

HD MILDLY LOWER/MAY WEAKEN AS CHINA FLASH PMI DISAPPOINTS

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The S&P/ASX200 is down just 5.1 points to 5333 at midday after being some 30 points lower earlier, on very light volume worth \$1.4 billion. There are 402 issues higher and 442 down. The SPI Futures is up 2 points to 5330 on very light volume of 7,274 contracts. Aussie 10 year bond yields are up 3 points to 4.15%. The \$A is at 90.81 US c, steady with Saturday levels.

*The banks have contributed 1.2 positive points to the index, resources have contributed 2.7 positive points, property trusts have contributed 0.2 positive points, retailers have contributed 2.8 negative points and Telstra has contributed 0.2 negative points.

*The Nikkei Dow futures is up 180 points to 14,310 points, Shanghai CSI physical is up 3.21 point to 2050.83, Hang Seng Futures is up 158 points to 21,592 points. S&P futures is up 0.3 points to 1857.3, Nasdaq futures is down 0.25 points to 3635.75. Dow futures is steady at 16,221 points. Spot gold is down \$5 to \$1329. Crude futures is down 22c to \$99.24.

*The flash Markit/HSBC Purchasing Managers' Index for China in March came in at 48.1 vs a final reading of 48.5 in February and vs 48.7 expected - and is down to an eight month low.

While our market opened down about 33 points it recovered off its lows partly on Macquarie's encouraging profit forecast and partly as Asian markets improved ahead of the Flash manufacturing PMI for China.

However the flash PMI for China has disappointed.

"Tricky market, upside limited .. down about 25 depending on China PMI"

"Bernborough" said, "The China manufacturing PMI is not expected to be good. It will certainly dictate where the market close. I expect we will be down on the back of it. It's a very tricky market, the upside is limited. I will call it down 12 early, finishing down about 25 depending on the China PMI".

The S&P/ASX200 closed up 44.1 points to 5338.1 on Friday.

TOP STOCKS

*Macquarie Group has shot up \$1.51.5 to 456.34.5 on 1.2m shares on the report below.

*Kathmandu is up 27.5c to \$3.37.5 on 2.6m shares on its profit result, below.

*Charter Hall is down 1c to \$3.92 on 300,000 shares also profit update below.

*Crown ex 18c is down 35c to \$16.78 on 573,000 shares.

*Cabcharge ex 15c is down 7c to \$4.31 on 481,913 shares.

*Metcash fell 14c to \$2.71 on 12.1m shares.

Among the financials, AMP is up 1c to \$4.93 on 2.48m shares, ANZ is up 2c to \$32.27 on 980,027 shares, CBA is down 13c to \$75.53 on 533,732 shares, NAB is up 1.5c to \$34.68.5 on 1m shares, Westpac is down 6.5c to

Among the TMT's Telstra is down .5c to \$4.99.5 on 7.6m shares, Telecom NZ is down 1c to \$2.24 on 383,280 shares, SingTel is up 2c to \$3.05 on 397,054 shares.

Among the resources BHP is up 15c to \$35.73 on 2m shares, RIO is up 13c to \$61.50 on 835,614 shares. Fortescue is up 8c to 45.06 on 5.4m shares, BCI is down 2c to \$4.87 on 379,5780 shares, Atlas is up .5c to 93.5c on 5.68 million shares. Sandfire has gained 13.5c to \$5.63.5 on 259,103 shares. Western Areas is up 7c to \$3.50 on 326,749 share.

Among the oils, Woodside is up .5c to \$38.43.5 on 625,793 shares, Santos is down 14c to \$13.25 on 699,229 shares, Oil Search is down 11c to \$8.55 on 1.5m shares.

Among the golds, Newcrest is up 36.5c to \$10.91.5 on 3.18m shares, Oceana is down 8.5c to \$2.76.5 on 584,452 shares, Regis is up 8c to \$2.49 on 1.6m shares, Alacer is up 7c to \$3.10 on 81,368 shares.

AT THE SMALLER END

*TFC is down 7c to \$1.70 on 113,000 shares, also report below.

*G8 Education ex 3.5c is in trading halt following the announcement below.

*Lamboo is up 15.5c to 89c on 2.7m shares.

NEWS OF THE DAY

Our Darvas System related Special Report is on Altium Ltd today, posted separately.

Ex div: ALF ex 6c; APN ex 1.3c; BBL ex .5c; CAB ex 15c; CAJ ex .4c; CMG ex 1.4c; CWN ex 18c; FBU ex div; FLT ex 55c; GEM ex 3.5c; LBL ex .2c; MXI ex 3.8c; SKE ex 7.5c; SLK ex 3.7c; SVW ex 20c.

Changes in substantials reported March 19, 20 and 21 inc posted separately.

LARGE CAP INDUSTRIALS

*CHC: Confirms expectations full yr EPS to be up 7.9%, distribution 85/95%

Charter Hall Group in an update by the joint managing directors David Harrison and David Southon said barring unexpected events, the estimated full year 2014 operating earnings per security is expected to be up 7/9% on the expanded total capital base. A distribution payout ratio will continue to be at between 85% and 95% of operating eps.

Growth in the Australian property funds under management is expected to be up 6% to \$10.5 billion.

The group is focused on two key earnings streams - property investments, where operating earnings were up 7.6% to \$23.2 million on investments that totalled \$622 million at December 31 with co-investments for an additional \$99 million.

And property funds management, where operating earnings rose 23.3% to \$16.7 million.

The group undertook a \$140 million placement at a fixed price of \$3.80 per security, well supported by both existing and new institutional investors.

The placement was used to repay drawn debt used for recent investments and to fund identified investments and growth initiatives planned.

*KMD: Int up 9.9%, div 3NZ c ff for Australia, outlook cautiously positive

Outdoor and adventure gear retailer Kathmandu Holdings Ltd for the half year ended January 31 2014 announced a net profit after tax up 9.9% to \$NZ11.358 million on revenue up 1% to \$NZ167.642 million.

EBIT rose 11.4% to \$NZ17.6 million.

A 3NZc fully franked dividend for Australian shareholders, but not imputed for NZ shareholders, was announced, record date is June 6. Final dividend is expected to remain fully franked and fully imputed.

NTA backing per security is 24NZ c vs 13 NZ c for the previous corresponding period (pcp).

Gearing is at 22.5% vs 23% for the pcg.

CEO Peter Halkett said in the report in the first half same store sales growth was up 5.4% at comparable exchange rates. Online sales grew by 49% at comparable exchange rates and continues to provide promising future growth opportunities. The **company** opened 5 new stores in the period, four in Australia and one in New Zealand and closed two stores.

Kathmandu continues to target 15 new permanent stores in the full financial year. Eight new permanent store locations are currently confirmed to be opened before July 31 2014, two in Melbourne, one in Brisbane, one in Perth and four in Regional Australia (Bunbury, Rockhampton, Traralgon and Charlestown Square Newcastle).

Outlook

CEO Peter Halkett said in the report while the first half result was impacted as to \$NZ2.2 **million** due to the weakening of the \$A vs the \$NZ is expected to continue in the second half. The **company** expects Australia will remain the more challenging retail market during 2014, although the **company** is confident of ongoing sales growth in Australia.

He said trading has continued to be in line with expectations since end January, however as the Easter **sale**, the second of the group's three largest promotional events each year, it is still too early to assess what the overall result for the full year may be.

*LEI: Habtoor Leighton wins \$US1.7 bln infrastructure contract in Qatar

Leighton Holdings Ltd announced a Habtoor Leighton Group j/v (LEI 45%) with Al Jaber Engineering has been awarded a Qatar Rial 6.15 **billion** (\$US1.7 **billion**) contract for the design and construction of the New Orbital Highway and Truck Route, Contract 3 near Dohar, Qatar for Ashghal - Qatar's Public Works Authority.

The Package 3 of the project connects the Mesaieed industrial area and New Port Projects to Salwa Road and includes a total of approximately 56 km of road works and five main interchanges that will service the projected increase in the area's traffic. Design and construction work will take approximately 36 months to complete.

*MQG: Full year result to be up 40/45% on 2013

Macquarie Group tabled its presentation to be delivered at the Credit Suisse 17th Asian Investment Conference in **Hong Kong** on March 26/27.

In its presentation to investors and analysts MQG advised since its first half result announcement market conditions continued to show signs of improvement, however client activity remains subdued for some capital markets facing businesses.

Macquarie's annuity style businesses (Macquarie Funds, Banking and Financial services and Corporate and Asset Finance) continue to perform well with combined December quarter net profit contribution up on the previous corresponding quarter and the September quarter.

"Accordingly we currently expect Macquarie's result for full year 2014 to be up approximately 40/45% on 2013, subject to the completion rate of transactions and the conduct of period end reviews"

Macquarie remains well positioned to deliver superior performance in the medium term. It has built a uniquely diversified business since its inception in 1969. It employs 13,578 people and operates in over 28 countries. Assets under management are \$A433 **billion**. MQG is well funded with a strong balance sheet.

*SWM: Not in any discussions with Fairfax Media

Seven West Media Ltd advised while it does not usually comment on rumors, it confirms it is not in any discussions with Fairfax Media. (Mar 21)

LARGE CAP RESOURCES

*STO/Others: Natural gas prod begins ahead of schedule, on budget at Peluang

Santos Ltd announced natural gas production has commenced ahead of schedule and on budget from the Peluang gas project offshore East Java in Indonesia. Sanctioned in February 2013 Peluang is a tie back to the existing facilities at the Maleo gas field and is located in the Madura Offshore Production Sharing Contract.

The project is expected to have gross peak production of 25 **million** standard cubic feet per day. Santos Vice President Asia, WA and NT John Anderson said Peluang is the fourth operated asset for Santos in South East Asia and represents another significant milestone in its strategy for Asia. Santos is also focused on progressing the recently acquired position in the Ande Ande Lumut **oil** field in the West Natuna Basin. (STO 67.5% and operator, other partners are PC Madura Ltd and PT Petrogas Pantai Madura.)

MID TO SMALL INDUSTRIALS

*CFU: 3.36 mln pound placement plus Bergen Agreement for min \$US8.5m

Ceramic Fuel Cells Ltd announced it has conditionally raised approximately 3.36 **million** pounds (\$A6.15 **million** before expenses) and entered into the Bergen Agreement, by which the Investor has agreed to invest a minimum of \$US3 **million** and up to \$US8.5 **million** into the **company** in consideration of the **company** issuing various securities to the investor throughout the term of the Bergen Agreement.

The placing shares are being placed with new and existing institutional and other shareholders by Arden Partners.

Completion of the proposed placing and the various issues of securities under the Bergen Agreement are subject inter alia to shareholder approval to be sought at an EGM to be held in Melbourne on April 28.

*CNN: Major Brazilian retailer replaces paper bags with Cardia Biohybrid bags

Cardia Bioplastics Ltd announced it has won a supply contract for Biohybrid bags with Brazilian retailer Drogaria Araujo and has received the first order for 1.25 **million** Biohybrid bags.

Drogaria Araujo is Brazil's fourth largest drugstore chain with 120 stores serving 38 **million** customers annually. After extensive evaluation Drogaria Araujo has made the decision to replace the use of paper bags in its stores with Cardia Biohybrid bags.

Orders are now committed to reach \$400,000 with the Araujo group order, following the contract to supply carry bags to Brazilian Ricoy Supermercados.

*GEM: To acquire Sterling Early Education with 91 centres for \$228 **million**

G8 Education Ltd announced it has entered into a number of contracts which result in G8 Education has the right to acquire all of the issued capital in Sterling Early Education Ltd and 91 premium childcare and education centres from a number of different vendors. These 91 premium childcare and education centres include 76 long day centers and 15 centres for outside school hours. The **acquisition** of these centres will increase G8 Education's Australian licensed places by 6,203 places to 27,995 places.

The aggregate **purchase** price of \$228 **million** is payable on a range of completion dates between March 31 and September 30 this year. The 91 centres will contribute \$39.4 **million** of annualised centre based EBIT for financial year 2015. The aggregate **purchase** price of \$228 **million** represents 5.79 times anticipated centre based EBIT for the full 12 months of the financial year ended December 31 2015.

*GEM: Higher broker forecasts of NPAT for calendar year 2014 and 2015

G8 Education Ltd announced updated broker forecasts by eight brokers for the year, current for February 11.

For Calendar Year 2014 the brokers' average estimate is for EBIT of \$83.6 **million**, NPAT of \$54.3 **million** (vs \$31.1 mln for 2013), eps of 18c.

For 2015 broker forecasts are for \$106.8 **million** EBIT, 68.7 **million** NPAT and 22.3c eps. (Mar 20)

*TFC: Pharma partner ViroXis in 2nd trial after FDA approval using TFC **oil**

TFS Corporation Ltd announced its pharmaceutical partner ViroXis has received Institutional Review Board approval to initiate FDA phase 2 study for the treatment of molluscum contagiosum (MCV) using TFS's East Indian sandalwood **oil**.

The approval is a prerequisite to initiate clinical studies in the US for prescription drugs.

MCV is a very prevalent and highly contagious pox virus skin infection for which there are currently no approved prescription treatments.

ViroXis's CEO Ian Clements said in the report the approval clears the way for ViroXis to enter clinical trials for its second high value dermatology indication, following its first phase 2 indication with the human papilloma virus (HPV or common warts).

TFS CEO Frank Wilson said the announcement is another important milestone in the development of a global market for TFS's pharmaceutical grade EISO in the dermatology sector.

*WTP: Stage One construction for Mater Private Hospital, Springfield to begin

Watpac Ltd announced it has finalised an agreement to undertake Stage One construction works for the new Mater Private Hospital Springfield, located 26 km west of Brisbane. The contract value is expected to be in the order of \$47 million. The main construction will commence in April 2014 and are scheduled for completion in late 2015.

MID TO SMALL RESOURCES

*BBR: Completes 3 mln share placement at 28c +1 for 3 unlisted options

Bora Bora Resources Ltd, exploring for graphite in Sri Lanka announced it has completed a placement of 3 million shares at 28c each to raise \$840,000 along with 1 for 3 attaching unlisted options with a strike price of 40c, expiring March 31 2017.

*CXU: Positive U3O8 extraction in further bottle roll testing at Bennett Well

Cauldron Energy Ltd announced further extensive bottle roll testing from the Bennett Well deposit in Western Australia shows acid leaching without the need for additional oxidant has achieved high uranium extraction from the samples tested. The results provide the company with confirmation that the uranium mineralisation can be readily reduced to a solution in readiness for further downstream solution purification processes and yellowcake production.

All leach testwork was undertaken at the ANSTO facility in NSW.

Cauldron's Head of Operations Simon Youds said in the report the high uranium extraction at low acid consumption of less than 1.4 kg/t and without the need for an oxidant confirms that the ISL method offers an effective and potentially cheap path to production.

*GGG: Non binding MOU with China Non Ferrous on Kvanefjeld rare earth

Greenland Minerals and Energy Ltd advised the signing of a non binding MOU with China Non Ferrous metal industry's Foreign Engineering and Construction Co Ltd (NFC). The MOU sets out a framework for both parties to cooperate in aligning the rare earth concentrates from GMEL's Kvanefjeld Project in Southern Greenland, with NFC's substantial rare earth separation experience and capacity, to create a powerful force in global rare earth supply.

*MEP: Drill campaign underway at Catch Dam and Mingary

Minotaur Exploration Ltd announced an inaugural drill hole at Catch Dam targeted an exceptionally strong IP chargeability anomaly for Cu+Au mineralisation. At Mingary a drill campaign is underway, targeting EM conductors for Cu+Au+Pb+Zn mineralisation. Drilling is expected to take 3 weeks.

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