



# Analyst warns investors: avoid the 'pungent odour' of Burrup float

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An independent investment analyst has warned investors to steer clear of Burrup Holdings' sharemarket float, citing concerns about the company's contracted gas supplies and the impact of any sharp decline in ammonia prices.

The Intelligent Investor was scathing in its assessment, saying the UBS-managed float, which is seeking to raise as much as \$502 million, had "a pungent odour" and was "one of the least attractive large floats we've ever seen".

"Buying a cyclical business with a market capitalisation of \$2 billion, that has seen earnings rise fourfold in two years, is the very antithesis of value investing," it said.

Sydney-based The Intelligent Investor promotes itself as an expert in "value investment", citing an average return of 17.2 per cent from the 353 positive recommendations the group made in the seven years to December 31.

"Most people tend to list floats at



**Burrup float: On the nose.**

a time that suits them, not a time that suits you as an investor," The Intelligent Investor's managing director, Steve Johnson, said. "So we tend to be quite sceptical and this one looks like a particularly opportunistic one."

The firm suggests Burrup's long-term future gas supplies remain uncertain given Burrup receives its gas from the Apache-operated Harriet joint venture,

which claims to have only sufficient reserves for the next six to seven years.

The Burrup prospectus, however, assures investors that Apache has committed to "supply the defaulting sellers' percentage interest of gas, even if it suffers financial loss or adverse financial consequences".

The Intelligent Investor also raised concerns about the impact of a decline in ammonia prices, which have more than doubled this year on rocketing demand for fertiliser.

However, a UBS spokesman dismissed the investment note as "a promotional ploy by a stock tip-sheet, rather than a serious attempt at analysis".

In response, Burrup promoted its 20-year take-or-pay agreement for its ammonia with Yara International, the world's biggest supplier of mineral fertiliser, and played down prospects of lower ammonia prices, saying strong demand was expected to drive increased fertiliser use and support ammonia prices.