

Crunch time for Multiplex

Carolyn Cummins
Commercial Property Editor

THIS week will be crunch time for Multiplex when it meets investors on Thursday for the half-year results.

The group said on Friday that it still stood by its statement made on January 31 that there was a "70 per cent chance [Wembley] stadium would be ready for the FA Cup final" on May 13 but warned "material circumstances" continued to hinder the construction process.

Winston Sammut, director of Maxim Asset Management, said Multiplex faced a "risk to its reputation" if it failed to deliver Wembley for the FA Cup final.

"Investors are waiting for some resolution and details from Multiplex management as to the group's position on Wembley this Thursday," Mr Sammut said.

Adding to the group's woes was a report from London last Friday of drugs being used by some workers at Wembley.

Multiplex said: "Allegations of drug use are treated with the utmost seriousness by Multiplex. Since learning of these allegations, Multiplex has stepped up vigilance throughout all sites and has asked all sub-contractors to reinforce with their workers Multiplex's zero tolerance policy towards drugs and alcohol on site. Local police have also been notified."



Wembley Stadium last week.

There were also suggestions last week that the investigation into Multiplex, launched by the Australian Securities and Investments Commission last year about misleading the market, was "imminent".

But it is understood the investigation is still under way and ASIC is unlikely to make a decision for some time.

Multiplex's spokesman said the diversified construction and funds management group continued to stand by its profit guidelines issued late last year, and again on January 31 this year when it warned that full-year profit, which had been estimated at \$215 million, was likely to be slashed by \$165 million to only \$50 million.

The spokesman dismissed

suggestions made last week by the UK's *Construction News* that the losses at Wembley could reach as much as £200 million (\$470 million), saying the company stood by its earlier estimates.

On December 19 last year Multiplex issued another release which included detailed information from a board report that added best and worst-case scenarios to its estimate of a \$165 million profit cut.

The worst case, regarded by the company as "extremely unlikely and highly misleading", was a reduction in profit of \$247 million which would put Multiplex into a loss of \$32 million for the full year.

But while many local institutions sold out of Multiplex last year, there remains much interest in the stock by analysts and many questions for the managing director, Andrew Roberts, and new finance director, Bob McKinnon.

Merrill Lynch's property team said recently in a note to clients: "We believe that there are a number of events which could provide catalysts to the Multiplex share price including completion of Wembley on target or if Multiplex can get the development division firing on all cylinders," the broker said.

"But we believe that the market will not pay for this upside in full until there is absolute clarity on Wembley and it has completely passed to the client."