



BoE
PERSONAL STOCKBROKERS

PRIVATE CLIENT Morning Meeting Notes

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Markets

JSE * - Potter, Greg

Value wise - Friday was not a good day with trade being R1.3 billion. The futures system went down periodically and there was a lack of institutional buying and it would seem that the institutional traders are not sure where the market is going. On the international side, Brazil had its 3rd 3% rise in a week. We should have a positive start today. The rand and the R150 are behaving well! Clocks have now been turned back overseas so our stock market will be working off futures and not the Dow for another hour.

Economics

Financial Markets Conference - Landman, JP

At a conference at Sun City this weekend, the Reserve Bank was positive about growth figures for Q3. It is likely that foreign exchange control for individuals will be abolished next year especially since the move to a resistance based tax system. Forex controls on companies will stay in place for a while.

Companies

TIGON (Sell) [440 cps] - Lucas, Warwick

Interim Results to 07/00 were impressive on the surface, but in practice raised many questions. Firstly, earnings were cashless and secondly - while Shawcell profits were booked to heps in the last results, the fall in the price of Shawcell since listing was booked through as an exceptional item. The company is a cocktail of Private Equity and Financial Services. Private Equity is normally valued on assets and financial services on earnings growth. NAV is 78c, and the maximum future value of Shawcell in Tigon's books is 90c, and is still subject to future profit warranties. Shareholders should take profits

ANGLOGOLD * (Hold) [22200 cps] - Stoltz, Piet

Operational profit was down 6.8% to R 814 million. Rehabilitation costs of approximately R25 million per quarter were excluded. Earnings were 399cps - this is very close to our forecast of 400cps. We maintain a HOLD recommendation partly because South African operations will take nine to twelve months to show improvement. Anglo's strategy involves moving its operating profit offshore over the next few years so that it has 50% in South Africa and 50% offshore. We believe gearing on the forward book will improve next year. Anglogold achieved R 67 000/kg in the past quarter against the spot average of R 62 000/kg.

ANGGOLD - Close MA= 40 MA= 26 MA= 1300 000



SETHOLD (Avoid) [25 cps] - Lucas, Warwick

Finals to 08/00 were disappointing, with the primary process control business losing R12 million. This left the remaining business units to keep the side out of the red. Two-thirds of the HEPS of 5.8c came from tax claims. The current ratio weakened to 1.61 from 1.67 previously, and debt/equity weakened from 1.64 to 2.0 (or improved from 2.73 to 2.0, if you strip out intangibles). The nett effect is that interest-bearing debt rose substantially, and interest costs of 6.3cps were incurred. The 3 year picture is one of steadily worsening current and debt/equity ratio and remains an AVOID until repairs are implemented.

ISCOR * (Add) [1250 cps] - Dinham, Nic

This was worse than the bad result we were expecting. We knew about the shut down at Saldanha and Van der Bijl, but management continued to expect annualised profits at VdB of over R 500 million. It's hard to see this happening now. The other major disappointment is Sishen where we had expected operating income of R 900 million, which is now unlikely. The tippler problems are obviously only partly responsible for the shortfall. We had originally forecast an operating income for the group of about R1.6 billion to generate an eps of about 250cps. This now looks unattainable. We have revised our estimate down to 210cps based on a revised operational income estimate of R 1.4 billion. This is attainable if Saldanha - Sishen gets up to speed by Q1. Nevertheless, the weak rand makes holding this stock worthwhile since, regardless of the hedging, all domestic sales are import parity priced so there has been tremendous benefit from this quarter. Without the rand, Iscor could have been in trouble over the past two years and we are concerned about Iscor's massive capex programme. The stock has moved into punting territory despite all this. If the rand weakens further as our economists now believe and the steel price stabilises and recovers in Q1, then this punt will make short term money. So in the hope of this rather than corporate action, we recommend an ADD.

ISCOR - Close MA= 40 MA= 26 MA= 1300 000



OUTSOURCING [690 cps] - Meintjes, Steve

The rumour mill grinds on and Dave Maclean was on radio over the weekend denying that he had been fired. A variant of this rumour was that the Chairman, Barry Adams, had not spent the day as scheduled with the CEO but one of our dealers phoned him on hearing the rumour of dismissal to hear him confirm that he was indeed ensconced in his all day meeting with his Chairman who had just returned from overseas. We accordingly await the Q3 results with interest and retain our LIGHTEN recommendation in the meantime.

* denotes BoE Securities Research # Prices current when published

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