

# Brumby's owner may soon be on the up and up



IT LOOKS as though there may be a bit of yeast in the share price of the company that owns Brumby's in the next few months.

Rob Shelley, councillor of the Australian Technical Analysts Association and director of Total Trading Concepts, has followed Retail Food Group in recent times and sees some positive news in the chart.

Over 2009 RFG's share price made a very healthy

gain of 150 per cent after kicking up off a low of 80c late in 2008 as the financial crisis bit. That rise, Shelley says, created the first upward wave of an Elliot Wave Theory formation. This is represented on the chart by the upward red line.

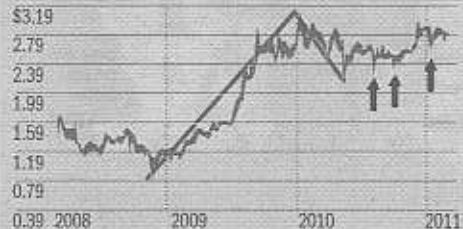
Then in 2010 RFG drifted sideways off a high of \$3.10 made at the start of that year. Shelley observes that while the stock has since traded up towards \$3 and is now trading around \$2.76, it has been making "higher lows" over the past few months.

The down movement in the Elliot wave formation, Shelley says, represents the second wave of the trend.

RFG's retracement from highs represents a Fibonacci number sequence retracement of 38 per cent. However, the day marked by the bottom of the second red line, May 20, was notable for a big variation between the low (\$2.11) and the close (\$2.30), which Shelley sees as a sign of strength emerging from the retracement.

As a result, he says the stock may break through current resistance levels on the upside. If it does, Shelley says the third Elliot wave, according to the theory at least, should see the stock on an upward path of the same length as the first upward wave.

## RETAIL FOOD GROUP



On the fundamentals, RFG also looks reasonably positive. The company, which owns Brumby's, Donut King and Michel's Patisserie, is trading on a low price-earnings ratio of 10 times. It has a market capitalisation of \$296 million and a dividend yield of

4.6 per cent, the same as the All Ordinaries Index. Return on equity for the group is a healthy 19 per cent. And there has been solid earnings-per-share growth in recent years. In 2006, RFG had EPS of 8.6c whereas for 2010 it was 25.5c, and dividends have grown from 6.2c in 2007 to 11.8c in 2011.

The first-half profit for this financial year grew 9 per cent and the interim 2011 dividend was up 33 per cent.

As always, we remind readers that neither BusinessDay nor Rob Shelley is offering investment advice, and prospective investors should seek independent advice.