

Active research delivers results: Mayne Pharma Group Limited



About the stock

Mayne Pharma Group Limited (Mayne Pharma) is an ASX-listed specialty pharmaceutical company that develops and manufactures branded and generic products, which it distributes globally; either directly or through distribution partners and also provides contract development and manufacturing services.

Mayne Pharma has a 30-year track record of innovation and success in developing new oral drug delivery systems and these technologies have been successfully commercialised in numerous products that have been marketed around the world.

Mayne Pharma has two drug development and manufacturing facilities based in Salisbury, Australia and Greenville, USA with expertise in formulating complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable compounds.



Mayne Pharma CEO Scott Richards

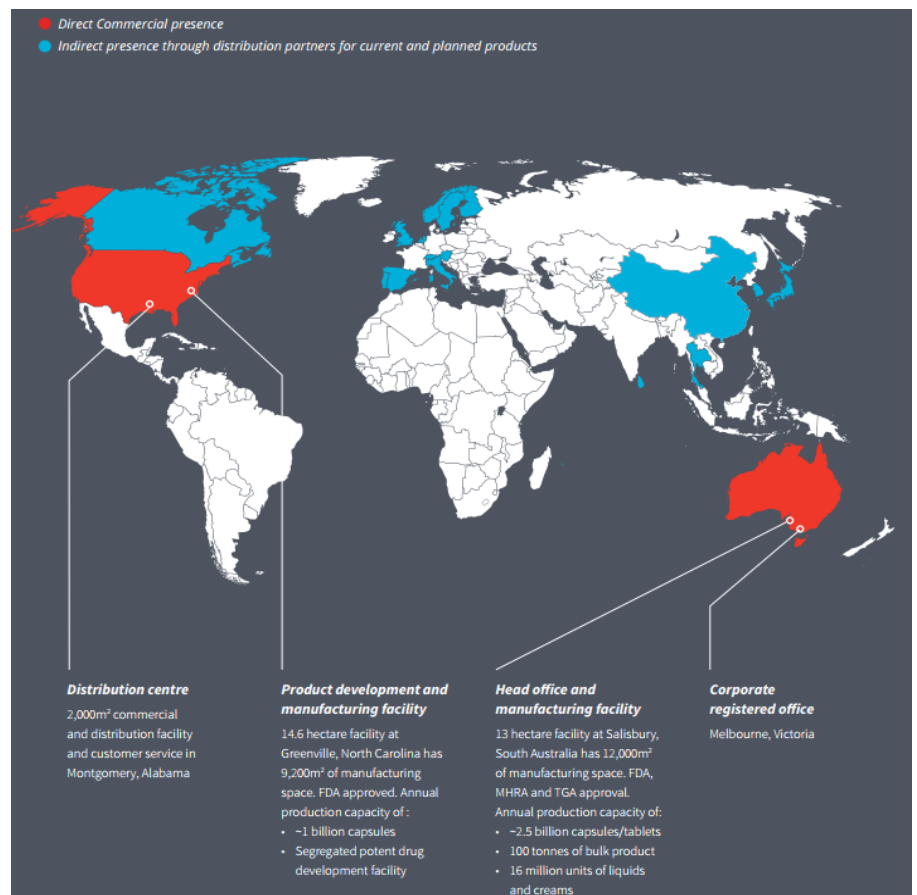
Mayne Pharma in brief:

Listed on ASX: June 2007

Market capitalisation: ~\$935m

Sector: Pharmaceuticals & Biotechnology

Mayne Pharma's International Footprint



Source: Mayne Pharma 2014 Annual Report

Why we took and held a position in Mayne Pharma:

- ▶ Track record of successful innovation in developing drug delivery systems
- ▶ Strong pipeline of drug development awaiting FDA approval
- ▶ Well managed company with a clear growth strategy

Adding Mayne Pharma to the Trust: Our fundamental research approach

Perennial Growth Management (Perennial Growth) first started trading in Mayne Pharma in November 2010 with a position taken in the Perennial Growth Socially Responsive Trust at a price of \$0.68. This position was based on Mayne Pharma’s long standing track record of successful innovation in developing drug delivery systems and the growth available in their strategy of the development and sale of “SuperGenerics” which are improved versions of currently marketed pharmaceuticals.

Perennial Growth subsequently took positions across all its portfolios at \$0.20 in October 2012 in the equity raising that funded Mayne Pharma’s acquisition of Metrics Inc. The acquisition significantly increased the company’s revenue and provided the platform for transformational growth opportunities in the US.

Mayne Pharma’s performance played out as per our investment thesis. Following a strong rally in the share price, Perennial Growth ended up taking some profits between \$1.01 and \$1.04 in March 2014.

In February 2015, Mayne Pharma announced the purchase of Doryx (a delayed release drug used in the treatment of severe acne) and related assets from Actavis. Mayne Pharma manufactures Doryx, while Actavis controlled the brand, distribution and marketing in the US. Activis had lost its focus on Doryx distribution and the purchase essentially brought this branded drug back in house. We expect a recovery in volumes once Mayne takes control. We participated in the associated rights issue at \$0.61, the recent historical low point in the share price. The shares re-rated strongly post this highly accretive transaction.

Mayne Pharma has a strong pipeline of drugs in development that are awaiting Food and Drug Administration (FDA) approval in the US. Mayne Pharma is a well-managed company with a clear strategy to grow its position in the manufacture and distribution of branded and generic drugs.



Source: Perennial

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Active research delivers results: Asciano Limited



About the stock

Asciano Limited (Asciano) provides ports and rail freight services in Australia. It operates through four segments: Pacific National Coal, Pacific National Rail, Terminals & Logistics, and Bulk & Automotive Port Services.



The Pacific National Coal segment is involved in the haulage of coal from mine to port, power stations, and steelworks by rail in New South Wales and Queensland.

The Pacific National Rail segment offers intermodal rail and bulk haulage rail services, such as interstate container freight, interstate break bulk freight, and regional freight, as well as hook and pull services for passenger trains.



Asciano CEO John Mullen

The Terminals & Logistics segment provides container stevedoring and integrated logistics services.

The Bulk & Automotive Port Services segment manages bulk ports and supports infrastructure, as well as port related logistics services at approximately 40 sites in Australia and New Zealand. This segment also operates an integrated service for the transportation, processing, and storage of motor vehicles from the port to the beneficial freight owner. It serves customers in the retail, mining, shipping, industrial, steel, automotive, and general cargo sectors.

The company was formerly known as Asciano Group and changed its name to Asciano Limited in 2010.

Asciano in brief:

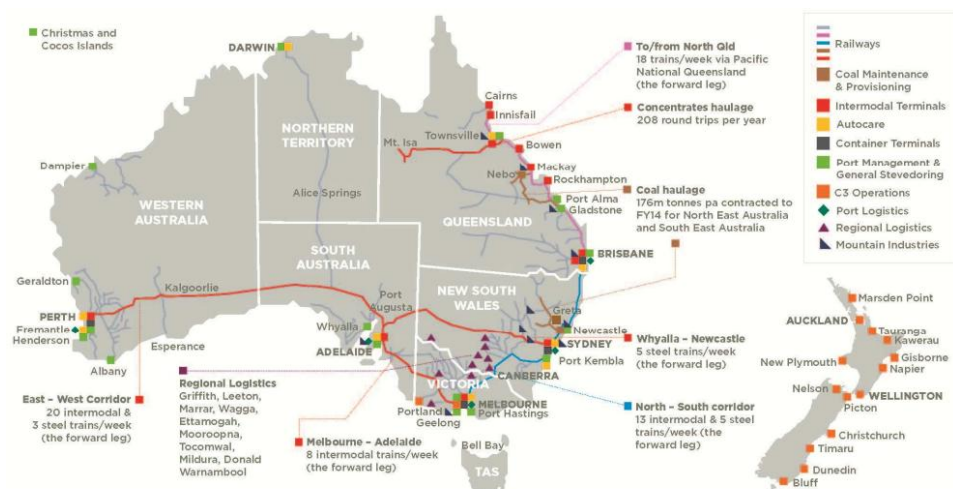
Listed on ASX: June 2007

Market capitalisation: ~\$6.23b

Sector: Transportation

Asciano Limited is headquartered in Melbourne, Australia.

Asciano's unrivalled footprint



ASCIANO'S EXISTING NATIONAL NETWORK OF PORT AND RAIL ASSETS PROVIDES COMPETITIVE AND UNIQUE SERVICE OFFERINGS IN IMEX AND INTERSTATE SUPPLY CHAINS

Source: Asciano investor update, April 2015

Why we took and held a position in Asciano:

- ▶ High quality domestic industrial business with market leading positions in Australia
- ▶ Restructuring program currently in progress to increase efficiencies for the group
- ▶ Solid foundations and solid outlook

Adding Asciano to the Trust: Our fundamental research approach

Perennial Growth Management (Perennial Growth) initiated a position in Asciano in August 2013 at \$5.18. At the time we saw the company as a high quality domestic industrial business with market leading positions throughout Australia. We believed that the early stage strategic program that management began implementing would result in earnings growth in the future.

The five year restructuring program, which is still underway, consists of three phases. The first phase includes the fundamental company restructure, balance sheet strengthening and debt restructuring. This phase is complete apart from two objectives projected for 2016: 1) sustaining capex at depreciation levels post the required capital expenditure catch-up and 2) raising the dividend payout ratio to an industry standard. Asciano is aiming for a 50%+ dividend payout ratio in FY16. Leverage and interest cover are within target ranges.

The second phase is business improvement across a wide range of financial and non-financial measures. In order to restore earnings growth to plan levels; the original cost out program of \$150 million has been increased to \$300 million by FY16.

The third phase is strategic development and new sources of growth. Bolt on opportunities and partnerships for Bulk Ports and Port Logistics are being explored.

As the company progresses through the heavy capital expenditure period we expect that the new assets will drive better utilisation and efficiencies for the group and allow the flexibility to increase capital returns through increased dividends, improving the return on invested capital for investors.

We believe Asciano has put in place solid foundations on which to build into the future.



Source: Perennial

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