



## Australian Pipeline Trust

**Dividend yield 9%**

**P/E ratio 15.8 times**

**Market cap \$1.77 billion**

APA Group owns and operates an extensive network of gas transmission and distribution pipelines, along with a number of related assets such as gas storage and processing facilities. APA is responsible for transporting over 50% of gas in Australia and some 70% of the gas consumed on the East Coast of Australia.

Gas demand in Australia has grown by 5.2% p.a. since 2001, and we believe this demand will continue to grow as it is cheaper and more environmentally friendly than coal; its main competitor as a fuel source. Australia is also in the fortunate position of having an abundance of gas. APA's earnings are underpinned by "take or pay" contracts with numerous shippers, such as Origin and AGL, who need to move the gas from source to their end markets.



## GWA International

**Dividend yield 5.6%**

**P/E ratio 17 times**

**Market cap \$1 billion**

GWA International is the company behind some of Australia's leading building products. It manufactures and markets Caroma sanitary-ware, Dorf taps, Dux hot water systems, Gainsborough locks, Rover mowers and Sebel commercial furniture and seating. The company sells into the renovation market as well as for new build, making its earnings less cyclical than some of its peers.

The primary driver of GWA's business is in sanitary - ware. Here the company has a dominant market position in Australia, supplying around 90% of the country's toilets and 80% of taps. The company is the sole manufacturer of sanitary-ware in Australia, operating highly automated, low cost factories underpinning the very healthy margins the company earns. The company is also a substantial innovator which helps protect its market position. GWA pioneered the dual flush toilet and continues to improve the product's water use.



## Sky City Entertainment Group

**Dividend yield 5%**

**P/E ratio 14 times**

**Market cap \$1.45 billion**

Sky City Entertainment Group owns and operates New Zealand's leading casino property, the Auckland Sky City casino, as well as casinos in Adelaide and Darwin and several smaller casinos in New Zealand.

The casinos that Sky City operates are predominately "grind" operations, in that they generate the bulk of their earnings from local players on the main gaming floor. These operations generate a consistent and recurring revenue stream.

Most of their licenses are exclusive, meaning that competition in each jurisdiction is limited to smaller scale pubs and clubs. In addition, the company recently recruited new management who are experienced casino operators. They have introduced many improvements to the casinos which will help lift the performance of the casinos, particularly the Auckland property which recently underwent a major refurbishment.



## Salmat

**Dividend yield 5.5%**

**P/E ratio 14.7 times**

**Market cap \$700 million**

Salmat is one of Australia's leading communication service providers. It operates three divisions which have the technology and capability to enable companies to communicate with their target audience on a one to one basis - whether it be by mail, phone, online, email, fax or multimedia.

The company is best known for its Targeted Media division, which delivers over 50% of Australia's retail catalogues.

Salmat's Business Process Outsourcing operation is the country's leading essential mail printer and distributor, distributing over 1.3 billion essential mail items last year. The company manages the essential mail requirements for many of Australia's top companies, including Telstra and CBA.

Salmat also operates Australia's leading call centre business, handling 25% of all outsourced phone calls in Australia with over 4,500 operators making and receiving calls 24 hours a day.



## Amalgamated Holdings

**Dividend yield 6%**

**P/E ratio 10.5 times**

**Market cap \$860 million**

Amalgamated Holdings operates the Greater Union and Birch Carol and Coyle cinema networks in Australia, the Rydges hotel chain and Thredbo ski resort. The company also operates cinema networks in Germany and the Middle East.

The cinema division is one of Australia's three leading cinema chains. It is a strong and consistent cash generator with cinemas typically resilient even during periods of economic weakness.

The Rydges Hotel division owns or manages over 30 hotels across Australia and New Zealand. The chain is positioned in the mid-range of the corporate and leisure markets.

Thredbo is the premium ski resort in Australia with the longest ski runs in the country. Recent investment in snowmaking capacity and increased summer activities have helped grow the earnings of this division.

# IML Smaller Companies Fund Company Profiles

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## Graincorp

**Dividend yield 5.6%**

**P/E ratio 10.5 times**

**Market cap \$1.2 billion**

GrainCorp holds a dominant position in grain handling across eastern Australia with 284 grain receival sites strategically located on rail lines linked to seven bulk grain port terminals. This network of assets ensures that Graincorp stores, transports and exports a large percentage of the East Coast grain crop in any given year. The deregulation of the Australian single bulk wheat export desk has proven to be a significant opportunity for Graincorp, allowing them to increase their port and storage charges, reduce their operating costs and grow their marketing business.

In October 2009 GrainCorp acquired United Malt Holdings, the world's fourth largest commercial malt producer. UMH has operations in Australia, the United States, Canada and the United Kingdom, supplying malt for use in the production of beer and Scotch whisky.



## Spotless Group

**Dividend yield 4%**

**P/E ratio 14 times**

**Market cap \$800 million**

Spotless is the largest outsourced service provider in Australia and New Zealand, employing over 30,000 people. The company's main areas of operation are catering, cleaning, laundering and facilities maintenance & management. Spotless continues to benefit from a long term trend by business and government to outsource non-core activities. The contracts under which they operate are typically long dated and generate a predictable, recurring earnings stream.

Spotless also operates a retailer services division, Braiform, which provides clothes hangers to global retailers such as Marks & Spencer. Braiform's global network enables them to supply their hangers to garment manufacturers either on a single use or re-use basis wherever they may choose to have the garment manufactured.



## Metcash

**Dividend yield 6.5%**

**P/E ratio 12.5 times**

**Market cap \$3.1 billion**

Metcash is the dominant distributor of goods to independent food and liquor retailers in Australia. It supplies the IGA network of independent supermarkets, liquor stores such as Cellarbrations and The Bottle-O and operates the Campbells Cash & Carry network of wholesale stores.

Through its aligned network of 2,500 independent retail grocery stores and 13,000 licensed premises, Metcash commands almost 20% of Australia's spend on food and liquor. This market share makes Metcash the third largest player in the grocery and liquor market, behind Woolworths and Coles.

Metcash has been able to grow earnings steadily over time by growing the number of stores to which it distributes and increasing its product offering to include items such as fresh produce and an expanded range of private label products.



## Ramsay Healthcare

**Dividend yield 3.2%**

**P/E ratio 15.5 times**

**Market cap \$2.6 billion**

Ramsay Healthcare is one of the largest private hospital operators globally. The company is the largest operator in Australia with over 65 private hospitals and is the fourth largest operator in the UK with 38 hospitals. Ramsay recently entered the French market through an acquisition of a majority of interest in Groupe Proclif which operates 9 private hospitals in the Paris region.

The demand for private hospitals is underpinned by the non-discretionary nature of healthcare coupled with a growing demand profile driven by an ageing population. This demand profile is complemented by their current brownfield expansion plans which involve adding new wards to their existing private hospital facilities.

**Other Stocks Held: Cabcharge, Ridley Corporation, Energy Developments, Prime Media, ConnectEast, Campbell Brothers and McPherson's Limited.** PE and Yield as at 9 March 2010



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