



SHAREHOLDER RETURNS

SPECIAL REPORT



Key takeaways

- Strong surge behind battery-exposed miners
- Medicinal cannabis hopeful AusCann tops BN30 (see story, page 26)
- Most large WA businesses outperform the market
- Miners generally hitting their stride

GOING UP: Total shareholder return data suggests WA businesses are well on the way to recovery, with battery-exposed miners towards the top of the pack. **Photo:** Reid Smith

Resources returns lead rebound

Battery metals businesses such as Pilbara Minerals, Altura Mining, and Western Areas have joined AusCann Holdings, Buru Energy and OM Holdings among the best-performing stocks in the year to June.



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4-PAGE FEATURE

THE stock market has decisively turned back toward resources companies, according to total shareholder return data compiled for the annual BNiQ Search Engine analysis.

Among the 30 Western Australian stocks that comprise the BN30

index, three of the top performers are in the battery metals business, with lithium miner Pilbara Minerals posting second place with a one-year TSR of 128 per cent.

That metric measures the impact for investors of share price movements, dividends and buybacks, and is generally considered the best indicator of a stock's performance.

Nickel producers Western Areas (70 per cent TSR) and Independence Group (64 per cent TSR) ranked sixth and ninth respectively (see table, page 25), while lithium-focused Mineral Resources ranked 11th with a 53 per cent return.

All trailed medical cannabis hopeful AusCann Holdings, which posted a one-year TSR of

196 per cent (see article, page 26).

AusCann's share price nearly tripled from mid-December to mid-January after it received a licence to manufacture in Tasmania and started planting its second crop in Chile.

Resources players dominated the top 10 for TSR among WA companies with market capitalisations of more than \$500 million – seven were miners and the remaining three heavily exposed to the sector as contractors.

Similarly, across all stocks regardless of size, nine of the top 10 businesses were in the resources space.

Last year, by comparison, five of the top 15 companies on this measure were backdoor-listed plays in technology or health.

Battery minerals

The strong support specifically for battery-mineral related businesses comes as many large car manufacturers indicate interest in a shift to electric cars.

It also reflects the growing capability of batteries to store renewable power on a utility scale.

For Pilbara Minerals, as an example, some of the biggest share price jumps came in September and October last year, at the time Chinese automaker Great Wall Motors backed the business's expansion plans for the Pilgangoora project and signed on for an offtake agreement.

Other drivers for Pilbara were its announcement around the same time that it would investigate an expansion of its mine

to have a capacity of 5 million tonnes per annum, up from the 2mtpa plant that began production in June.

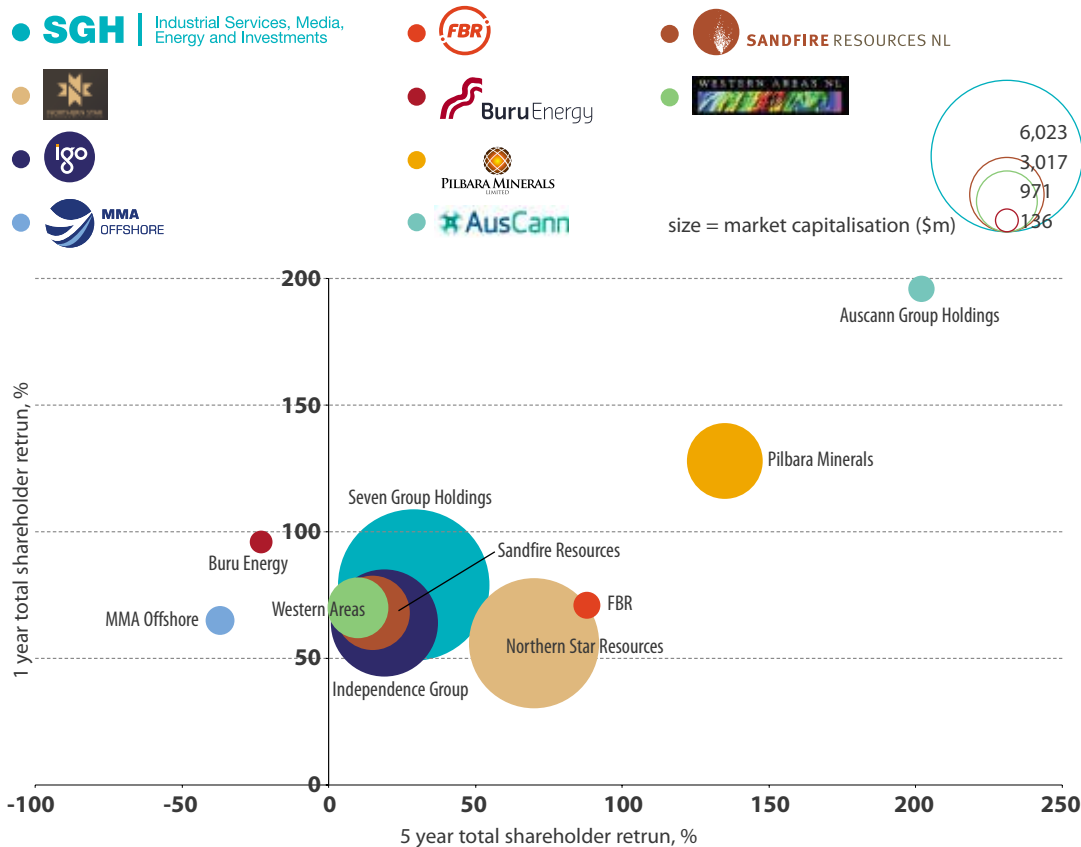
Although not listed on the BN30, Altura Mining, which is constructing a project a few hundred metres away from the Pilbara operation, outperformed its neighbour, with a one-year TSR of 160 per cent.

Altura was the fifth-strongest performer among stocks with a market cap above \$500 million.

Its big share price run was concurrent with Pilbara's as it announced a project funding package, reserve upgrades and positive project development updates.

Another lithium stock, Galaxy Resources, featured in ninth spot with an 83 per cent one-year TSR.

BN30 top ten bubble chart



Battery-driven demand also boosted nickel miner Western Areas, which performed well in April when it began early works on the Odysseus project and announced it had completed its mill recovery enhancement project.

Among all WA companies with a market cap of more than \$500 million, Western Areas was 12th.

It should be noted that exposure to the battery space did not guarantee share price performance, however.

A bag of eight smaller graphite stocks followed by *Business News* found five companies that had negative one-year TSR, with that subset averaging a negative return of 34 per cent.

A series of other resources businesses in the BN30 posted strong returns.

Canning Basin-focused oil and gas producer Buru Energy ranked third among BN30 companies with a one-year TSR of 96 per cent.

Buru was still down 23 per cent when measured over a five-year period, however.

The company performed well in spring of 2017, as it commenced a drilling program and restarted production at the Ungani well.

Copper producer Sandfire Resources featured seventh with a one-year TSR of 68 per cent, and gold miner Northern Star Resources posted a 56 per cent one-year return.

Seven Group Holdings, which is exposed to resources through ownership of yellow goods dealer WesTrac, achieved a one-year TSR of 79 per cent.

By comparison, Channel 7 owner Seven West Media, which is itself partly owned by Seven Group Holdings, lifted only 21 per cent.

Numerous major deals have been on the radar for Seven Group, including the purchase of the remainder of Coates Hire, the sale of WesTrac China, and Beach Energy's (in which Seven holds a 23 per cent stake) acquisition of Lattice Energy.

In mid-May, the company announced a lift in earnings of 25 per cent above guidance.

FBR, formerly known as Fast Brick Robotics, ranked fifth among BN30 businesses, with a return of 71 per cent over the year.

The majority of that gain came on August 16, when the share price jumped around 50 per cent to 26.5 cents after the business signed an agreement with the government of Saudi Arabia.

FBR is the vehicle for the Hadrian X bricklaying robot, which the Saudi government wants to use to build 50,000 homes by 2022.

In a sign of the strength of WA businesses generally last year, Woodside Petroleum found itself in the middle of the BN30 pack at 15th place despite a one-year TSR of 25 per cent.

That has come as the oil price rose dramatically, to be about 60 per cent higher across the course of the financial year.

Woodside announced a \$2.5 billion capital raising earlier this year to fund the acquisition and development of the Scarborough LNG project.

The company's share price has remained strong since, closing at \$30.74 the day before the raising was announced, and finishing the year at \$35.46.

Woodside paid an interim dividend of around 60 cents per share.

The state's biggest business, Wesfarmers, performed well, with a one-year TSR of 30 per cent.

That was during a period of huge change, with Wesfarmers announcing it would ditch its investment into UK business Homebase for a large loss and would also spin-off retail giant Coles.

About 60 per cent of Wesfarmers' deployed capital is in Coles, although it only accounts for 34 per cent of earnings.

Wesfarmers shares started the year around \$40 and finished just below \$50, while the company paid a \$1.20 per share dividend.

Only five of the BN30 businesses posted negative TSR, with car dealer Automotive Holdings Group, miner Fortescue Metals Group, technology play Empired, education provider Navitas and manufacturer Fleetwood Corporation each in red territory.

BN30
COMPANIES

BNiQ SEARCHENGINE
...your key to WA business

	MARKET CAP (\$)	1YR %	3YR %	5YR %
AHG	945m	-10	-6	3
Fortescue Metals Group	13.7bn	-10	39	13
Empired	82m	-6	-12	-3
Navitas	1.6bn	-5	5	-1
Fleetwood Corporation	139m	-2	19	-8
Ausdrill	665m	2	70	20
Austal	653m	4	3	22
Decmil Group	169m	4	-1	-6
Monadelphous Group	1.4bn	12	25	6
BWP Trust	2.1bn	15	8	14
Peet	647m	15	9	7
Cedar Woods Properties	458m	16	9	7
Seven West Media	1.3bn	21	0	-9
Euroz	201m	24	14	11
AFG	302m	25	21	
Woodside Petroleum	33.2bn	25	6	6
Finbar Group	256m	27	0	2
Wesfarmers	56bn	30	14	10
Iluka Resources	4.7bn	33	16	4
Mineral Resources	3bn	53	40	19
Northern Star Resources	4.4bn	56	52	70
Independence Group	3bn	64	8	19
MMA Offshore	219m	65	-21	-37
Sandfire Resources	1.5bn	68	20	15
Western Areas	1bn	70	4	10
FBR	191m	71	115	88
Seven Group Holdings	6bn	79	50	29
Buru Energy	136m	96	-5	-23
Pilbara Minerals	1.5bn	128	102	135
Auscann Group Holdings	182m	196	757	202

Companies with market capitalisation above \$500m, ranked by 1 year TSR

	MARKET CAP (\$)	1YR %	3YR %	5YR %
OM Holdings	916m	629	66	29
New Century Resources	660m	572	102	24
Emeco Holdings	1.2bn	268	68	7
NRW Holdings	628m	163	109	16
Altura Mining	591m	160	142	32
Pilbara Minerals	1.5bn	128	102	135
Lynas Corporation	1.6bn	123	90	-9
Saracen Mineral Holdings	1.8bn	87	72	81
Galaxy Resources	1.2bn	83	156	51
Seven Group Holdings	6bn	79	50	29
St Barbara	2.5bn	71	106	62
Western Areas	971m	70	4	10
Sandfire Resources	1.5bn	68	20	15
Independence Group	3bn	64	8	19

BNiQ SEARCH OM Holdings

There are **123** results from our index of **95,126** articles, **9,402** companies and **33,273** people.

Returns suggest resources-led rebound

Fortescue has suffered as prices for lower grade and high-grade iron ore diverge, driven by changing demand in China.

To put all that in perspective, the ASX200 increased about 9 per cent in the 2018 financial year, not accounting for dividend payments or share buy-backs.

But it looks like most large WA businesses outperformed the market.

Strong year

Other reasonably big businesses that scored strong returns included OM Holdings, which is not listed on the BN30 but was the best-performing stock among those with a market cap of more than \$500 million.

Singapore-based OM, which mines and processes manganese, posted a one-year TSR of 629 per cent, driven by a dramatic rise in its share price.

The first big lift came in August last year, when it jumped nearly 70 per cent in four days.

That earned a query from the ASX, although the company replied that it was not aware of any information unreleased to the market.

A few weeks later, the business reported an increase in revenue driven by higher manganese prices, while a November spike in its share price also earned a query from the ASX.

In second place in the plus-\$500 million market cap group was Subiaco-based New Century Resources, which is hoping to bring the Century Zinc mine near Mt Isa back into production, with a one-year return of 572 per cent.

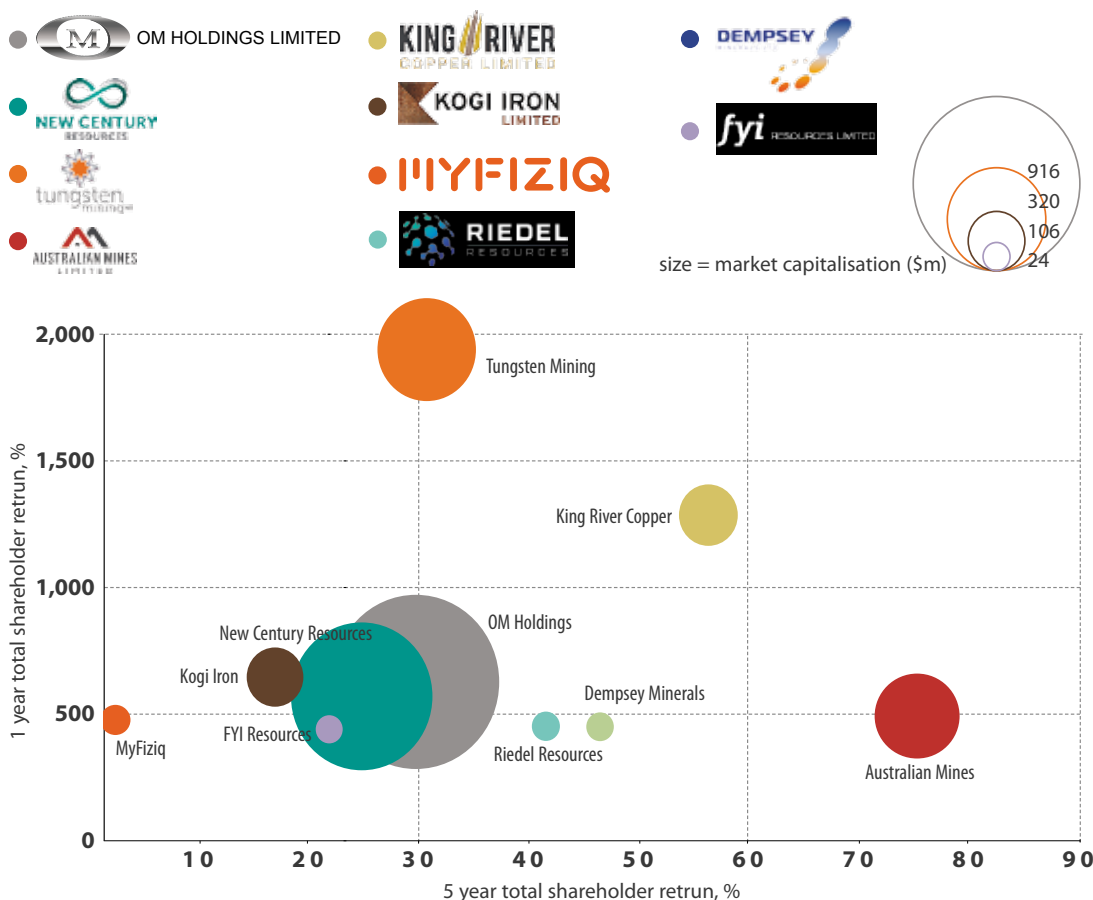
Two contractors featured next, with Emeco Holdings third on 268 per cent and NRW Holdings at 163 per cent.

Both businesses were hit hard by the end of the resources boom, with Emeco in particular going through a restructure in late 2016 and early 2017.

Other strong performers included Saracen Mineral Holdings, a gold miner headed by 40under40 first among equals winner Raleigh Finlayson,



WA companies, ranked by 1 year TSR



\$35.46 **WOODSIDE**
SHARE PRICE
JUNE 30

which was in fifth place with a one-year TSR of 87 per cent.

Only three Perth-based businesses with a market capitalisation of more than \$500 million tracked by the BNIQ Search Engine posted negative one-year TSR results – AHG, Fortescue and Navitas.

Westgold Resources (1 per cent), Ausdrill (2 per cent), Austal (4 per cent) and ALS Industrial (4 per cent) were in the next group of softer-performing stocks.

At the smaller end of the market, resources businesses again stood out, with Tungsten

Mining first, returning 1,940 per cent in one year.

King River Copper and Kogi Iron also bagged big gains (see chart).

There was one business among the top 10 not involved in resources, Mount Pleasant-based mobile application developer MyfiziQ.

Shareholders in that business had a rollercoaster year, with shares opening the year at 6.5 cents and peaking in January at \$1.56.

MyfiziQ closed the financial year at a share price of 37.5 cents, however.

Part of the dive was in late March and early April, when the company came under ASX scrutiny for previous announcements about revenue from its partnership agreements.

Companies that lost value year on year included human resources software provider Tikforce, which had a one-year TSR of -90 per cent.

A big dive started in March, with the business in and out of trading suspensions in the ensuing weeks.

The ASX wrote to the business sounding the alarm that Tikforce's cash balance was \$176,000 with an outflow predicted in the following quarter of \$758,000.

Tikforce stitched up a \$2 million convertible note facility with Regency Corporate but continued to hit trouble with convertible note holder Alignment Capital starting legal action in April.

In early July, there was a motion to remove one of the company's directors.

Also having a tough year was Tech Mpire, with a one-year TSR of -88 per cent.

Tech posted a \$3.9 million loss and restructured its North American business.

BNIQ SEARCH **NRW Holdings**

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Strong returns for AusCann investors

AusCann has benefited from a wave of interest in medicinal cannabis for pain relief to be the BN30's top performer in shareholder returns for the year to June 30.

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A DOLLAR invested during AusCann Holdings' capital raising of late 2016, when the company made a reverse takeover of TW Holdings, would be worth around \$6.30 today, according to BNiQ research.

Among 30 WA companies on the BN30 list (which provides an indicator of the state's economic performance), medicinal cannabis hopeful AusCann topped the 2018 total shareholder return table with a one-year TSR of 196 per cent.

The three-year metric is even stronger, with a return of 757 per cent.

TSR data includes the impact of capital gains, dividends and buy-backs for investors, although in the case of Joondalup-based AusCann, the return has been share price driven.

The company's share price ended the 2018 financial year at \$1.26, with investors having bought into the \$5 million raising at 20 cents.

AusCann's growth has come during a time of strong interest in cannabis stocks on the ASX.

Perth-based Zelda Therapeutics made a backdoor listing into Gleneagle Gold in 2016, raising \$4 million at 2.5 cents per share.

Zelda traded at 9 cents at June 30.

Queensland Bauxite bought a controlling stake in Sydney-based Medical Cannabis in March 2017, with its share price lifting more than 54 per cent since.

Subiaco-based Algae.tec made a move into the medicinal marijuana market in May 2017, signing an agreement with a Uruguayan business.

Its share price has dropped from 4.6 cents to be 2 cents in the time since the announcement.

Last month the company announced plans to spin out its Uruguay assets into a separate listing.

Can do

AusCann harvested its second crop in Chile in June, and recently announced a partnership with Tasmanian Alkaloids (formerly part of Johnson & Johnson) to establish cultivation and manufacturing operations.

One factor for AusCann's share performance could be the calibre of its board, which includes former federal parliamentarian Mal Washer as chairman.

Court government attorney-general Cheryl Edwardes and former Rothschild Asset Management biotechnology assistant director Bruce McHarrie are directors.

Mr Washer's daughter, Elaine Darby, serves as managing director, with previous experience including leading Aquila Estate Winery, while Mr Washer's son, Stewart Washer, serves as a director.

His experience includes as executive director at Zelda and executive chairman of biotech play Orthocell.

Stewart Washer told *Business News* investors were excited about the potential of cannabis as a treatment for chronic pain.

"A big part of the population, around 3.2 million Australians suffer from chronic pain, and there's a subset of chronic pain called neuropathic pain, there's around 2 million Australians who suffer that," Mr Washer said.

"(Investors) know ... a lot of people have suffered from different ailments, including pain, who've actually broken the law to go and get illicit cannabis and have received relief from taking illicit cannabis.

"The shareholders have been patients themselves or seen patients or been aware of this, and have really thought 'this is going to work, as long as they get the price point right'.

"They can see it personally rather than some advanced



SOLUTION: Stewart Washer says AusCann hopes to provide cost-effective relief to Australians in chronic pain. **Photo:** Gabriel Oliveira

“A big part of the population, around 3.2 million Australians suffer from chronic pain - Stewart Washer

therapy in biotech, where normally they don't have any (guidance) for its probability of success.”

The other major option for pain relief was opiates, Mr Washer said, which brought its own challenges.

Work on the respective medical benefits of cannabis is ongoing, however, with a recent study by the University of New South Wales suggesting self-prescribing medicinal cannabis users did not experience reduced pain.

But the broader body of work suggests pain reductions of up to

50 per cent, according to the Therapeutic Goods Administration.

Federal Health Minister Greg Hunt has also been a promoter of the industry, ticking off rules for the export of medicinal cannabis products in early January, and adding he hoped Australia could be the world leader in the field.

AusCann completed a \$33.4 million capital raising with local and North American institutions in early July.

NYSE-listed marijuana play Canopy Growth Corporation

upped its stake from 11 to 11.2 per cent.

"We were approached by a number of North American institutions and others," Mr Washer said

"It's about getting some of those investors who are veteran cannabis investors from the Northern Hemisphere into us, which would be good.

"Some of those institutions made a fortune on stocks like (NYSE-listed Canopy Growth Corporation), which is our major shareholder ... they are a \$US7 billion market cap now."

BNiQ SEARCH AusCann

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Shareholder Returns



There are **148** results from our index of **95,126** articles,
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pressure is mounting for this to change. 3. Total Shareholder Return Total Shareholder Return (TSR) has ... shareholder return (RTSR), earnings per share (EPS) and return measures which included return on equity and ... years of poor shareholder return. What does this mean? It means that Remuneration Committees need to ...

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