Oroton may have more rewards on the way for shareholders

TECHNICAL ANALYSIS
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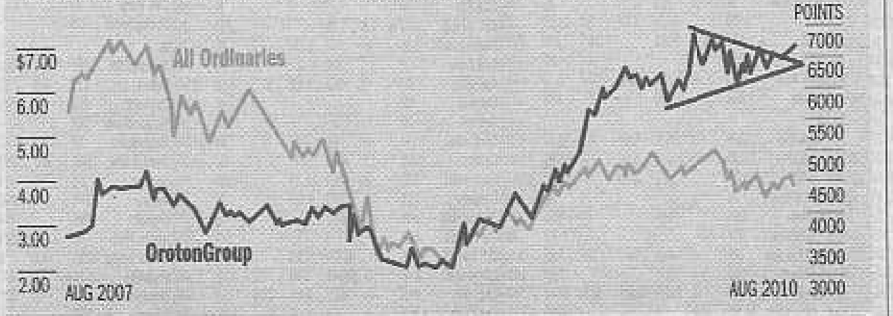
FINDING a leg-up in a down market is always a thrill, and Rob Shelley of Total Trading Concepts and the Australian Technical Analysts Association chances his arm this week on what in recent times has been just such a stock: OrotonGroup.

Perhaps Shelley's confidence has been buoyed by the fact that the last such stock he identified in this column, Thorn Group, has risen 13 per cent since July 20 in a market that has gained only 1.6 per cent in that time. But past successes are not necessarily an indicator of the future and Shelley has looked at Oroton with a cool head.

Oroton, as our more fashion-conscious readers will know, is in the accessories and clothing game and its products sit at the premium end of the market. There are handbags and leather accessories, jewellery, ties, umbrellas, knitwear, lingerie, shoes and the like. Oroton is also sole licensee for the Polo Ralph Lauren clothing label in Australasia. It has 73 dedicated stores and an online presence and sells through major retailers including Myer and David Jones.

Oroton is one of the stocks that makes up the All Ordinaries Index and basically tracked it during 2009, doing slightly better at the end of the year. But what has happened this year has caught Shelley's eye. Oroton diverged from the index, gaining 11.5 per cent while the general market lost 5.6 per cent.

OROTONGROUP v ALL ORDINARIES INDEX



Since January, Oroton has formed a symmetrical triangle pattern as its low trading points became progressively higher. Then recently it broke through that triangle on the upside, suggesting to Shelly that further gains are in the offing.

The fundamental side of things also looks mostly positive for Oroton. Although it is trading at a price-earnings ratio of 14.55 times while its sector in the market sits on 11.25, investors are being rewarded for holding the stock with a 5.5 per cent fully franked dividend compared with the 4.8 per cent average for its market sector. Its return on equity is running at 72.5 per cent for the past year and 27.7 per cent over the past decade. Net profit for the January half was up 24 per cent.

But remember, none of this amounts to investment advice, either from Shelley or BusinessDay, and investors should seek professional guidance and do some homework before committing their hard-earned cash to the market.

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