

Finally the Jumbuck stops with Big Jethro

MARGIN CALL

Michael West

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I SEE that the Honourable Jeffrey Gibb Kennett has increased his stake in Jumbuck Entertainment," declared Frank Sources.

Big Jethro Kennett? Jumbuck? Surely Sir Frank was sharpening that bone-dry wit of his again. After all, who would brand a company with the Aussie pidgin word for sheep?

Was Jumbuck in funds management? No, it was in mobile phone content, and Sources was in raptures. "Just marvel at the growth, my son: sales up from \$1.4 million in 2003, through \$3 million, \$7 million to \$11.2 million last year. Net profit up from nothing to \$4.3 million. Fat margins, no debt, cash aplenty, growth markets, global client base ... a PER of 14.5 times."

That was assuming it made \$6.3 million profit this year, which was the tip from Ausdoc, the sole broker to cover the stock.

Jumbuck was a games and mobile phone chat-room operator. Of its Power Chat, Jumbuck Blog, Celebrity Chat and Fast Flirting applications, among other things, Fast Flirting was the big earner.

Jumbuck had 15 million users but got paid by the carrier - some 70 telcos across six continents - rather than relying on Generation Y for pocket money revenue.

For some time Frank Sources had watched young people huddling intently over their mobiles. He knew that somebody must have been making money. It couldn't possibly be Telstra. Who could it be?

And so it was that our deep throat discovered Jumbuck. Notwithstanding his newfound ardour for the old new economy, Sources' stockbroker John Dukanweave still sought to steer him into the junior mineral exploration sector.

"I had no luck at all with that Fast Flirting thing," Dukanweave rued.

"I rather think, John, that your search criteria may have been too onerous," said Sources.

"What do you mean, mate?"

"Flagging your interest in women of exceptional physical beauty only, who would be prepared to look after your children, sign a prenuptial agreement, do housework in a French maid's outfit and be seen but not heard ... I dare say that will have narrowed the target market somewhat."

"And massage," interjected Dukanweave.

"Indeed. But your stipulation that the select candidate engage in managing household operations and caddying during the week, besides some more chores on weekends while you play golf and go to lunch ... well, it would seem you'll need more than a phone, John. May I suggest a gun?"

Aside from the allure of Jethro Kennett on the board, Jumbuck's IP looked all right, management too. There was technology risk, to be sure. If profits kept growing at this rate, though, it was a gimme for a takeover. So we followed Sources into Jumbuck - baa baa - soaking up a few shares for the Margin Call Perpetual Shellack the Benchmark Fund.

Yahoo's who

THINGS are moving quickly again in the old new economy. Overnight, there was news of Yahoo offering the 22-year-old founder of social networking site Facebook a \$US900 million (\$1192 million) cheque for his company. (He won't have to resort to the internet to find a friend.)

News Corp forked out \$US650 million for the top social networking site MySpace last year and paid for it last month thanks to a \$US900 million advertising deal with Google.

On the home front, 90 per cent of the dotcomers have vanished, but some of the survivors, and the newcomers, are making a dollar.

Hotel site Wotif is worth \$790 million, according to the stock market. On the other hand, Travel.com.au gets half the unique visitors of Wotif but is capped at a mere \$22 million. It does flights, hotels and cars but is yet to turn a profit, while Wotif is turning hits into sales.

Hold on to your hat

ALINTA'S indicative offer for the Panama Canal is facing some challenges within the ruling party of Presidente Martin Torrijos.

It is understood that the Panamanian treasury would prefer a cash bid from the infrastructure player rather than scrip.

However, a spokesman for Alinta chief executive Bobby Browning dismissed analysts' concerns that Alinta required approval from the Panama Competition & Consumer Commission.

"We're expecting that, as has been the case with local authorities, regulatory requirements will be satisfied post-transaction," the spokesman said.

"Once we've wrapped up the AGL deal, bedded down Australia's energy infrastructure assets and completed the pound stg. 7 billion bid for Thames Water in the UK we'll securitise the landing rights on the moon."

Initial reaction

MOST of us are au fait with the terms ROE (return on equity), ROI (return on investment) and RIO (a city in Brazil), yet our more sophisticated companies are ever expanding their acronymic horizons.

BHP, for example, employs the ROD ratio (return on donation) to measure the yield on a gift. The Big Anglo-South African has staked out new ground with its ROD because it stands alone in expecting a return on a gift - over and above a tax deduction from the ATO, that is.

The precedent was set when BHP kindly donated \$US8 million worth of wheat to Iraq - on humanitarian grounds, of course - in 1996 via the Tigris transaction, and treated it as a receivable.

Justice Neil Young's ruling on Monday that some 360 documents were not covered by legal professional privilege is ugly for BHP, uglier for AWB.

The Federal Court judge was scathing. AWB had deliberately set out to defraud the UN, he said. As Terry Cole has a couple of extra months to hand down his findings, Team AWB and its former leading lights will now be doing their utmost to dump the Government in it.

It will be delightful to watch: a media feast of sketchy recollections, accusations, further protestations of ignorance, and poor hearing, feelings that things weren't significant and backside covering.

On the prowl

WE'VE witnessed one publication predict the imminent takeover of no less than Foster's, IAG, Amcor, Jubilee and Newcrest in little more than one month.

While we are awaiting the fulfilment of those prophecies, and the stock price of CuDeco continues to rise, we might have a swing at a couple of our own.

Reasonable sources, though by no means bulletproof, suggest Rabobank is close to bidding for Bendigo Bank. And get this: there is strong talk - much of it emanating from the Warburglers - that somebody is sniffing around Harvey Norman.

What with a private equity sector bulging with ready cash, this is probably not too much of a stretch. Rip out the property, which Harvey Norman owns, and spin it off, gear up the business. Trade sale it, float it, churn it, turn it, whatever.