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SE MarketWatch

HD **Cashing in as Dad picks up cost of phone calls**

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Reverse Corp (REF) 13c A RASH of small caps yesterday lobbed pre-yuletide earnings updates to a distracted audience, but contrary to our suspicions most were decent enough.

One of them, Peter Ritchie-chaired Reverse, is an odd beast. Its flagship offering is the reverse-charge intermediary 1800Reverse but it also owns 65 per cent of online contact lenses purveyor OzContacts.

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We thought reverse charging belonged to the bakelite phone era and had long been replaced by texting and social media.

But when kids have exhausted their usage limit after Snapchatting their 10th selfie for the day, they revert to old-fashioned means to ensure Dad is lumped with the bill.

Reverse Corp clips the ticket — and quite nicely, judging from yesterday's update. Management flags December half EBITDA of $1.35 million-$1.45m, with OzContacts breaking even during the half. Reverse posted EBITDA of $2.4m and a net profit of $1.5m in the 2013-14 full year.

With a $12m market cap, the debt-free Reverse has cash of $6m and is eyeing acquisitions.

Reverse shares have traded in the extreme range of $6 in 2007 and a low of 1c early last year.

The subsequent rebound is something to phone home about — call collect, of course. Spec buy.

Resource Equipment (RQL) 26c THE board of the dewatering specialist wasted little time hoisting the white flag at its Welshpool HQ yesterday, after 12 per cent holder Pump Services lobbed an on-market offer of 26c a share.

It's not hard to see why: the cash offer is pitched at an immediate 86 per cent premium and a 72 per cent increment over the six-month price.

The stock last traded at 26c early last year, before the mining sector circled the wagons.

With its operations focused on Queensland's coal-seam gas sector, Resource Equipment has felt the pain. But Pump Services proprietor, Texan tycoon Walter Naymola, sniffs untapped value beneath his Stetson. We ponder whether the tilt presages a flurry of activity in the stressed (and expansive) mining services sector.

Presumably large-cap exposures such as ALS, Downer EDI, Monadelphous and Orica are off limits because no one would dare lay such a hefty bet on commodities recovering.

Smaller plays such as Austin Engineering, Emeco, Fleetwood, Swick Mining Services and Mermaid Marine may appeal to counter-cyclical acquirers.

We also question whether the harsh treatment of CSG-exposed former market dazzlers Titan Energy Services (TTS, $3.38) and WDS (WDS, 24.5c) is fully justified and we ascribe silly-season spec buys.

Boral (BLD) $5.06, CSR (CSR) $3.59, Brickworks (BKW) $11.86 OUR investment tip for 2015 is to take the Australian Competition & Consumer Commission's preliminary merger musings with a grain of salt.

In October, the watchdog viewed with "a great deal of scepticism'' Boral chief Mike Kane's assertions that the **company** would exit brick-making if the proposed Boral-CSR eastern seaboard JV wasn't approved. After further inquiries — including grilling two Boral execs under oath — the ACCC was convinced that Boral would fulfil this threat and duly approved the union.

The regulator similarly took a dim view of travel portal Expedia's proposed takeover of Wotif, but eventually allowed it. There was a decent quid on the table for those willing to punt on Wotif shares.

Coming back to bricks, CSR is the biggest supplier in NSW and Queensland, while Boral is the biggest in Victoria.

Reflecting these market shares, the JV will be 60 per cent-owned by CSR and 40 per cent by Boral, with no cash changing hands.

For CSR, bricks were a dead weight on the conglomerate's otherwise improved results across other building products, aluminium and property.

For Boral, the news follows on from yesterday's $165m **sale** of a western Melbourne tip — a non-core asset — to Transpacific Industries.

Boral is a hold and CSR and Brickworks are long-term buys.

Magnis Resources (MNS) 20c THE Tanzanian graphite developer was right to assert that demand for "jumbo" flakes of the new-age material will be the variety most in demand.

In what it claims to be the biggest **firm** order to date, Magnis on Wednesday unveiled a binding $US800m ($984m) contract to supply **China**'s Sinoma with 80,000 tonnes of the mineral.

With Magnis's Nachu project at pre-feasibility stage, the phrase "cart before horse" comes to mind, although a signed offtake agreement is a handy piece of paper to present to bankers.

We rated Magnis a spec buy at 19.5c on November 27 and maintain the call.The Australian accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser. The author does not hold shares in the stocks mentioned.

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