be on the table, one senior Fed official said. (ryan.tracy@wsj.com)

18:53 EDT [Dow Jones] After Imperial Metals (III.T) said earlier Tuesday the tailings dam breach at its Mount Polley copper and gold mine in British Columbia had stabilized but it couldn't estimate the amount of tailings released, the provincial government provided some additional detail, saying an estimated 10M cubic meters of water as well as 4.5 million cubic meters of fine sand were released into Polley Lake. Still, government wasn't ready to estimate the potential environment impact from the spill. Amid that uncertainty, it's no wonder III.T sunk 41% to C\$9.98. ben.dummett@wsj.com @bendummett)

22:47 GMT [Dow Jones] Cochlear (COH.AU) shares surged 10% Tuesday on a more positive outlook than many investors expected. For Credit Suisse, however, there was enough concern in the hearing-implant maker's results to balance the good news. The broker upgraded its earnings forecast by at least 3% for each of the next two years, and lifted its price target by 20% to A\$57.00/share. "However, our ongoing concern relates to Cochlear's implant unit sales, which achieved only 4% underlying growth in 2H14, ex-China tender sales," Credit Suisse says. This compares to a 15% compound annual growth rate during FY06-FY11. "While it's difficult to ascertain whether this was due to a slowdown in global industry growth or continued share loss, Sonova Holding's (SOON.VX) strong performance in its 2H period suggests it was predominantly the latter." Credit Suisse rates Cochlear at underperform. COH last traded at A\$69.00. (david.winning@wsj.com; @dwinningWSJ)

1834 EDT [DOW JONES]--Projections for a bumper harvest have pushed prices for staple feed ingredients to the lowest levels in four years, widening margins for livestock producers during a time when both cattle and hogs are selling for the highest per-pound prices in history. Some analysts now expect that hog farmers will use the extra cash to expand herds battered by disease, booking profits even as more animals come to market. "Even with the discount in December hogs, a producer can still make a lot of money raising pigs," said Jim Clarkson, analyst with A&A Trading in Chicago. CME August hogs down 0.1% to \$1.1575/lb in electronic trade, while December hog futures are off 0.03% to 93.97c/lb. (kelsey.gee@wsj.com; @kelseykgee)

18:20 EDT - FirstSolar (FSLR) shares tumble 4% after hours to \$61.05 following lower 2Q earnings that widely miss analysts' expectations. FSLR posted 2Q net income of \$4.5M, or 4c/share, vs \$33.6M, 37c a year earlier. Analysts expected \$30M, 33c/share, according to FactSet. CEO Jim Hughes said project delays pushed FSLR earnings to later in the year, company maintains 2014 EPS forecast of \$2.40-\$2.80. (cassandra.sweet@wsj.com)

18:14 EDT - Falling grain prices are lifting profits for livestock farmers and some of the drug companies that supply them, according to Zoetis (ZTS), No. 1 company in a \$22B market for animal medicine. ZTS said today that low prices for corn -- a main ingredient in livestock feed -- as well as high prices for slaughter-ready animals, has boosted revenue for producers, allowing them to invest more into vaccines and drugs for livestock like cattle and swine. Producers are increasingly "allocating part of their profits to protect their animals better," CEO Juan Ramon Alaix said. ZTS said 2Q earnings rose to \$136M vs \$128M a year earlier, driven by strong US sales. Sales in its livestock segment grew 9%. Total revenue rose 4% to \$1.16B. (jesse.newman@wsj.com; @jessenewman13)

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(END) Dow Jones Newswires

August 05, 2014 19:19 ET (23:19 GMT)

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