

**HD MARKET EXPECTED TO CLOSE marginally HIGHER**

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The S&P/ASX200 is likely to close marginally higher today.

Markets closed mildly lower in Europe and the UK and rose in the US.

On the NYSE where 3243 issues traded there were 1,954 issues higher, 1,191 down and 98 unchanged. On Nasdaq where 2809 issues traded there were 1,696 issues higher, 1,023 down and 90 unchanged.

Metals were higher, crude rose, **gold** was down. the \$A is at 93.33US c, up about 20 points on last evening.

"High will be 5561. Low will be 5530. Close at 5544, up 3.1 points'

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open higher with the local futures contract pointing up 4 points. US equities managed to close higher overnight, although the volume on the move suggests it is just a bounce, rather than the initiation of a new rally.

"Widening credit spreads and the under performance of the banks and small cap stocks in the US, are indicative of tightening liquidity, which by extension, implies further downside for equities in due course.

"But none of this matters for today. The high will be 5561. The low will be 5530. When the dust has settled, the market will have closed at 5544, up 3.1 points'.

the s&p/asx200 closed down 15.5 points to 5540.9 points last evening.

August 5. Good morning.

Aussie stocks

All dollars in this section are Aussie dollars - the rises and falls are against the previous close.

Aussie stocks in ADR form were mostly higher. AWC fell 1.5c on 400,000 shares, Amcor fell 1c on 15,000 shares, RIO rose 47p on 2m shares, BHP rose 25c on 2.6m shares, News rose 4c on 400,000 shares, Westpac rose 16c on 84,000 shares, Telstra gained 2c on 200,000 shares.

ResMed rose 1c on 11.6m shares.

PSivida fell 16c on 37,000 shares. Prana fell 1c on 3.9m shares.

In London Anglo American rose 5p to 1,585p on 2.89m shares, Aquarius was steady at 23.5p on 313,595 shares, BskyB fell 18p to 858p on 3.12m shares, BHP is up 2p to 2013.5p on 4.6m shares, Henderson is steady at 243.5p on 1m shares, RIO rose 6p to 3,380.5p on 3.14m shares.

Trading points:

\*ASL: Extends suspension request

Ausdrill Ltd asked for further suspension to allow it further time to assess the expected impairment charge for the financial year ended June 30 and the effect of a change in tax status of Ausdrill's **operations** in Mali. (Aug4)

\*CQA: Conquest Agri confirms takeover of Priority One

Conquest Agri Ltd chairman Larry Shutes announced it has completed due diligence on Priority One Network Group Ltd to its satisfaction under the non binding HOA referred to in ASX release dated April 11. (Aug 4)

\*GCN: \$1.4 mln u/writ placing at 2c +1 for 2 options, \$1mln committed

GoConnect Ltd advised Sino Investment Services Pty Ltd has underwritten a private placement of 75 **million** shares at 2c each with free attaching options on a 1 for 2 basis to add \$1.5 **million** in new **equity** capital upfront and an additional \$750,000 from exercise of options within two years. Of the \$1.5 **million** offer, \$1 **million** has already been unconditionally committed by a professional investor. (Aug 4)

\*EPD: Record NPAT, profit, EBITDA, ff div to be announced/outlook positive

IT **company** Empired Ltd for the year ended June 30 2014 announced a record net profit before tax of \$4.3 **million**, up 119%, record EBITDA of \$7.1 **million** up 98% on record revenue up 44% to \$67 **million**.

A final fully franked dividend will be announced on the release of audited accounts.

Underlying EBITDA was up 98% to \$5.7 **million**.

Positive operating cash flow was \$5.3 **million**. Cash in hand at June 30 is \$8 **million**, net interest bearing debt is \$5.2 **million**.

The **company** in strategic highlights for the year included the **acquisition** of OBS Pty Ltd in October 2013 adding \$32 **million** of annualised revenue across the East Coast and cementing Empired as the largest Microsoft SharePoint partner in Australia.

EPD acquired eSavvy Pty Ltd in May 2014, doubling the Sydney office and cementing Empired as the largest Microsoft CRM partner in Australia.

Empired has secured a \$50 **million** contract with a major resources **company** with potential for considerable upside and a \$46 **million** contract with Main Roads WA, underpinning contracted revenue for the next 5 years.

EPD during the year raised \$15 **million** of **equity** capital through an institutional placement.

Outlook

Managing director Russell Baskerville said the group looks forward to delivering another transformational year in 2015.

The **company** enters full year 2015 with approximately 45% of revenue contracted. (Aug 4)

\*MTE/CBX: Scrip offer for remaining 43% of Cape **Alumina**

MetroCoal Ltd announced it intends to make an off market takeover offer for the remaining 43% of shares in Cape **Alumina** it does not already own, on a 1 for 1.3 Cpe shares basis. The offer represents a premium of approximately 35% to the 20 day VWAP to August 1 2014 for each Cape share.

If the takeover bid is successful the merged entity will hold extensive bauxite tenements in Cape York, including the Bauxite Hills Project s well as an interest in extensive thermal **coal** in the Surat Basin and over \$6 **million** in cash.

If Cape becomes a wholly owned subsidiary then approximately 4500,000 p.a. will be saved from not having to maintain Cape as an ASX public **company**. (Aug 4)

\*TPT: TAO-1 did not encounter hydrocarbons, will be plugged and abandoned

Tangiers Petroleum Ltd advised the TAO-1 exploration well in the Tarfaya Offshore Block Morocco was drilled to a total depth of 3,518m MD and did not encounter favorable reservoir quality at Trident. The well will now be plugged and abandoned.

Managing director Dave Wall said in the report the board and management looks forward to providing updates on New Ventures initiatives in the not too distant future. (Aug 4)

\*WSA: Lifts reserve Ni tonnes by 7,572 Ni tonnes at avg grade of 6.5% Ni

Western Areas Ltd announced following its standard review of drill data post financial year end, the Flying Fox mine **ore** reserve nickel tonnes have been increased by 7,572 nickel tonnes at an average grade of 6.5% nickel.

The increase in **ore** reserve of 7,572 nickel tonnes is after depletion of reserves up to June 30 2014 which were disclosed in the June quarterly report.

Western Areas managing director Dan Lougher said in the report the additional revenue tonnes are mainly located in the T5 area at robust grades averaging 6.5% nickel. "From a revenue perspective this upgrade adds around \$A100 **million** of processed concentrates at today's nickel price.

Structural remodelling of the geological units and interpretation of the 3D modelling has generated several new targets that are being investigated. (Aug 4)

Reporting today

\*COH: Cochlear reports for the year.

Analysts expectations: \$105 mln/104.2 mln/\$98.8 mln, div 127c/\$97 mln.

\*A leading broker with a "neutral" recommendation on July 28 said investors will be focused on the take up of recent new product launches, i.e. the N6 processor (US and Europe), the Aqua+ accessory and the re-launched N5 (Europe only) implant. The broker's price target is \$62.

\*Two brokers had "lighten" and "underweight" recommendations on July 20 and July 31 respectively.

One broker with a price target of \$56.72, up from \$55.76, said, "Despite impressive cost control, margin is ultimately unsustainable considering the increasingly competitive environment".

The other broker with an "underweight" recommendation on July 31 had a price target of \$44.68. the broker said results point towards faster market C1 growth for 2014, with growth in bi-laterals likely to be the driver of this gain. "For COH to meet guidance requires significant market share restoration. Meanwhile, Advanced Bionics reported 50.2% revenue growth in six months to March 31 2014 on market share gains".

\*DOW: Downer EDI reports for the year.

Analysts expectations: \$214.8 mln/\$213.5 mln, div 11c/\$220.9 mln.

\*On July 25 a leading broker retained an "add" on Downer EDI, expecting it to beat on P&, operating cash flow, net cash and likely full year 2015 guidance (where consensus is going backwards). Good result is starting to be factored into the price, but the share price could run further as it is trading at a discount to peers.

\*MBE: Mobile Embrace Ltd reports for the year.

\*TCL: Transurban Ltd reports for the year.

Analysts expectations: Neg \$400,000, div 18c/\$140.8 mln/\$214.8 mln/prop EBITDA \$A928mn, prop fcf \$A488 mln. The group has guided to 39c full year 2015 distribution.

\*One leading broker with an "add" recommendation and a price target of \$7.97, up from \$7.29 said "TCL remains our top pick in the transport infrastructure space given its unparalleled suite of assets and strong growth prospects. Trading at 18.8x full year 2015 EV/EBITDA with a 5.1% yield and 9% DPS growth p.a. over the next three years we maintain our Add rating on an increased \$7.97 target price".

\*Another leading broker with a "buy" recommendation and a \$8.40 target price said it expects a first year proportionate EBITDA contribution from NorthConnex of around \$42 **million** in 2020 which grows to \$58 **million** in full year 2125 and at around 6% p.a. thereafter.

The broker reduced its traffic growth assumptions on the Westlink M7 from 2018 onwards reflecting a slowdown in demand from heavy traffic due to the impact of the truck toll multiplier.

The broker (which has a Nil net earnings report for 2014) said it continues to view the stock's 10% p.a. average 5 year distribution growth and near term catalysts as attractive. It retained a "buy" recommendation and \$8.40 price target.

\*A leading broker on August 1 had a "neutral" recommendation for Transurban Group with a price target of \$7.52.

New listing:

Bellamy's Australia Ltd (BAL) lists, following an issue of up to 25 **million** shares at \$1 per share including the transfer of 10.9 **million** by existing shareholders. Following the listing shares on issue will be 95 **million**, with 2.2 **million** options.

Bellamy's is a Tasmania based food business with a range of organic food and formula products for babies and toddlers. The products are all Australia made and certified organic.

It offers over 30 products, tailored to age groups from birth to 3 years.

In Australia, Bellamy's products are available in major supermarkets and pharmacies, in **China** via a distribution network across the major cities, in major supermarkets in Singapore and **Hong Kong** and via distribution networks in Vietnam, Malaysia and New Zealand.

Total sales growth for 2015 are forecast as \$83.8 **million**, with historic growth in sales of 78% in 2013, 99% in 2014 and 40% in 2015.

The indicative annual dividend yield based on a payout ratio of 30% and pro forma forecast 2015 NPAT is 1.6%.

Directors:

Ian Urquhart, Independent Non-executive chairman

Member of the Remuneration and Nomination Committee

Chair of the Finance, Audit and Risk Committee

Ian was appointed as a non-executive director and the **company** secretary on the formation of the **Company** in 2007. He resigned as **Company** Secretary in June 2014.

Ian brings a wealth of financial expertise and business experience to the Board, having previously been a Chief Financial Officer and director of the PGA Group Pty Ltd for over thirty years and teaching finance and accounting at Monash University.

Ian has a Bachelor of Commerce, a Masters in Administration and is a certified practising accountant (CPA).

Laura McBain, Managing Director and CEO

Laura has overseen significant change, innovation and business growth since her appointment as General Manager of Bellamy's in 2006 and subsequent appointment as Chief Executive Officer ("CEO") in 2011 and Managing Director and CEO in 2014.

Prior to joining Bellamy's, Laura practised as an accountant and specialised in the areas of providing business advisory and taxation services.

Laura holds a Bachelor of Commerce and in 2013 completed the IMD Leadership Challenge. In 2013, Laura was named as the Telstra Tasmanian Business Woman of Year 2013 and she went on to be named the Telstra Australian Business Woman of Year for 2013 (Private and Corporate).

Michael Wadley, Independent Non-executive Director

Chair of the Remuneration and Nomination Committee

Member of the Finance, Audit and Risk Committee

Michael was appointed a Non-executive Director in 2014.

Some 12 years ago Michael relocated to Shanghai where he now resides with his family.

Michael has extensive experience over the past 20 years providing corporate advisory and legal services to foreign investors throughout **China** and to **Chinese** groups investing offshore.

Michael is a principal at Wadley Consulting Shanghai Co. Ltd, a Senior **China** Consultant for Hopgood Gamin, on the Board of Directors of the Australian Chamber of Commerce in Shanghai and is a Co-Chair of the Chamber's Financial Services Industry Working Group, a committee member of the Australian **China** Business Council, Queensland, and a member of the Australian Institute of **Company** Directors.

Michael holds a Bachelor of Laws from Queensland University, and is admitted to practice the Supreme Court of Queensland, the High and Federal Courts of Australia, and is registered as a foreign lawyer in **China** and **Hong Kong**.

Ex div: DJW ex 16c; FRI ex 6c.

Overseas

The DJIA closed up 75.91 points to 16,569.28.

S&P 500 closed up 13.84 points to 1,938.99.

NASDAQ closed up 31.25 pointst o 4,383.89.

US 10yr bond yields fell 10 points to 2.487%.

The US\$ fell 2 points to 102.56 Yen.

The Euro fell 2 points to 1.3422US c.

The Yuan rose 15 points to 6.1783/\$US1.

FTSE 100 closed down 1.66 points to 6,677.52 points. European markets closed down a touch.

The NikkeiDow last evening closed down 48.61 points to 15,474.5 points.

Shanghai SE Comp IX closed up 38.03 pointsto 2,223.33.

Commodities

All dollars in this section are US dollars

In dollars per tonne for three month metal, (LME stockpiles are on a closing basis) - valued against yesterday morning's price, measured over 24 hours.

**Copper** rose \$56 to \$7,130/gained \$43 to \$A7640. Stockpiles fell \$25 to \$146,175.

Aluminium was up \$54 to \$2,029/rose \$53 to \$A2174. Stockpiles fell 7,400 tonnes to 4,954,550 tonnes.

Nickel rose \$95 to \$18,500/gained \$57 to \$A19,822. Stockpiles fell 84 tonnes to 317,544 tonnes.

Zinc was up \$54 to \$2,392/rose \$52 to \$A2563. Stockpiles fell 200 tonnes to 655,075 tonnes.

**Lead** rose \$59 to \$2,279/gained \$58 to \$A2442. Stockpiles rose 100 tonnes to 215,650 tonnes.

Tin rose \$25 to \$22,500/fell \$28 to \$A24,108. Stockpiles were steady at 215,650 tonnes.

**Iron Ore** fell 20c to \$95.40/fell 45c to \$A102.22.

Steel was indicated at \$425/435, cobalt at \$32,000/33,000 and molybdenum at \$28,000/29,000.

WTI crude rose 41c to \$98.29/gained 20c to \$A105.31.

Brent Crude rose 57c to \$105.41/gained 36c to \$A112.94.

Spot **gold** fell \$4 to \$1,289/fell \$7.41 to \$A1381. Spot silver fell 14c to \$20.18/fell 20c to \$21.62. Spot platinum fell \$1 to \$1,462/fell \$5 to \$A1566. Spot palladium fell \$9 to \$855/fell \$12 to \$A916.

Overseas eco news

\*In the Eurozone Eurostat reported the PPI eased a seasonally adjusted 0.1% in June, compared to expectations for a flat reading. Producer prices inched down 0.1% in May. Year-over-year, the PPI

declined at an annualized rate of 0.8% in June, below forecasts for a drop of 1%. Prices fell at a rate of 1% in May.

\*In the UK Markit and the Chartered Institute of Purchasing & Supply said that their U.K. construction purchasing managers' index declined to a seasonally adjusted 62.4 last month from a reading of 62.6 in June. Economists had expected the index to fall to 62.0 in July. Housing activity remained by far the best performing construction category, with the latest rise in output the sharpest for over a decade.

Meanwhile, sharp increases in overall construction activity led to a new survey-record pace of job creation and a further rapid lengthening of suppliers' delivery times in July.

Commenting on the report, Tim Moore, senior economist at Markit and author the report, said, "Overall the survey adds to the view that construction companies have performed impressively so far this summer, which raises the likelihood that the sands of time could wash away the construction weakness seen in the preliminary second quarter GDP release."

#### Overseas **equity** news

\*In the US of the Dow 30 there were 25 stocks higher, 1 steady and 4 down.

Walt Disney led the way higher, gaining \$1.86 or 2.18% to \$87.24 followed by Exxon and Caterpillar.

Wal-Mart was steady at \$73.54.

Procter & Gamble fell the most, down 43c or 0.54% to \$79.22 followed by Pfizer and Boeing.

Amazon rose nearly 3% after the online retailer said it has more than doubled the number of apps available for download including a spinoff of the popular "Flappy Birds" game.

Groupon rose 9% ahead of its profit result to be reported tonight, although it is still down more than 40%5 for the year.

Berkshire Hathaway shares rose a further 3%.

Tekmira Pharmaceuticals reported it is developing treatment for the Ebola virus. Mapp Biopharmaceutical, a division of Allergan is also working on an anti-Ebola treatment. Tekmira had roared up almost 40% in early trade before closing down 3%.

\*In Europe, national benchmark indexes fell in 9 of the 17 western European markets that opened. Iceland was closed on holiday.

Nestle fell 1.5% to Swiss Fr 66.55 on a second day of losses, Novartis and Roche fell 1.3% to 78.55 Swiss Fr and 1.4% to Swiss Fr 261.10 respectively. ImmoFinanz fell 2.7% to Euro 2.25 after full year net income came in below analysts' expectations. Hugo Boss fell 1.5% to Euro 104.30 with 50% shareholder Permira Advisers in talks to sell its remaining **stake**, Bloomberg reported.

Spanish banks rose with Portugal's banks up after a steep fall over the last week. Portugal's central bank announced a Euro 4.9 **billion** rescue of Banco

Espirito Santo, including splitting the bank into "good" and "bad" divisions. The shares were suspended on Monday.

Finnish **mining** equipment maker Metso Oyj rose 3.2% to Euro 30.94 on a broker upgrade.

\*In the UK HSBC rose 0.9% after forecasting stronger revenue next year with quarterly earnings beating expectations. GlaxoSmithKline rose 1% after the Financial Times reported private **equity** firms may spend \$10 **billion** buying older brands from Glaxo and Sanofi.

The Financial Times reported the Takeover Panel restrictions block Pfizer from making a hostile bid for AstraZeneca until November 26 although a friendly agreement would be permitted from August 26. Separately AstraZeneca is said to be interested in Durata Therapeutics in the US. AstraZeneca closed up 0.6% to 43.63 pounds.

Testing specialist Intertek rose 6.8% to 27.06 pounds after its interim results.

Hikma Pharma fell 0.7% to 17.47 pounds after the US FDA requested companies to stop making unapproved versions of neostigmine, an intravenous medication used to reverse the effects of nerve blocking drugs during surgery. Hikma had supplied the majority of the US market for neostigmine this year.

Flamel Technologies, that makes the only FDA approved version of neostigmine said it can ramp up production to meet demand.

Kurdistan **oil** explorers fell after Islamic militants claimed control of two of the Iraqi reigon's oilfields. Balfour Beatty rose 1.8% to 244p on a newspaper report that four bidders are competing with Canada's WSP Global and two private **equity** groups to buy the Parsons division, valued at about \$1 **billion**, Bloomberg reported.

In other news

72 hour humanitarian truce in Gaza

A 72 hour humanitarian truce in Gaza has been agreed between Israel and Hamas, beginning today.

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