

SE Business
HD **New Hope sits out downturn on \$1.1b kitty**
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Resources - Confidence in 'dirty **coal**' ban

With \$1.1 **billion** in cash in the bank, the Soul Pattinson-controlled New Hope Corp is sitting out the slump in **coal** prices as it waits for the right buying opportunity to emerge.

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But with little pick-up in **coal** prices anticipated over the next 12-18 months, it may have longer to wait, especially following last week's decision by **China** to ban imports of dirtier qualities of **coal** from next January, which is likely to maintain pressure on **coal** prices.

On Tuesday New Hope revealed its net profit fell to \$58.4 **million** from \$74.1 **million** in the year to July, with earnings a share dropping to 7¢ from 8.9¢.

And it will dig into reserves to pay its dividend with the final dividend cut to 5.5¢ (2¢ final plus a 3.5¢ special dividend) down from 10¢ paid a year earlier, which takes the full-year payout to 11.5¢, down from 16¢ paid last year.

The net profit from **coal** dived to just \$10.8 **million** from \$74.1 **million** a year earlier, with the bulk of its profit coming from its treasury contribution of \$44.3 **million**, thanks largely to its pile of cash.

"They're making very little out of **coal**. It made some out of third party use of its infrastructure, some from interest income and also from the **sale** of shares in Westside," one analyst said.

"We can't see much point in being there until they decide what they're going to do with the money," Paterson Securities analyst Matthew Trivett said.

Not on the list of prospective acquisitions is **coal** assets in Africa, Indonesia or Mongolia, says New Hope chief executive Shane Stephan.

"We'll look at North America - as well as Australia," he said, while also assessing prospects in coking **coal** where the group has no **operations**.

"Our board wants growth and **M&A** is all about timing - and the times are becoming much better for **M&A**," Mr Stephan said.

"There are a number of opportunities coming available and the time is coming when [sellers] are looking at their **operations** and price expectations more realistically."

New Hope is confident the changes under way in **China**, which will squeeze out supplies of dirtier **coal**, will be to the advantage of exporters, since it reckons the new regulations will force out unwanted domestic supplies.

"**China** is the clearing market in the Asia-Pacific," Mr Stephan said. "It is reducing domestic **coal** supplies and that will flow through to an improvement in the seaborne prices."

New Hope said it was keen to acquire an open-cut coalmine, which are typically cheaper to operate than an underground mine.

No improvements in the present "challenging conditions" in the **coal** market are expected until well into fiscal 2016, it said.

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