global investor by Jean Pierre Verster

Bloomberg/David Moir

No snake-oil salesmen here

South Africa and Australia have a lot in common. Other than lots of sunshine, beautiful beaches, and a love for sports such as rugby and cricket, both countries have an abundance of metals and minerals. The mining sector has a weight of roughly 24% in the S&P/ASX 200 index, which is the most widely used index when referring to Australian stocks.

But the land down under also offers other interesting stocks besides mining – let's have a look at some of them (all amounts in US$):

CSL

Commonwealth Serum Laboratories (CSL) was founded by the Australian government in 1916. Its initial focus was on antivenom (which is understandable, given the country's many poisonous snakes) and on developing and manufacturing flu vaccines. In 1994, CSL was privatised and listed on the Australian Securities Exchange (ASX). Due to its antivenom research, CSL developed expertise in plasma fractionation – breaking down blood plasma into individual proteins.

With the help of two major European acquisitions in the early 2000s, CSL is now the world's largest collector of human plasma, with 300 collection centres worldwide. This valuable product, which cannot be manufactured synthetically, supplies CSL's Behring division, which offers a portfolio of market-leading plasma-derived medicines, addressing a long list of serious disorders and rare diseases. CSL's latest major acquisition is Vifor, a leading Swiss biotech firm. CSL Vifor is a leader in iron deficiency and nephrology therapies. With a market cap of $100bn, CSL is now a blood-focused juggernaut with a strong competitive position. The p:e of about 40 makes us a bit queasy, though.

Aristocrat Leisure

Aristocrat Leisure has been making slot machines since the 1950s. It listed on the ASX in 1996 and has become the leading provider of premium gambling machines worldwide.

The company has a market cap of $17bn and trades at a p:e of about 20. Casinos can choose between buying Aristocrat's machines outright, or leasing them for a percentage of winnings.

As growth in physical casinos has slowed over the past decade, Aristocrat has spent almost $3bn on the acquisition of online gambling (it prefers the term "real-money gaming") providers. Half of Aristocrat's revenues are now generated from online offerings, with the potential for higher profit growth than the steady electronic slot machine business.

Aristocrat recently became the official betting partner of the New England Patriots football team and is expected to launch NFL-themed real-money games later this year. If that takes off, Aristocrat could be a good bet.

Computershare

South Africans might know Computershare for its local share registry business, but this represents less than 1% of Computershare's worldwide revenue.

The business was founded in Melbourne in 1994 and listed on the ASX the same year.

Today, Computershare offers services such as employee equity plan administration, stakeholder communications, corporate governance advisory, fund services, corporation action administration and mortgage servicing.

Similarly to a short-term insurer, Computershare holds a large "float" of client cash on which it earns a margin, in the time between when the cash is received and when it is paid out.

Due to this dynamic, the sharply higher global interest rate environment of late has been a boon for Computershare, with profits almost doubling in its latest results, released on Valentine's Day. At a market cap of $10bn and a p:e of 15, Computershare is an attractive component of the world's financial plumbing, and will spew cash if interest rates stay elevated.

Xero

Founded in Wellington, New Zealand, in 2006 but solely listed on the ASX, Xero is a cloud-based accounting software provider for SMEs. Xero has 3.5-million subscribers worldwide and offers a core accounting solution, payroll, workforce monitoring, expense management and project tracking.

An important competitive edge is Xero's extensive open ecosystem of connected apps and the ability to seamlessly interface with banks and other financial institutions. Xero has won over more than half of the SME market in Australia and New Zealand, but is still just scratching the surface in other parts of the world.

Revenue has been growing hand over fist, but Xero is still operating at roughly breakeven, investing heavily in future growth.

Shareholders don't seem to mind, though, with Xero shares returning 20% a year over the past five years, and 30% a year over the past 10. The market cap of about $8bn might seem to have a few zeroes too many, relative to current (nonexisting) profits, but if subscriber growth can be sustained, Xero could be one to watch. x

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