BOE PERSONAL STOCKBROKERS

PRIVATE CLIENT Morning Meeting Notes

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Tuesday, October 17, 2000

Markets

JSE * - Potter, Greg

Yesterday's hike in repo came at the close, with immediate impact on the futures but it is still to filter through to the spot market, which is likely to go negative today. The true rand hedges are likely to benefit from the currency weakness. Richemont was firm despite the price weakening in Switzerland.

Economics

SA - Landman, JP

Whether raising interest rates is right or wrong is not the point. The governor is willing to show his independence in taking unpopular action to curb inflation. This morning's inflation data and Q3 BoP numbers may throw further light on his action. Earlier this year our economists forecast that rates would move up in H2, but circumstances are somewhat different. Interest rates is have dampened demand but oil has already done so and for this reason the move was unexpected. (LG) Our information, however, is that the current account is now going through one of its periodic lurches in leads and lags. (DE) The biggest problem is one of confidence, which will be further knocked by the rate hike. The impact will not be so bad if the banks do not follow but 50 basis points will have an effect. (JP) Perhaps the most important thing about the move is that it has finally doused expectations that the next move in rates would be downwards. Moreover, in the unlikely event that the banks do not take action to protect their margins, Tito Mboweni has now been given power to change banks cash ratios, which he can use to drum home the point. (CVW)

Companies

CORPCOM (Avoid) [65 cps] - Likhapha Seliane

The group reported a 19% increase in turnover and a 21% increase in EBITDA, which indicates a good business model. HEPS were up 10% from 14.1c to 15.5c. Margins have been under pressure following a decrease in adspend and tight market conditions. Corpcom has 60% of SA's outdoor advertising market. It is re-building in Mozambique after the floods destroyed the billboards. It has cash of R93m but must pay R112m and R32m in purchase considerations and interest bearing debt respectively. We believe the gearing level will continue increasing on the back of the move to Cameroon and plans to move to Nigeria. We iterate our AVOID recommendation pending benefits from the expansion into African states. The company is currently engaged in litigation with Rent-a-Sign which could proved adverse.

ELLERINES * [2200 cps] - Vianello, Syd

It is disturbing that insurance reserves, Ellerine's long-standing hidden weapon has disappeared. We need to know whether it has been charged against debtors, which increased by 27%, greater than turnover. This could mean that the book is fundamentally bad. There has been press speculation that the micro-lending and debt collection have been adversely affect by changed spending patterns. Alternatively it may be due to changed accounting treatment. The company has had three very good months trading in line with the rest of the industry. The rise in rates may impact, but only if the usury rate is increased as this is beneficial to furniture companies. This rate has fallen from 32 to 23% over the last two years. We will report back tomorrow.

Comment: we continue to prefer Steinhoff.

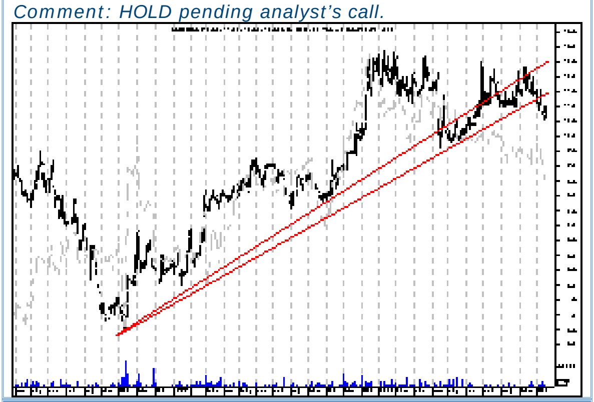
ISCOR [1445 cps] - Meintjes, Steve

See MMN 10/10/00

NEW CLICKS (Hold) [1045 cps] - Vianello, Syd

Final results were better than expected even after changes for deferred tax with still better margins in SA, which were up more than 1% on a turnover increase of 15%. Debt has however, increased from R95m to R227m with the Oz rollout from 83 to 101 probably more expensive than envisaged. Like for like sales were only up 1% or 2% as against 8% the previous year. This year's rollout to 125 stores will entail continued growth pains. There is low inflation in Oz but consumer confidence is low and the changeover in indirect tax to GST effectively VAT impacted on trading and the general business mood is poor with the Oz $ at a new low against the US $. The extra week probably added 0.3% to the margin, which however could still rise to 7% this year. The share trades at a premium, which may no longer be warranted.

Comment: HOLD pending analyst's call.



OUTSORS (Reduce) [715 cps] - Elliot, Dave

The ongoing acrimony between the current and previous CEO is negative for both their companies and we maintain our LIGHTEN call ahead of the quarterly results due this week.

SASOL [5880 cps] - Meintjes, Steve

Sasol and Chevron have signed formal agreements to form Sasol Chevron Holdings part of a 50/50 global JV launched last year based on gas to liquids technology (GTL). Investments of $5bn are likely over the next 5 – 10 years. Sasol is thought to be one of six companies short listed in a €1bn contest for Condea an international chemicals company and subsidiary of Germany's largest utility RWE.

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* denotes BoE Securities Research # Prices current when published

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