Broader appeal

Target says offer appears short on value

BROADSPECTRUM has suggested Spanish infrastructure giant Ferrovial has undervalued the detention centre operator with its $715 million buyout bid.

The Australian company yesterday said it would make a formal recommendation to shareholders next month on whether to accept the all-cash offer of $1.35 a share.

But it pointed out the offer, while priced above Broadspectrum's current share price, is far below the price of the group's shares as recently as June.

STUART CONDIE
DEALS

Broadspectrum shares were trading at 85c before Monday's announcement by Ferrovial that it had returned for a second tilt at the company it first tried to buy a year ago.

That revelation sent the shares soaring by almost half.

Yet Broadspectrum noted its shares were trading above $1.60 in June and pointed out the company had since met its upgraded financial forecasts for the financial year finishing that month. Ferrovial was thwarted in an attempt to buy the company then known as Transfield a year ago when the board knocked back an offer of $2 a share.

Broadspectrum's share price had halved between then and Monday's announcement of a second bid amid protests over its role running Federal Government detention centres for asylum seekers, in Nauru and Manus Island.

Some investors sold their shares due to concerns over alleged human rights abuses.

Broadspectrum said it would take up to 15 days to assess the bidder's statement, which it expects to be sent to shareholders between December 21 and January 4.

Ferrovial has said shareholders should remember there was no dividend paid for the past financial year because of Broadspectrum's high debt and that future earnings were heavily reliant on it retaining the detention centre contract.

The company is the preferred bidder for a new five-year contract with the Department of Immigration and Border Protection.

AAP

Palmer's call on fate of nickel plant

MINING

IF Clive Palmer's nickel refinery in north Queensland closes, it will be his own fault, the state's treasurer says.

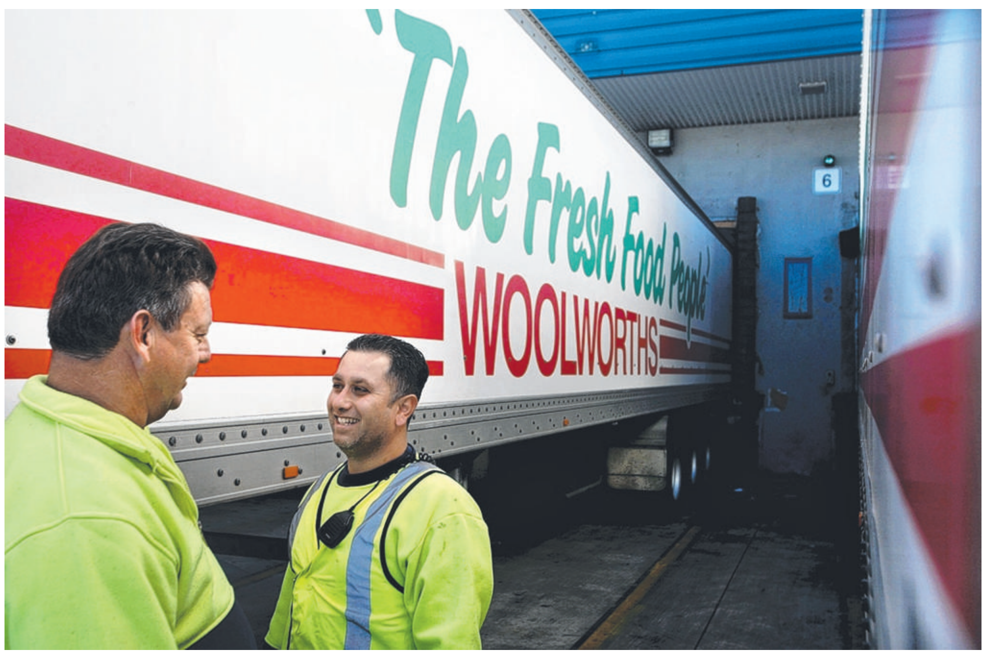
Curtis Pitt was to meet with Mr Palmer late yesterday to discuss the future of Queensland Nickel's Yabulu refinery near Townsville.

Mr Pitt said the Queensland Government would stand ready to assist workers if needed but was surprised Mr Palmer was threatening to close the plant following months of assurances its future was safe.

"Let me be clear: any decision to close the Yabulu nickel plant will be the decision of Mr Palmer and his alone," he said.

He accused the mining magnate of issuing an ultimatum weeks before Christmas, putting the future of the refinery's almost 800 workers in doubt.

Speculation the refinery could go into administration came after Mr Palmer's private company, Mineralogy, on Monday lost a bid to force millions of dollars in "outstanding royalty payments" from an estranged Chinese partner.



Woolworths has moved to reassure suppliers they will be able to negotiate their terms.

Vow to give suppliers a leg up

RETAIL

WOOLWORTHS and Aldi have vowed to give suppliers more bargaining power following complaints over the supermarket giants' conduct.

Both retailers have sent letters reassuring suppliers they have the right to negotiate the terms of their supply deals.

It comes after the competition watchdog received complaints about the way Woolworths and Aldi were presenting agreements, which gave the impression suppliers were unable to negotiate the terms of their deals.

Coles, Woolworths and Aldi signed a new Food and Grocery Code of Conduct midyear that was aimed at giving suppliers more bargaining rights.

The Australian Competition and Consumer Commission said yesterday that it was pleased with the steps Aldi and Woolworths had taken to clarify the situation.

ACCC chairman Rod Sims said the code provided certainty to suppliers.

Woolworths shares fell 0.7 per cent yesterday to $23.71.

Meanwhile, the ACCC yesterday announced it had appointed Graeme Woodbridge to the newly created role of chief economist in an effort to strengthen the reasoning behind its rulings.

THE SHORT CUT with ROGER MONTGOMERY

Unhealthy byte? Not this Apple

TODAY I am discussing a company the rest of the world doesn't like — a company whose share price has declined from $US133 earlier in the year to a recent low of $US103, but a company whose performance doesn't justify this treatment.

When trading at circa $US100, the shares are at the same level as they were in September 2012.

The company is Apple.

It sells iPhones, laptops, iPads as well as a host of other gadgets, books, music, apps and peripherals.

Despite being the biggest company in the world, it continues to defy analysts' expectations the company's growth path will end.

In October, Apple reported another quarter of revenue and profit growth, fuelled by sales of the iPhone. Apple posted a profit of $US11.1 billion in the fourth quarter, up 31 per cent from a year ago. It grew its third-quarter sales by 33 per cent.

The third-quarter growth rate was the fastest the company had experienced in more than three years.

Of the $US49 billion in quarterly sales revenue, $US13.2 billion came from China, up 112 per cent.

China now represents a quarter of the company's revenue and profits.

China accounted for 60 per cent of the growth, and units shipped grew by 87 per cent versus China's smartphone market growth in units shipped of 5 per cent.

Apple has the most valuable customers because they are higher spending.

Also, developers of iOS apps make double the revenue of those on the Google Play store. Amazon's most profitable customers are on iPhones.

Google's most profitable customers are on iPhones.

Globally, Apple has enjoyed the highest-ever switch rate from Android. Asking yourself how long this might last yields an interesting answer.

You see, only 27 per cent of iPhone owners have switched to iPhone 6 and in China 4G penetration is only 12 per cent.

To date phone switching or upgrading to iPhone has been predicated on an industry standard of two and three-year phone plans, but phone companies are moving to one-year plans and anytime upgrades.

Most importantly, Apple has recently launched a buyback program. For $US32 per month users can experience the latest handset at all times.

This program will speed up the replacement cycle.

Meanwhile, the global PC market is contracting at 12 per cent a year, but Mac sales are growing at 9 per cent.

Here's the great twist: All this success is bringing with it apathy and even despondency. Believe it or not, analysts aren't recommending the stock as a buy because, they say, the growth will eventually end.

But what the analysts who are focusing on the next earnings number are missing is this: as more people buy iPhones, the network effect strengthens, and as a result the company is in the strongest shape it has been in.

Apple is a demonstration of when growing profits is seen as a negative.

And that's true, but the growth will also end one day for Domino's Pizza and that company is trading at 50 times earnings, not the 10 times earnings multiple on which Apple is trading.

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