CRITERION
TIM BOREHAM

Leave something on the table for others

GUD Holdings (GUD) $8.37

SELFLESS GUD chief Ian Campbell believes that in a deal you should always leave something on the table for the next person — even if you miss out on doubling your money.

After yesterday's AGM, our man on the ground James Frost asked Campbell whether he had regrets about GUD's February sale of its 19 per cent stake in appliance maker Breville Group (BRG, $5.86). "None whatsoever," he replied.

While GUD made a $49m profit on the sale and GUD holders enjoyed a 35c a share special div, Breville shares have since stacked on 120 per cent while shares in GUD (and bear in mind GUD owns Breville rival Sunbeam) have gained 20 per cent.

"I don't think anyone who bought it could say I left them with a problem," Campbell said. "It's continued to trade on and good luck to those investors."

Meanwhile, new chair Ross Herron offered as much joy to GUD holders as a funeral director, reporting no sign of improved conditions for the operations which include storage products (Dexion), cleaning products (Oates) and Davey water pumps.

(The revered Victa mower brand was sold to the Yanks in 2008 — a sage divestment given our shrinking backyards.)

"Most of our businesses remain under revenue and margin pressure," Herron said.

GUD is a **sell**.

Tag Pacific (TAG) 26c

CONVERGENCE usually refers to the melding of telecommunications, media and IT, but it's also happening with power generation and storage.

As a supplier of integrated power systems, Tag is riding the trend of mining sites combining diesel generation with solar, or storage with generation.

Or a building can use gas for base-load power and throw off heating and cooling as a by-product.

"We can generate power, we can store power, we can convert power, we can regulate power, we can monitor power and we can back up power," chairman Peter Wise told holders on Wednesday.

"If we have our way, we would also like to sell power." Controlled by the Wise family — Peter's son Nathan is CEO — Tag is emerging from a year of restructuring which saw it shed its non-power businesses (including health IT and technology consulting) and acquire the 41 per cent minorities in main entity Mpower.

Unusually for such rejigs, Tag shares have doubled along the way, with holders further rewarded via a 5.75c franked div and free options exercisable at 20c.

Wise says Tag prefers an evolutionary approach to alternative power.

"Tag is not prepared to bet the house on the timetable and financial viability of pursuing renewable energy as a single purpose path for power generation," he says.

Source: Bloomberg

Tag last year earned $4.3m (earnings per share of 6c) on revenue of $72.5m.

The asset sales helped reduce borrowings from $8.5m to $5.1m and with $17m of cash, Tag has no net debt.

Since balance date, Tag has been awarded two contracts, each worth $10m, to provide emergency power systems for Inpex's Ichthys gas project in the Browse Basin.

Nathan Wise says these deals were unusually large and don't reflect a mining bias: Tag is as just as much exposed to government deals (eg national parks), utilities and Aboriginal communities.

The CEO says year-to-date performance has been soft, but there's plenty of work to tender for.

We rate Tag a **buy**.

The stock has a net tangible asset value of 35c and the lowly earning multiple (4.3 times last year's profit) leaves wriggle room if there's a modest decline this year.

Arrium (ARI) 68.5c

THE old OneSteel is one of those odd situations where a bidder lobs a higher offer, but the shares are caned because the target holds firm and the bidder huffs off.

Arrium shares dived 10c (12 per cent) after a consortium including heavyweights Posco and Noble Group upped its offer from 75c to 88c, but then "ceased engagement" after the Arrium board — led by wily takeover fox Peter Smedley — refused to grant due diligence.

Never say never and all that, but if there's any semblance of truth in takeovers, we'll accept the consortium has fired its best shot.

Broker research suggests OneSteel wasn't going to engage below $1.10 or $1.20 a share.

We agree the 88c offer, though failed, should put a floor under the share price. **Speculative buy**.

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