

Monday, 11 December 2017

TOP 10 GAINERS		
Share Name	Closing price	% change
INTU PROPERTIES PLC	4268	17,06
SPUR CORP LTD	2945	11,09
AFRIMAT LTD	3000	8,07
KUMBA IRON ORE LTD	35000	7,66
RHODES FOOD GROUP PTY LTD	2105	7,07
ASTRAL FOODS LTD	23755	5,98
CASHBUILD LTD	41300	5,90
MEDICLINIC INTERNATIONAL PLC	10879	4,71
METAIR INVESTMENTS LTD	2020	4,66
TRANSACTION CAPITAL	1560	4,00

TOP 10 LOSERS		
Share Name	Closing price	% change
STEINHOFF INTERNATIONAL H NV	600	-89,25
EOH HOLDINGS LTD	4752	-40,64
SANDOWN CAPITAL PTY LTD	300	-18,48
IMPALA PLATINUM HOLDINGS LTD	3230	-17,71
BRAIT SE	3910	-16,54
ARCELORMITTAL SOUTH AFRICA	450	-15,09
PSG GROUP LTD	24900	-13,53
CONSOLIDATED INFRASTRUCTURE	346	-13,28
BLUE LABEL TELECOMS LTD	1386	-11,72
GOLD FIELDS LTD	5116	-11,23

GLOBAL EQUITY INDICES		
Indices	% Change	Points
Dow Jones	0,40	24 329
S & P 500	0,35	2 652
Nasdaq	-0,11	6 840
FTSE 100	1,28	7 394
Nikkei 225	-0,03	22 811
Hang Seng	-1,49	28 640
S & P ASX 200	0,08	5 994

COMMODITIES*		
Name	% Change	Price
Gold	-2,51	\$1 248,49
Platinum	-5,50	\$888,28
Brent Crude Oil	-0,52	\$63,40

CURRENCIES*		
Indices	% Change	Price
\$ / R	-1,19	R 13,68
£ / R	-0,57	R 18,32
€ / R	-0,36	R 16,10

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COMMENTS FOR TOP 40 STOCK MOVEMENTS

Corporate governance came to the fore on the JSE this week with the shares of one the country's biggest companies on the TOP40 falling by almost 90%. Steinhoff International dragged the All Share lower as negative developments related to the investigation into possible accounting fraud in the company, weighed on investor sentiment. The All Share fell by 2.42%. Another JSE heavyweight, Naspers, had to deal with news that various American legal firms were intending to investigate claims on behalf of investors. This is to determine if investors suffered as a result of alleged improper payments between Multichoice and ANN7. EOH also saw its stock fall by 40.64% as a result of an ongoing Independent Police Investigative Directorate (IPID) probe into the affairs of Keith Keating, who was a director of 3 companies that were once owned by EOH.

Positive news came from Kumba Iron Ore as it gained 7.66% for the week. Copper and iron ore prices bounced back on Friday after customs data showed a sharp increase in imports by China, as the country's winter anti-pollution program cuts down domestic refinery and blast furnace production. The stock has been the best performer on the JSE year-to-date having increased by an impressive 120.13%. Intu Properties jumped by 17.06% with Hammerson Plc announcing it will buy the UK property firm in the week. The successful conclusion of the deal will see Hammerson becoming the largest property company on the JSE.

KEY EVENTS & COMPANY RESULTS

Steinhoff International Holdings N.V.

Steinhoff marks one the worst weeks in its history

The retail investment holdings firm closed at R6 on Friday, having opened just above R55 this week. This translates into a hemorrhaging of 89.25% of its value in 5 days. It has not traded at these levels since the early 2000s. The company has also unceremoniously fallen out of the TOP40, going from the 11th most valuable company on the JSE on Monday to the 72nd most valuable company by the week's close. This is as a result of its market capitalisation falling by 88.06%.

The stock has seen 2 other stock crashes in the past 6 months which were related to the news that its CEO among other employees was being investigated for accounting fraud and news that the retailer did not inform investors about material transactions with a related company. These crashes were mild in relation to the turmoil that ensued this week. The collapse started with a statement by the supervisory board that mentioned that its results would be delayed as a result of the supervisory board and the statutory auditors having not yet finalised their review of certain matters and circumstances mostly raised by the criminal and tax investigation in Germany. The statement also said the company planned to release its unaudited consolidated financial statements on Wednesday.

Wednesday, however, came with the shock news that Steinhoff's CEO had resigned. The shares fell 61.42%, reaching a then year's low of R17.61. The CEO of Steinhoff Africa Retail (STAR) once the CFO of Steinhoff International Holdings also resigned. In a statement on the day, the company mentioned that they'd be investigating the accounting irregularities which PWC would conduct. Christo Wiese has stepped in as interim chairman. The stock sank further as the week developed, with the Public Investment Corporation and Finance minister Malusi Gigaba noting their concern over the entire debacle. The future of the company hangs precipitously in the balance, any further negative news may see the former JSE giant inching closer to being valued at next to nothing.

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Steinhoff Africa Retail Limited

Results for the year ended 30 September 2017

Negative news from Steinhoff International drew attention away from the release of Steinhoff Africa Retail Limited's (STAR) first audited results. STAR's revenue decreased by 5% on a statutory basis, but increased by 13.2% y/y on a pro forma basis. STAR changed its financial year-end from June to September 2016, thus the comparative statutory numbers refer to the 15-month period. The pro forma results are based on the 12-month periods ending 30 September 2017 (FY17PF) and 30 September 2016 (FY16PF) and adjusted for the impact of acquisitions and one-off restructuring costs. The firm's operating margin has improved from the previous year's, up 10.4% (on a pro forma basis). The firm's ability to pay short-term liabilities has improved relative to the previous year. The current ratio improved to 112.16% in 2017 from 78.93% in 2016. Net working capital increased by R805 million, largely as a result of the acquisition of Tekkie Town and increased inventory levels of a larger store base, in anticipation of the festive season trading period.

EOH Holdings Limited

IPID probe sends stock plunging to year's low

The Group IT services provider has been on a downward trend over the past year. The stock reached a year's low of R47.52 on Friday after 5.023 million shares were traded. This follows the 4.995 million shares traded the previous day. Investors have been reacting to developments of the IPID probe into Keith Keating, a director of three businesses owned by Johannesburg-based EOH.

On Wednesday, the story that the homes of former police commissioner Khomotso Phahlane and Keith Keating had been raided was mooted as a reason EOH shares sank by 11.12%. Keating has been the focus of two investigations. The first investigation is related to alleged kickbacks by Keating in a money laundering scam implicating former acting National police commissioner Khomotso Phahlane. The second investigation has been initiated by the State Information and Technology Agency (SITA) into Keating and his 3 companies, Forensic Data Analysts (FDA), Investigative Software Solutions (ISS) and Risk Diversion Digital (RDD). It has uncovered R6.1 billion worth of transactions by Keating's companies through SAPS and SITA between 2010 and 2017.

The company released a statement today where they cite the high volumes as well as the substantial drop in the share price was triggered by the forced sale of shares by financial institutions against equity financed transactions to various individual shareholders, including two EOH directors. They also mention that the share sales were not voluntary, but margin calls forced directors to sell their shares. Further, they mention that they had finalized the sell-back agreement in order to unwind the purchase of Keating's companies which were bought in 2015. EOH says that there had been discussions with the previous shareholders for some time about unwinding the transaction. These were initiated as a result of underachievement against performance warrantees.

Sappi Limited

Proposed acquisition by Sappi of speciality paper business of Cham Paper Group

Sappi wishes to announce that it has reached an agreement with CPG whereby Sappi will purchase the speciality paper business assets from CPG for a consideration of CHF146.5 million. The closing date of the acquisition is expected during Q1 2018. Sappi will fund the acquisition through internal cash resources. The firm says that the transaction represents an opportunity for it to grow its speciality and packaging papers business. Sappi also mentions that it will further its diversification strategy, by adding capacity and complementing products to the current speciality and packaging product portfolio and providing a platform for future growth.

Alexander Forbes Group Holdings Limited

Unaudited interim results and cash dividend announcement for the six months ended 30 September 2017

The group improved trading margins to 25.3%, up 40 basis points and positive operating leverage was at 60 bps, up 50 bps from the prior period. The company managed to deliver operating profit of R455 million, up 5%. HEPS, however, has declined by 20% y/y despite the improved operating profit. The cash generated from operations decreased 4% y/y, but the firm's profit to cash conversion is high at 103% of operating profit. The net asset value per share rose 14.19% y/y while the firm's interim dividend improved by 6% y/y. Average assets under management also grew by 4% y/y to R355 billion.

Hammerson plc

Recommended all-share offer by Hammerson plc for Intu Properties plc and Disposal of Saint Sébastien shopping centre

The U.K REIT announced that it had bought the entire issued share capital of Intu Properties plc. Intu shareholders will receive 0.475 new Hammerson shares for each Intu share. Based on the closing price of 534.5 pence per Hammerson share on the 5th of December 2017, the terms of the acquisition represent a value of approximately 253.9 pence per Intu Share equivalent to £3.4 billion. The acquisition will result in Hammerson shareholders owning approximately 55% of the Enlarged Group and Intu Shareholders owning approximately 45%. Hammerson declined 4.29% on the day, while Intu Properties rallied up 15.40%.

The REIT also made an announcement on the same day that it had exchanged contracts for the sale of its ownership in Saint Sébastien shopping centre, Nancy, to AEW Ciloger on behalf of SCPI Laffite Pierre and Actipierre Europe for a net vendor price of € 162 million. The acquisition was made in 2014 for € 130 million. The centre has since benefited from being actively repositioned through a renovation project in 2016, the creation of a number of new retail units, and leasing to lift the quality of the tenant mix. Hammerson's share price may have also been affected by this news on the day.

Vukile Property Fund

Acquisition of Alameda Shopping Centre and Retail Park and San Pedro Del Pinatar Retail Park

In line with Vukile's previously communicated strategy of increasing its exposure in Spain, Vukile's subsidiary Castellana Properties Socimi S.A., in which Vukile currently has a 98.3% shareholding, has entered into agreements with Alvares Investments S.L to acquire the shopping centre and retail park know as Alameda Shopping Centre and Retail Park. It has also entered into agreements with Euro-Activ Promociones Integrales De Proyectos Comerciales S.L. & CIA. S.Com. to acquire the retail park known as the San Pedro Del Pinatar Retail Park. The purchase consideration payable for Alameda Park is € 54 596 000. Pinatar Park comprises the existing retail park ("Phase I") and a vacant plot of land adjacent to Phase I on which a 2 750 metre square extension to Phase I will be developed. ("Phase II") There's also an additional 80 parking spaces that will be developed as part of Phase II. The purchase consideration payable for Phase I is € 10 715 000. Activ-Group is in the process of acquiring a vacant plot of land upon which Phase II will be built.

GLOBAL AND WORLD MARKET DEVELOPMENTS

U.S. stocks climbed to record highs as the latest jobs report bolstered optimism in the world's largest economy, continuing equity rallies that took hold in Asia and Europe. The S&P 500 Index and Dow Jones Industrial Average closed at all-time highs on Friday up 0.55% and 0.49%, respectively. This was after data showed hiring increased by more than forecast in November and the unemployment rate held at a 17-year low. General Electric (GE) announced in the week plans to cut 12,000 jobs, or almost one-fifth of the power division's global workforce. This highlights GE's incorrect bet on natural gas, as renewable energy has gained.

The European markets ended Friday's session in positive territory. The Stoxx 600 gained 0.73% on Friday and 1.38% for the week. Traders were in an upbeat mood after the U.K. reached a divorce deal with the European Union, setting stage to move on to future trade talks post-Brexit. However, the EU's chief Brexit negotiator Michel Barnier warned "there is still work to be done" to "consolidate" the progress made to date.

Asian market rallied higher on Friday as they made strong gains after Chinese trade data exceeded analyst estimates and Japan's economic growth figures were revised higher. The Shanghai Composite, Nikkei and Hang Seng rose by 0.55%, 1.39% and 1.19%, respectively on Friday. According to China's General Administration of Customs, imports grew by 17.7% in US dollar terms, above the 17.2% increase of October. Export growth also beat estimates, lifting by 12.3% over the same period in US dollar terms, a sharp improvement on the 6.9% level of October. In Japan, their Cabinet Office said gross domestic product (gdp) rose for the 3rd quarter up 0.6% q/q, doubling a previous estimate of 0.3%.

THE WEEK AHEAD

Earnings releases for JSE listed companies

Company	Date
Gemgrow Properties Ltd	11-Dec-17
Keaton Energy Holdings Ltd	12-Dec-17
Labat Africa Ltd	12-Dec-17
PBT Group Ltd	13-Dec-17
Indluplace Properties Ltd	13-Dec-17
Cullinan Holdings Ltd	14-Dec-17
Trencor Ltd	15-Dec-17
Avior Capital Markets Pty Ltd	15-Dec-17
RBA Holdings Ltd	15-Dec-17

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