



## THIS WEEK IN GLOBAL MARKETS

### South Africa

Name	Level	W%
ALSI	32 611	+4.8
TOP40	29 188	+5.1
FINI 15	8 189	+4.5
RESI 20	54 134	+6.5

### International Indices

Name	Level	W%
FTSE 100	5 552	+7.5
DOW	12 019	+7.0
S&P 500	1 244	+7.4
NIKKIE	8 644	+5.9

### Commodities

Quote	Level	W%
Gold	1 747	+3.8
Platinum	1 548	+1.1
Copper	7 920	+9.5
Oil(Spot)	111	+3.7

### Local Markets - JSE:

The JSE had a good start to the week Monday as international markets were very positive on optimism that there is progress on the euro debt crisis. Across the board we saw positive trade accept for the gold mining sector that came down by 0.42% on the back of a stronger currency. Commodity prices were also very positive.

On company news Goliath Gold mining Ltd reported interim results for the six months ended 30 September 2011. Net attributable profit soared by 186% to R2.7 million. HEPS grew to 6.47c. Pioneer Food group Ltd also came out with results for the year ended 30 September 2011. Revenue for the year ended 30 September 2011 rose to R16.9 billion. Operating profit improved to R1 190.5 million. HEPS strengthened to 407cps. A final ordinary dividend of 40 cps has been declared.

The JSE had a volatile, negative day Tuesday with some good volumes that went through. We ended the day with a total value that traded just short of R17 billion. We saw a slight bounce near the end of trade as better than expected consumer confidence numbers came out of the US that pushed their markets more positive

On company news Naspers Ltd reported results for the six months to September 2011. Revenue increased to R18.5 billion. Operating profit decreased to R2 billion. Net attributable profit slumped to R1.9 billion. HEPS grew to 692c.

The JSE had a very positive day Wednesday following more positive international markets with big volumes going through once again. The market extended further gains in the afternoon as some better than expected economic data came out of the US and markets there had a very positive open.

On company news, Miranda Mineral Holdings Ltd reported results for the full year ended 31 August 2011. The operating loss before interest and tax widened to R27.9 million. The net attributable loss was larger at R27.5 million. The headline loss per share grew to 9.6cps. M Cubed Holdings Ltd reported interim results for the six months ended 31 August 2011. Results from operations were recorded at a loss of R3.9 million, while loss attributable to equity holders was recorded at R3.9 million. Headline loss per share was at 0.8cps.

The JSE had a negative, volatile day on Thursday. The market did however close off its lows as the US markets opened in the positive and we reacted in the last half hour of trade.

On company news, Huge Group Ltd reported interim results for the six months ended 31 August 2011. Revenue decreased to R212.3 million. EBITDA declined by almost half to R11.8 million. Gross profit decreased to R46.4 million. HEPS plummeted to 1.09c.

The JSE ended in the negative, once again after a volatile day of trading on Friday. The Gold mining sector lost a lot of ground in the late afternoon as the currency started to strengthen.

On company news we had Keaton Energy Holdings Ltd that reported results for the six months ended 30 September 2011. Operating profit rose to R10.9 million, while profit attributable to owners of the company increased to R14.5 million. HEPS grew to 8.4cps.

For the week the ALSI and Top 40 indices were up 4.8% and 5.1% respectively.



### **US Markets - Wall Street:**

US stocks leapt Monday, posting their best day in at least a month, as Wall Street embraced moves by European leaders to join euro area members in a fiscal union and on evidence US holiday sales got off to a record start. US stocks closed with modest gains Tuesday, lifted by hopes of progress from a European finance ministers' meeting, adequate demand at an Italian bond auction and a jump in a reading of US consumer confidence. US stocks rallied Wednesday, with the Dow Industrials chalking up their best day in more than two and a half years, as the Federal Reserve and five other central banks moved to help banks hit by Europe's debt crisis. US stocks on Thursday tilted lower after the prior day's surge as Wall Street turned wary before Friday's November jobs report and after claims for unemployment benefits rose last week. US stocks finished lower Friday, with gains in the Dow and The S&P 500 index fading out at the close as investors considered a drop in the US jobless rate and Europe's debt crisis, but the Dow still scored its biggest weekly point jump in three years.

For the week the Dow Jones and S&P 500 indices were up 7.0% and 7.4% respectively.

### **Gold Futures:**

Gold futures on Monday ended at their best in more than a week, tracking global equity markets on optimism about Europe's debt crisis and hopes strong sales over the US holiday weekend will help prop the economy and perhaps translate into more jewelry demand. Gold futures ended higher Tuesday, overcoming a lukewarm start of the session where it fluctuated between small gains and losses on dollar weakness and a rise for stocks and other commodities. Gold settled at a two week high on Wednesday, as investors cheered the concerted effort by global central banks to help the financial system with borrowing costs. Gold futures modestly declined Thursday as some traders took profits following gains in the previous session and digested the concerted move by world central banks to prop up global liquidity. Gold futures rose about 1% early Friday, ahead of a report on November US jobs growth, in line with rising equities as investors embraced calls by European leaders toward a stronger fiscal union.

For the week Gold were up 3.8%.

### **US Crude Oil:**

Crude oil futures on Monday settled at their highest in more than a week, spurred by a strong start to the holiday shopping season, a weaker dollar and a surge for equities. Crude oil futures topped \$100 a barrel on Tuesday after consumer confidence in the US shot up and investors were relieved to see Italy complete a bond auction, although the euro zone country paid dearly for it. Crude oil futures ended at their best in two weeks and north of \$100 a barrel on Wednesday on hopes for improved liquidity in the international financial system after central banks around the world took coordinated action to lower borrowing costs. Oil futures lost ground Thursday after rallying in the previous and as traders were cautious ahead of Friday's employment figures. Oil futures gained Friday, taking gains to 4.3% after seesawing for most of the session as investors were sidelined ahead of a euro zone summit next week.

For the week spot crude oil prices were up 3.7%.

## MARKET PERFORMANCE

### TOP 3 PERFORMING SECTORS FOR THE WEEK

- *FTSE/JSE Africa Household Goods (+7.89%)*
- *FTSE/JSE Africa Food & Drug Retailers (+7.71%)*
- *FTSE/JSE Africa Mining (+6.69%)*

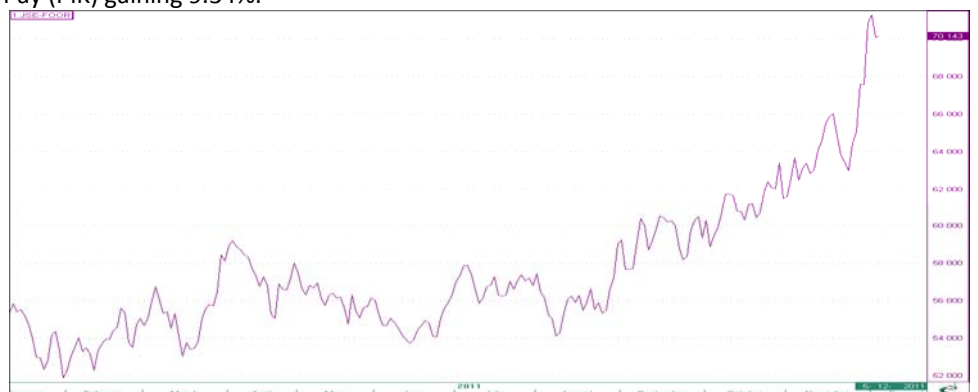
### WORST 3 PERFORMING SECTORS FOR THE WEEK

- *FTSE/JSE Africa Support Services (-2.59%)*
- *FTSE/JSE Africa Travel & Leisure (-2.25%)*
- *FTSE/JSE Africa Media (-0.05%)*

The best performance came from the FTSE/JSE Household Goods Index with Steinhoff Int (SHF) gaining 7.89%.



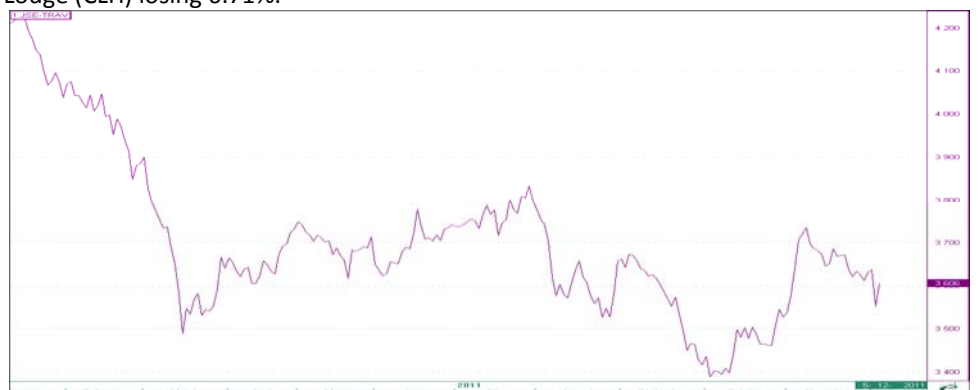
The second best performance came from the FTSE/JSE Food & Drug Retailers with Pick n Pay (PIK) gaining 9.34%.



The worst performing sector was the FTSE/JSE Support Services Index with Mix Telematics (MIX) losing 6.25%.



The second worst performing sector was the FTSE/JSE Travel & Leisure Index with City Lodge (CLH) losing 6.71%.



05 December 2011

## COMPANY DISCUSSION

Mik Hannes  
Portfolio Manager

### Omnia (OMN)

8 800cps

### Market Cap:

R5 916

### Next FY End:

March 2012

### Year High/ Low:

9 000cps / 6 468cps

### Interim Dividend:

100cps

### Dividend LDT:

13 January 2012

### Year to date performance

#### JSE All Share:

+1.53%

### Note on Recommendations:

All recommendations are made relative to the broad market segment to which the underlying share belongs, namely Industrials, Financials and Resources.



## Omnia Holdings Ltd (OMN)

Omnia is a diversified chemical service provider. Its activities are classified into three major divisions:

- *Chemicals: Protea Chemicals, operating in southern and eastern Africa, is a manufacturer and distributor of chemicals and polymers. The company represents a large number of domestic and international principals.*
- *Mining: BME and Protea Mining Chemicals focus specifically on the mining sector. BME is a market leader in bulk explosives for opencast mining. It also manufactures electronic delay detonators, shocktube initiation systems and explosive cartridges for both underground and surface blasting applications.*
- *Agriculture: the division produces fertilizers and is active in southern and eastern Africa, Australasia and Brazil.*

### Interim results

During the interim period, the rand strengthened on average by some 6% against the dollar, depressing sales prices and reducing the overall rand margin. Apart from this direct effect, the stronger rand had a negative effect on the competitiveness of some customers, especially in the manufacturing sector.

Strong commodity prices boosted demand from customers for fertilizers (agriculture) and explosives (mining). The manufacturing sector continued to limp along, affecting demand from Protea Chemicals.

Revenue increased by 18% to R4.9bn, whilst operating profit grew by 20% to R351m. The receipt in September 2011 of R1bn, raised in the rights offer for the funding of a new nitric acid plant, helped to reduce debt and net finance costs.

Headline earnings per share showed a 2% increase to 346cps on the back of a 66% increase in the weighted average number of shares in issue due to the above mentioned rights offer of 20 million shares.

Net debt stands at R1.3bn, up from the R0.3bn at the end of the financial year (March 2011). The increase was on account of a further R0.4bn in capital expenditure, mostly directed towards the new plant, and R1.0bn in working capital, which traditionally peaks at the end of the interim period, ahead of the start of the summer planting season.

### OMN Share Price – OMN relative to Industrial Index (J211)



### Group Financials

		Sep 10	Mar 11	Sep 11	Mar 12	Mar 13
		Interim		Interim	Forecast	Forecast
<b>Revenue</b>	<b>Rm</b>	<b>4268</b>	<b>9368</b>	<b>4952</b>	<b>11013</b>	<b>12241</b>
Chemicals	Rm	1748	3596	1693	3578	4007
Mining	Rm	1081	2092	1378	2761	3093
Agriculture	Rm	1439	3680	1881	4671	5141
<b>Operating Profit</b>	<b>Rm</b>	<b>293</b>	<b>687</b>	<b>351</b>	<b>893</b>	<b>1187</b>
Chemicals	Rm	32	64	57	129	160
Mining	Rm	172	311	187	378	402
Agriculture	Rm	89	312	107	386	625#
<b>Profit Margin</b>	<b>%</b>	<b>6.9</b>	<b>7.3</b>	<b>7.1</b>	<b>8.1</b>	<b>9.7</b>
Chemicals	%	1.8	1.8	3.4	3.6	4.0
Mining	%	15.9	14.9	13.6	13.7	13.0
Agriculture	%	6.2	8.5	5.7	8.3	10.2
<b>Net Finance Costs</b>	<b>Rm</b>	<b>-51</b>	<b>-83</b>	<b>-33</b>	<b>-98</b>	<b>-106</b>
<b>Associates</b>	<b>Rm</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>		
<b>Profit before Tax</b>	<b>Rm</b>	<b>239</b>	<b>602</b>	<b>317</b>	<b>795</b>	<b>1081</b>
<b>Tax</b>	<b>Rm</b>	<b>-72</b>	<b>-151</b>	<b>-87</b>	<b>-231</b>	<b>-324</b>
<b>Profit after Tax</b>	<b>Rm</b>	<b>167</b>	<b>451</b>	<b>230</b>	<b>564</b>	<b>757</b>
<b>Headline Earnings</b>	<b>Rm</b>	<b>165</b>	<b>447</b>	<b>230</b>	<b>564</b>	<b>754</b>
Heps fully diluted	cps	340.6	765.1	346.1	850.0	1131.0
Dividend ordinary	cps	0	0	100	243	323
Shares in issue diluted	millio	48	58	66	66	67
P/E	x			11.4	10.3	7.8
DY	%			1.1	2.8	3.7

# includes R100m profit from the sale of Carbon Credits and R100m in net cost savings from new Nitric Acid plant

**Chemicals:** revenue declined by 3%, the result of a 6% decline in volumes and a 3% improvement in selling prices. Selling prices followed the rise in international prices, partially offset by the weaker Rand. Operating profit increased by 78% to R57m due to overhead cost reduction measures. The margin improved to 3.4% with the minimum target being set at 4.5%,

**Mining:** revenue improved by 27% driven by volume growth of 12% and selling price increases of 15%. The megamite plant was affected by an explosion resulting in an R18m loss in profit. The loss is subject to an insurance claim. The expansion in West Africa led to higher overhead/infrastructure costs affecting margins.

**Agriculture:** revenue increased by 31%. The disappearance of 2 competitors (Sasol and Yara) in the local market helped to push volumes by 20%, whilst selling prices escalated by 11%. However margins declined from 6.2% to 5.7%, due to the higher off-take of internally manufactured nitrates by BME, the explosives business, forcing agriculture to buy more expensive nitrates in the market. Once the new nitric acid plant is operational in 2013, Omnia projects a R280m saving in annual costs. Again, no carbon credits were sold.

The declaration of an interim dividend of 100cps was a surprise. Omnia had suspended the declaration of dividends since its capital raising exercise last year for the funding of the new nitric acid plant. The intention was to re-instate dividend payments in the 2013 financial year, once the new plant became operational.

A weakening rand tends to lead to rand margin expansion. Although a weaker Rand is supportive of the local manufacturing sector, no immediate volume recovery in Protea Chemicals is envisaged.

Unresolved Competition Commission issues relating to collusion charges in the fertilizer markets continue to dodge the company. No provision has been made, although damages could be significant. Ask Pioneer Foods.



The share trades on an estimated 12 month forward P/E multiple of 8.5x and a 12 month forward dividend yield of 3.3%. In the past year, the share price has outperformed the Industrial Index. Since the trading update, the share price has climbed by a further R10 to R88. Despite a potential strong earnings growth path over the next three years, we believe the share is fully valued on account of the recent price strength and rate the share as a Hold.



## EARNINGS DIARY

## RESULTS DIARY

This section summarizes the biggest companies that are reporting their results in the next week are: (The following HEPS and EPS are based on consensus).

Company Name	Date	HEPS	EPS
No results in the week			

## DIVIDEND REGISTER

The table below summarize the list of companies whose last day to trade for the dividend is this Friday 09 December 2011. These shares will be trading without the right to participate on the dividends on Monday 12 December 2011.

Company Name	Amount (cps)	LDT	EX-Dividend
Abil	100.00	09/12	12/12
CMH	13.00	09/12	12/12
Fambrands	80.00	09/12	12/12
Mr Price	93.60	09/12	12/12
Ububele	2.00	09/12	12/12
Vukile	54.31	09/12	12/12

*Please note that we are always looking for positive feedback on ways that we can improve this product to add value to our clients.*



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