

Market Analysis

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Inside Market Analysis

BUY Cynata Therapeutics	13,14,15	Neglect Ratings of New Zealand Shares	18
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Integrated Research revenues to rise 30% (and profits 100%?) from Cisco rollout for US Government..	8	Short Interest in Australian Shares	20, 21

Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

The stockmarket is the best place to build investment wealth over the medium to long term. So (1) as long as we can find attractive companies in which to invest and (2) we are not at the peak of an over-priced boom, then remain fully invested in shares!

Investment Outlook.

Your Editor's wife proofread the *Recommended Investments* section (Page 2-12) and commented "That is rather *depressing*. Not many companies are doing particularly well at the moment."

As long term readers of this newsletter may know, your Editor gets *excited* by anything *depressing*!

When all of our recommended companies are doing well, when all are reporting record profits and when their future outlook is for unlimited growth . . . then *that* is the time to panic and start selling!

When all the news is "good" then you are at the peak of an economic and stockmarket boom like 1987 and 2000! Investors will be optimistic and current share prices will be high, reflecting their favourable historical performance and even more attractive future growth potential.

When share prices are high (and one's portfolio is at a new high) then people will love shares, want to buy more and be "happy with the risks" involved. Shoeshine boys, taxi drivers and people you meet at parties will give you stock tips.

"Let's quit our day jobs and live off the capital gains". "Let's borrow money and buy *more* shares". "Let's trade share *options* and start making the really big money!". What could possibly go wrong?

We encourage investors to think about the answer to that question *now*. At the top of the next boom those will all *appear* to be intelligent strategies for instant wealth!

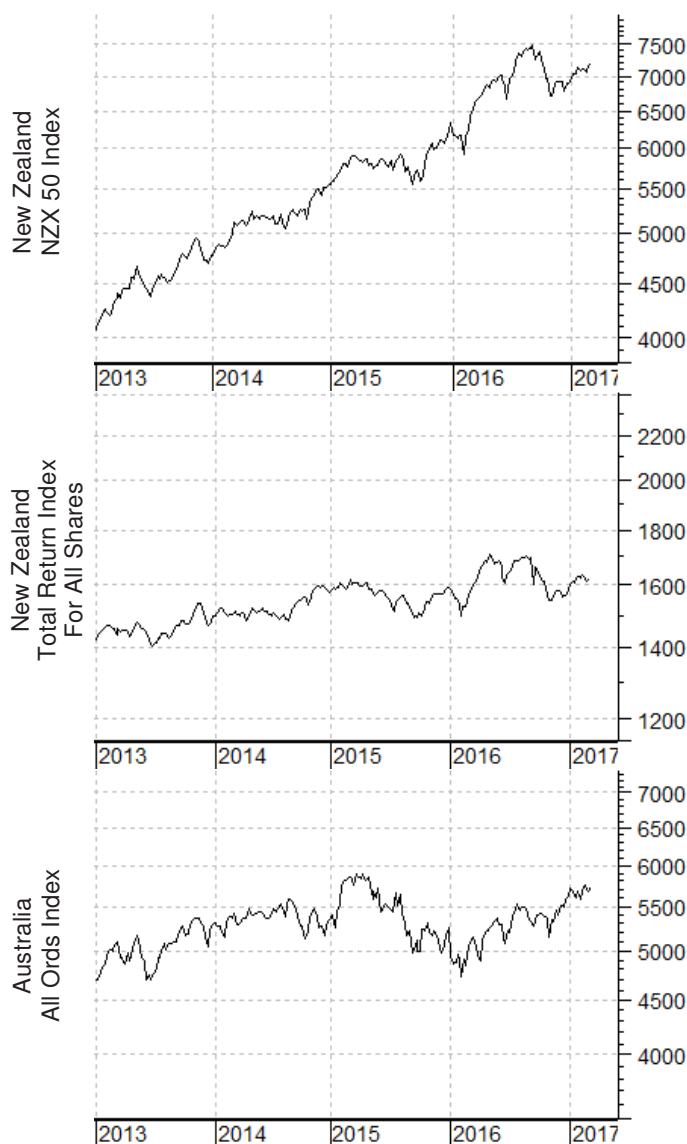
When share prices are low (and one's portfolio has dropped in value) then people hate, risky shares! "Let's sell to avoid further losses" and invest in a safe Finance Company deposit or a rental property.

Baron Rothschild said "The time to buy is when there is blood in the streets" and Sir John Templeton that "The time of maximum pessimism is the best time to buy".

As long as investors are depressed and pessimistic and there is "bad" news, then it is safe to buy and hold shares! A little "bad" news creates a lot of good value!

Stockmarket Forecasts

	One-Month	One-Year
Australia:	69% (Bullish)	72% (Bullish)
New Zealand:	68% (Bullish)	47% (Neutral)



Recommended Investments

CDL Investments

Year to 31/12/2016			
	Latest	Previous	Change
Revenues	\$74.4m	\$47.5m	+56.6%
Net Profit	\$27.0m	\$17.5m	+54.7%
Net Cash Surplus	\$38.2m	<\$11.2m>	-
Earnings per share	9.8c	6.3c	+54.3%
Dividends per share	3.0c	2.2c	+36.4%

CDL Investments is “looking to increase its sales activity” and expects to “deliver profitable growth in 2017” from existing subdivisions at Greville Road (Auckland), Magellan Heights (Hamilton) and Prestons Park (Christchurch). It will also seek to acquire additional land for future development.

The company's land for development has a book value of \$117.8 million (down \$8.8 million, owing to sales) but a market value of \$297.0 million (up \$32.0 million). That \$179.2 million of market value in excess of book value is future, unrealised profits.

Net assets per share is 58.4 cents at book value or 123 cents at market value. This is an asset-rich property company and at 86 cents the shares trade at a 30% discount to net assets. The Price/Earnings ratio of 9 and Dividend Yield of 4.8% also indicate good value.

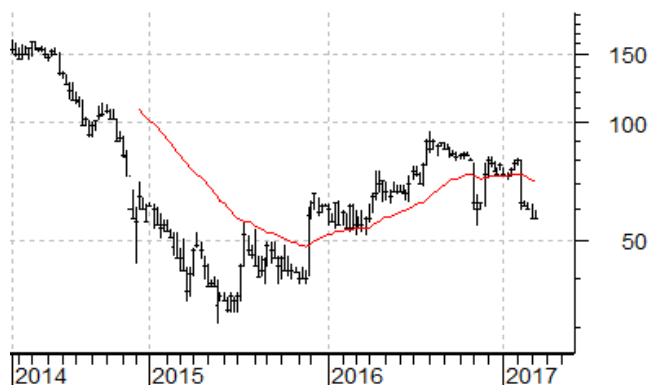
CDL Investments



Cavalier Corporation's revenues fell 14% (owing to the sale of its carpet tile business) and the company made a “normalised” loss of \$1,876,000. In addition there was an abnormal gain (i.e. a \$3.7 million gain on the wool scouring business merger, less \$1.8 million of restructuring costs).

Six Months to 31/12/2016			
	Latest	Previous	Change
Revenues	\$84.3m	\$98.4m	-14.4%
Net Profit	<\$1.9m>	\$2.4m	-
Net Cash Surplus	<\$4.8m>	\$5.7m	-
Earnings per share	Nil	3.5c	-
Dividends per share	Nil	Nil	-

Cavalier Corporation



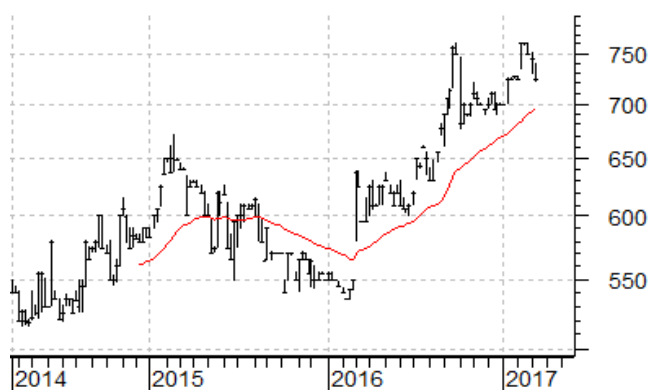
Colonial Motor Company

Six Months to 31/12/2016			
	Latest	Previous	Change
Revenues	\$438.2m	\$439.0m	-0.2%
Net Profit	\$10.3m	\$9.5m	+8.4%
Net Cash Surplus	\$12.4m	\$6.5m	+90.5%
Earnings per share	31.4c	28.8c	+8.4%
Dividends per share	13.0c	13.0c	-

The new vehicle market is continuing to grow and the company has “strong forward orders for heavy trucks”.

The Price/Sales ratio of 0.27, Price/Earning ratio of 12 and Dividend Yield of 7.7% all indicate good value. Over the last year there have been five *insider* buys on-market (and no sells).

Colonial Motor Company



Steel & Tube Holdings

Six Months to 31/12/2016			
	Latest	Previous	Change
Revenues	\$255.9m	\$265.9m	-3.8%
Net Profit	\$10.6m	\$9.9m	+7.1%
Net Cash Surplus	\$14.0m	\$9.4m	+49.9%
Earnings per share	11.8c	10.9c	+7.1%
Dividends per share	9.0c	9.0c	-

Steel prices have fallen since 2011, eroding revenues and profit margins, but this has been “offset by improved business performance”. Steel prices have now “started to recover” which should lead to “improved results in the medium term”.

The company expects “improved earnings” in the second half, helped by a steel price increase in February and new contracts for *S&T Plastics*.

Steel & Tube Holdings is continuing to invest in its business. It opened a new Dunedin facility last month, with a new Christchurch Processing facility to be opened in 2017 and the Christchurch Distribution facility will be re-developed in early 2018.

The Price/Sales ratio is a low 0.44, a low Price/Earnings ratio of 11 and a very high Dividend Yield of 10.6%. That is a very low valuation! The company sees the potential for “improved results” ahead and the shares appear to be in a new uptrend, with a Relative Strength rating of +6.2%, ranked 16 (on a scale of 0-99). “Buy”.

Steel & Tube Holdings



(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	276.9	1.0	3.20	9	4.8	86	29.8	+363%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	E	68.7	1.8	0.21	13	Nil	57	282.0	+117%
HOLD+	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.6	0.27	12	7.7	725	500.3	+857%
HOLD+	Smiths City Group	SCY	09/10/06	64	C	52.7	1.3	0.17	12	3.6	70	33.5	+62%
HOLD+	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.5	4.07	17	6.3	570	258.8	+591%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	90.6	1.0	0.44	11	10.6	248	347.6	+308%
<u>Australian Shares (in Aust cents)</u>													
HOLD+	Acrux Limited	ACR	12/05/14	99	C	166.5	1.9	1.63	4	Nil	28	14.0	-58%
HOLD	AJ Lucas Group	AJL	13/05/03	107*	D	390.5	1.8	0.74	NE	Nil	25	36.4	-43%
HOLD+	ALS Limited	ALQ	12/10/99	72*	A	504.2	0.7	2.19	30	2.3	594	287.9	+1125%
BUY	AtCor Medical Ltd	ACG	11/11/13	15	C	201.7	4.1	2.45	NE	Nil	6	Nil	-59%
HOLD+	Atlas Pearls & Perfume	ATP	14/05/96	73	C	419.4	6.0	0.66	13	Nil	3	17.5	-72%
BUY	Brickworks Ltd	BKW	12/11/12	1115	B	149.1	0.4	2.60	13	3.7	1312	158.5	+32%
HOLD	Cardno Ltd	CDD	14/12/09	223*	B	479.6	1.0	0.46	73	Nil	115	98.0	-4%
HOLD	Clarius Group Ltd	CND	08/04/03	82*	C	89.6	3.1	0.05	NE	Nil	10	70.5	-2%
HOLD	CPT Global Ltd	CGO	10/03/08	88	D	37.2	2.3	0.21	NE	Nil	17	15.8	-63%
HOLD	CSG Limited	CSV	11/10/10	175	A	319.7	1.5	0.63	9	18.4	49	64.0	-35%
BUY	Cynata Thera.	CYP	13/03/17	50	C	72.7	1.6	NA	NE	Nil	50	Nil	
HOLD	Ellex Medical Lasers	ELX	14/03/06	49	B	121.1	1.2	1.78	38	Nil	114	Nil	+132%
HOLD	Fiducian Group	FID	11/02/08	260	B	31.1	0.7	3.76	23	2.9	424	77.0	+93%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	231.6	1.0	2.05	8	7.7	91	60.5	+43%
HOLD+	Iuka Resources Ltd	ILU	12/10/04	471	A	418.7	0.7	3.60	NE	0.5	666	238.0	+92%
HOLD	Integrated Research	IRI	14/01/08	40	A	170.6	0.5	5.30	28	2.5	263	46.0	+673%
BUY	McMillan Shakespeare G	MMS	07/11/16	1041	A	83.2	0.5	2.06	13	5.0	1250	Nil	+20%
HOLD	Melbourne IT	MLB	10/02/04	53	A	100.9	0.7	1.31	20	3.7	218	187.0	+664%
HOLD+	Michael Hill Int'l Ltd	MHJ	11/06/91	4*	B	387.4	1.1	0.93	18	3.5	134	64.8	+4871%
HOLD+	Mt Gibson Iron	MGX	10/11/14	44	B	1096.6	1.7	1.81	NE	Nil	41	Nil	-8%
HOLD	Novarise Renewable Res	NOE	14/03/11	25	C	415.1	2.4	0.42	NE	Nil	16	Nil	-36%
HOLD	Onterran Ltd	OTR	16/08/10	103*	E	57.5	1.6	0.07	NE	Nil	32	Nil	-69%
HOLD-	Opthea Limited	OPT	10/02/04	188	D	160.2	1.1	NA	NE	Nil	93	65.0	-16%
BUY	OZ Minerals	OZL	14/03/16	522	A	298.7	0.6	2.98	23	2.4	821	20.0	+61%
HOLD	Programmed Group	PRG	12/03/02	229*	A	257.3	1.2	0.22	78	6.0	191	389.5	+154%
BUY	Prophecy International	PRO	08/09/08	26	B	64.0	1.4	2.25	14	7.8	52	24.0	+190%
BUY	Reckon Limited	RKN	08/08/16	141	B	112.5	0.7	2.04	18	2.8	177	5.0	+29%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	313.3	0.6	6.43	39	1.3	511	66.9	+1213%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	B	390.3	1.0	2.95	8	2.1	146	26.2	+281%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	B	28.9	0.6	0.29	14	5.4	816	449.5	+392%
HOLD+	Village Roadshow	VRL	10/08/09	77	B	161.8	0.6	0.57	12	7.4	380	309.0	+795%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +339.2%. This is equal to an average annual rate of +30.9%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 37 current and 164 closed out) is +32.3%, compared with a market gain of +3.9% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

Recommended Investments

(Continued from Page 3)

Australian Shares

(This section is in Australian currency, unless stated.)

There are about 500 companies in the All Ordinaries Index and 65 of these will change in the March 2017 quarterly review. Acrux and Prophecy International will be removed from the index, while AJ Lucas, Ellex Medical Lasers and Michael Hill will be added.

Acrux Limited

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$14.3m	\$15.5m	-7.4%
Net Profit	\$6.3m	\$7.9m	-19.4%
Net Cash Surplus	\$2.6m	\$8.4m	-69.5%
Earnings per share	3.8c	4.7c	-19.4%
Dividends per share	Nil	Nil	-

Cash on hand is \$31.7 million (19.0 cents per share) - equal to 68% of the share price. The stockmarket is therefore placing very little value - just \$15 million - on Acrux's current royalty streams, future product development potential or existing technologies.

Revenues were down slightly while expenses increased. Research & Development expenditure on new products rose 47% to \$3.6 million. At 28 cents the shares trade on a Price/Research ratio of 13.0.

The company expects that the launch of generic products in competition with *Axiron* "will cause a material decline in net sales and royalties", but no generic products have yet been launched. The result of its appeal against the loss of patent protection is expected in the September quarter, so potential generic competitors may be waiting for that determination before launching products.

Acrux has made "solid progress on five generic projects" and selected Canada based **Groupe Parima** to contract manufacture these products. Two more projects are planned for mid-2017.

Acrux Ltd



AJ Lucas Group

Six Months to 31/12/2016

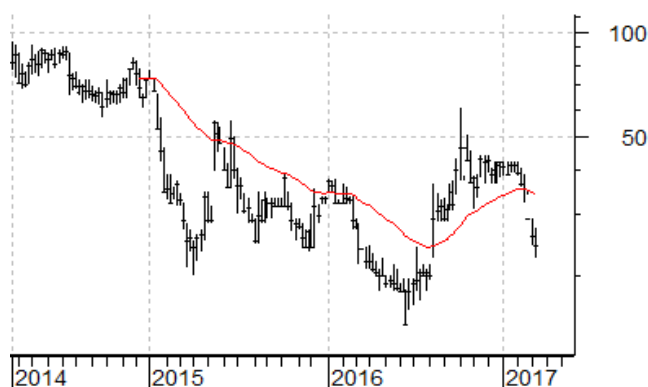
	Latest	Previous	Change
Revenues	\$51.4m	\$56.4m	-8.9%
Net Profit	<\$25.2m>	<\$17.9m>	-
Net Cash Surplus	<\$7.2m>	\$5.9m	-
Earnings per share	Nil	Nil	-
Dividends per share	Nil	Nil	-

The Drilling division suffered a 9% drop in revenues to \$34.6 million with a 69% fall in earnings to \$1.6 million. Engineering & Construction revenues were down 8% at \$16.8 million but earnings fell from \$5.3 million last year to a loss of \$150,000.

Both divisions now have "a strong order book which is materially higher" than six months ago.

The company will make a pro-rata cash issue in April to raise at least US\$25 million.

AJ Lucas Group



AtCor Medical

Six Months Year to 31/12/2016

	Latest	Previous	Change
Revenues	\$1.8m	\$1.7m	+8.9%
Net Profit	<\$2.442m>	<\$2.551m>	-
Net Cash Surplus	<\$2.0m>	<\$2.7m>	-
Earnings per share	<0.9c>	<1.2c>	-
Dividends per share	Nil	Nil	-

The company reports "progress engaging with large US buying groups, *Integrated Delivery Networks* (IDN's), which is expected to "speed up the sales process". "Contracting with an IDN can yield from 30 to 80 *SphygmoCor* units sales within the first 18 months".

In late February, AtCor Medical signed a contract with an IDN, **Emory University** and **Emory Healthcare**, in Atlanta, to supply "up to 40 *SphygmoCor* systems" over the next 18 months. At around US\$15,000 per unit that could add around US\$600,000 to revenues. This IDN includes six hospitals, 258 specialty care and 109 primary care locations.

AtCor Medical expects its *SphygmoCor* to receive a *Class 2* registration in Japan, which will allow sales to clinicians.

In addition, "negotiations are in progress with a number of pharmaceutical and medical device companies for supply of systems that may generate considerable operating cash".

AtCor Medical needs to achieve these sales (i.e. to IDN's and/or pharmaceutical companies) to generate the cashflows to finance its operations and expand marketing.

The *SphygmoCor* generates a 74% gross profit margin but to cover overheads the company needs to triple annual revenues to around \$11½-12 million. That would achieve a break-even result, with revenues above that level rapidly contributing to profits.

This is the risk/return profile for this company. If AtCor Medical spends \$4-5 million a year on marketing without achieving adequate sales revenue then it will require additional capital (i.e. diluting the ultimate value of the business) and may never become commercially viable. If every \$1 on marketing can generate \$2 in sales (i.e. \$4-5 million generates an extra \$8-10 million in revenues) then the company will achieve a break-even and is then poised to become a very valuable business.

So our investment in AtCor Medical involves high risk, but also offers the potential for high returns.

During February the company received a \$472,133 refund under the **Australian Tax Office R&D tax incentive program.** That will lift cash to \$2.2 million.

A study has found that central aortic waveform, as measured by *SphygmoCor*, “was able to clearly identify the patients that would positively respond to more aggressive drug therapy while bacial cuff blood pressure could not”.

AtCor Medical



Atlas Pearls & Perfumes

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$7.4m	\$7.0m	+4.6%
Net Profit	\$0.4m	\$0.5m	-13.2%
Net Cash Surplus	<\$1.3m>	<\$0.2m>	-
Earnings per share	0.1c	0.1c	-13.2%
Dividends per share	Nil	Nil	-

Pearl numbers on hand increased from 66,979 in June to 108,917 in December. Book value (at cost) was \$2.3 million but market value is around \$3.3 million.

Atlas Pearls & Perfumes



Cardno Ltd reported a drop in profitability and net cash flows, but the new management presents this as some sort of turnaround:

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$575.7m	\$596.7m	-3.5%
Net Profit	<\$21.1m>	\$5.5m	-
Net Cash Surplus	<\$9.9m>	\$26.1m	-
Earnings per share	Nil	3.2c	-100.0%
Dividends per share	Nil	Nil	-

In 2015 there was a loss on the sale of a business (resulting in a total loss of \$53.6 million, which has been “restated” under different accounting treatment to a loss last year of \$30.2 million).

In 2016 there was a gain on the sale of a business, resulting in a total profit of \$6.5 million.

So the new management focus upon the “improvement” from the 2015 loss of \$30.2 million to the recent profit of \$6.5 million . . . but trading profits are down from \$5.5 million to a loss of \$21.1 million. Gains or losses on the sale of businesses are one-off items!

The decline in the net operating surplus to a deficit confirms the decline in operating performance.

The trading result was, of course, depressed by restructuring costs (\$7.7 million) and business review costs (\$31.8 million), so as these costs reduce the business should return to profitability.

It is therefore a little surprising to see the company announcing plans to buy back (maybe) up to 10% of its capital on-market over the next year. The balance sheet, of course, is in a much stronger position after a couple of cash issues over the last year or so.

Cardno Ltd



Clarius Group

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$80.7m	\$95.5m	-15.4%
Net Profit	<\$1.359m>	<\$0.221m>	-
Net Cash Surplus	<\$0.869m>	\$0.069m	-
Earnings per share	<1.52c>	<0.25c>	-
Dividends per share	Nil	Nil	-

(Continued On Page 6)

Recommended Investments

(Continued from Page 5)

Clarius Group



CPT Global

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$14.3m	\$12.8m	+12.5%
Net Profit	<\$0.316m>	<\$1.878m>	-
Net Cash Surplus	<\$0.667m>	\$1.8m	-
Earnings per share	Nil	Nil	-
Dividends per share	Nil	Nil	-

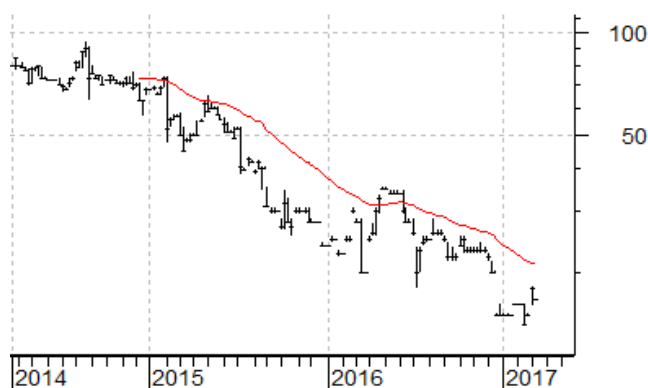
The Australian business “is expected to continue to grow” but with lower margins offsetting higher volumes!

The North American region offers the best short term potential to improve the company's results, with “a very strong pipeline of sales”. Additional resources “have been allocated to assist the North American team” to convert these opportunities and deliver on the projects.

The European business is uncertain, with weakness in Italian banking although “opportunities in the Nordic region” are “starting to open up”.

CPT Global is also seeking “new digital revenue streams”. It has “achieved early results” in robotic automation and sees “good potential for further growth”. Through partnerships it is “investing in training in digital experience, digital design and code analytics”.

CPT Global



CSG Limited reported a 38% drop in net profits to \$4.2 million (excluding a \$3.6 million gain relating to a

favourable tax ruling relating to its Long Term Incentive Plan):

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$120.7m	\$117.0m	+3.2%
Net Profit	\$4.2m	\$6.8m	-38.5%
Net Cash Surplus	\$1.2m	\$1.2m	+3.6%
Earnings per share	1.3c	2.1c	-38.5%
Dividends per share	Nil	4.0c	-100.0%

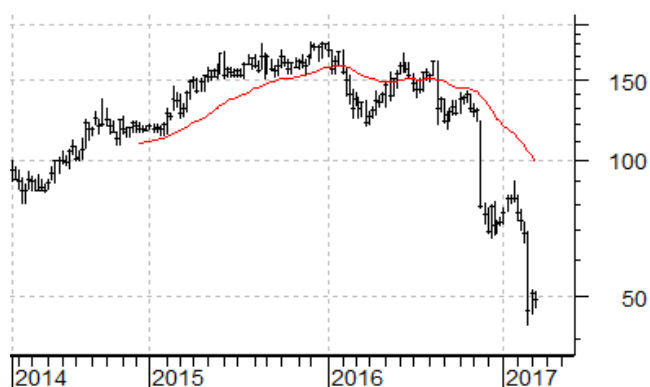
Underlying earnings (before interest, depreciation and tax) were down 18% to \$14.1 million as the company warned in November. The company has, however, further downgraded its full year forecast: Underlying earnings for the full year have been lowered from \$38-42 million to \$30-36 million, with total revenues lowered from \$300 million to \$250-275 million.

No interim dividend will be paid for this half year to retain cash to “preserve maximum capital flexibility to accelerate growth”. The net operating cash surplus - after adjusting for movements in lease receivables - was steady at \$1.2 million.

At the end of January, the company acquired **R&G Technologies**, a Brisbane based Managed Services and IT Services company, for \$6.55 million (i.e. \$3.64 million in cash and \$0.91 million in shares and \$2.0 million in shares after 18 months).

CSG Ltd's *Technology as a Subscription* business (i.e. selling equipment and services on monthly payments over five years) grew strongly to account for 23% of equipment sales. The number of users rose 43% over the half year (up 75% on a year ago) to 10,700 “seats”. The R&G Technology acquisition adds a further 2600 subscription seats and the company aims to grow this a further 30% to over 17,000 users by June 2017.

CSG Ltd



Ellex Medical Lasers

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$34.3m	\$34.8m	-1.6%
Net Profit	\$1.0m	\$1.2m	-14.0%
Net Cash Surplus	<\$0.4m>	\$2.8m	-
Earnings per share	0.8c	1.1c	-24.7%
Dividends per share	Nil	Nil	-

The drop in the net operating surplus reflects the \$5.3 million build up of inventories (to \$24.0 million) which is partly the result of its move to new manufacturing facilities.

The company has started to report its results for three divisions: Lasers & Ultrasounds (i.e. its core business), 2RT (i.e. to treat early stage Age-Related Macular Degeneration) and iTrack.

Lasers & Ultrasound recorded a 4% drop in revenues to \$30.4 million, but this accounts for 89% of current group revenues. Earnings were down 6% at \$4.3 million, which is 98% of group earnings. This is the core business that produces revenues and profits to fund its newer businesses.

The Laser& Ultrasound core business still has good growth potential. The company, for example, sees strong growth for its *Ellex SLT* treatment for glaucoma. A single treatment “can free a patient from the need for daily drops for up to ten years”. 40% of ophthalmologists in Australia offer this treatment, 10% in Japan, 8% in the US and 5% in Europe. In China and India the level is only 3% and the company is seeking to “increase market penetration in both developed and developing markets”. Raising levels in Asia to 8-10% would generate “tens of millions of dollars” in additional sales “over the next few years”.

2RT revenues fell 59% to \$236,000 with a *loss* of \$400,000. The company is making small volumes of sales to “early adopters”, while larger volume sales will depend upon the results of its Phase III clinical trial, covering 300 patients, that will be completed in mid-2018. The company is “not aware of any other company pursuing a therapy for [early stage] AMD”. This is a major cause of blindness and affects 15% of the population over 50 years of age. Ellex Medical seeks to win some part of the US\$5100 million annual spend treating the disease in its later stages.

iTrack revenues rose 32% to \$3.6 million, with earnings down 15% at \$477,000. iTrack sales in the United States were up only 15% for the period, but have started the new half year strongly, up 25% for January and February.

Ellex Medical Lasers



Fiducian Group

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$19.9m	\$17.3m	+15.3%
Net Profit	\$3.4m	\$2.7m	+27.1%
Net Cash Surplus	\$3.6m	\$1.6m	+132.7%
Earnings per share	11.0c	8.7c	+27.1%
Dividends per share	7.1c	5.5c	+29.1%

Fiducian Group



Finbar Group reported a loss for the half year. This reflects, firstly, the *timing* of the completion and settlement of major projects and, secondly, an investment property write-down of \$2,963,137 (a \$5.3 million write-down the previous year). A steady interim dividend will be paid and the full year profit is predicted to exceed the June 2016 result.

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$19.6m	\$32.9m	-40.5%
Net Profit	<\$2.9m>	\$6.9m	-
Earnings per share	<1.3c>	3.0c	-
Dividends per share	3.0c	3.0c	-

Finbar Group has discontinued marketing the *Civic Heart* project owing to “a high level of uncertainty around the planning framework”. The project will be redesigned to meet expected scheme amendments.

Although Finbar Group is suffering from the economic downturn in Western Australia, the share price appears to have fully anticipated that cyclical drop in property development activity. This is a sound business that has remained profitable and has very long term development projects.

“Buy” for current income, and medium term profit, dividend and share price recovery.

Finbar Group



(Continued on Page 8)

Recommended Investments

(Continued from Page 7)

Iuka Resources

Year to 31/12/2016

	Latest	Previous	Change
Revenues	\$774.4m	\$882.2m	-12.2%
Net Profit	<\$83.3m>	\$53.5m	-
Net Cash Surplus	\$137.3m	\$229.5m	-38.2%
Earnings per share	Nil	12.8c	-100.0%
Dividends per share	3.0c	25.0c	-88.0%

No final dividend will be paid, leaving the annual payout 88% lower at 3.0 cents. The business generated a cash surplus, but those funds are being retained to finance future expansion and/or to repay some of the debt use to acquire **Sierra Rutile**.

In addition to the loss above there was \$140.7 million of asset impairments.

A Zircon price increase in the September quarter was “partially achieved” and a further US\$50/tonne increase became effective from 15 February 2017.

Iuka Resources



Integrated Research

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$43.3m	\$39.4m	+10.1%
Net Profit	\$7.7m	\$6.2m	+24.6%
Net Cash Surplus	\$6.8m	\$0.3m	+2261.2%
Earnings per share	4.5c	3.7c	+24.6%
Dividends per share	3.0c	3.0c	-

We have adjusted the net cash operating surplus by deducting cash spent on capitalised development as this gives a truer indication of cash generated by the business. Last year the cash surplus was depressed as the company migrated to a *Software as a Service* pricing model. 81% of revenue is now recurring.

Cisco is providing a cloud solution for the **US Federal Government** that will include an Integrated Research's *prognosis* with every user licence. This rollout began in January and will immediately boost revenues by up to \$2.1 million per month (\$25 million annually) - equal to about a 30% increase in group revenues (and a 100% increase in net profits?).

At 263 cents, Integrated Research shares trade on a Price/Sales ratio of 5.3, a Price/Earnings ratio of 28 and a Dividend Yield of 2.5%. That looks a bit expensive, but the Cisco rollout for the US Federal Government could *double* profitability. The shares would then look very cheap! The rest of the business also has good long term growth potential.

We bought these shares nine years ago and, with the current interim dividend, will have received back 115% of that initial investment from cash dividends! The share price has appreciated 557% (after first dropping 55% in value during 2008 to a low of 18 cents).

With strong growth potential the shares remain an attractive “Hold” or a “Buy” on any further weakness (or for investors who do not have a holding in this company).

Integrated Research



McMillan Shakespeare

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$251.3m	\$244.3m	+2.9%
Net Profit	\$40.4m	\$38.9m	+3.8%
Net Cash Surplus	\$10.3m	\$14.8m	-30.6%
Earnings per share	48.6c	47.1c	+3.8%
Dividends per share	31.0c	29.0c	+6.8%

Group Remuneration Service's revenues fell 1%, with earnings steady at \$28.2 million (i.e. 67% of group earnings). Asset Management revenues rose 7% with earnings up 19% at \$8.2 million. Retail Financial Services revenues were up 2%, but earnings fell 14%.

The company has acquired two UK finance brokers: On 1 December it purchased **European Vehicle Contracts** for an expected consideration of £4.4 million (A\$7.5 million). £2.9 million was paid upfront and up to £3.1 in two instalments based on performance over the next two years and four years. This business provides vehicle finance through a network of 400 dealers.

On 6 January **Capex Asset Finance**, an asset finance broker, was acquired on an initial consideration of £3.0 million plus deferred consideration of up to £3.7 million based on future earnings.

The UK Asset Management deferred its *Lifestyle Lease* product pending a review of car salary sacrifice

by **HMRC** which has “clarified rules”, effective from 6 April 2017 when the company will deliver its first vehicles to customers.

McMillan Shakespeare



Melbourne IT experienced a recovery in profits and lifted the annual dividend:

Year to 31/12/2016

	Latest	Previous	Change
Revenues	\$168.4m	\$150.3m	+12.1%
Net Profit	\$10.7m	\$5.6m	+91.2%
Net Cash Surplus	\$14.3m	\$16.1m	-11.2%
Earnings per share	10.6c	6.0c	+76.2%
Dividends per share	8.0c	5.0c	+60.0%

The company predicts earnings per share will grow 5-18% over the current year to December 2017.

Melbourne IT is bringing forward the acquisition of the remaining 24.9% of **Outware Systems Pty.** It will pay \$26.9 million, bringing the total cost of this acquisition to \$57.8 million.

This will accelerate the integration of the business and the three founders of Outware Systems will take on expanded roles in Melbourne IT.

Melbourne IT



Michael Hill International reports moderate growth in revenues, profits and the dividend (i.e. NZ\$0.025 last year and A\$0.025 this year, 50% franked for Australian investors and with full imputation tax credits for NZ investors). The net operating cash surplus was lower owing to a NZ\$22.6 million settlement with NZ Inland Revenue:

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$327.5m	\$310.8m	+5.4%
Net Profit	\$25.8m	\$24.9m	+3.4%
Net Cash Surplus	\$15.9m	\$32.5m	-51.0%
Earnings per share	6.7c	6.5c	+2.3%
Dividends per share	2.5c	2.345c	+6.6%

The United States is still a “viable market with enormous potential” but requires work to lift brand awareness through effective marketing. This division (i.e. 3% of group revenues and a small loss) is now being run from Canada, which suggests the company will focus on other areas for growth in the short to medium term.

Canada sales rose 16.7% (in local currency terms) with net profits up 26.0%. This reflects economies of scale in this market, lifting profit margins from 13.0% to 14.1%. This is still below Australia (at 18.5%) and New Zealand (at 24.7%) indicating potential for further improvement.

Michael Hill International

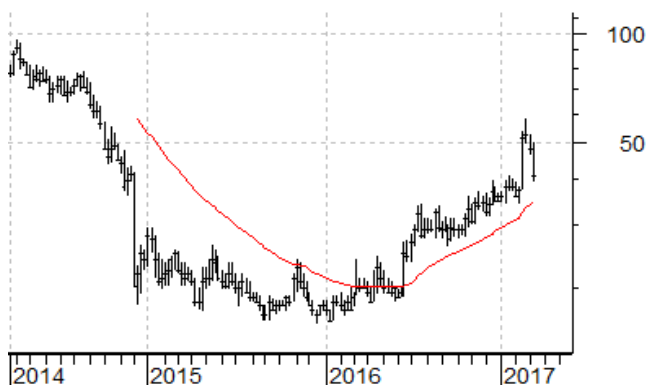


Mt Gibson Iron

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$99.8m	\$128.6m	-22.4%
Net Profit	\$22.9m	\$5.8m	+295.7%
Net Cash Surplus	\$7.0m	\$6.0m	+15.6%
Earnings per share	2.1c	0.5c	+295.7%
Dividends per share	Nil	Nil	-

Mt Gibson Iron



(Continued on Page 10)

Recommended Investments

(Continued from Page 9)

Onterran Limited requested its shares be suspended on 14 February pending an announcement regarding “the potential divestment of a subsidiary” expected by 20 February. It then requested an extension until 27 February and then until 10 April.

Onterran is to sell or wind up its construction businesses. It is seeking to sell *McGrath Modular* and wind down *Bloomer Construction* by transferring contracts to other parties.

The company will “concentrate on its successful tourism development assets at Couran Cove”.

Onterran Ltd



Opthea Limited spent \$2,757,748 (up 121%) on Research & Development over the six months to 31 December 2016. Cash on hand was \$13.1 million (8.7 cents per share).

The company has met with the **US Food & Drug Administration** to discuss the “scope and design” of its large, randomised and controlled Phase 2B wet AMD clinical trial. In the Phase 1/2A clinical study, Phase 1 demonstrated “safety and tolerability” and results of the Phase 2A dose expansion will be released by the end of this month.

Opthea Ltd



OZ Minerals

Year to 31/12/2016

	Latest	Previous	Change
Revenues	\$822.9m	\$879.4m	-6.4%
Net Profit	\$107.8m	\$130.2m	-17.2%
Net Cash Surplus	\$324.1m	\$429.8m	-24.6%
Earnings per share	35.7c	42.9c	-16.8%
Dividends per share	20.0c	20.0c	-

The annual dividend rate remained steady at 20.0 cents, but the final 14.0 cents includes full franking credits.

Cash in the bank was \$655.7 million (220 cents per share). Ore stockpiles increased \$227.8 million to \$535.9 million (179 cents per share), \$404.5 million at cost and \$131.4 million at “net realisable value”. These two assets (at book value) account for 49% of the current share price of 821 cents.

This buildup in the stockpile depresses the *current* net cash operating surplus, but will boost the *future* cash surpluses when these stockpiles are run down.

In fact, the real value of those stockpiles may be much greater than \$535 million. OZ minerals has hedged 200,263 ounces of gold at an average price of A\$1731 per ounce, which equals A\$346.7 million in sales. The company states “the hedged gold sales represent around 60% of the Gold contained in stockpiles at 31 December 2016”, so the stockpile contains \$578 million of Gold.

Historically Gold sales generate 20-25% of revenues, with 75-80% from Copper. Even if the stockpile has “gold rich ore” it could contain \$1100-1500 million of Copper. Processing the stockpile could therefore realise \$1650-2050 million in revenues (550-685 cents per share).

OZ Minerals will update the market on its *Carrapateena* development on 28 April “following board consideration of the project Feasibility Study”. This has identified one early change and the company will begin contraction of a second access decline parallel with the main *Tjati* decline. This is “cost neutral”, replacing some ventilation rises, but provides “ventilation and emergency egress” in the early stages of development and later can be used as a “separate pathway for the ore conveyor” away from the mobile fleet using the main decline. Overall this “provides a significantly lower risk profile for the project and increased future operational flexibility”.

OZ Minerals



Prophecy International experienced a 26% drop in revenues and, as happens in an economies-of-scale business (e.g. this type of software, where costs are relatively fixed), all of that decline in revenues reduced net profits - which were 93% lower:

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$5.9m	\$8.0m	-25.8%
Net Profit	\$0.128m	\$1.751m	-92.7%
Net Cash Surplus	\$1.246m	\$2.682m	-53.6%
Earnings per share	0.2c	2.7c	-92.7%
Dividends per share	Nil	2.0c	-100.0%

Up to 80% of that revenue decline results from moving eMite from selling perpetual licences (i.e. with just one big upfront payment) to recurring subscriptions. eMite revenues fell 65% (i.e. down \$1.7 million) to just \$0.9 million, with a loss of \$1.3 million (compared with a profit of \$0.4 million a year earlier).

“A large amount of additional technical work has now been completed to allow the full and deep integration of the eMite Advanced Analytics and Reporting solution with both the **Interactive Intelligence**” (i.e. contact centre management software) “and **Cherwell Software**” (i.e. service desk management software). The company is finalising partner agreements to “maximise the opportunities available within these large customer bases”.

The company also states “the market for this type of solution is very large” as eMite can work “with all major third party [software] products”.

Unfortunately SNARE sales were also down 13%, with earnings down 39% to \$1.3 million.

Legacy businesses lifted revenues 6% with earnings up 14-fold (but off very little earnings last year) to \$0.4 million.

No interim dividend will be paid.

Despite the downturn in revenues, the business remains cashflow positive (i.e. able to finance future development, if not dividends) and with \$1.2 million (1.9 cents per share) of cash in the bank.

At 52 cents, Prophecy International shares trade on a (historical) Price/Sales ratio of 2.25. That is relatively low for a software company that could be good value on a P/S ratio of 3-5. For example, our other profitable, cashflow positive software companies, Integrated Research, Technology One and Reckon trade on P/S ratios of 5.2, 6.4 and 2.0. Xero trades on a P/S greater than 10.0!

So while this is not a great result, it could be a great buying opportunity!

Prophecy International Holdings



Reckon Limited

Year to 31/12/2016

	Latest	Previous	Change
Revenues	\$97.8m	\$91.4m	+6.9%
Net Profit	\$11.0m	\$14.6m	-24.6%
Net Cash Surplus	\$6.8m	\$13.7m	-50.1%
Earnings per share	9.8c	13.1c	-24.6%
Dividends per share	5.0c	7.25c	-31.0%

The net operating cash surplus reported above is after deducting capitalised development costs.

Current profitability is depressed by “new market initiatives” up 108% to \$9.8 million. Excluding this marketing expense, profits from the existing business rose 8% to \$20.8 million.

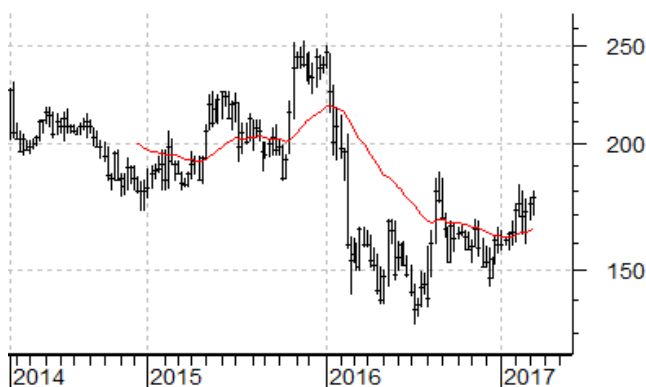
Expenditure on software development was \$22.8 million, of which \$19.6 million was expensed in the period.

That is \$22.8 million spent on product development and \$9.8 million on market development.

82% of revenue is now from recurring subscriptions.

Practice Management revenues rose 4% to \$46.8 million (from users up 8% to 92,000), Business (i.e. Accounting software) revenues rose 0.3% to \$35.5 million (with online users up 18% to 39,000) and Document Management revenues, helped by an earlier acquisition, rose 70% to \$14.8 million.

Reckon Ltd



TFS Corporation

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$152.6m	\$150.6m	+1.3%
Net Profit	\$28.3m	\$50.2m	-43.6%
Net Cash Surplus	<\$32.6m>	<\$22.1m>	-
Earnings per share	7.3c	14.6c	-50.3%
Dividends per share	Nil	Nil	-

Most of the revenues and profits are earned in the last quarter of the year, so the first half result can be volatile. The full year forecast is for “cash earnings” (before interest, tax and depreciation - and excluding plantation valuation gains) to be “more than 25%” higher than 2016.

(Continued on Page 12)

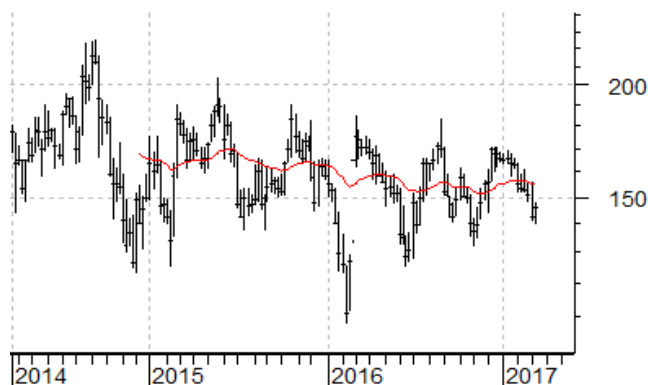
Recommended Investments

(Continued from Page 11)

TFS Corporation is negotiating with “one of the world’s largest banks” for a A\$35 million revolving credit facility.

The company name change to **Quintis Ltd** will become effective from 23 March and the shares will trade under the code QIN.

TFS Corporation



The Reject Shop's profit fell slightly owing to “sales under expectations” and the need to discount some stock.

Six Months to 31/12/2016

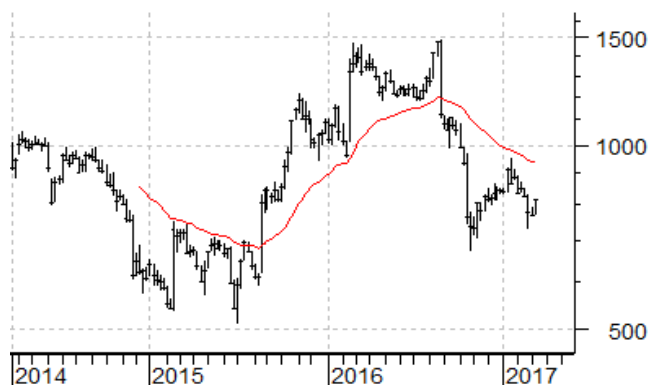
	Latest	Previous	Change
Revenues	\$433.0m	\$424.7m	+1.9%
Net Profit	\$17.5m	\$18.3m	-4.4%
Net Cash Surplus	\$39.5m	\$26.5m	+49.1%
Earnings per share	60.7c	63.5c	-4.4%
Dividends per share	24.0c	25.0c	-4.0%

The new Melbourne Distribution Centre opened on time and on budget.

Eight new stores were opened in the first half of the year and a further five are scheduled to open in the current period.

The group has consolidated six Container Freight Stations in Asia to just two sites. This will allow the company to “increase the mix of products”, “achieve higher container utilisation” and “increase shipping flexibility”.

The Reject Shop



Village Roadshow lifted trading profits 15% to \$19.1 million, but under Accounting rules was required to immediately write off its additional US\$5.0 million (A\$6.6 million) investment in **Village Roadshow Entertainment** and its US\$14.3 million (A\$19.2 million) investment in **iPic-Gold Class Entertainment LLC** to report a \$6.7 million “loss”.

Six Months to 31/12/2016

	Latest	Previous	Change
Revenues	\$558.4m	\$537.3m	+3.9%
Net Profit	\$19.1m	\$16.6m	+15.0%
Net Cash Surplus	\$64.4m	\$40.9m	+57.5%
Earnings per share	11.8c	10.3c	+15.0%
Dividends per share	Nil	14.0c	-100.0%

Earnings (before interest, tax, depreciation and strange Accounting rules) was 0.6% higher at \$78.4 million.

No interim dividend will be paid. Interest bearing debt has increased \$41 million over the period to \$598 million, owing to the \$25.8 million of equity investments (discussed above) plus \$40.9 million of investment in property, plant and equipment. Village Roadshow's businesses generate strong cashflows, but the company has been investing heavily in expansion and new businesses.

“Following the unforeseen decline in earnings” the board considers this “an unacceptable level of gearing” and has suspended the interim dividend and “is actively pursuing potential asset sales”.

Of course, the so-called “unforeseen decline in earnings” is not yet evident in any change in earnings! Attendances at its Theme Parks are down (lowering on-site food and beverage revenues) but ticket revenues have remained steady - helped by the pre-sales of season passes. The risk of a decline is that pre-sales of 2017/18 season tickets may be lower this year. If so, that would depress cash receipts in June 2017 (i.e. the month when it makes pre-sales) and reported revenues and profits in the June 2018 financial year (i.e. when it accounts for that lower revenue).

Village Roadshow



Share Recommendation: Buy Cynata Therapeutics

Buy Cynata Therapeutics (code CYP).

Cynata Therapeutics is a stem cell and regenerative medicine company with a unique technology that should prove essential in the *commercialisation* and *mass production* of stem cell therapies in large volumes and at an acceptable cost.

This is a mass production technology, but is also valuable as a source of stem cells for research and clinical studies. This has enabled Cynata Therapeutics to *partner* with several researchers in return for potential royalties on any therapies that may be developed in the future.

Company History

This company, originally called **Eco Quest**, built up an investment in US based **Cynata Incorporated** through a series of capital contributions: US\$250,000 in September 2012, for an 11% shareholding, US\$500,000 in December 2012 for a further 18% and in July 2013 a further US\$250,000 to lift its holding to 33% *plus* an option to take over the remainder of the company for 10,000,000 shares (after a 20:1 share consolidation).

In November 2013 it raised \$5.0 million in new cash from a public share issue of 12,500,000 shares at 40 cents and issued 10,000,000 shares to acquire full ownership of Cynata Inc. That lifted the issued capital to 54,959,153 shares and the company name was changed to Cynata Therapeutics.

In July 2015 it raised \$5.0 million from the placement of 6,670,000 shares (at 75 cents) plus 3,335,000 options (exercisable at 80 cents until August 2016) and 3,335,000 options (exercisable at 100 cents until July 2020).

In January 2017 it raised \$6.0 million from the placement of 9,230,000 shares at 65 cents. It also received \$3,970,000 from the placement of 8,088,403 shares at 49 cents with **FUJIFILM Corporation** (this price being a 35% premium to the market price when the transaction and strategic alliance were proposed).

Cymerus Technology

Cynata Therapeutics owns its *Cymerus* technology which can produce unlimited numbers of stem cells. This is the only “platform technology” capable of the large scale, low cost manufacture of stem cells essential to the provision of stem cell therapies in large volumes and at a reasonable cost.

To understand why this technology is essential, just look at the slow, expensive and limited way stem cells are currently produced in the laboratory for research: A (painful) bone marrow sample is taken from a donor. From this it is possible to separate about 20,000 adult stem cells but about 100 million stem cells are needed in a typical dose. Stem cells can be grown in the laboratory, with the number of cells doubling with each generation, but after about 13 generations the stem cells from a donor start to change. Thirteen generations increases the number of cells by 2^{13} (8192-fold) which grows the original 20,000 cells into 160 million cells. That is only about 1.6 doses!

This is a time consuming and expensive way to produce small volumes for research and small clinical studies. It is totally impractical for commercialising and mass producing a stem cell therapy for millions of patients. The cost per dose would be uneconomic. There would also be quality issues, if every dose is manufactured from a different donor.

These adult stem cells currently account for 85% of the US\$37.9 billion stem cell market, with the initial cell acquisition from donors costing US\$4.3 billion. This global expenditure is funding over 650 ongoing stem cell clinical studies.

Cynata Therapeutics’ *Cymerus* technology is completely different. The process uses human *induced pluripotent stem cells* (iPSC) from one donor. “Pluripotent stem cells are the most versatile cells of all, having the ability to reproduce themselves indefinitely” and develop “into any other type of cell in the body”. “iPSCs have very similar characteristics to embryonic stems cells (ESC), but without the ethical controversies associated with ESCs”.

iPSCs is currently a very small (about 3%) part of the stem cell industry but the fastest growing sector (at >25% per annum).

Unlimited cell expansion is possible at the iPSC stage and these cells are then induced to become mesenchymoangioblast (MCA) and then mesenchymal stems cells (MSCs) where a further 10^{22} expansion is possible.

In February 2014, a manufacturing agreement was signed with **Waisman Biomanufacturing** to develop this laboratory technology into a Good Manufacturing Procedure to enable large scale stem cell production. Success at scaling up this technology to a commercial environment was announced in February 2015, lifting the share price from around 34-41 cents to a high of 144 cents!

In July 2014, an agreement was signed with the **University of Wisconsin-Madison** to develop a “novel approach to preserving cell therapy products to enhance their shelf life”.

In September 2014 Cynata Therapeutics purchased the worldwide rights to clinical grade human *induced pluripotent stem cells* (iPSC), taken from one tissue sample from one adult donor, and manufactured by **Cellular Dynamics International**. This is the “high quality starting material” used to build a Master Cell Bank that is now used in its *Cymerus* manufacturing.

A contract manufacturing agreement was signed with Waisman Biomanufacturing in March 2015 and MSCs are being produced for research and clinical studies.

This is the only high volume/low cost manufacturing method for MSCs.

This technology is protected by several US patents (plus pending patents) until at least 2028. It is also patented in Australia and (Continued on Page 14)

BUY Cynata Therapeutics.

(Continued from Page 13)

Japan (to 2031). In May 2016 it applied for new patents to cover “certain novel aspects of the *Cymerus* technology”. There is also proprietary knowledge in the manufacturing process and the regulatory hurdle of developing a Good Manufacturing Procedure.

Research and Clinical Trials

The company needs to complete a Stage I clinical trial to prove the safety of its MSCs and the validity of its manufacturing process.

It is researching the use of stem cells to treat Graft-versus-Host Disease (GvHD), a complication in 50% of bone marrow transplants from an unrelated donor after leukaemia and lymphoma treatment. This is a life threatening condition where less than 50% of patients respond to the current treatment. In steroid-resistant GvHD the one year mortality is 70-90%. MSCs may alleviate or eliminate GvHD by suppressing immune cells from donor bone marrow and/or stimulating tissue repair.

GvHD has only “modest commercial potential” (i.e. the worldwide market is worth about US\$300 million annually) but “clear and speedy endpoints”. Safety data from this Stage I clinical trial should “facilitate a shorter path” to the use of stem cells to develop “potentially more commercially attractive” therapies for other diseases. As GvHD is a “devastating condition with limited treatment options” there is a “smoother regulatory pathway”. Results are also available quickly, in 28-100 days, compared with 2-3 years or longer with other potential options. It will, however, take about one year to find acute patients for its clinical study.

In September 2016 the **UK Medicines and Healthcare products Regulatory Agency** approved the Phase I clinical study in patients with steroid-resistant GvHD, and in December 2016 the **Australian Human Research Ethics Committee** approved the study in Australia. The study will recruit 16 patients in the UK and Australia at seven major bone marrow transplant centres. The primary endpoint of the study is “safety at day 28” with secondary endpoints being “response” and “survival” at day 28 and day 100. In the first half of 2017 it will treat patients with a dose of 100 million cells. Subject to safety of this dose, during the second half of 2017 it will test a dose of 200 million cells. All patients will be followed for two years.

This therapy shows “compelling results” (i.e. humanised mouse studies median survival time increased from 24.5 days to longer than 54 days) and it could generate significant value: **Fujifilm Holdings**, now a leader in regenerative medicine, has an option (exercisable within 90 days after completion of the current clinical trials) to acquire an exclusive, worldwide licence for this treatment. If it proceeds, Fujifilm Holdings will pay an upfront fee of US\$3 million, plus potential milestones (including the initial payment) of up to A\$60 million, plus “double digit” royalties on sales plus pay all future development costs.

For additional fees Fujifilm Holdings may negotiate a licence to use the *Cymerus* technology to manufacture MSCs for this product.

Cynata Therapeutics is involved in a study by **Monash University** to use MSCs to reduce asthma. Earlier

results showed “improved airway hyper-responsiveness” and further analysis shows “reduced markers of airway inflammation and airway remodelling”. These results “had not been seen in bone marrow-derived MSCs or other stem cells” in the same model. Cynata Therapeutics will now finance the study of “*Cymerus* MSCs in combination with and in comparison to corticosteroids”, the most widely used drugs to control asthma.

Partnerships

Cynata Therapeutics’ relatively low cost production of consistent stem cells offers it a competitive advantage in partnering with other researchers. By providing researchers with relatively low volumes of stem cells for research and clinical trials it can earn an equity interest in numerous research projects . . . and a share in the financial rewards of any stem cell therapies that are developed and commercialised.

In June 2014 Cynata Therapeutics partnered with **Grey Innovation** to develop potential treatments for lung disorders by the “direct delivery of *Cymerus* stem cells into the lung” using a nebuliser developed by the university.

In October 2014 Cynata Therapeutics entered a collaborative agreement with the **Massachusetts General Hospital** to use its *Cymerus* technology to grow stem cells modified to secrete cancer killing toxins.

In July 2015 Cynata Therapeutics began a collaboration with the **University of Sydney** to test its MSCs to help restore cardiac function and reduce scar tissue after a heart attack. The preliminary rat study shows “promising” results, with those given *Cymerus* MSCs showing “improved cardiac function” and “reduced scar size” compared with those receiving bone marrow-derived MSCs or a placebo.

In December 2015 Cynata Therapeutics began discussions, and in July 2016 executed a worldwide license option agreement, to provide its *Cymerus* technology to **apceth GmbH & Co KG**, a company also seeking to use “genetically modified MSCs for the treatment of cancer”. Cynata Therapeutics is earning a series of success-based milestone payments “which could potentially total more than A\$40 million” plus royalties on apceth’s sales.

A decision by apceth on whether to exercise this option is expected this quarter.

Strategic Alliances

In March 2016, Cynata Therapeutics was approached by Japanese based **Regience KK** seeking to make an investment in Cynata Therapeutics shares (i.e. an initial A\$400,000 investment at a 25% premium to market value, plus a later investment of \$2,250,000) plus enter a strategic alliance. Under this alliance, the parties would co-operate to develop and commercialise the *Cymerus* technology, with Regience receiving an exclusive two year option to this technology in “multiple therapeutic areas”. In each therapy, Regience would pay an exercise fee, upfront fees, milestones and royalties, all “to be negotiated”.

In September 2016 Cynata Therapeutics rejected the Regience KK offer in favour of forming a strategic alliance with **FUJIFILM Corporation**. This includes an option to the worldwide rights to the GvHD therapy

(as discussed above) and FUJIFILM subscribing US\$3 million for Cynata Therapeutics shares (at a 35% premium).

Investment Criteria

Cynata Therapeutics currently has little or no income from its business. In the year to June 2016 it received \$125,000 from an option fee (from apceth GmbH), interest of \$147,684 plus research and development rebates and grants of \$974,713. It made a *loss* of \$4,939,471.

There is no meaningful revenue, no profits and no dividend from which we can calculate a Price/Sales ratio, Price/Earnings ratio or Dividend Yield. So how can we evaluate this company?

Cynata Therapeutics did spend \$4,155,013 on Research and Product Development in the year to June 2016. That allows us to calculate a Price/Research ratio which, at a share price of 50 cents, is 8.8. In "Super Stocks", Kenneth Fisher writes "Don't ever buy a Super Company on a P/R ratio of greater than 15" and advises "Find a Super Company on a P/R ratio of 5 to 10".

R&D was only \$1.6 million in the December 2016 half year but forecast to be \$2.44 million in the March 2017 quarter. This higher R&D spend this year will lower the Price/Research ratio.

We can also look at the company's future earning potential. Cynata Therapeutics' *Cymerus* manufacturing technology could be necessary for any company seeking to commercialise stem cell therapies. That will either be a very high margin contract manufacturing business or the company can licence the process to third parties for an upfront fee and on-going royalties. The deal with apceth GmbH *could* yield milestone receipts of up to \$40 million, plus on-going royalties on sales. The GvHD deal with Fujifilm has *potential* milestone receipts of \$60 million plus double digit royalties on a potential \$300 million market.

There is, of course, nothing certain about actually receiving these milestone payments or future royalties. Even on a successful commercialisation, Cynata Therapeutics may not receive later milestones (i.e. milestones based upon the higher levels of revenues, which may never be achieved). Nevertheless, these are potentially sizeable milestones - and GvHD has only "modest commercial potential" - for a company with a market capitalisation of just \$45 million.

Following the recent institutional share placement and placement to Fujifilm, Cynata Therapeutics has cash of \$13.9 million (15.4 cents per share).

The issued capital (after the recent institutional placement and the placement to Fujifilm) is 90,057,248 shares. At 50 cents that gives a market capitalisation of just \$45 million. This is a smaller company and although the shares are actively traded, the turnover is only \$50,000 to \$250,000 per day. Therefore larger investors may need to build up a shareholding over weeks or months.

Cynata Therapeutics shares are not included in any share index and for NZ resident investors will be subject to the "Fair Dividend Rate" income tax.

The shares are neglected by brokers, with just one broker following the company closely enough to publish profit (actually, "loss") forecasts.

The directors have small shareholdings in the

company, but three have large option holdings. The former Executive Chairman, now a Non-Executive Director, Dr S Washer owns 199,856 shares and 2,500,000 options, while the CEO, Dr R Macdonald, has just 8,500 shares but 2,500,000 options. These options were issued ahead of the 2013 acquisition of Cynata Inc and are exercisable at 40 cents until September 2018. The new Chairman (appointed in February), Dr P Wootten, will be given 2,000,000 options (exercisable at 150 cents within two years) but owns no shares. The other two Non-Executive directors own shares, 10,000 and 210,000 respectively.

Co-founder of Cynata Incorporated, Professor Igor Slukvin received 2,383,317 shares in the July 2015 takeover and retains all of those shares. Another Cynata Inc. investor, M Vodyanik retains all of his 1,191,658 shares. The other three largest Cynata Inc shareholders have sold some of their Cynata Therapeutics shares. Executive I Dixon retains 1,140,717 shares (48% of his original holding), R Aston retains 1,000,000 shares (56%) and A Bolland 700,000 shares (39%).

There was one *insider* buy on-market over the last year. In September 2016 Dr S Washer purchased 25,000 shares on-market at around 42.5 cents.

The share price has been very volatile at times. In early 2015, success with its cell manufacturing process saw the share price *quadruple* to a high around 144 cents, only to drift back to a low of 25 cents in July 2016. The shares then appreciated strongly to a peak of 81 cents in November and weakened following the recent placement at 65 cents. The Relative Strength Rating is +10.3%, ranked 16 (on a scale of 0-99).

Summary and Recommendation

An investment in Cynata Therapeutics involves high risks as the company has no revenues or profits but that risk is partially offset by its very wide exposure to the development of stem cell therapies:

Firstly through its *production technology* which is likely to be necessary in the commercialisation and mass production of *any* stem cell therapies. Secondly through its ability to partner with a wide range of researchers (i.e. by providing consistent, low cost stem cells for research and clinical studies), earning it a share of the financial rewards from any projects that ultimately prove successful.

This provides a very well diversified exposure to the development of regenerative medicines using stem cell therapies. This diversified exposure - plus the potential high returns from both the production technology and partnering - make this an attractive investment within a well diversified share portfolio.

Cynata Therapeutics



“Neglect” Ratings of Australian Shares

“Neglected” Shares = 0-2 Brokers, “Moderately Followed” Shares = 3-9 Brokers, “Widely Followed” Shares = 10 or more Brokers.

Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)
1300 Smiles Ltd	3	166	Billabong Int'l	5	247	Event Hospital.	5	1,941	Jumbo Interact.	1	78
360 Capital Grp	2	207	Bionomics Ltd	2	181	Evolution Min.	12	3,208	K&S Corporation	2	206
3P Learning	2	135	Blackmores Ltd	8	1,759	Exterra Res.	7	11	K2 Asset Mgmt	3	84
A.P. Eagers	5	1,775	Blackham Res.	1	168	FAR Ltd	5	335	Kardoon Gas	5	404
AFT Pharma.	2	247	Bluescope Steel	12	7,116	FSA Group Ltd	1	178	Kidman Res Ltd	1	139
AGL Energy Ltd	13	17,117	Blue Sky Alt In	4	537	Factor Thera.	2	50	Kogan.com Ltd	1	161
ALS Limited	14	2,995	Bluglass Ltd	1	94	Fairfax Media	10	2,230	Korvest Ltd	1	27
AMA Group Ltd	4	530	Boart Longyear	1	89	Farm Pride Food	2	63	Kula Gold Ltd	1	7
AMP Ltd	16	14,847	Boral Limited	12	7,116	Fiducial Group	1	132	Legend Corp.	1	46
ANZ Bank	16	93,806	Bradken Ltd	2	668	Finders Res.	2	32	LendLease Group	11	8,961
APA Group	13	9,761	Brambles Ltd	13	14,647	Fleetwood Corp	1	133	Lifestyle Com.	2	408
APN News Media	3	824	Breville Group	13	1,293	Flexicorp Ltd	8	871	LifeHealthCare	3	95
APN Outdoor Grp	9	94	Brickworks Ltd	6	1,956	Flight Centre	14	3,024	Link Admin.	5	2,821
ARB Corporation	7	1,164	C.S.R. Ltd	13	2,305	Folkestone Ltd	1	147	Lion One Metals	1	162
ASX Limited	15	9,931	CBL Corporation	2	707	Folkestone Educ	4	652	Livetiles Ltd	1	74
AV Jennings	1	239	CIMIC Group	9	11,884	Fortescue Metal	21	19,025	Logicamms Ltd	1	26
AVEO Group	6	1,825	CSG Ltd	3	157	Freedom Insur.	1	185	Lovisa Holdings	6	373
AWE Limited	11	264	CSL Limited	13	57,342	Freelancer Ltd	3	436	Lucapa Diamond	1	122
Abacus Property	5	1,819	Cabcharge Ltd	2	491	G.U.D. Holdings	10	939	MG Unit Trust	4	189
Aconex Limited	9	695	Caltex Austria	11	15,192	G8 Education	10	1,542	MMA Offshore	4	86
Acruz Ltd	2	47	Capital Health	2	78	GBST Holdings	7	187	MNF Group	3	320
Adairs Limited	3	184	Capilano Honey	2	139	GDI Property	2	533	MYOB Group	11	2,218
Adelaide Bright	12	3,632	Capral Limited	1	83	GI Dynamics	1	1	MacMahon Hold	1	176
Admedus Limited	1	88	Cardno Ltd	2	552	GPT Group	11	8,630	Maca Limited	2	410
Afterpay Hold.	2	173	Carindale Prop	2	560	GR Engineering	1	238	Macquarie Group	15	30,274
Ainsworth Game	8	604	Carsales.com	15	2,767	GTN Limited	1	633	Macquarie Atlas	7	2,423
Airxpanders Inc	1	259	Cash Converters	1	163	GWA Group Ltd	9	699	Magellan Fin Gp	11	4,076
Alacer Gold	7	666	Catapult Group	4	348	Galaxy Res.	6	887	Magnis Resource	2	263
Ale Property	3	852	Cedar Woods Prp	2	454	Garra Div Prop	1	99	Mantra Group	10	826
Alexium Int'l	1	168	Centuria Indust	2	524	Gascoyne Res.	1	130	Mastermyne Grp	1	27
Alkane Explor.	1	144	Centuria Urban	2	166	Gateway Life.	7	614	Matrix Comp.	1	48
Alliance Aviat.	2	86	Centuria Cap'l	2	172	Generation HC	3	433	Maxi TRANS	1	133
Altium Limited	6	981	Centuria Metro.	3	280	Genworth Mort.	6	1,447	Mayne Pharma Gr	5	1,947
Altona Mining	2	78	Challenger Ltd	14	6,923	Godfreys Group	3	29	McGrath Limited	2	91
Altura Mining	3	242	Chart H Retail	11	1,718	Gold Road Res.	6	444	McMillan Shake.	7	1,040
Alumina Ltd	10	5,328	Charter Hall GR	8	2,196	Goodman Group	12	13,275	McPherson's Ltd	1	128
Amaysim Aust.	3	321	Citadel Group	3	224	Graincorp	11	2,037	Medibank Priv.	15	7,794
Amcor Ltd	12	16,619	Class Limited	5	337	Grays eCommerce	1	127	Medical Dev Int	2	291
Aneka Tambang	2	1	Clearview With	2	865	Greencross Ltd	8	808	Medusa Mining	2	68
Ansell Ltd	13	3,347	Cleanaway Waste	8	2,028	Growthpoint Pro	6	2,077	Megaport Ltd	1	130
Apiam Animal H	2	118	Clover Corp.	1	88	HFA Holdings	2	324	Melbourne IT	4	220
Appen Limited	4	252	CocaCola Amatil	13	8,048	HUB24 Limited	3	254	Mesoblast Ltd	3	799
Ardent Leisure	9	812	Cochlear Ltd	12	7,620	Hansen Tech.	4	614	Metals X Ltd	4	484
Arena REIT	3	483	Codan Ltd	2	385	Harvey Norman	12	5,496	Metcash Ltd	13	2,195
Aristocrat Leis	11	11,118	Cogstate Ltd	1	124	Helloworld Ltd	6	481	Metro Per Glass	5	259
Asaleo Care Ltd	5	886	Collection Hse	5	180	Henderson Group	8	8,121	Michael Hill	4	519
Asia Pac Data C	3	175	Collins Foods	6	606	Highfield Res.	2	320	Migme Limited	1	12
Aspen Group Ltd	1	104	Com'wealth Bank	16	145,609	Hillgrove Res.	1	16	Millennium Serv	2	75
Astro Japan Pro	2	377	Computershare	14	7,698	Horizon Oil Ltd	1	79	Millennium Min.	1	199
Atlas Iron Ltd	2	320	Compumedics Ltd	1	101	Hotel Property	3	419	Mineral Res.	5	1,919
Aurelia Metals	1	89	Cooper Energy	1	254	Huon Aquacult.	3	424	Mineral Deposit	3	43
Aurizon Hold.	15	10,854	Corp Travel M.	6	2,049	IDP Education	2	1,096	Mint Payments	2	35
AusNet Services	13	5,927	Costa Group	3	1,402	IMF Bentham Ltd	2	312	Mirvac Group	11	7,892
Ausdrill Ltd	2	433	Cover-More Grp	7	732	IOOF Holdings	14	2,497	Mitula Group	3	184
Aust Vintage	1	113	Credit Corp	5	796	IPH Limited	8	862	Monash IVF Grp	6	441
Austin Eng.	1	104	Cromwell Prop.	7	1,682	IRESS Limited	8	1,922	Monadelphous Gr	12	1,197
Austbrokers	4	760	Crown Resorts	10	8,428	Icar Asia Ltd	2	96	Money3 Corp Ltd	2	255
Austal Limited	4	604	Cynata Therap.	1	36	Iluka Resources	11	2,789	Mortgage Choice	3	299
Aust Pharm. Ind	4	975	DUET Group	11	6,869	Imdex Limited	2	207	Motorcycle Hold	1	167
Auswide Bank	3	208	DWS Limited	1	213	Impedimed Ltd	3	283	Mt Gibson Iron	4	444
Automotive Hold	11	1,373	Dacian Gold Ltd	8	357	Intec Pivot	15	6,529	Murray River Or	2	105
Aventus Retail	4	929	Danakali Ltd	2	131	Independ. Group	18	2,053	Myer Holdings	11	936
BHP Billiton	20	76,021	Data 3 Ltd	1	262	Industria REIT	5	339	Mystate Ltd	4	408
BSA Ltd	2	146	Decmil Group	2	165	Infomeia Ltd	5	239	NRW Holdings	1	233
BT Invest Mgmt	13	3,127	Dexus Property	11	9,050	Ingenia Com Grp	3	474	Nanosonics Ltd	5	929
BWP Trust	8	1,818	Domino's Pizza	12	5,069	Inghams Group	9	1,186	Nat Veterinary	3	108
BWX Limited	5	423	Domaco Inter'l	3	283	Insurance Aust.	15	14,702	Nat'l Aust Bank	13	88,717
Baby Bunting Gr	3	263	Doray Minerals	5	105	Int Research	1	449	National Stor.	6	730
Bank of Q'land	16	4,621	Downer EDI Ltd	10	3,058	Integral Diag.	4	172	Navitas Ltd	10	1,477
Base Resources	2	219	DuluxGroup Ltd	11	2,589	Invest Office	10	2,855	Nearmap Ltd	3	215
Beacon Lighting	1	394	EML Payments	2	380	Invocare Ltd	8	1,560	Neometals Ltd	1	191
Beach Energy	12	1,324	ERM Power Ltd	3	277	Iron Mountain	7	2,188	NetComm Wire.	4	198
Beadell Res.	8	280	Elders Limited	6	512	Iselect Limited	2	453	Neuren Pharm.	1	140
Bega Cheese Ltd	5	922	Ellex Medical	2	138	Isentia Group	6	336	New Hope Corp.	5	1,355
Bellamy's Aust.	6	382	Enero Group Ltd	2	86	Ive Group	2	290	Newcrest Mining	17	16,048
Bendigo Bank	15	5,644	Energy Resource	2	337	JB Hi-Fi Ltd	14	2,931	Nextdc Limited	9	1,136
Berkeley Energy	3	226	Equity Trustees	2	369	James Hardie	12	9,037	Nib Holdings	13	2,283
			Eureka Group	2	97	Japara Health.	7	485	Nick Scali Ltd	3	606

Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)
Nine Entertain.	8	924	Pulse Health	1	118	Servcorp Ltd	1	635	Tatts Group Ltd	12	6,285
Nthn Star Res.	13	2,252	Q.B.E. Insur.	14	17,474	Seven Group	4	2,897	Technology One	7	1,601
Nufarm Limited	13	2,441	QMS Media	2	343	Seven West Med.	8	1,071	Telstra	16	55,185
OFX Group	5	326	Qantm I.P.	2	253	Seymour Whyte	1	88	Ten Network	6	212
OZ Minerals Ltd	16	2,452	Qantas Airways	12	6,980	Shaver Shop Grp	2	74	The Pas Group	1	90
Objective Corp.	1	201	Qube Holdings	13	3,586	Shine Corporate	3	100	The Reject Shop	6	235
Oil Search Ltd	17	10,552	RCG Corporation	4	604	Shopping Centre	9	1,612	Think Childcare	2	103
Oneworld Health.	2	331	RCR Tomlinson	2	465	Shriro Holdings	1	108	Thorn Group Ltd	2	252
Oneworld Holdings	2	129	REA Group Ltd	13	7,492	Sigma Pharm.	6	1,312	Toro Energy Ltd	1	88
Ooh!Media	6	744	RTG Mining Inc.	1	35	Silver Lake Res	3	275	Touchcorp Ltd	2	169
Opthea Limited	2	149	RXP Services	1	112	Silver Chef Ltd	4	279	Tox Free Sol.	10	419
OreCorp Ltd	1	98	Ramelius Res.	1	286	Simonds Group	1	50	Transurban Wire	12	22,678
Orica Ltd	15	6,839	Ramsay Health	12	13,449	Sims Metal Mgmt	11	2,481	Treasury Group	13	9,293
Origin Energy	15	11,232	Range Intern'l	1	98	Sino Gas & En.	4	198	Trilogy Int'l	2	147
Orocobre Ltd	7	579	Reckon Limited	6	199	Sirtex Medical	11	1,013	Troy Resources	2	66
Orora Limited	12	3,680	Red River Res.	1	108	Smart Parking	1	90	Universal Coal	1	66
Oroton Group	3	62	Redbubble Ltd	2	149	Smartgroup Corp	6	779	Vicinity Centre	11	11,084
Osprey Medical	3	111	Redflow Limited	1	87	Somnomed Ltd	3	210	Villa World Ltd	3	268
Over The Wire	3	98	Reece Limited	2	4,144	Sonic Health	11	8,889	Village Road.	8	615
PMP Limited	2	349	Regeneus Ltd	1	29	Soul Pattinson	1	4,089	Viralitics Ltd	3	247
PWR Holdings	1	230	Regis Resources	17	1,518	South32 Limited	19	14,161	Virgin Aust	10	1,607
Pacific Smiles	4	309	Regis Health.	8	1,319	Spark Infrastru	8	3,801	Virtus Health	6	435
Pacific Energy	2	239	Resolute Mining	7	929	Speedcast Int'l	8	879	Vista Group	3	418
Pact Group Hold	9	2,020	Retail Food Grp	4	981	Spookfish Ltd	1	78	Vita Group Ltd	3	541
Paladin Energy	6	180	Reva Medical	2	428	Spotless Group	8	835	Viva Energy/REIT	3	1,546
Panoramic Res.	3	129	Rhipe Limited	3	59	St Barbara Ltd	4	1,134	Vocus Group Ltd	15	2,637
Pantoro Limited	3	105	Ridley Corp.	5	399	Star Entertain.	12	4,293	WPP AUNZ Ltd	2	996
Paragon Care	1	113	Rio Tinto Ltd	16	106,099	Starpharma Hold	1	251	Watpac Ltd	1	141
Paringa Res Ltd	2	82	Royal Wolf Hold	4	132	Steadfast Group	8	1,822	Webjet NL	8	1,080
Peet Ltd	4	529	Rural Funds Grp	2	364	Sth Cross Media	7	1,011	Webster Ltd	1	513
Peninsula En.	5	121	Ruralco Hold.	4	222	Stockland	10	11,149	Wellcom Group	2	192
Pental Limited	1	80	SG Fleet Group	4	792	Strike Energy	1	82	Wellard Limited	2	102
Perpetual Ltd	15	2,442	SMS Mgmt & Tech	4	112	Suncorp Group	15	17,443	Wesfarmers Ltd	16	50,225
Perseus Mining	9	315	SRG Limited	1	96	Sundance Energy	4	150	West African R.	1	97
Pilbara Mineral	5	577	Salmat Ltd	1	93	Sunland Group	2	287	Westpac Banking	16	117,918
Pioneer Credit	2	103	Sandfire Res.	15	989	Super Retail Gr	13	2,136	Western Areas	15	615
Platinum Asset	9	3,057	Santos Ltd	17	7,296	Superloop Ltd	3	425	Westfield Corp.	10	17,726
Polynovo Ltd	1	154	Saracen Mineral	6	751	Supply Network	1	94	Whitehaven Coal	14	2,719
Praemium Ltd	4	139	Scentre Group	12	22,627	Surfstitch Grp	1	43	Wolf Minerals	2	70
Premier Invest	12	2,154	Scottish Pac.	2	388	Sydney Airport	14	13,814	Woodside Petrol	15	26,166
Primary Health	11	1,736	Sealink Travel	6	438	TFS Corporation	4	568	Woolworths Ltd	15	34,033
Prima Biomed	1	66	Seek Ltd	13	5,321	TPG Telecom Ltd	13	5,405	Worley Group	11	2,556
Prime Media Grp	1	106	Select harvest	9	429	TPI Enterprises	4	119	XRF Scientific	1	23
Pro Medicus Ltd	3	455	Senex Energy	7	409	Tabcorp Holding	11	3,750	Xenith IP Group	5	177
Pro Maintenance	8	491	Senetas Corp	2	98	Talisman Mining	1	74	Yowie Group Ltd	2	95
PropertyLink	2	476	Service Stream	1	385	Tassal Group	5	676	Ziromoney	2	104

Short Interest in Australian Shares

Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)
1-Page Ltd	0.9%	25	Ainsworth Game	3.1%	604	AusNet Services	1.7%	5,927	Beadell Res.	3.5%	280
360 Capital Grp	0.0%	207	Airxpanders Inc	0.3%	259	Ausdrill Ltd	0.0%	433	Bega Cheese Ltd	7.1%	922
3P Learning	0.3%	135	Alacer Gold	0.4%	666	Aust Finance Gr	0.0%	307	Bellamy's Aust.	8.0%	382
A.P. Eagers	0.0%	1,775	Ale Property	0.2%	852	Austin Eng.	0.9%	104	Bendigo Bank	7.3%	5,644
AGL Energy Ltd	0.3%	17,117	Alexium Int'l	0.1%	168	Aust Foundation	0.0%	6,762	Benitec Bio.	0.2%	28
ALS Limited	0.5%	2,995	Alkane Explor.	0.0%	144	Aust Careers N.	0.3%	287	Berkeley Energy	0.1%	226
AMA Group Ltd	0.9%	530	Altium Limited	1.3%	981	Austal Limited	0.5%	604	Billabong Int'l	0.9%	247
AMP Ltd	1.3%	14,847	Alumina Ltd	8.4%	5,328	Aust Agricult.	5.4%	841	Blackmores Ltd	5.7%	1,759
ANZ Bank	0.6%	93,806	Amaysim Aust.	1.9%	321	Aust Pharm. Ind	0.9%	975	Blackham Res.	0.2%	168
APA Group	1.8%	9,761	Ancor Ltd	0.6%	16,619	Autosports Grp	0.1%	502	Bluescope Steel	0.2%	7,116
APN News Media	2.0%	824	Ansell Ltd	3.7%	3,347	Automotive Hold	4.8%	1,373	Blue Sky Alt In	1.9%	537
APN Outdoor Grp	1.6%	94	Apollo Tourism	0.5%	203	Aventus Retail	0.1%	929	Boral Limited	1.7%	7,116
ARB Corporation	2.1%	1,164	Appen Limited	0.4%	252	BC Iron Ltd	0.0%	79	Brambles Ltd	0.5%	14,647
ASX Limited	2.1%	9,931	Ardent Leisure	8.3%	812	BHP Billiton	1.2%	76,021	Breville Group	0.6%	1,293
AVEO Group	0.2%	1,825	Arena REIT	0.2%	483	BT Invest Mgmt	0.7%	3,127	Brickworks Ltd	1.0%	1,956
AWE Limited	4.7%	264	Argo Investment	0.0%	5,215	BUBS Australia	0.0%	29	Buru Energy Ltd	1.6%	58
Abacus Property	0.3%	1,819	Aristocrat Leis	0.1%	11,118	BWP Trust	1.3%	1,818	C.S.R. Ltd	5.5%	2,305
Aconex Limited	17.2%	695	Arrium Limited	3.8%	65	BWX Limited	2.9%	423	CIMIC Group	0.1%	11,884
Acrux Ltd	0.6%	47	Asaleo Care Ltd	2.7%	886	Baby Bunting Gr	0.5%	263	CSG Ltd	6.6%	157
Adacel Tech.	0.2%	174	Aspen Group Ltd	0.0%	104	Bank of Q'land	2.0%	4,621	CSL Limited	0.3%	57,342
Adairs Limited	0.9%	184	Astro Japan Pro	0.3%	377	Bapcor Limited	2.7%	1,534	Cabcharge Ltd	5.0%	491
Adelaide Bright	1.0%	3,632	Atlas Iron Ltd	0.0%	320	Base Resources	0.0%	219	Caltex Australia	0.9%	15,192
Afterpay Hold.	0.7%	173	Audio Pixels	0.0%	333	Beacon Lighting	0.0%	394	Capital Health	0.4%	78
Agua Resources	0.2%	36	Aurizon Hold.	1.2%	10,854	Beach Energy	1.2%	1,324	Capilano Honey	0.1%	139

Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)
Cardinal Res.	0.9%	140	Graincorp	0.3%	2,037	NRW Holdings	0.0%	233	Seven West Med.	3.2%	1,071
Cardno Ltd	0.6%	552	Greenland Min.	0.0%	135	Nanosonics Ltd	0.7%	929	Shine Corporate	0.1%	100
Carnarvon Pet.	0.0%	98	Greencross Ltd	5.5%	808	Nat'l Aust Bank	0.4%	88,717	Shopping Centre	1.9%	1,612
Carsales.com	2.3%	2,767	Growthpoint Pro	0.9%	2,077	National Stor.	2.6%	730	Sigma Pharm.	0.2%	1,312
Cash Converters	1.5%	163	HFA Holdings	0.0%	324	Navitas Ltd	2.3%	1,477	Silex Systems	1.1%	101
Catapult Group	0.4%	348	HUB24 Limited	0.0%	254	Nearmap Ltd	0.2%	215	Silver Lake Res	2.6%	275
Cedar Woods Prp	0.1%	454	Hansen Tech.	0.3%	614	Neometals Ltd	0.0%	191	Silver Heritage	0.0%	40
Centuria Indust	0.1%	524	Harvey Norman	3.8%	5,496	NetComm Wire.	2.7%	198	Silver Mines	0.0%	58
Central Petrol.	0.0%	87	Helloworld Ltd	0.2%	481	New Hope Corp.	0.0%	1,355	Silver Chef Ltd	1.2%	279
Challenger Ltd	1.8%	6,923	Henderson Group	4.9%	8,121	Newcrest Mining	0.4%	16,048	Sims Metal Mgmt	4.1%	2,481
Chart Hall Long	0.1%	806	Highfield Res.	1.8%	320	News Corp.	8.1%	762	Sino Gas & En.	1.1%	198
Chart H Retail	5.0%	1,718	Hills Limited	0.1%	52	Nextdc Limited	7.7%	1,136	Sirtex Medical	9.6%	1,013
Charter Hall GR	0.5%	2,196	Horizon Oil Ltd	0.0%	79	Nib Holdings	1.1%	2,283	Sky and Space	0.0%	100
Class Limited	0.0%	337	Hotel Property	0.1%	419	Nine Entertain.	11.0%	924	Slater & Gordon	6.4%	31
Cleanaway Waste	0.2%	2,028	IDP Education	0.5%	1,096	Noni B Limited	0.1%	134	Smartgroup Corp	0.1%	779
Clean Teq Hold.	0.2%	464	IMF Bentham Ltd	3.6%	312	Novogen Ltd	0.3%	36	Sonic Health	1.8%	8,889
CocaCola Amatil	2.2%	8,048	IOOF Holdings	6.2%	2,497	Nthn Star Res.	3.0%	2,252	Soul Pattinson	0.1%	4,089
Cochlear Ltd	1.5%	7,620	IPH Limited	4.3%	862	Nufarm Limited	1.3%	2,441	South32 Limited	0.5%	14,161
Codan Ltd	0.0%	385	IRESS Limited	1.5%	1,922	OFX Group	8.3%	326	Spark Infrastru	1.8%	3,801
Collection Hse	3.6%	180	Iluka Resources	7.6%	2,789	OZ Minerals Ltd	2.2%	2,452	Speedcast Int'l	1.7%	879
Collins Foods	0.1%	606	Imdex Limited	0.1%	207	Oil Search Ltd	5.1%	10,552	Spicers Limited	0.0%	18
Com'wealth Bank	1.6%	145,609	Impedimed Ltd	6.4%	283	Onewue Holdings	0.1%	129	Spotless Group	5.3%	835
Computershare	0.6%	7,698	Incitec Pivot	3.1%	6,529	Ooh!Media	0.5%	744	St Barbara Ltd	1.0%	1,134
Cooper Energy	0.1%	254	Independ. Group	9.2%	2,053	Orica Ltd	3.1%	6,839	Stanmore Coal	0.1%	110
Corp Travel M.	5.9%	2,049	Industria REIT	0.3%	339	Origin Energy	0.7%	11,232	Star Entertain.	1.4%	4,293
Costa Group	1.1%	1,402	Infigen Energy	0.5%	745	Orocobre Ltd	14.4%	579	Starpharma Hold	1.5%	251
Cover-More Grp	0.7%	732	Infomedia Ltd	0.0%	239	Orora Limited	0.0%	3,680	Steadfast Group	0.3%	1,822
Credit Corp	3.7%	796	Ingenia Com Grp	0.9%	474	Orotan Group	0.0%	62	Sth Cross Media	1.0%	1,011
Cromwell Prop.	1.2%	1,682	Inghams Group	3.0%	1,186	PMP Limited	0.1%	349	Stockland	0.3%	11,149
Crown Resorts	0.8%	8,428	Insurance Aust.	1.1%	14,702	PWR Holdings	0.0%	230	Structural Mon.	0.0%	169
CuDeco Ltd	0.1%	148	Int Research	0.0%	449	Pact Group Hold	2.9%	2,020	Suncorp Group	0.5%	17,443
Cybg plc	1.2%	3,127	Integral Diag.	0.0%	172	Paladin Energy	6.3%	180	Sundance Energy	1.0%	150
DUET Group	0.4%	6,869	Investa Office	1.2%	2,855	Panoramic Res.	0.0%	129	Sundance Res.	0.0%	36
Dacian Gold Ltd	2.7%	357	Invocare Ltd	6.3%	1,560	Peet Ltd	0.0%	529	Super Retail Gr	4.9%	2,136
Data 3 Ltd	0.0%	262	Iron Mountain	0.5%	2,188	Peninsula En.	0.1%	121	Superloop Ltd	0.2%	425
Decmil Group	0.5%	165	Iselect Limited	0.1%	453	Perpetual Ltd	4.6%	2,442	Sydney Airport	1.3%	13,814
Dexus Property	1.2%	9,050	Isentia Group	8.4%	336	Perseus Mining	7.6%	315	Syrah Resources	12.1%	665
Domino's Pizza	9.3%	5,069	Ive Group	0.0%	290	Pilbara Mineral	1.8%	577	TFS Corporation	14.0%	568
Donaco Inter'l	2.1%	283	JB Hi-Fi Ltd	3.2%	2,931	Platinum Asset	2.2%	3,057	TPG Telecom Ltd	4.0%	5,405
Doray Minerals	1.3%	105	James Hardie	0.7%	9,037	Premier Invest	0.7%	2,154	Tabcorp Holding	3.6%	3,750
Dorsavi Limited	0.1%	65	Japara Health.	5.5%	485	Primary Health	3.5%	1,736	Taruga Gold Ltd	0.0%	4
Downer EDI Ltd	7.8%	3,058	K&S Corporation	0.0%	206	Prima Biomed	0.4%	66	Tassal Group	4.5%	676
DuluxGroup Ltd	2.6%	2,589	KBL Mining Ltd	0.0%	3	Pro Medicus Ltd	0.0%	455	Tatts Group Ltd	0.9%	6,285
EML Payments	0.6%	380	Kardoon Gas	5.5%	404	Pro Maintenance	1.9%	491	Technology One	0.3%	1,601
ERM Power Ltd	0.9%	277	Kidman Res Ltd	0.1%	139	Q.B.E. Insur.	0.2%	17,474	Telstra	0.4%	55,185
Echo Resources	0.1%	74	Kingsgate Cons.	1.9%	59	QMS Media	0.0%	343	Ten Network	3.0%	212
Eclixp Group	0.2%	1,080	LendLease Group	0.6%	8,961	Qantas Airways	0.3%	6,980	The Reject Shop	1.9%	235
Eden Innovation	0.2%	389	Lifestyle Com.	0.0%	408	Qube Holdings	4.4%	3,586	Thorn Group Ltd	1.8%	252
Elanor Ret Prop	1.3%	167	Link Admin.	0.0%	2,821	RCG Corporation	3.8%	604	Tiger Resources	0.1%	96
Elders Limited	2.2%	512	Liq Natural Gas	4.7%	339	RCR Tomlinson	0.6%	465	Touchcorp Ltd	0.2%	169
Ellex Medical	0.1%	138	Lovisa Holdings	0.0%	373	REA Group Ltd	4.9%	7,492	Tox Free Sol.	2.0%	419
Emeco Holdings	0.0%	46	Lynas Corp Ltd	1.3%	331	Ramellus Res.	3.1%	286	Transurban Grp	1.8%	22,678
Emefcy Group	0.0%	229	MG Unit Trust	1.1%	189	Ramsay Health	1.9%	13,449	Treasury Wine	0.3%	9,293
Energy World	1.2%	546	MMA Offshore	3.2%	86	Range Intern'l	0.1%	98	Troy Resources	1.1%	66
Energy Resource	2.5%	337	MYOB Group	5.8%	2,218	Redbubble Ltd	0.9%	149	Unifile Corp.	0.0%	13
Equity Trustees	0.5%	369	Maca Limited	0.0%	410	Reece Limited	0.0%	4,144	Vicinity Centre	0.5%	11,084
Estia Health	6.5%	810	Macquarie Group	0.3%	30,274	Regis Resources	1.3%	1,518	Villa World Ltd	1.0%	268
Eureka Group	0.0%	97	Macquarie Atlas	1.8%	2,423	Regis Health.	3.6%	1,319	Village Road.	3.1%	615
Event Hospital.	0.1%	1,941	Magellan Fin Gp	1.6%	4,076	Reliance W/wide	7.5%	1,522	Virgin Aust	0.4%	1,607
Evolution Min.	1.7%	3,208	Magnis Resource	0.1%	263	ResAoo Health	0.2%	188	Virtus Health	4.3%	435
FAR Ltd	2.3%	335	Mantra Group	7.2%	826	Resolute Mining	2.1%	929	Vista Group	0.1%	418
Fairfax Media	2.1%	2,230	Mayne Pharma Gr	9.6%	1,947	Retail Food Grp	4.8%	981	Vita Group Ltd	0.8%	541
Fleetwood Corp	1.4%	133	McMillan Shake.	0.7%	1,040	Rhipe Limited	0.0%	59	Viva EnergyREIT	1.2%	1,546
Flexicorp Ltd	2.3%	871	Medibank Priv.	0.6%	7,794	Ridley Corp.	0.3%	399	Vocus Group Ltd	11.7%	2,637
Flight Centre	8.0%	3,024	Medical Dev Int	0.1%	291	Rio Tinto Ltd	6.9%	106,099	WPP AUNZ Ltd	0.7%	996
Folkestone Educ	0.1%	652	Medusa Mining	0.5%	68	Rubik Financial	0.2%	68	Watpac Ltd	0.1%	141
Fortescue Metal	3.5%	19,025	Megaport Ltd	0.1%	130	Rural Funds Grp	0.0%	364	Webjet NL	0.4%	1,080
Freedom Foods	0.2%	811	Melbourne IT	0.0%	220	S/Tracks ASX 50	0.0%	458	Webster Ltd	0.0%	513
Freedom Insur.	0.6%	185	Mesoblast Ltd	5.8%	799	S/Tracks Prop.	0.0%	567	Wellard Limited	0.1%	102
Freedom O & G	0.0%	87	Metals X Ltd	4.2%	484	S2 Resources	0.3%	66	Wesfarmers Ltd	0.7%	50,225
G.U.D. Holdings	1.6%	939	Metcash Ltd	10.3%	2,195	SG Fleet Group	0.3%	792	West African R.	0.3%	97
G8 Education	3.5%	1,542	Metro Mining	0.0%	76	SMS Mgmt & Tech	0.8%	112	Westpac Banking	1.2%	117,918
GBST Holdings	1.1%	187	Michael Hill	0.1%	519	Sandfire Res.	1.2%	989	Western Areas	13.8%	615
GDI Property	0.0%	533	Mineral Res.	0.7%	1,919	Santos Ltd	1.9%	7,296	Westfield Corp.	0.5%	17,726
GPT Group	0.8%	8,630	Mineral Deposit	5.6%	43	Saracen Mineral	5.1%	751	Westgold Res.	2.3%	679
GTN Limited	0.3%	633	Mirvac Group	1.8%	7,892	Scentre Group	0.4%	22,627	Whitehaven Coal	2.6%	2,719
GWA Group Ltd	2.3%	699	Mobile Embrace	0.0%	23	Scottish Pac.	0.1%	388	White Energy Co	0.4%	16
Galaxy Res.	2.2%	887	Monash IVF Grp	0.0%	441	Sealink Travel	0.7%	438	Wisetech Global	0.2%	1,553
Gateway Life.	7.7%	614	Monadelphous Gr	8.1%	1,197	Seek Ltd	6.5%	5,321	Woodside Petrol	2.4%	26,166
Genetic Tech.	0.8%	22	Mortgage Choice	0.3%	299	Select harvest	5.3%	429	Woolworths Ltd	4.9%	34,033
Generation HC	0.1%	433	Mt Gibson Iron	1.0%	444	Senex Energy	2.4%	409	Worley Group	9.6%	2,556
Genworth Mort.	4.6%	1,447	Murray River Or	0.1%	105	Service Stream	0.0%	385	Xenith IP Group	0.1%	177
Gold Road Res.	4.4%	444	Myer Holdings	15.7%	936	Servcorp Ltd	0.0%	635	Xped Limited	0.0%	38
Goodman Group	1.2%	13,275	Mystate Ltd	0.1%	408	Seven Group	1.6%	2,897	Yancoal Aust.	0.0%	338
									Yowie Group Ltd	0.3%	95

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Air New Zealand	10.00	10-03	17-03	Full
Argosy Property	1.525	16-03	30-03	Full
Arvida Group	1.10	14-03	22-03	Full
Barramundi	2.79	16-03	31-03	-
CBL Corporation	2.00	14-03	31-03	Full
CDL Investments	3.00	05-05	19-05	Full
Chorus Ltd	8.50	21-03	04-04	Full
Colonial Motor Company	13.00	07-04	18-04	Full
Comvita Ltd	2.00	14-03	21-03	Full
Contact Energy	11.00	28-02	17-03	Full
Ebos Group	30.00	17-03	07-04	2.92
Fletcher Building	20.00	24-03	12-04	11.3072
Fliway Group	2.00	31-03	02-04	Full
Freightways	13.00	17-03	03-04	Full
Genesis Energy	8.20	30-03	13-04	Full
Goodman Property Trust	1.6625	09-03	23-03	Full
Heartland Bank	3.50	24-03	07-04	Full
Kingfish Ltd	2.72	15-03	31-03	-
Marlin Global	1.66	16-03	31-03	-
Marden Marine	6.25	17-03	24-03	Full
Methven Ltd	4.00	17-03	31-03	Full
Mercury NZ	5.80	15-03	03-04	Full
Meridian Energy	5.33	31-03	13-04	Full
Meridian Energy Special	2.44	31-03	13-04	Nil
MetLifeCare	2.25	17-03	31-03	Nil
NPT Ltd	0.90	16-03	30-03	Full
NZME Ltd	6.00	11-04	28-04	Full
NZ King Salmon	2.00	15-03	24-03	Full
NZ Refining Company	6.00	16-03	30-03	Full
NZX Limited	3.00	10-03	24-03	Full
Opus International	2.00	17-03	03-04	Full
Port of Tauranga	5.00	10-03	24-03	Full
PGG Wrightson	1.75	10-03	04-04	Full
Precinct Properties	1.40	02-03	16-03	Full
Property For Industry	2.05	29-02	08-03	Full
Seeka Kiwifruit	10.00	17-03	24-03	Full
Skellerup Holdings	3.50	10-03	23-03	Full
Skycity Entertainment	10.00	03-03	17-03	Nil
Sky TV Network	15.00	15-02	22-02	Full
Solution Dynamics	3.50	28-02	10-03	0.1361
Spark NZ	11.00	17-03	31-03	Full
Spark NZ Special	1.50	17-03	31-03	Full
Steel & Tube Holdings	9.00	17-03	31-03	Full
Summerset Group	5.10	09-03	22-03	Nil
T&G Global	6.00	31-03	07-04	Full
Trade Me Group	8.50	10-03	21-03	Full
Tourism Holdings	10.00	03-04	13-04	1.944
Vector Ltd	8.00	30-03	13-04	Full
Vista Group	4.61	10-03	24-03	Full
Vital Healthcare Prop.	2.125	09-03	23-03	0.0914
Warehouse Group	10.00	03-04	13-04	Full

Australian Shares

Fiducian Group	7.10	23-02	13-03
Finbar Group	3.00	02-03	10-03
Integrated Research	3.00	07-03	14-04
McMillan Shakespeare	31.00	30-03	13-04
Melbourne IT	6.00	06-04	28-04
Michael Hill International	2.50	23-02	31-03
OZ Minerals	14.00	09-03	24-03
Reckon Ltd	3.00	21-02	10-03
The Reject Shop	24.00	17-03	10-04

Total Return Index for All Listed Shares

Feb 13	1640.12	Feb 20	1622.18
Feb 14	1639.07	Feb 21	1624.99
Feb 15	1631.78	Feb 22	1631.56
Feb 16	1626.61	Feb 23	1612.43
Feb 17	1627.68	Feb 24	1613.51
Feb 27	1617.67	Mar 6	1621.34
Feb 28	1620.83	Mar 7	1616.04
Mar 1	1618.91	Mar 8	1618.52
Mar 2	1626.44	Mar 9	1624.09
Mar 3	1619.71	Mar 10	1625.83

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday April 10, 2017.

The print version will be delivered later that week, depending upon printing and postal delivery times.

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