



BoE
PERSONAL STOCKBROKERS

PRIVATE CLIENT Morning Meeting Notes

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Markets

JSE * - Potter, Greg

Yesterday's market showed good buying, particularly on the industrial side. There was a lot of ALSI basket buying in the late afternoon session. Although we lost 40 points in the second half of day, the futures markets gained all losses back after the close. Didata is still strong as it has heavy weight in the index.

Economics

South Africa * - Bauknecht, Klaus

The problems faced by SARB on the forward book following the decline in the Rand are irrelevant in forecasting interest rates or the Budget deficit. In no leading countries are changes in reserves, or profits or losses in central bank dealings thereon, treated, or regarded by markets, as budget items. We do not believe the SARB should be in too much of a hurry to wind the book down as this would limit the opportunity to make profits on it from time to time.

Companies

ASTRAPAK (Avoid) [155 cps] - Likhapha Seliane

The group's interims showed a 10% decrease in HEPS to 20,9. This came as a result of an increase in raw material cost which is very much oil price sensitive; The consumer spending in food and beverages in the first six months has declined because of change in consumer spending. We anticipate a limited EPS increase up to 35c. This gives them a FPE of 4,4x. We recommend a SELL. See Bowcalf.

AVENG/LTA (Hold) [595 cps] - van der Bos, Ron

The High Court yesterday sanctioned the merger of the above companies. Holders of LTA shares should elect to receive the cash of 4600c. At 581c per Aveng share, utilise this cash to purchase Aveng if you want the sector exposure. In terms of the ratio of 667 Aveng shares for every 100 LTA shares, Aveng shares work out at 685c. See comprehensive note sent out on e-mail late last week. Aveng is our preferred stock in the sector. It does not carry baggage from previous bad investments and recently sold off its stake in Bearing Man to focus on core activities of construction, steel merchandising and cement. The acquisition of LTA means that approximately 25% of earnings are derived off-shore, mainly Australian dollar. Our view on the sector is that earnings will underperform the market for the next 18 months. This has been pushed out after the SARB's recent increase in the repo rate. In light of this, we change our recommendation on Aveng from an ADD to a HOLD. Currently we do not have a weighting for the sector in our model portfolio.

BOWCALF (Hold) - van der Bos, Ron

The results of Astrapak were expected in light of recent price increases in raw materials and depressed non-durable retail consumption. They operate predominately in high volume, low margin plastic films. The barriers of entry are low and margin are continually under squeeze. Many smaller packaging companies are hurting financially and are facing financial ruins. Market speculation is that industry rationalisation is inevitable and that raw material price increases will have to be passed on to the retailers. Bower Metcalf remains our preferred company in this sector because it operates in the higher value end of the sector of the market, where barriers of entry are higher. BCF's size also gives it the opportunity to take advantage of inefficiencies in the market place. Expect at least 15% eps growth in earnings for FYE 6/01. Currently we do not have a weighting for the sector in our model portfolio. Bowcalf is a HOLD.

KPM * (Add) [2800 cps] - Dinham, Nic

The Aquarius minorities take out bid has not been universally popular as detected by the negative attitude of larger institutions. The LSE price may give brilliant ratios and Aquarius talks of ongoing growth based on inclusion of its other projects. This attraction however, largely applies to smaller shareholders who could enjoy the run and get out. For bigger institutional shareholders, it is a bit more difficult however, if one bigger institution were to vote against, this would change the status quo. We recommend a vote against. The joint venture with Amplats has added value to KPM. The logic of gaining in size is becoming increasingly popular and Amplats brought news of the joint venture with KPM to market's attention before KPM. If the deal goes through, the price momentum on KPM will last for a while.

MB TECHNOLOGIES (Sell) [220 cps] - Meintjes, Steve

The company has succeeded in raising capital offshore for its internet businesses and hence is not immediately exposed to any risk in this regard. The question then is how to value the company which is a hodge-podge of internet, p.c. distribution, storage, p.o.s. businesses and software and services. Apart from the fact there is no cohesive strategy or synergy evident in all this as well as no divisional breakdown, there seems no reason why the non-internet businesses should not be valued on the same basis as Siltek or Mustek i.e. on a 6or 7 multiple. This places a value on them of between 70 and 82c which means the market is placing a value of around 150c on the internet businesses which are as yet generating minimal revenues. It also means the market values the internet businesses at over R600 million. This compares with the market capitalization of I Xchange which although not currently recommended, does have revenues of \$ 114 million. Idion also has a market cap of R1.1 billion but is growing earnings at over 40 % p.a. SELL

UNIFER * [78 cps] - van Heerden, Leon

As far as conversion goes - it appears there are a total of 250 000 clients on board and they have been switched from Persal however, this has not been confirmed. Unifer is on a rolling PE(F) of 2.7x for FY 3/01. Due to the fact that ABSA holds a 51% interest, there is not a problem with funding. The sector is on a PE(F) of 8.1 and in the context of the sector it is cheap. The dividend yield is about 5% and could go to 7%

WIPHOLD [310 cps] - Likhapha Seliane

It has changed its financial performance measurement from NAV to PE based. It reported interim HEPS of 9,6c. NAV per share increased 4,9% to 647cps. It is trading at a discount of 56,7%. The group is in the process of transforming from an investment trust to a financial services business. This may be a stock to watch in the long term, but is not on our radar-screen.

Snippets

POLITICS - Landman, JP

Although Thabo Mbeki's speech instilled faith in business and generally brought on a positive feeling, it was the same speech he made after a crisis in parliament three months ago. It has simply been repeated - publicly. With regard to his comment made on the importance of investments and what stands in the way of investor growth, it is interesting to note that at a recent conference the Minister of Finance appeared to indicate that he would not allow Sasol to move to an overseas listing. In this case Sasol would not be able to fund the global growth of its GTL business and it would be taken over by Chevron.

* denotes BoE Securities Research # Prices current when published

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