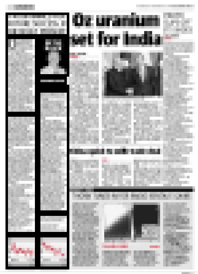
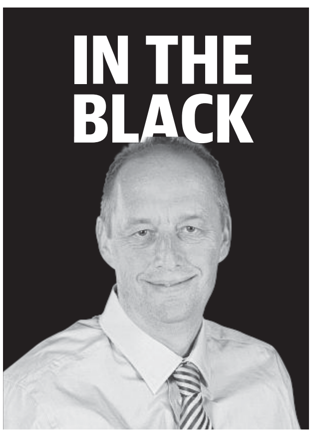


Herald Sun, Melbourne
19 Nov 2014, by John Beveridge

Business News, page 34 - 321.00 cm²
Capital City Daily - circulation 399,638 (MTWTFS-)

ID 341995520

PROGRAMMED FOR FUTURE SUCCESS, IF DIFFICULT PRESENT



JOHN BEVERIDGE

ONE of the great conflicts in any business is the need to invest for the future and to earn current profits.

It is a dilemma front of mind for Programmed's chief executive Chris Sutherland, who yesterday reported a 21 per cent slide in net first-half profit to $9.8 million.

At first glance that doesn't gel with an 8 per cent rise in the interim dividend to 6.5c a share but a lot of effort and expense has been put into joining consortia bidding for new contracts, including five public-private partnerships.

That was reflected in $5.2 million of unallocated costs and net debt was also paid down 42 per cent to just $24 million in preparation for a possible equity investment should the company win the WA schools PPP.

Similarly a $100 million contract on the Ichthys LNG project supporting the installation of offshore moorings and flowlines should start to produce results next year, with offshore oil and gas opportunities helping to compensate for lower spending and tight margins on other resource projects.

This year's result is a fairly mixed picture but the hope is that the seeds that have been planted will flourish and produce higher profits in the future.

The workforce division was also weaker as the blue collar economy suffered so efficiency measures were implemented, including an online mobile phone portal that allows workers to receive shift details straight into their diaries.

Property and infrastructure is arguably Programmed's most promising division, assuming that it wins its fair share or better of the PPPs it is bidding for.

As the TV series *Utopia* showed, there is plenty of money in building infrastructure and Programmed is aiming to win lots of contracts to paint and maintain it.

Overall, the current downturn should leave Programmed leaner and meaner for any future uptick in activity, so the company is a **hold** for current investors.

Another labour hire company also working in the offshore oil and gas space, Skilled Group, moves to a **speculative buy**.

ONE of the many potential outcomes of Australia's free-trade agreement with China is the possibility that more Chinese companies will seek to list on the Australian stock exchange.

There has been a trickle of that already of varying size and quality and sometimes very limited turnover although the current float of Premiere Eastern Energy might prove a useful template to attract more activity.

While the company is hoping to raise $15 million for an anticipated December 12 float, it is already a substantial wholesale petrol distributor in the wealthier southern coastal city areas of China.

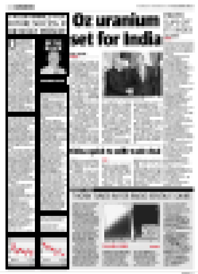
Net profit of $13.9 million in the first half of 2014 was struck on sales of $407.4 million.

The big opportunity for Premiere Eastern is to gradually open a series of Aussie-style upmarket retail petrol kiosks that will cater for a fast-growing car culture.

Many petrol outlets, including those run by giants Sinopec and CNPC, are relatively spartan and thin on the ground, leaving a hopefully profitable niche serving owners of luxury cars who want the correct fuel grade and the chance for some shopping while they fill up.

There are risks but also big opportunities with majority shareholder and chairman Zhan Musheng's 72 per cent stake not able to be traded for two years after the float.

High barriers to entry, net cash of $91.3 million and an undemanding price earnings ratio of just 6.5 times makes this a rare opportunity to directly access Chinese growth



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in an Australian listed company, with the prospectus rated **interesting reading**.

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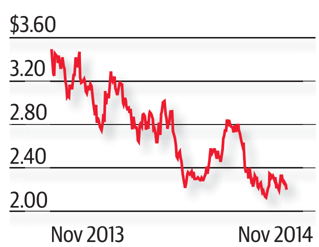
PROGRAMMED

HIGH	$3.50
LOW	$2.42

SKILLED GROUP



HIGH	$3.48
LOW	$2.12