Kelaher exits in IOOF overhaul

STUART CONDIE
FINANCIAL SERVICES

BELEAGUERED wealth manager IOOF has parted ways with managing director Christopher Kelaher as it tries to win back support among investors and braces for a potentially bruising courtroom battle.

Mr Kelaher has been on leave since December, when the financial regulator moved to disqualify him and other top brass over accusations they failed to act in members' interests.

IOOF said yesterday that Renato Mota would continue as acting chief executive following the departure of Mr Kelaher by mutual consent, who will be paid $1.27 million in lieu of his notice period.

"In the interests of the company it is time for IOOF to move forward under new leadership," said Mr Kelaher, who had led the Melbourne-based fund manager for a decade.

George Venardos has been replaced as chair by Allan Griffiths, who has been in the role on an acting basis since Mr Venardos went on leave at the same time as Mr Kelaher.

In a statement, Mr Griffiths said he was "entirely committed to restoring trust with all our stakeholders and accelerating the pace of change in respect of governance, culture and the resetting of relationships with stakeholders".

"The company has experienced difficult circumstances and disruption during the past six months," he said.

In December the Australian Prudential Regulation Authority moved to disqualify five senior IOOF employees and impose new licence conditions, saying it had concerns dating back to 2015 that IOOF had consistently failed to address.

Shares in IOOF, which had already been mauled at the financial services royal commission, lost more than a third of their value on the day the action was made public.

Sydney law firm Quinn Emanuel last month launched a shareholder class action, citing royal commission evidence that IOOF subsidiaries allegedly breached their trustee duties — and that directors and officers knew about it.

Mr Griffiths has said IOOF will vigorously defend "misconceived" accusations.

IOOF shares fell 10c yesterday, or 1.5 per cent, to $6.40.

AAP

A WINNING FORMULA

DAIRY

INVESTORS have raised a glass to Australian Dairy Nutritionals as it continues its shift from milk to infant formula with the $5 million purchase of an powder processing plant.

The company is buying an overseas mixing, evaporation and drying plant that will be disassembled and rebuilt at its Camperdown Dairy Park site, at Braeside, in Melbourne's southeast.

It has the capacity to produce 400,000 to 600,000 tins of infant formula each year, Australian Dairy says.

The company, led by chief executive Peter Skene (right), hopes to produce an own-brand range of organic infant formula by mid 2020.

Shares in the group climbed 2c, or 16 per cent, yesterday to 14.5c.

UNICORNS STAMPEDE IN MY NIGHTMARES

THE SHORT CUT

ROGER MONTGOMERY

INVESTORS should beware — another tech boom appears to be underway.

Exuberant valuations, zero profits and knowledgable private equity owners lining up to sell their stakes all paints a dangerous picture for stocks.

This time, the boom surrounds the conga line of technology unicorns (start-ups with a valuation of more than a billion dollars) that have filed to list this year.

After the GFC, when US short-term rates were set to zero, saving money was unappealing. Investors searched high and low for yield and returns.

A great deal of the abundant money found its way into speculation on property, fine art, collectable cars and private equity funds. These private equity funds, flush with cash, funded the growth of loss-making tech companies over many years.

And despite their losses, investors kept cheering as these companies grew users, trips, rideshares and posts.

What many of these companies didn't do however was grow profits. And the future must include profits.

Perhaps because private equity investors do have a limit to their patience, some have decided not to hang around waiting for their companies to generate free cash flow.

Instead they have decided to offload the business to stockmarket investors who are super excited about the prospect of these companies changing the world or simply hoping to make a profit from the speculating on the share price going up.

Let's take a quick look at two of these companies.

Pinterest is an online pinboard for collecting and sharing favourite images under category headings.

The company recorded a loss of $US130 million in 2017 on revenue of $US472.9 million and it recorded a smaller loss of $US63 million in 2018 on revenue of $US755 million.

In the last quarter of 2018 Pinterest recorded a profit of $US47 million. The company has raised more than $US1.5 billion from venture capital investors since it was founded in 2008.

The company was valued at $US12.3 billion in its last funding round in 2017, which means when it floats it will need to be at a valuation of more than that to ensure the last round of investors generate a positive return.

Thankfully, because of their sheer excitement, small stockmarket investors will be happy to oblige.

Uber is another company expected to list earlier rather than later this year. It too started about a decade ago, has raised oodles of money but has never made a profit.

What investors are excited about is the fact that ridesharing is taking over taxi rides around the world.

But that's not the complete story. In some countries and cities, Uber has been banned. In others, it has been declared a taxi company, meaning cars and drivers have to be licenced appropriately and pay fees.

The reason for Uber's popularity is simply because it is underpricing its product.

The fact it makes no profit means its product is not generating a sufficient return.

In fact, as the company gets bigger, so does its losses.

Bottom line, the service it offers isn't priced correctly.

And that's why its popular.

The company is expected to list with a valuation of $US120 billion.

Good luck with that.

The stampede of unicorns listing this year is a worry itself but so is the fact that their vendors are rushing to market.

Perhaps they know something the buyers don't.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT

Divergence to ponder as benchmarks outstrip futures

THE DAY TRADER

DARRYL MORLEY

ALL three market indices I watch — the All Ords, ASX 200 and SPI futures — formed daily reversal pattern last Friday but, as of Wednesday, the market had not followed through.

The SPI was still trading at a 13-point discount to the ASX 200 on Wednesday, so there is still some indecision in the market.

It is also important to note that there was a divergence between the SPI and the ASX 200 on Wednesday, when the SPI did not trade above its early March spike high and the All Ords and ASX 200 managed to not only trade above their respective highs but close above their respective early March highs.

This could be a precursor to a short-term fall in the market to a target around 6300.

By today, we should know how this divergence plays out.

Now to **Synlait (SM1)** which was sold two weeks ago.

It reversed to the upside but is still in indecision and if it closes above $10.50 on increased volume it could be the precursor to a move up to about $12.

Mount Gibson Iron (MGX) has run up from 85c over the past week and has not had another pullback for me to raise its trailing stop from 85.5c, the spike low formed on March 27.

As the price nears $1.20, the spike high formed in early 2014, I will look to sell as it will very likely take a breather around there.

I may get a chance to buy it back again as it reverses from the pullback. If this comes to pass, it will then have a target around $2.50 the spike high formed in 2010.

Rhipe (RHP), which was sold after it closed below its stop a couple of weeks ago, reversed to the upside before moving sideways for a few days.

It broke above the sideways pattern last Thursday and I bought 8000 shares again on Friday at $1.79 for a total of $14,350.

As it has now broken above the 2015 high, it has a potential target of over $3 but the immediate target is $2.

I also bought 150,000 **Netlinkz (NET)**, a stock I mentioned I was watching a few weeks back, on March 28 at 4.1c for a total of $6170.

Its initial stop was 3.4c and the target is 10c a spike high formed in 2016.

The buy signal was the break above 4c on increased volume — 4c was the top of a sideways move it had been trading in for over 18 months.

On the negative side **Pantoro (PNR)** closed below its stop of 25c on Monday and was sold on Tuesday at 24c for a total of $9580, including brokerage.

It may find support around 23c and reverse to the upside.

If it does and then breaks above 26c it will have a target around 36c.

Firstwave Cloud Technology (FCT) also closed below its stop of 30.5c on Monday this week and was sold on Tuesday at 29c for a total of $5780.

Battery Minerals (BAT) went into a trading halt on Tuesday.

I will decide what to do with it when it relists.

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PORTFOLIO POSITION

Stock	Shares	Price	Stop	Close
MGX	20,000	62.5c	82c	$1.03
CNW	200,000	2.4c	3.9c	4.4c
FPL	400,000	1.2c	1.2c	1.3c
BAT	200,000	3.1c	3c	3.1c
NET	150,000	4.1c	3.4c	6.3c
RHP	8000	$1.79	$1.71	$1.855

Cash **$344,722** All figures are at close of trade on Friday
Shares **$65,190** **Starting capital of $50,000 in July 2006**
TOTAL **$409,912** **day.trader@news.com.au**

Potential investors should seek professional advice before buying shares to determine whether such action is appropriate for their investment objectives and financial situation.