



Sunday Times (Perth)

Sunday 17/04/2011

Page: 73
Section: Business News
Region: Perth, AU
Circulation: 293244
Type: Capital City Daily
Size: 272.73 sq.cms.



slice
slicemedia.com

press clip

HOT STOCKS

These share tips are considered opinions and readers should seek personal financial advice before investing

Speculative Buy Doray Minerals (DRM)

DRM is an ASX-listed minerals exploration company, with assets in WA's Murchison and Ravensthorpe regions. Listed in February 2010, DRM was the ASX's best-performing IPO in CY2010, based on the gold mineralisation found at the Andy Well Project (DRM 80 per cent), north of Meekatharra. Andy Well remains the focus for the company where the discovery of a high-grade quartz vein lode continues to excite. Resources stand at only 174,000oz (100 per cent), but we believe potential remains to increase this significantly.

Accumulate Rio Tinto (RIO)

The weather put paid to any notion of a strong production start to FY11 for RIO. The implication for BHP's output is also obvious. All major commodity groups suffered sharp volume declines versus the December quarter, the previous corresponding quarter and even against our tempered expectations. Compared



**Paul
Adams**

D.J.
Carmichael

with the December quarter, iron ore fell 16 per cent, coking coal by 29 per cent, other Australian coal by 21 per cent, alumina by 8 per cent and uranium by 56 per cent. Our RIO valuation softens 2 per cent to \$104.70 ps on the weak first quarter. We reduce our FY11 and FY12 earnings forecasts by 6 per cent to 997c ps and 967c ps respectively.

Speculative Buy Swick Mining Services (SWK)

SWK has announced new contracts and contract expansions that will increase its rig utilisation by nine rigs next quarter. SWK also announced a number of significant contract renewals, which increases SWK's order book to \$215 million.

Buy Woodside (WPL)

There are strong fundamental reasons to favour WPL, apart from any takeover speculation. LNG demand is strong, with Japan requiring alternative energy supplies, and North Africa concerns. WPL's Greater Pluto area reserves support the company possibly moving forward with Pluto LNG T-2 in 2011. Uncontracted gas reserves in the Pluto/Xena Inner Hub area has the potential to support a third of the volume needed for Pluto LNG T-2. WPL has a portfolio of other major projects, including Sunrise FLNG and Browse LNG adding to its appeal.

Buy Transurban (TCL)

Traffic numbers for the quarter rose 5.7 per cent and revenue was up 11.7 per cent. The strong result was driven by continued CityLink (Melbourne) growth. A fifth lane on the West Gate Bridge is yet to open and should boost Citylink traffic numbers. TCL provides defensive



**Heather
Zampatti**

Bell Potter
Securities

earnings with solid dividends. Additional upside is possible from the M5 widening and upgrades to M2 and Citylink.

Buy Westfield Retail Trust (WRT)

WRT recently spun off from the parent company Westfield Group to concentrate on Australian retail assets. WRT has confirmed its 2011 earnings guidance. The company has received a long-term credit rating of A+, reflecting the quality of its property assets. This high rating will assist the group to obtain credit at a lower cost. In addition, lower-than-expected margins on \$A bond pricing and minimal undrawn debt should assist earnings. WRT offers a strong dividend yield of 6.5 per cent.



press clip

Outperform

Lend Lease Group (LLC)

LLC continues to have an enviable combination of earnings visibility, above-market earnings growth and a solid balance sheet. The near-term earnings visibility has been enhanced by three recent project wins: a \$US170 million contract from Delta Airlines; the International Quarter development at Stafford City; and the Wandsworth schools program. We believe LLC has the ability to take on additional projects or portfolios without requiring equity contributions by LLC.

Underperform
Boral (BLD)

At present levels, we believe BLD is factoring in a lot of "positives" that are far from being certain. We note that a softening domestic housing outlook, together with a sluggish recovery in the private-sector, non-residential market and a benign outlook for roads and highways is likely to see the domestic growth become harder for BLD. While the



Ian Clarke

Macquarie
Private
Wealth

US housing market has no doubt bottomed in our view, we expect losses from these operations to weigh on group earnings for some time.

Outperform
SAI Global (SAI)

SAI delivered a strong first-half profit and we believe it is on track for about 20 per cent EPS growth in 2011. All its businesses (assurance, information and compliance services) were reported to have returned to pre-GFC organic growth rates. We expect the company will continue to deliver double-digit organic EPS growth for the next few years, complemented by acquisitions as it expands its smaller-scale offshore business.