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AMCOR (AMC) has endured a series of setbacks in recent years, with indigestion resulting from a series of acquisitions.

With the company rolling up its sleeves to make those acquisitions work, challenging external factors came into play.

Profitability was hurt by rising commodity prices throughout 2004 and 2005, while senior management was accused by the ACCC of breaching competition laws, resulting in several resignations.

So the past two years have been anything but smooth sailing for Amcor, and the company's share price has suffered.

But its shares rallied by more than 10 per cent during February, demonstrating improved investor sentiment.

The main issue for Amcor is pricing power. When there is over-capacity, as has been the case with the packaging industry in recent years, pricing power is hard to achieve because supply overrides demand and pushes prices down.

In the next few years, however, we believe that situation will change. Amcor holds a dominant position in nearly all areas of operations, enabling it to take the lead in pricing decisions.

In our opinion, Amcor's depressed share price and strong industry position make it a potential takeover target.

With its 2006 earnings expected to be a low point in the cycle, the company's valuation remains attractive.

There is upward momentum in the stock price, and we believe levels beyond the record of \$9.16 are achievable in time.

GOLD giant Newmont has been a solid performer in recent years. In January, it traded at an 18-year high of \$US62.72.

But gains of nearly 80 per cent in only eight months are difficult for any stock to sustain, and Newmont has proved no exception.

Investor disappointment with the recently released fourth-quarter result and full-year operating results has compounded the latest falls in its share price.

Net income for 2005 showed a year-on-year decline, driven by lower production and higher operating costs, but we believe the profit numbers don't provide a true reflection of Newmont's financial strength.

Gold production in 2005 fell to 6.5 million ounces, from 7 million ounces in 2004. Upward pressure on a range of costs, including energy and labour, saw cash operating costs rise 9.3 per cent for the year to \$US236 an ounce.

Lower production and higher costs have more than offset the rising gold price, with Newmont realising an average gold price for the year of \$US441 an ounce, up seven per cent on 2004.

Despite these short-term negatives, we retain a bullish outlook for Newmont's long-term prospects. Although the recent share-price drop has been sharp, it doesn't damage the overall outlook in our view.

The swiftness of the decline does, however, indicate that it may take a few months of consolidation before upward momentum is restored.

Disclosure: Interests associated with Fat Prophets declare a holding in NEM

Fat Prophets publish a weekly investment report – www.fatprophets.com.au



New shares go to water

INVESTORS who backed the stockmarket listing of a clean-water technology company have seen the value of their shares almost halve within a week and a half.

The drop in Gold Coast-based Cumminscorp shares from the issue price of 20¢ to 11¢ yesterday comes amid the surprise resignations of non-executive director, former Brisbane lord mayor Jim Soorley, and chairman Ken Tierney.

This week's resignations were linked to other work commitments.

They came within a week of Cumminscorp listing and were not flagged in a prospectus lodged in December.

Both Mr Soorley, quoted as saying he believed in Cumminscorp's future, and Mr Tierney, quoted as making the decision with regret, have not returned phone calls.

Australian Shareholders' Association director Andrew Aitken said of the resignations: "I think an investor would have a right to feel let down".

Sudden resignations "for

whatever reason undermines the credibility of the company".

The decision of some shareholders to invest would have included who was on the board, he said.

The Intelligent Investor's Float Tank analyst James Greenhalgh said the reasons of other work commitments was "really not good enough".

Investors would be entitled to think that directors would stick around for a year or two, he said.

Australian Institute of Company Directors chief executive officer Ralph Evans declined to comment on specific cases but could not recall similar resignations in such a time frame.

Directors had a duty to act in the best interests of the company, he said.

The Float Tank's Mr Greenhalgh said Cumminscorp's share price performance so far was "pretty poor".

"It's very unusual to see a company lose almost half its issue price (in that time)," he said.

An analysis of 66 floats in the past six months, compiled by

Ernst and Young, found that 39 per cent were below issue price.

Long-time Cumminscorp investor Stephen Mackie was hoping the share price would rise.

But he was philosophical about the current value as the market "goes up and down".

Mr Mackie thought water was increasingly becoming an important issue.

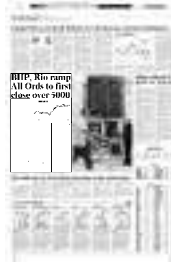
"That's why I think it's a good investment," he said.

Cumminscorp floated last week after raising about \$5.4 million, short of a \$15 million maximum target.

It had issued a prospectus highlighting the company's developing technologies, such as a 6000-litre self-contained water purification plant containing fish.

The prospectus showed over \$2.5 million had been recorded in sales between July and November.

But it did not have any future forecasts and the independent accountant's report drew attention to "significant uncertainty whether the company will be able to continue as a going concern".



BHP, Rio ramp All Ords to first close over 5000

Kevin Andrusiak
Equities

IN a fitting end to the week, the Australian Stock Exchange again closed at a record high as investors continued to bid the resource sector higher.

Market favourites BHP Billiton and Rio Tinto pushed the share market higher as the All Ordinaries closed above 5000 for the first time. The index added 6 points to close at a record 5001.6.

The S&P/ASX 200 index improved 4.8 points to 5040.1 after earlier touching a new intraday record of 5051.9 and posted a gain of more than 1 per cent for the week.

The June share price index contract on the the Sydney Futures Exchange was up 1 point at 5051 on a volume of 9762.

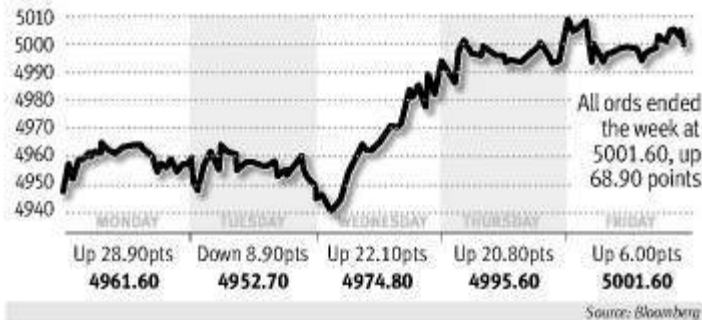
"After coming very close to breaking the 5000 level on a number of occasions, the Australian market finally broke through 5000 this week and continues to look strong on most fronts," Wise-Owl analyst Simon Guzowski said.

"With the ASX/S&P 200 trading on a price-earnings ratio of about 15.4 times, the market does not appear overpriced despite the strong gains. It would be a bold call to say that our market is clearly overvalued at the moment. A price-earnings ratio of 15.4 is very close to the market's historical average."

Among the miners, **BHP** jumped 35c to \$25.92 and made a gain of \$1.22, or 5 per cent, for the week. Any surge in BHP shares nearly always leads to a corresponding move in the bourse.

Rio Tinto posted a similar result for the five trading days, up

UP, UP AND AWAY



5.7 per cent for the week after it lifted 89c yesterday to \$75.32.

Fortescue Metals, which hopes to break the iron ore duopoly in the West Australian Pilbara of BHP and Rio, improved 7c to \$6.01.

Hardman Resources, which says it is poised to reap the benefits of its oil field in the West African nation of Mauritania, surged almost 8 per cent or 16c to \$2.18.

The hype in the uranium sector saw **Toro Energy** list yesterday at more than 200 per cent above its 25c issue price. It closed up 55.5c at 80.5c. Another uranium explorer, WA-based **Paladin**, climbed 34c to \$4.53.

"Uranium is the flavour of the month," Austock senior client adviser Michael Heffernan said. "When you have the big miners and the banks all heading in the one direction it puts a rocket under the market."

Of the banks, **Commonwealth Bank** advanced 43c to \$45.13 while **National Australia Bank** added 3c to \$37. **Westpac** lost 21c to \$23.86 and **ANZ** eased 3c to \$26.24.

In retail, **Woolworths** gained

10c to \$19.61, **Coles Myer** firmed 1c to \$10.50 and **David Jones** edged 2c higher to \$2.91.

Luxury clothing and handbag company **Oroton Group**, which expects annual earnings to rise this year after rebuilding its infrastructure to ensure a healthy future, was steady at \$2.20.

News Corp strengthened 13c to \$24.48 while its non-voting scrip went 11c higher to \$23.20.

But **Fairfax** reversed 9c to \$3.94 and **Publishing & Broadcasting** backtracked 29c to \$17.69.

Telstra was steady at \$3.70 and Optus parent **Singapore Telecommunications** added 1c to \$2.30.

The big gold miners split ranks with **Newmont** improving 25c to \$6.93 while **Newcrest** relinquished 24c to \$20.56 and **Lihir Gold** was steady at \$2.26.

The price of gold in Sydney was \$US549.15, down US97.5c on Thursday's close.

Market turnover was 1.29 billion shares worth \$3.88 billion with 564 stocks rising, 516 falling and 349 unchanged.

Additional reporting: AAP

