Woolies eyes sale of petrol stations

FAILING MODEL: Woolworths' revenue from its petrol stations plummeted 18 per cent in the past financial year.

PETRINA BERRY

WOOLWORTHS is looking at offloading its petrol stations not long after striking deals to rid itself of its loss-making hardware business.

The struggling supermarket giant yesterday confirmed it was considering selling its petrol stations and was discussing a possible deal with several interested parties, reportedly including partner Caltex.

This comes a month after Woolworths sold Home Timber and Hardware to Mitre10 owner Metcash and announced it will shut all Masters stores by December 11, with the properties to be sold to a consortium that wants to turn them into retail centres.

Woolworths said it was evaluating whether to retain or dispose of its service stations, and no decision had been made.

"Woolworths has received incomplete and conditional proposals from a number of parties in relation to the purchase of the business, and the development of an enhanced convenience and loyalty offer to customers," the company said yesterday.

> Woolworths has flagged sales of a number of businesses that are not core
>
> EQUITIES ANALYST JULIA LEE

Bell Direct equities analyst Julia Lee said Woolworths' newly installed chief executive Brad Banducci was clearly striving for a leaner company focused on turning around the group's core food and grocery business.

"The supermarket business is in its early stages of a turnaround plan and it is capital intensive," Ms Lee said.

"Woolworths has flagged sales of a number of businesses that are not core – including Ezibuy – and the market is watching to see what it does with its petrol, hotels and liquor businesses.

"Caltex is their partner and fuel supplier and would be the natural home for Woolworths' fuel and convenience stores."

Caltex has declined to comment on reports it is negotiating a $1.5 billion deal to buy Woolworths' petrol business, which encompasses 530 service stations that generated $4.6 billion in sales in 2015-16.

The service stations are owned by Woolworths and their petrol and diesel are supplied by Caltex.

Caltex has previously said it would be interested in acquiring the petrol stations if they were for sale, as it continues its transformation from oil refiner to retailer.

Petrol price monitoring agency FUELtrac's general manager Geoff Trotter said Woolworths' petrol business has suffered dramatic falls in margins and volumes due to new regulations and fierce competition in recent years.

"The margins in some markets have been cut dramatically, particularly in the Northern Territory after the petrol price inquiry, and in some other markets there's really strong price competition, like in South Australia," he said.

"Unless you have a high-volume and high-margin business, then you're not doing really well, so it is no surprise they want to sell it."

Woolworths' petrol revenue declined 18.1 per cent in the 2016 financial year because of changes to its alliance with Caltex and lower fuel prices.

Woolworths shares closed down 6c at $23.27.

Just the ticket to get Heart pumping

FROM PAGE 57

The cinema construction is having an effect on the surrounding area already, Mr Heritage believes.

"Once retail is in, that whole strip will have completely come alive," he said.

"The night-time economy will change, it's daytime right now, the cinema will take it through to midnight."

The largest opportunity to come on to the Village Heart market in several years, a mixed-use development, will come up within the next month or so, CBRE colleague Will Brown said.

Public realm upgrades have been fundamental in attracting new cafes and businesses, said Steve Maras, the impact of the village heart lending itself to an apartment boom on Churchill Rd.

"It gives people a short walk to Prospect Rd. Two and a half years ago, there would be one family living in a single storey house, now there are two people in 25 apartments with an 18-30 demographic. The population is growing with the vertical impact."

David O'Loughlin

Turning single-storey homes into multiple apartments has brought with it some angst, however, nearly 77 per cent of homes in Prospect are still separate houses, with 71 per cent of its population born in Australia.

The impact will ripple beyond Prospect Rd.

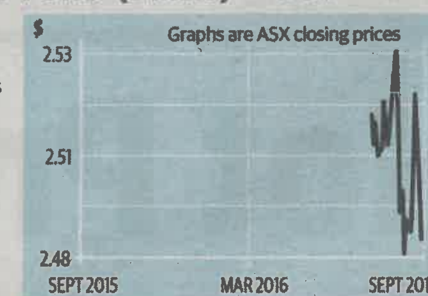
The economics are basic and impacting already, house prices up 4.8 per cent in the past three months, units stronger again at 7.3 per cent.

"The more desirable the Village Heart, the more people want the move to Prospect and demand for, and value of, housing increases," Mr Maras said.

SATURDAY STOCK TIPS

Zac Zacharia, managing director of Centra Wealth Group.

BETASHARES/AMP CAPITAL DYNAMIC MARKETS FUND (DMKT) — BUY



The AMP Capital Dynamic Markets Fund is an exchange-traded managed fund that has an active investment approach.

It is owned by AMP Capital and managed by one of Australia's most renowned economists, Dr Shane Oliver, who is also head of AMP Capital's Investment Strategy team.

As an active fund, the fund invests in accordance with the global economic cycle and, as such, seeks to achieve growth with smoother returns over the longer term. Its target is to achieve a return for investors of 4.5 per cent above inflation, and charges 0.48 per cent in management fees.

This fund was previously available for investment only as a managed fund, but it can now be traded as any ordinary share on the Australian Share Market as an Exchange Traded Fund.

Hedge fund
Market capitalisation: $10.7 million.
Year high: $2.53, on 9/9/16.
Year low: $2.48, on 15/9/16.

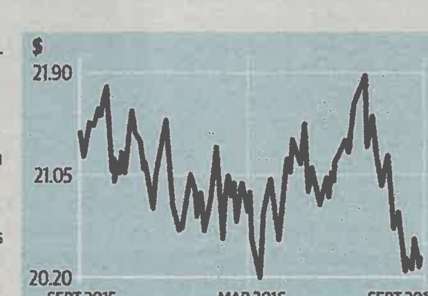
VANGUARD AUSTRALIAN SMALL COMPANIES INDEX ETF (VSO) — BUY

The Vanguard Australian Small Companies Index ETF is managed by Vanguard Investments. It is a mutual company established in 1975 in the US that is not publicly traded or owned by a small group of individuals and that has more than $4.9 trillion of assets under management.

VSO provides investors seeking long-term capital growth with diversified exposure to small Australian-listed companies (those ranked between 200 and 500 in the Top 500 Australian shares by market capitalisation). These companies typically provide investors with more opportunity for long-term growth than blue chip shares, but with higher volatility.

Exchange traded funds unit
Market capitalisation: N/A
Year high: $50.90, on 19/8/16.
Year low: $38.97, on 25/8/15.

BETASHARES AUSTRALIAN DIVIDEND HARVESTER FUND (HVST) — BUY



Retirees and income-seeking investors typically require investments with a focus on income rather than growth, as well as lower volatility of returns.

The Betashares Australian Dividend Harvester ETF aims to do just that by providing investors with at least double the annual income yield of the broad Australian share market.

HVST holds $288 million of assets under management and invests actively in Australia's highest-dividend paying Top 50 shares using a "dividend harvesting" approach.

Managed fund
Market capitalisation: $254 million.
Year high: $21.93, on 21/7/16.
Year low: $20.14, on 15/9/16.

Any tips given here about companies, their prospects and valuations are general advice only. For specific advice, please see a financial adviser