



BoE
PERSONAL STOCKBROKERS

PRIVATE CLIENT Morning Meeting Notes

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Friday, October 20, 2000

Markets

JSE * - Mare, Johan

Yesterday was a strong day with a large ALSI buying order and much trading across the board. Buying covered all industries including Firststrand, Stanbic (up 4%), Didata and M-Cell (for which there was a strong demand). The market will be firmer today and buying will continue.

Economics

Interest Rate - Landman, JP

One of the main factors driving the interest rate is the Forward Book, which currently stands at \$12 billion where it was at \$10 billion. If this is true then it is an indication of just how bad things are. It would have nothing to do with the rising oil price, the crisis in Zimbabwe - it would be a domestic issue which could only be solved through vigorous privatisation.

Companies

ADCORP (Buy) [1475 cps] - Moodie, Ceri

If the market has been panicking over the story that the vendor of PMI, a small training company, has alleged to some institutions that the accounts of that company were wrong, then it is barking up the wrong tree. It has been in the market for some time and the company has the opinion of Harvey Weiner, one of the top technical accounting experts in S.A., confirming that their interpretation is correct. We spoke to the company last Friday and confirmed that trading was up to budget. We maintain regular contact and will advise if there is anything untoward. The company's track record with regard to investor relations has been impeccable and there is no reason to doubt the word of management. We maintain our forecast for FY 12/00 of around 200c up some 32%. On its record the company warrants a market PE (13.2) which makes it very cheap at 8.4x.

Comment: COMMENT: This places the company on a PEF of 7.3x and we accordingly reinstate our BUY call.

BOLTONS (Switch) [655 cps] - Lucas, Warwick

Boltons, Cargo Carriers, Bolton Footwear Interims results to 08/00 and an unbundling announcement were released. The unbundled NAV of 700c offers no play on the current price of 655c. Bolwear experienced negative cashflow and a downward drift in earnings. Earnings were evenly derived from motor dealerships and footwear manufacturing and retail. Cargo showed gearing of R150million, so the huge discount to NAV does not warrant investigation.

Comment: SWITCH Bolwear to Specialty SWITCH Cargo to Imperial.

HLH [605 cps] - Lucas, Warwick

HLH have retained the services of Michael Katz for their submission to the competition commission. Katz made substantial contribution to the original legislation. At 600c, HLH offers a spec play.

HYPROP [913 cps] - van der Bos, Ron

Hyprop has, to date, spent approximately R15m on the I-Max theatre at its flagship property, Hyde Park Shopping Centre. The lease is under threat as Millennium Expotainment have filed for provisional liquidation. They have exercised a landlords' hypothec over installed equipment of \$3.5m. The lease kicks in on 1 November 2000 and the financial effect on distribution for FY12/00 is 0.85c. Should the space remain unoccupied, the financial effect for FY 12/01 will be approximately 5c. Management are actively negotiating with all parties to have the theatre open as planned. Failing this, management is already talking to other potential tenants and has started preparing conversion drawings. This proactive management action is expected of the team. With regard to the change in ownership of unitholding, management has expressed its support for the change, stating that fresh thoughts are being expressed at directors meetings that will benefit the fund in the longer term.

OTK [430 cps] - Likhapha Sellane

OTK's interim results showed an increase in HEPS of 4% to 43.1. It is on a PE(F) of 5.1x assuming 10% EPS growth. The sector average PE is currently 8.4x. The Cotton division performed well as a result of the recovery in cotton prices. Profit almost trebled from R 10m to R 29m. Operating profit from the Grain division increased to 37% of the total profit as a result of a change in the basis of charges handling and storage expenses. Retail contributed 30% of the operating profit on organic growth. We maintain our LT SPEC BUY recommendation on the stock.

SPECIALTY [560 cps] - Lucas, Warwick

Specialty shareholders approved plans to unbundle.

USKO (Hold) [22 cps] - Meintjes, Steve

Yesterday's Finance Week article dealing with the purchase by Alan Gray of R50 million shares at 15 cents, correctly points out that the move is based on Redshaw's track record in successfully turning Fintec around and the intention by Altron to use Usko as its IT vehicle. In the meantime Medi switch is now cash positive and Usko Communications' losses have been cut. We maintain our view that the share is a hold for the long haul, but that risks remain in the meantime. Second half results for FY2/01 will be crucial in determining whether a turn around is indeed in place. It is not impossible that Gray may have already taken profits with the share up some 46% since purchase.

Snippets

CADSCHWEPES - Meintjes, Steve

This morning's cautionary indicates that talks "may have a material impact on the price of the company's securities."

Comment: Maybe major minority shareholder, Hamilton, has has come to some settlement on a takeover price, but there are other possibilities. In any event the currency has made it cheaper for overseas interests to pay up. SPEC BUY.

MMW TECHNOLOGIES - Likhapha Sellane

Siltek has exercised its option to buy 50% of MMW for R12m. MMW is to be moved to Memtek which is a commodity driven entity selling PC components mainly hard drives and memory processors). Siltek's CE Dave Lello believes it is better to converge the two now rather than later.

* denotes BoE Securities Research # Prices current when published

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