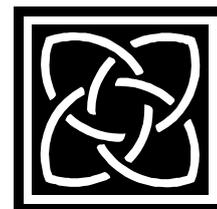


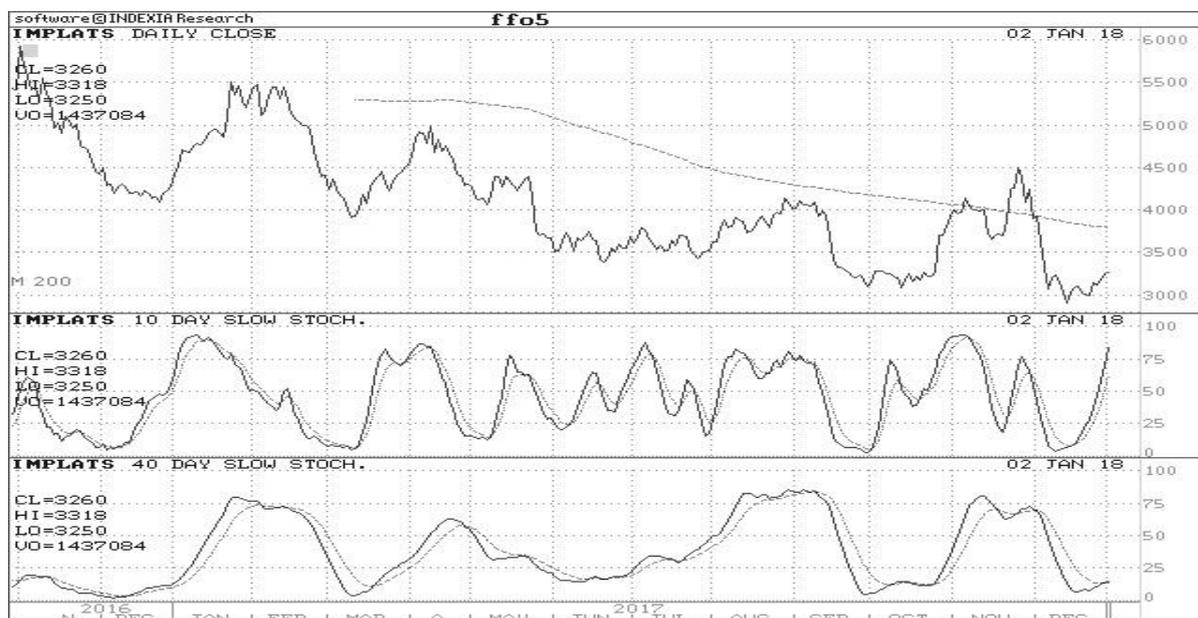
# FFO SECURITIES (PTY) LTD

Authorised User of the JSE Limited



## STOCK PICKS FOR 2018

### IMPALA PLATINUM (IMP)



### INVESTMENT CASE

Platinum prices had a lacklustre 2017 as prices fell on lower demand from the automotive industry, but analysts are upbeat for the outlook into 2018. It is expected that platinum will rise on a widening supply deficit and constrained mine output. Analysts at HSBC said that the platinum price is oversold and are looking for a recovery in prices as limited production should eventually support prices. The bank anticipates an average platinum price of \$ 1 055 for 2018, compared to current platinum price of \$ 943. The World Platinum Investment Council (WPIC) expects that industrial demand for platinum will rebound by 9 percent in 2018 as demand from the automotive sector returns, and that the global platinum jewellery market is forecast to recover by 3 percent in 2018 on the back of growth in the expanding Indian market and stabilizing demand from China.

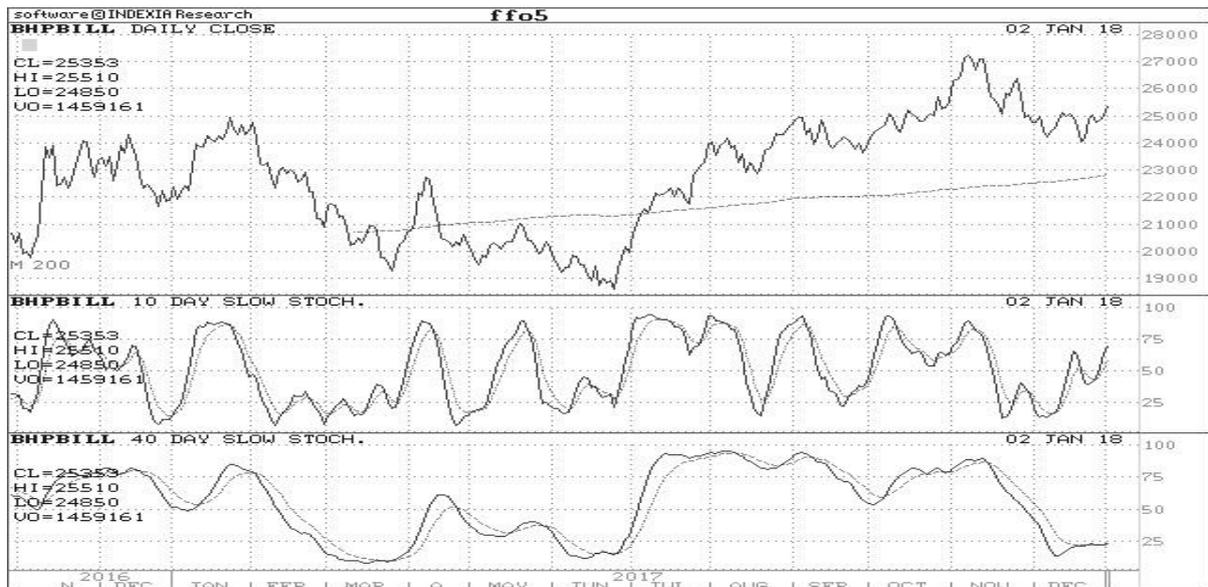
Impala Platinum bought a 15% interest in Platinum Group Metals' Waterberg project in November last year. Work is underway on a definitive feasibility study for the project, with probable reserves standing at 12.3 million ounces, with 61% being palladium and 30% being platinum. Impala Platinum has also responded to the low-price environment by controlling costs and improving productivity. We believe that Impala Platinum is attractively priced at current level, trading at more than 90% below its peak price reached in 2008.

The long-term target price is at R 55.00, which was also the peak reached during the first quarter of 2017.

## TARGET OUTCOME

**Closing Price:** R 32.60  
**Target Price:** R 55.00  
**Potential Return:** 68.71%

## BHP BILLITON PLC (BIL)



## INVESTMENT CASE

BHP Billiton PLC is a company with good quality assets giving exposure to a wide variety of commodities including Petroleum (20% over group earnings), Iron Ore (44% of group earnings), Coal (19% of group Earnings), and Copper (17% of group earnings). As at the June 2017 financial year end the company had US\$ 12.6 billion free cash flow, and exercised excellent capital discipline by reducing net debt by 38% to US\$ 16.3 billion. The Key activities of the company for the 2018 financial year is to generate an additional US\$ 10 billion free cash flow, and to grow overall production output by 7%.

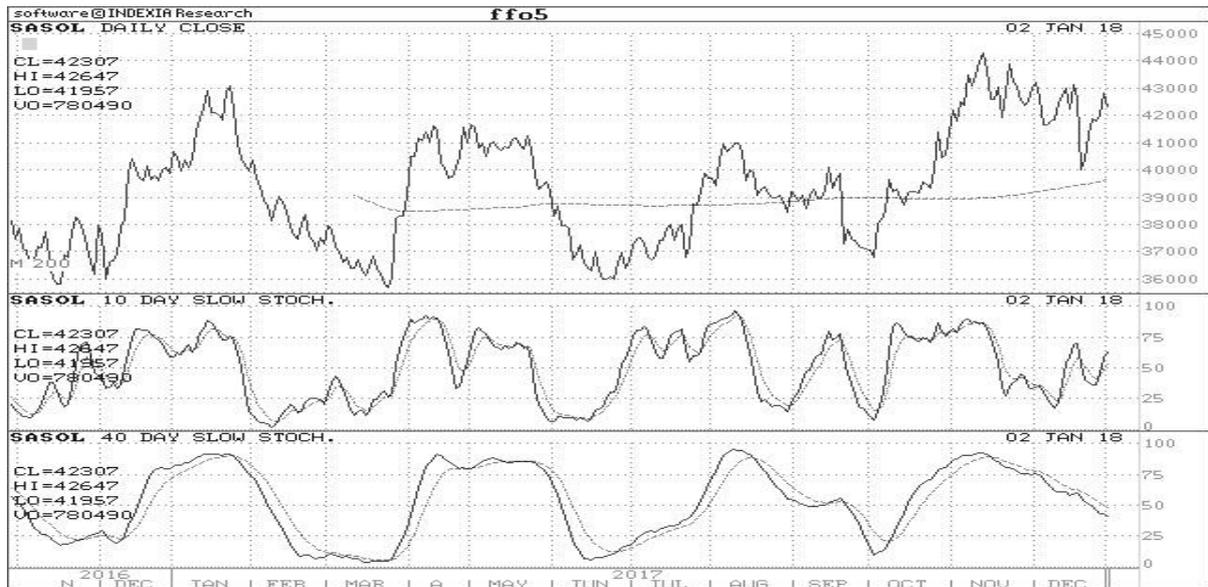
The sustained recovery in the prices of Iron Ore and Copper, along with strong profit margins should bode well for the 2018 outlook, along with continued improvement in production output. The price of the shares should rise if the Rand depreciates, making it an excellent Rand hedge investment.

The long-term target price is at R 315.00,

## TARGET OUTCOME

**Closing Price:** R 253.53  
**Target Price:** R 315.00  
**Potential Return:** 24.25%

## SASOL (SOL)



## INVESTMENT CASE

With its sales priced in US dollars, Sasol offers investors an attractive hedge against a depreciating Rand, and rising oil prices.

Sasol announced in November last year that it is preparing to sell certain non-core assets, including its Canadian Shale gas assets, following an overhaul of its corporate strategy. The new strategy promised to balance future growth with improved returns, whilst rewarding shareholders during the capital expenditure phase by increasing dividend returns to 40% by 2022, and 45% thereafter.

The lake Charles project expenditure had escalated to over US\$ 11.8 billion from an initial US\$ 8.9 billion as three Hurricanes rocked the project site, events not included in the original contingencies. The Lake Charles project is 80% to completion and it is expected to start producing revenue in the second half of 2018.

Factors we consider positive for the company is that capital expenditure have peaked in 2017, the positive impact of Lake Charles on the earnings in full year 2018, and rising oil prices.

We favour a sustained breakout above R 440.00 with the **long-term target price at R 550.00**

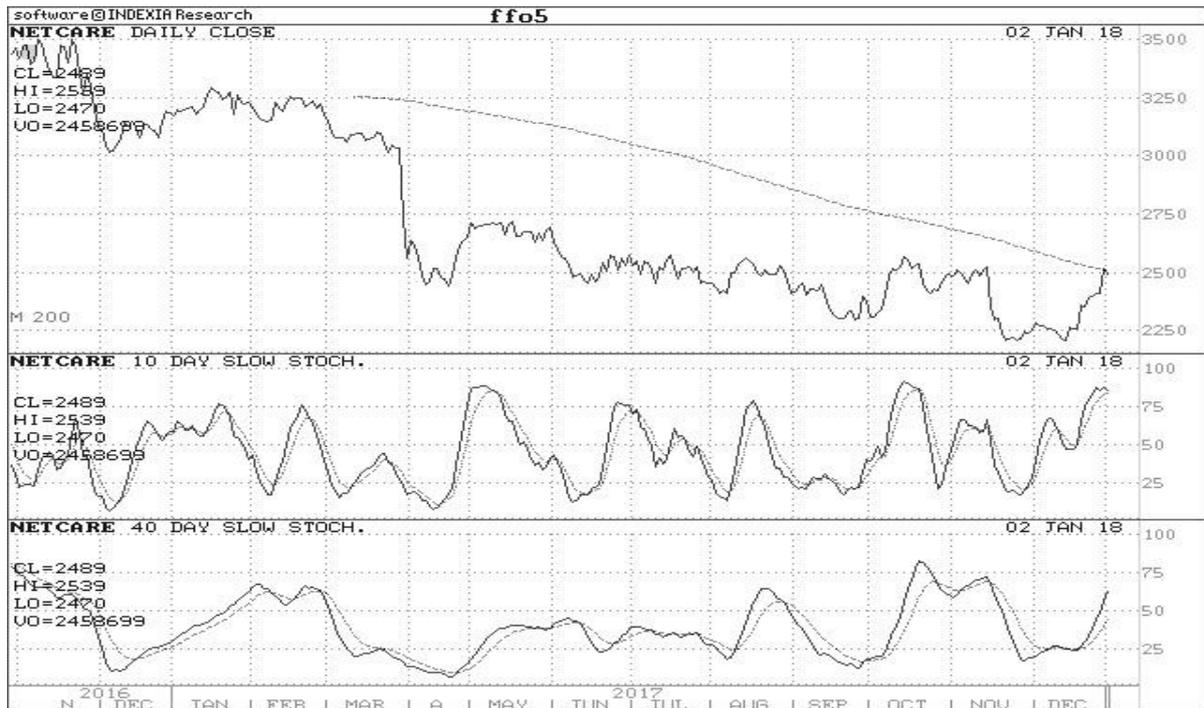
## TARGET OUTCOME

**Closing Price: R 423.07**

**Target Price: R 550.00**

**Potential Return: 30.00%**

## NETCARE (NTC)



## INVESTMENT CASE

Netcare operates the largest private hospital, primary healthcare, emergency medical services and renal care networks in South Africa, and the UK (the latter offered through BMI Healthcare). It also provides primary healthcare services through Medicross, and emergency medical services through Netcare 911.

Netcare Group revenue decreased by 9.6% during the 2017 results with the decline being attributable to currency conversion. In constant currency terms, revenue was broadly flat with a 1.2% increase in revenue from South African operations, offset by a similar decrease in UK revenue.

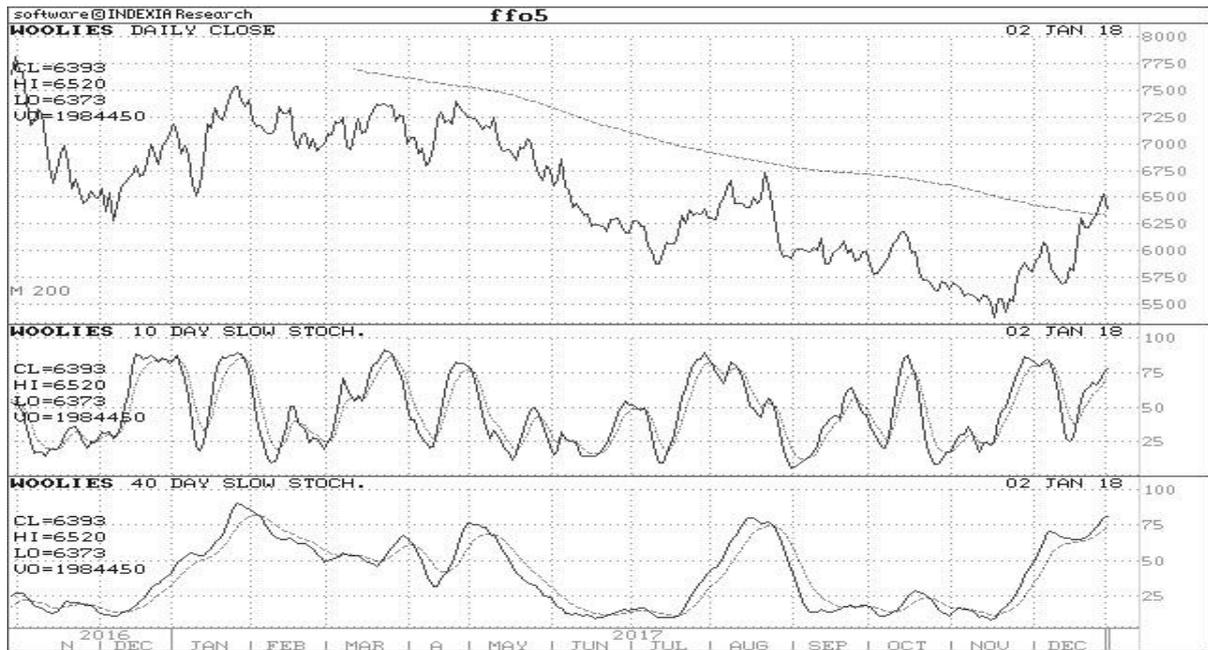
Netcare has embarked on a major IT digitalisation of its front-end services to reduce its cost base and mitigate underlying margin pressures. The UK operation has also embarked on a restructuring programme to address areas of underperformance, and also expects to enter into renewed negotiations with its major external landlord regarding a reduction in rentals on 35 hospital properties.

**The above initiatives along with a depreciating Rand against the GB Pound should be supportive of a recovery in the share price. Our long-term target price is R 32.50**

## TARGET OUTCOME

<b>Closing Price:</b>	<b>R 24.89</b>
<b>Target Price:</b>	<b>R 32.50</b>
<b>Potential Return:</b>	<b>30.57%</b>

## WOOLIES (WHL)



## INVESTMENT CASE

Woolworths Holdings, with operations on South Africa and Australia, through Country Road and David Jones, offers high-end food, clothing and general merchandise. The Woolworths group had a dismal 2017 with earnings declining by 7.6 % in the 2017 financial year, due to subdued consumer confidence in an economic environment of low GDP growth, increased unemployment, and political uncertainty.

While the near-term economic environment is expected to remain tough for consumers in both South Africa and Australia, we believe that the company will benefit from any positive change in South African political landscape, a recovery in economic activity, and subsequent consumer confidence. We see value in the current level of the share price, which is down 40% from its peak reached in 2015, along with an attractive dividend yield of 4%.

**Our long-term target price is R 85.00**

## TARGET OUTCOME

**Closing Price: R 63.93**

**Target Price: R 85.00**

**Potential Return: 32.96%**

### Disclaimer:

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