

HD MARKET EXPECTED TO CLOSE HIGHER TODAY

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

Markets rose in Europe and the US. The UK was closed for a bank holiday.

On the NYSE where 3245 issues traded there were 1,922 issues higher, 1,213 down and 110 unchanged. On Nasdaq where 2816 issues traded there were 1,583 issues higher, 1,139 down and 94 unchanged.

*In Europe the volume of shares traded was 63% below average, Bloomberg reported.

The LME was closed on holiday. **Iron ore** fell, crude was down, **gold** weakened. The \$A is at 92.95US c, down about 25 points from last evening.

"up about 15 points today"

"Maree" said, "i think the 15 points higher that i expected yesterday will happen today. the **iron ore** price will be a bit of a dampener on the miners, but with investors looking for returns there is good underlying support".

our market closed down 10.7 points to 5634.9 last evening.

August 26. Good morning.

*Markets rose on Jackson's Hole comments by ECB President Mario Draghi who said he was willing to consider further stimulus measures (a version of QE is expected) while US Fed Reserve chief Janet Yellen had said she was in no hurry to raise interest rates.

*In the Ukraine president Petro Poroshenko has dissolved parliament and calls a snap election for October, as his forces continue to fight pro-Russian separatists in the east.

Distributions from a second Russian convoy has apparently been permitted by the Ukraine, and will begin later on Tuesday (European time), Handelsblatt adds.

*In Gaza Israeli military carried out a new round of air strikes as Palestinian militants continued to fire rockets and mortars into Israel.

Meanwhile, efforts have been stepped up to end the six weeks of fighting that have left more than 2,100 people dead. At least 17,000 homes in Gaza have been totally destroyed or severely damaged in the fighting

Egyptian mediators have reportedly proposed a new ceasefire deal that would see Gaza's crossings opened.

*In France two ministers have resigned from Parliament in a bitter dispute with President Hollande over his economic policy.

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 higher. AWC fell a half cent to 84,000 shares, Amcor rose 4c on 28,000 shares, RIO rose 90 on 1.7m shares, BHP rose 11c on 2.4m shares, News rose 18c on 1.3m shares, Westpac rose 18c on 4,000 shares, Telstra rose 2c on 200,000 shares, Resmed fell 3c on 5.3m shares.

PSivida rose 3c on 188,000 shares, Prana fell 1c on 2m shares.

Trading points:

*AAI: To close Portovesme smelter in Italy

Alcoa announced last night it will permanently close its Portovesme smelter in Italy, reducing Alcoa's global smelting capacity by 150,000 tonnes to 3.6 million tonnes per year, Alcoa said in a press release. About half of the plant's production was aluminium billets, the rest was ingots and slabs.

*MMS: NPAT down 11.6%, 31c ff div, no DRP/fully recovered - outlook positive

McMillan Shakespeare Ltd for the year ended June 30 announced a net profit down 11.6% to \$54.970 million on revenue up 5.3% to \$347.457 million.

A final 31c fully franked dividend was announced. Ex date September 29, record date October 1. There is no DRP.

Basic eps was 73.8c vs 83.4c last year.

Diluted eps was 72.7c vs 81.9c last year.

NTA backing per security is \$2.11 vs \$1.95 last year.

In commentary on the results the company said the business has fully recovered from the July 16 2013 proposed changes to novated leasing benefits and returned to strong growth.

Group Remuneration Services 2nd half 2014 revenue grew 8% on the pcg or 10% ex interest on the float.

Consolidated group 2nd half 2014 NPAT was up 10% on the pcg.

Group Remuneration Services has good momentum going into 2015.

On Asset Management, the company said there was 9% portfolio growth on the pcg in a low growth economic environment. It has commenced funding in the UK. It is a highly competitive environment - NIM (net interest margin) is under pressure but holding up and new funding lines have reduced cost of funds.

Outlook

2015 should see another year of profitable growth. New products and services are expected to be launched in both the UK and Australia during 2015. The business is well placed to make opportunistic acquisitions.

Analysts expectations: \$53 mln

*On May 15 a leading broker retained an "overweight" on SG Fleet with a price target of \$2.05, saying the lack of any meaningful changes in the Fringe Benefits Tax in the Budget suggests that near term risks have fallen materially.

The broker compared SGF with Bloomberg consensus for MMS (not covered by the Broker):

SGF full year p/e forecast is 10.5x vs consensus for MMS of 11.7x

2015 EV/EBIT is 6.2x for SGF vs 9.8x for MMS.

Full year 2015 expected div yield is 6.4% for SGF vs 5.2% for MMS.

Full year 2013/15 eps growth is 2.5% for SGF vs 7.65 for MMS however excluding end of lease income and significant items the broker forecasts core EBIT growth of 12% per annum for SGF. (Aug25)

Reporting today:

*AIA: Auckland International Airport reports for the year.

Analysts expectations: \$NZ172 mln

*AWE: AWE reports for the year.

Analysts expectations: \$21.1 mln/\$32.8 mln

*On July 30 a leading broker retained an "underweight" on AWE with a \$1.37 target price. The broker said AWE reported full year production of 5.67mmboe, in line with the broker's target and ended the quarter with \$42 **million** cash on the balance sheet and no debt./ Revenue was \$60 **million** vs \$93 **million** last quarter, primarily due to the timing of liftings from Tui.

"We remain underweight over valuation concerns. Over the next few years, we expect flattish production combined with higher depreciation charges .. AWE's AAL project is transformational, but its not yet sanctioned and development risks remain" the broker said in the report.

*BKL: Blackmores reports for the year.

Analysts expectations: \$25.2 mln/\$24.9 mln

Company guidance: On April 30 Blackmores said the continued growth over the last two quarters supports directors' confidence that the group will deliver a full year net profit after tax broadly in line with last year's result (\$24.976mln last year).

*BLY: Boart Longyear reports for the half year.

Analysts expectations: Neg \$US68 mln/ neg \$US47.1 mln.

On July 29 a leading broker had a "lighten" on Boart Longyear with a price target of 13c, down from 21c. The broker said management continues to work on addressing myriad challenges, but persistent weakness in global mineral exploration markets is likely to weigh on profitability and cash generation. "We believe Boart's negotiating position is progressively weakening. In our view this increases the risk of a highly dilutionary recapitalisation, an outcome which we don't believe is reflected in the current share price".

*On July 28 a leading broker had a 'sell' on Boart Longyear after BLY's announcement of a first half earnings update slightly below the broker's forecast.

The broker said it expects 2014 EBITDA to decline 47% to \$US57 **million**, driven by ongoing pressure in global mineral exploration activity and a sustained low utilisation rate of 33%. The broker also continued to forecast a multi year downturn in exploration activity. The broker's 12 month target price is 21c.

Company guidance: On July 28 Boart Longyear Ltd President and CEO Richard O'Brien said in the report the business overview for the second quarter shows expected seasonal uplift.

Analysts estimates as of July 25 on Bloomberg for full year 2014 revenue ranges from \$US766 **million** to \$US936 **million** and full year 2014 EBITDA estimates range from \$US26/73 **million**.

The **company** does not intend to provide guidance for half year or full year periods, but believes analyst estimates at the high end of the range may not fully reflect market conditions.

*CVO: CoverMore reports for the year.

Analysts expectations: \$27.9 mln, div 3.5c.

Company guidance: On June 18 Cover-More Group confirmed it expects to deliver on its prior guidance of \$50.1 **million** pro forma EBITDA for 2014 notwithstanding more difficult recent trading conditions in Australia due to a softening in the rate of growth of outbound international leisure travel volumes.

On March 6 Cover-More had increased its pro forma EBITDA guidance for 2014 from \$47.3 **million** to \$50.1 **million**, inclusive of an impact of \$2.8 **million** from an interim underwriter profit share payment for the 2012 underwriting year.

Cover-More operates travel insurance activities in Australia, New Zealand, the UK, India, Malaysia and is in the process of commencing travel insurance **operations** in **China**, with their j/v partner having secured an agreement with Qunar, a leading online travel agency group in **China**.

*FWD: Fleetwood reports for the year.

Analysts expectations: \$4.9 mln

On July 4 a leading broker retained a "hold" on Fleetwood with a \$2.38 price target. The broker downgraded 2014 eps forecast by 52% to 8.3cps. This has seen the price target fall to \$2.38 from \$2.66. The broker added "While there is going to be a point where FWD starts to look reasonable value (NTA \$A2.49) we do not believe we're at that point yet".

Company guidance: On August 22 Fleetwood advised an impairment charge of \$5 **million** will be booked against the goodwill of its caravan manufacturing business as at June 30 2014. The charge reflects the current challenging demand environment for recreational vehicles.

*On June 30 Fleetwood Corporation Ltd advised in a trading update it expects second half operational EBIT will be approximately \$3 **million** (vs \$24.5 mln last year, which was down 69% on the previous year) . Consumer confidence in some of its markets remains weak. Strong demand is being experienced in the education sector in WA, Victoria and Queensland however there is lower occupancy at Searipple and poor performance in the resource sector.

Steve Price, who announced his resignation as CEO recently, has since left the **company**. Search for a replacement managing director is well advanced.

*MSB: Mesoblast reports for the year.

Analysts expectations: Neg \$63.7 mln

*On July 24 a leading broker downgraded Mesoblast to a 'sell' with a price target of \$3.20. The broker said based on the clinical trial evidence to date it believes the development risks of Mesoblast's stem cell products, particularly in its key heart failure indication, are not fully factored in at current valuations. "We also review Mesoblast's recent **acquisition** of Osiris' stem cell assets. We do not yet ascribe any value to the opportunity given Osiris' mixed clinical trial track record - we believe further clinical trials will be required to validate the data in GvHD. MSB remains a longer dated and higher risk investment compared to our coverage group" the broker added.

*NZO: New Zealand **Oil** reports for the year.

Analysts expectations: \$NZ9.2 mln

*PBG: PacBrands reports for the year.

Analysts expectations: \$49.5 mln/\$52.4 mln div 1.5c.

*On June 13 a leading broker retained a "neutral" on Pacific Brands, with a price target of 55c, down from 61c earlier after PBG lowered its full year 2014 EBIT guidance by 15% to \$90/93 **million** (2nd half 2014 EBIT guidance lowered by 30%) due to lower than expected sales and increased discounting with the Underwear division the most impacted. PBG also advised it has retained Macquarie Capital to undertake a strategic review.

Company guidance: On June 10 Pacific Brands Ltd announced it now expects full year 2014 EBIT before significant items in the range of \$90/93 **million** on sales growth of around 3% vs the prior year (vs EBIT of \$122.1 **million** last year, a turnaround from a loss the year before).

The **company** said at the time of its interim results announced the **company** had expected group EBIT before significant items implied at \$105 **million**.

"However a combination of challenging markets, declines in consumer sentiment and a warm autumn which have been highlighted by other apparel and footwear retailers, have led to lower than expected sales growth and increased margin pressure".

*PRU: Perseus reports for the year.

Analysts expectations: Neg \$9.1 mln/neg \$20 mln/Neg \$3 mln

*On July 30 following its 4th quarter production result and an in-line 2015 guidance, a leading broker retained a "neutral" on Perseus with a 12 month target price of 24c.

The broker said the key downside risk remains the **gold** price, given PRU operates at very thin margins, hence small changes in the **gold** price can impact cash flow significantly. Upside risks include returning Edikan to steady production rates following the recent issues as well as progression of the Sissingue project.

*Another leading broker on the same date retained a "hold" on Perseus with a price target of \$50 vs \$35 earlier. The broker said margins are boosted somewhat by **gold** hedges but Edikan makes little money at spot **gold** prices and costs could increase as grades decline over time. However there is relatively low operational risk, near term production growth is expected and it provides a cheap option on Sissingue approval.

*On July 29 two leading brokers had "buy" and "add" recommendations on Perseus with price targets of 93c, down from \$1 and 53c, down from 56c respectively.

The leading broker with a 93c price target said more investor patience is required. The **gold** volumes and mine life at Edikan both remain compelling and have been reinforced by the exploration potential being shown at Bokitsi South. The other leading broker said there is an opportunity for costs to be better than it has modelled. "Perseus continues to offer highly leveraged exposure to the **gold** price and has a relatively strong balance sheet" the broker said.

*On July 29 a leading broker with an "underweight" recommendation reduced its price target to 38c saying production for the 4th quarter was up 7% on its estimate but 2015 guidance of 210/230K oz was lower than its expectations. The broker now expects a small net loss in 2015.

*another leading broker on the same date had a "neutral" on Perseus with a price target of 24c. The broker said the key downside risk remains the **gold** price, given PRU operates at very thin margins. Upside risks include returning Edikan to steady production rates following recent issues as well as progression of the Sissingue project.

*RCG: RCG Corp reports for the year.

Analysts expectations: \$11.5 mln

*SLM: Salmat reports for the year.

Analysts expectations: \$5.9 mln/\$1 mln

*On July 26 a leading broker retained a "lighten" on Salmat with a price target of \$1.85.

the broker said new management is confident of double digit top line growth in 2015 and margin expansion from 2016. "We remain skeptical however given a cumulative annual sales decline of 3% from 2009 to 2013 and four downgrades in the past 12 months'.

The broker said the subdued retail environment is impacting catalogue volumes and the discretionary direct sales business. Changing its focus to new markets such as online and products with less leverage to the retail market will take time.

Company guidance: On May 19 Salmat Ltd announced revised earnings guidance for the year ending June 30 of EBITA of around \$14/16 **million** excluding significant items is now expected to be around \$8 **million** excluding significant items.

Salmat confirmed its growth strategy remains on track with key success milestones being realised and a strong sales uplift expected for full year 2015.

Salmat said in the report a subdued full year 2014 result is in line with the strategy outlined in July 2013. The first goal, new platform sales has been achieved before financial year end and the second goal, the technology transformation will be 90% complete by December 2014.

*SXY: Senex **Energy** reports for the year.

Analysts expectations: \$62.7 mln/\$62.2 mln

*On July 29 a leading broker had an "equal weight" on Senex **Energy** with a price target down to 77c from 81c. The broker said SXY has increased its 2P **oil** reserve position by 4.5 mmbbls to end the year with 13.3 mmbbls of 2P **oil** reserves. Tghis should underwrite stable production at current levels fort he next few years. "SXY's upside remains the commercialisation of its large unconventional gas resource base" the broker added.

*VRT: Virtus reports for the year.

Analysts expectations: \$33 mln/\$31.8 mln, div 14c.

*On July 1 a leading broker with an "add" on Virtus Health retained its \$8.96 target price, saying Virtus has well flagged its expansion into an overseas market and the Irish market is broadly similar to the Australian

market. "We think VRT should sit comfortably in clients' mid cap portfolios and positions should be increased. VRT will deliver sustainable and defensive earnings growth over the medium term".

*On June 2 A leading broker with a "buy" on Virtus Health lifted its price target to \$9.15 from \$8.65 after the announcement of its **acquisition** of 705 of SIMS IVF that controls around 25% of the Irish IVF market.

The broker said at the time of the IPO management had indicated they would consider moving their successful model offshore, pointing in particular to opportunities in Singapore where VRT have a dedicated office. More recently conversation pointed to opportunities in Europe. "This **acquisition** now gives VRT footprint in both Europe and Asia and forms a springboard to further opportunities' the broker said in the report.

*Another leading broker retained an "equal weight" on Virtus Health with a \$7.66 target price.

The broker said the **acquisition** is strategically solid and with remaining balance sheet headroom, it is likely that similar opportunities will be acquired. The broker said the Irish population is growing at 1% per annum, with 15% of Irish couples possibly requiring VRT services given a declining birth rate since 2003.

Ex div: CCL ex 20c; EAX ex 3.6c IRI ex 2.5c; ORG ex 25c; TRG ex 27c.

Overseas

The DJIA closed up 65.65 points to 17,076.87.

S&P 500 rose 9.52 points to 1,997.92, a new record high.

NASDAQ rose 18.8 points to 4,557.35.

US 10yr bond yields fell 1.5 points to 2.387%

The US\$ rose 6 points to 104 Yen.

The Euro fell 45 points to 1.3195US c.

The Yuan fell 30 points to 6.1545/\$US1.

FTSE 100 was closed on holiday. European markets rose.

The NikkeiDow last evening last evening rose 74.06 points to 15,613.25.

Shanghai SE Comp IX closed down 11.54 points to 2,229.27.

Commodities

All dollars in this section are US dollars

Carlyle group, Louis **M** Bacon buy majority **stake** in Traxys

Carlyle Group and Louis **M** Bacon affiliates acquire a majority share in metal trading and logistics **firm** Traxys, FastMarkets reported.

Traxys provides marketing, distribution ad supply chain management services to the metals and natural resources sector and also makes opportunistic direct investments in infrastructure assets and commodity producers. It has annual revenues of about \$6 **billion**. Terms of the deal were not disclosed.

Iron Ore fell 90c to \$89.20/fell 78c to A95.97.

WTI crude fell 30c to \$93.35/fell 13c to \$A100.43. .

Brent Crude rose 36c to \$102.65/gained 60c to \$A110.44.

Spot **gold** fell \$4 to \$1,276/fell \$1.64 to \$A1373. Spot silver fell 9c to \$19.35/fell 6c to \$A20.82. Spot platinum fell \$5 to \$1,416/fell \$2 to \$A1523. Spot palladium was steady at \$888/rose \$2 to \$A955.

Overseas eco news

In US eco news, new home sales fell 3.5% in July to a seasonally adjusted annual rate of 412,000 the Commerce Department said on Monday. While newly built houses only account for about 10% of US home buying activity, they are important for the overall economy.

*In Germany the GDP for the June quarter fell 0.2%, down for the first time in more than a year. Commentators said the fall was due to the sanctions against Russia, its biggest trading partner after **China**, while Germany is also dependent on Russia for **oil** and gas.

*The German IFO business confidence index fell to 106.3 in August from 108 in July and is at its lowest level since July 2013.

The sub index measuring current business fell to 111.1 points from 112.9 last month. The outlook sub index fell to 101.7 the lowest level since May 2013, the ZEW center for European Economic Research in Mannheim reported.

Overseas **equity** news

*In the US of the Dow 30 there were 24 stocks higher and 6 down. JPMorgan Chase led the way up, gaining 85c or 1.45% to \$59.34 followed by Goldman Sachs and Verizon.

Intel fell furthest, shedding 13c or 0.37% to \$34.81 followed by Walt Disney and Wal-Mart.

Alcoa rose 0.18% after saying it expects to book charges in the 3rd quarter on the costs of closure of its Portovesme aluminium smelter in Italy.

Burger King Worldwide rose 10.51% after announcing it is in talks to acquire Tim Hortons, which rose 18.91%. JC Penney rose 4.91% after its debt costs fell and on a broker upgrade.

InterMune rose 35.41% after Roche Holdings in Switzerland said on Sunday it will pay \$8.3 **billion** for the California biotech **firm**, the Dow Jones' MarketWatch reported.

*In Europe 16 of the 17 benchmarks open rose. Banks led the way higher in very light volume. Monte dei Paschi rose 5.8% to Euro 1.16, Santander rose 2.5% to Euro 7.58, BNP Paribas rose 2.4% to Euro 50.23.

Arkema rose 2.6% to Euro 56.95 on a broker upgrade. Vivendi rose 1.6% to Euro 19.80 on takeover talk for its Brazilian subsidiary. Umicore fell 0.9% to Euro 36.50 after the world's largest precious metals recycler was downgraded by Deutsche Bank.

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