

Photon Group Limited

1H10 Result

Consumer Discretionary | Media | Australia

Result:

- **NPAT (reported, pre NRIs):** up 2% \$9.7m vs GSJBW \$9.5m
- **EPS (reported, pre NRIs):** down 30% to 6.2c vs GSJBW 5.8c
- **DPS:** Interim 3c vs GSJBW 3c and pcp 6c

Key Take-outs:

- EBITDA fell 7% to \$37.3m due to lower Internet earnings (down 52% to \$5.8m) and lower Field Marketing earnings (down 14% to \$12.9m). All other divisions increased EBITDA. This was in line with our forecast and company guidance of \$37m.
- Group net revenue fell by 11% to \$196m (GSJBW \$224m) given weak advertising markets and adverse FX movements. However, EBITDA Margin improved from 18.2% to 19.0% given major cost reduction.
- Gearing remains reasonable with interest cover of 3.2x (EBITA basis) and Debt/Equity of 59% (or 78% including earn-outs).
- Net operating cash flow increased from \$8m to \$17m due to lower working capital. The higher cash flow and share issue proceeds (\$109m) were largely used to fund acquisitions/earn-outs (\$75m) and debt reduction (\$32m).
- There was no change to PGA FY10 EBITDA guidance. The company expects FY10 EBITDA of ~\$89m (GSJBW \$88m).

Earnings and Valuation Impact:

- No change.

Investment View:

- No change to our Hold recommendation. We believe PGA has an attractive valuation (i.e. FY10 PER 5.4x, yield 7%) and group earnings are leveraged to a recovery in the marketing/advertising sector. However, we believe the company needs to demonstrate signs of sustainable earnings recovery (ie achievement of FY10 EBITDA guidance of ~\$89m). In our view, past gearing issues and EPS downgrades have negatively impacted investor confidence in PGA. For example, we have downgraded our PGA EPS forecast three times in the past 6 months.

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HOLD

Key Information

Stock Code	PGA
Share Price	\$1.15
12 Month Price Target	\$1.50
Expected 12M Total Return	37.4%

Investment Data

Issued Capital	178.4m
Market Capitalisation	\$205m
% of S&P 200 Index	na
Free Float	55%
Turnover	\$10.5m/month
12 Month Price Range	218¢-80¢
Debt/Equity	58.7%

Investment Arithmetic

Jun year end	09A	10E	11E	12E
Net Profit Rep. (\$m)	21.4	20.4	30.4	34.1
NPAT Pre-NRI's (\$m)	35.8	34.9	38.0	41.7
EPS Adj. (¢)	30.4	21.2	21.6	23.7
EPS Growth (%)	-5.3	-30.3	1.9	9.7
PER (x)	3.8	5.4	5.3	4.9
Relative PER (%)	-77.4	-66.1	-57.4	-55.2
Dividend (¢)	12.5	8.0	9.0	10.0
Yield (%)	10.9	7.0	7.8	8.7
Franking (%)	100	100	100	100
FCFPS (¢)	26.4	20.7	20.9	22.8
P:FCFPS (x)	4.4	5.6	5.5	5.0
EV/EBITDA (x)	5.5	5.4	4.9	4.5
BV (¢)	256	222	230	240
P/BV (x)	0.4	0.5	0.5	0.5
Av. Full Dil. Shares (m)	118.0	164.5	175.9	175.9

Share Price Chart



Relative Price Performance

	1m	3m	12m
vs. S&P 200:	-14.1%	-30.3%	-7.6%
vs. MSCI - World:	-17.5%	-32.8%	23.7%

Source: Company data, IRESS, and GSJBW Research estimates.

KEY TAKE-OUTS FROM THE RESULT

Result meets expectations	<p>1H10 NPAT of \$9.7m was in line with our forecast and the company's guidance (\$9.5m). PGA provided 1H10 trading update on 27 January.</p> <p>1H10 EPS declined 30% due to dilution from PGA's equity issue. EBITDA fell by 7% to \$37m (GSJBW \$37m). However, this was offset by lower interest expense (down 15% to \$12.2m) and lower tax rate (ie 34% vs 37% in pcp).</p>
Cost reduction drives higher margin	<p>Group EBITDA was underpinned by major cost reduction which led to higher profit margin. Labour costs fell by 10% to \$131m. Group EBITDA margin increased from 18.0% to 19.2%. The higher \$A also reduced EBITDA by \$2m.</p>
Revenue Down 11%	<p>Net Group revenue fell 11% to \$196m (GSJBW \$222m) given adverse FX movements and weak advertising markets. Revenue fell for all divisions except Integrated Communications (which was flat).</p> <p>NRIs of \$8.7m as previously reported. These items comprised a loss on the divestment of Geekversity (\$5.5m) and DBS impairment charge (\$3.2m).</p>
Cash used for earn-outs and debt reduction	<p>Net operating cash flow increased from \$8m to \$17m due to lower working capital and a fall in cash interest. The higher cash flow and equity proceeds (\$109m) were used to fund acquisitions/earn-out payments (\$75m), debt reduction (\$32m), capex (\$2m), IT development costs (\$4m) and dividends (\$8m).</p> <p>Gearing remains reasonable with 1H10 interest cover of 3.2x (EBITA basis) and Debt/Equity of 59% (or 78% including earn-outs). In 1H10, net debt fell from \$261m to \$233m (including DBS payment of \$20m) with earn-outs falling from \$112m to \$70m.</p>

EARNINGS AND VALUATION IMPACT

There was no change to our earnings forecasts. We upgraded our EBITDA forecast for Strategic Intelligence and Integrated Communications. However, this offset a reduction in our EBITDA forecast for other divisions.

We reduced our share price target from \$1.90 to \$1.50. This new target reflects a FY10 PER of ~7x. This PER is below the average FY10 GSJBW Small Industrials PER of 14x. The share price target is also below our DCF valuation of \$2.50 per share. However, we do not expect a rerating of the PGA share price until there is demonstration of a sustainable improvement in earnings.

OUTLOOK AND KEY STOCK DRIVERS

PGA forecasts flat FY10 EBITDA	<p>PGA expects FY10 EBITDA of ~\$89m (ie in line with pcp). The company stated 2Q10 trading improved on 1Q10 trading. Also trading in January/early February is in line with budget.</p> <p>PGA's FY10 EBITDA forecast assumes 2H10 EBITDA of ~\$52m. This is above FY10 first half EBITDA of \$37m given seasonality and is in line with 2H09 EBITDA of \$52.7m (pre NRIs). We believe this is an achievable target but not without risk. For example, the higher 2H10 EBITDA requires a major improvement in Internet earnings (ie from \$5.8m in 1H10 to ~\$13m in 2H10). We also believe the equity market's confidence in the PGA earnings outlook is relatively low given disappointing trading updates in the past 6 months. For example, we have downgraded our EPS forecasts three times in the past six months.</p>
Cyclical Recovery in Ad market	<p>We believe PGA's marketing businesses are well placed to benefit from a cyclical upturn in the advertising sector in FY11-FY12. 1H10 revenue fell by 11% but we expect a return to positive growth in FY11-FY12. We expect Internet profit will be boosted by a recovery in the US online market, new products, restructuring and the DBS acquisition. Field Marketing is likely to return to earnings growth in 2H10 given new clients and expansion initiatives. Strategic Intelligence will benefit from major cost reduction and expansion of the Naked business. Integrated Communications is well placed to benefit from new clients and a focus on growth areas (eg digital, mobile promotions). Specialised Communications is likely to benefit from cost reduction programmes and expansion of Frank PR and Hotwire offerings.</p>

Cheap Valuation

PGA's FY10 PER of 5.4x is well below comparable marketing company PERs. For example, MCU and SLM trade on FY10 PERs of 12x and 13x respectively. We believe PGA's PER has the potential to be rerated closer to MCU/SLM. However, PGA must demonstrate a sustainable earnings improvement in order to achieve the PER rerating. For example, achievement of FY10 profit guidance would send a positive signal (ie EBITDA improves from \$37m in 1H10 to \$52m in 2H10 to give full-year EBITDA of \$89m).

RESULT ANALYSIS

Photon Group: Income Statement (\$m)					
	1H09	2H09	FY09	1H10	Change
	\$m	\$m	\$m	\$m	on pcp
Revenue					
Strategic Intelligence	38.2	37.5	75.7	33.8	-11.4%
Internet & E-Commerce	25.3	25.8	51.1	17.1	-32.2%
Field Marketing	74.0	67.2	141.2	67.8	-8.4%
Integrated Comms & Digital	42.8	50.6	93.3	42.8	0.0%
Specialised Communication	41.4	37.9	79.3	34.9	-15.8%
Total Revenue	221.6	219.0	440.6	196.3	-11.4%
EBITDA					
Strategic Intelligence	4.9	7.8	12.8	7.3	47.0%
Internet & E-Commerce	12.1	17.0	29.1	5.8	-52.3%
Field Marketing	15.0	12.6	27.6	12.9	-14.0%
Integrated Comms & Digital	5.4	10.3	15.7	9.4	73.8%
Specialised Communication	7.5	8.9	16.4	7.7	2.9%
Other/Intersegment	-4.7	-4.0	-8.6	-5.8	24.1%
Group EBITDA	40.3	52.7	93.0	37.3	-7.4%
EBITDA Margin					
Strategic Intelligence	12.9%	20.9%	16.9%	21.5%	850 bps
Internet & E-Commerce	47.7%	65.9%	56.9%	33.6%	-1410 bps
Field Marketing	20.3%	18.7%	19.6%	19.1%	-120 bps
Integrated Comms & Digital	12.7%	20.4%	16.8%	22.0%	940 bps
Specialised Communication	18.1%	23.5%	20.7%	22.1%	400 bps
Group EBITDA Margin	18.2%	24.1%	21.1%	19.0%	80 bps

Source: Company data

Internet EBITDA fell by 52% to \$5.8m with revenue down 32% to \$17m. This was due to softer US online advertising, underperforming Geekdom division and investment in new products.

Integrated Communications & Digital EBITDA increased 74% to \$9.4m despite flat revenue of \$42.8m. EBITDA margin improved from 13% to 22%. The division benefited from new clients and improved margin from existing clients.

Specialised Communication increased EBITDA by 3% to \$7.7m. However, revenue fell by 16% to \$34.9m. The Division focused on profitable clients and benefited from major cost reduction. Headcount was reduced by 12%. EBITDA margin improved from 18% to 22%.

Strategic Intelligence increased EBITDA by 47% to \$7.3m due to major cost reduction. Headcount fell by 13%. EBITDA margin improved from 13% to 21%. The cost reduction and higher margin offset lower revenue (ie down 12% to \$33.8m).

Field Marketing EBITDA fell by 14% to \$12.9m with revenue down 8% to \$67.8m. Results were impacted by a number of one-off projects which were not repeated in 1H10 (eg ACCC grocery price survey).

RESULT DETAILS

6 months to 31 December	1H09	2H09	FY09	1H10	% change on pcp	
		\$million				
Sales	221.7	218.9	440.6	196.3	-11.4%	
Operating costs	181.4	166.2	347.7	159.1	-12.3%	
EBITDA	40.3	52.7	93.0	37.3	-7.4%	
Depreciation and amortisation	9.9	10.6	20.6	10.3	3.4%	
EBIT	30.3	42.1	72.4	27.0	-11.0%	
Net interest expense/(income)	14.4	12.2	26.6	12.2	-15.4%	
Consolidated Pre-tax Profit (pre NRI's)	15.9	29.9	45.9	14.8	-6.9%	
Less income tax	5.9	10.8	16.7	5.0	-15.0%	
Consolidated NPAT (pre NRIs)	10.0	19.1	29.2	9.8	-2.2%	
Equity Share of associated profits (after tax)	0.0	0.0	0.0	0.0		
Less outside equity interests	0.6	0.4	1.0	0.1	-79.7%	
Preference Dividends	0.0	0.0	0.0	0.0		
ADJ NET PROFIT (pre NRIs, pre IFRS)	9.5	18.7	28.2	9.7	2.5%	
Non-Recurring Items (post tax) ⁽¹⁾	(4.2)	(2.6)	(6.8)	(6.8)		
Reported Net Profit	5.3	16.2	21.4	2.9	-45.1%	
Intangible Amortisation	4.7	2.9	7.6	3.8		
NPAT (pre NRIs, pre Intangible Amort'n)	14.2	21.6	35.8	13.5	-4.6%	
Adj EPS (pre NRIs, pre Intang Amort'n) ⁽²⁾	(¢ps)	14.1	21.2	35.3	8.7	-38.5%
Reported EPS (after NRI's)	(¢ps)	5.2	15.9	21.1	1.9	-64.0%
Reported NTA	(¢ps)	(283.0)	(311.0)	(311.0)	(143.0)	-49.5%
RATIOS						
EBITDA/Sales		18.2%	24.1%	21.1%	19.0%	
EBIT/Sales		13.7%	19.2%	16.4%	13.8%	
Net interest cover	(times)	2.1	3.5	2.7	2.2	
Tax rate		37.0%	36.0%	36.4%	33.8%	
DIVIDENDS						
Franking		6.0	6.5	12.5	3.0 ¢	-50.0%
@ corporate tax rate		100%	100%	100%	100% %	
Books close:	19 Mar 2010	30	30	30	30 %	
Payable:	30 Mar 2010					
CASH FLOW DATA						
6 months to 31 December	1H09	2H09	FY09	1H10	% change	
		\$million				
Receipts from customers	370.6	350.5	721.1	344.3	-7.1%	
Payments to suppliers and employees	(338.8)	(306.7)	(645.5)	(306.8)	-9.4%	
GROSS OPERATING CASH FLOW	31.8	43.7	75.5	37.5	17.9%	
Dividends Received	0.1	0.0	0.1	0.0		
Net Interest Paid	(11.9)	(9.1)	(21.0)	(9.0)	-24.2%	
Income Taxes Paid	(12.1)	(5.2)	(17.4)	(11.9)	-1.7%	
Other	0.0	0.0	0.0	0.0		
NET OPERATING CASH FLOW	7.9	29.4	37.3	16.6	109.3%	
Capital Expenditure	(3.0)	(3.1)	(6.1)	(2.1)	-29.4%	
Proceeds from Sale of PP&E	0.3	0.3	0.5	0.2	-12.7%	
Net Proceeds from Sale of Investments/Assets	0.0	0.0	0.0	0.0		
Subsidiaries/Businesses purchased	(27.7)	(12.3)	(40.0)	(72.9)		
Other	(2.2)	(4.0)	(6.2)	(4.9)		
NET INVESTING CASH FLOW	(32.6)	(19.1)	(51.8)	(79.7)	144.1%	
Dividends Paid	(18.4)	(6.4)	(24.8)	(8.2)		
Shares issued/(repurchased)	72.8	(0.0)	72.8	109.1		
KEY RATIOS:						
Gross Operating Cash Flow/EBITDA	79.0%	83.0%	81.2%	100.6%		
Capital Expenditure/Depreciation	0.3	0.3	0.3	0.2		
Free Cash Flow (pre Dividends)	4.9	26.3	31.2	14.5	194.5%	
(post Dividends)	(13.5)	19.9	6.4	6.3		

Source: Company data, GSJBW Research estimates

(1) NRIs include: profit/loss on asset sales/restructuring charges

(2) Before theoretical ex-rights adjustment to share base

Financial Summary | PGA

Profit & Loss		(A\$m)				
Year End	Jun	2009H	2010E	2011E	2012E	2013E
Sales	440.6	417.4	436.5	458.4	477.8	
Operating EBITDA	93.0	88.4	96.6	101.3	106.4	
D & A (excl. G/Will)	12.9	12.9	13.5	14.2	14.8	
Operating EBITA	80.0	75.5	83.1	87.1	91.6	
Intangibles Amortisation	7.6	7.6	7.6	7.6	7.6	
Other (Non Operating Inc.)	0.0	0.0	0.0	0.0	0.0	
EBIT	72.4	67.8	75.5	79.5	84.0	
Net Interest (Exp./Rev)	-26.6	-23.7	-26.6	-25.7	-24.1	
PreTax Profit (pre NRI's)	45.9	44.1	48.9	53.8	59.9	
Tax Expense (pre NRI's)	16.7	15.8	17.4	18.5	20.0	
Assoc./ JV NPAT	0.0	0.0	0.0	0.0	0.0	
Minorities (after Tax)	1.0	1.0	1.1	1.1	1.2	
Pref. Dividends	0.0	0.0	0.0	0.0	0.0	
Other Adj	0.0	0.0	0.0	0.0	0.0	
Reported NPAT (Pre NRI) ⁽¹⁾	28.2	27.3	30.4	34.1	38.7	
Non Recurring Items (after Tax)	-6.8	-6.8	0.0	0.0	0.0	
EBIT	21.4	20.4	30.4	34.1	38.7	
Reported EPS	18.1	12.4	17.3	19.4	22.0	
GSJBW Adjustments:						
Reported NPAT (Pre NRI's)	28.2	27.3	30.4	34.1	38.7	
Intangibles Amortisation	7.6	7.6	7.6	7.6	7.6	
NET PROFIT (Adj.) ⁽²⁾	35.8	34.9	38.0	41.7	46.4	
EPS (Adj.)	30.4	21.2	21.6	23.7	26.4	
Sales Growth (%)	16.9%	-5.3%	4.6%	5.0%	4.2%	
Op. EBITDA Growth (%)	18.8%	-4.9%	9.3%	4.8%	5.0%	
NPAT (Adj.) Growth (%)	26.5%	-2.6%	9.0%	9.8%	11.0%	
EPS (Adj.) Growth (%)	-5.5%	-30.1%	1.9%	9.8%	11.0%	
Op. EBITDA Margin (%)	21.1%	21.2%	22.1%	22.1%	22.3%	
Op. EBITA Margin (%)	18.2%	18.1%	19.0%	19.0%	19.2%	
D&A / Sales (%)	2.9%	3.1%	3.1%	3.1%	3.1%	
Interest Cover - EBIT (X)	2.7	2.9	2.8	3.1	3.5	
Interest Cover - GCF (X)	2.7	3.3	3.5	3.8	4.3	
Tax Rate (pre Amort.) (%)	31.2%	30.5%	30.8%	30.2%	29.6%	
Return on Equity ⁽³⁾ (%)	10.7%	7.0%	7.5%	8.1%	8.8%	

Cash Flow Analysis		(A\$m)				
Year End	Jun	2009H	2010E	2011E	2012E	2013E
Operating EBITDA	93.0	88.4	96.6	101.3	106.4	
Change in Working Cap.	-20.6	-10.4	-2.4	-2.8	-2.5	
Gross Cash Flow	72.4	78.0	94.2	98.6	104.0	
Net Interest Paid	-26.6	-23.7	-26.6	-25.7	-24.1	
Tax Paid (inc. abs)	-17.4	-15.8	-17.4	-18.5	-20.0	
Other	8.8	0.0	0.0	0.0	0.0	
Operating Cash Flow	37.3	38.4	50.2	54.3	59.9	
Maint. Capex	-6.1	-4.4	-13.5	-14.2	-14.8	
FREE CASH FLOW (Pre Div's)	31.2	34.0	36.7	40.1	45.1	
Dividends Paid	-24.8	-14.1	-15.8	-17.6	-20.2	
Expan. Capex	0.0	0.0	0.0	0.0	0.0	
Acquisitions	-40.0	-95.0	-33.9	-10.0	-0.8	
Asset Sales	0.5	0.0	0.0	0.0	0.0	
Dividends Received	0.0	0.0	0.0	0.0	0.0	
Share Issues/Repurchases	72.8	114.6	0.0	0.0	0.0	
Other (FX Adj. etc.)	0.0	0.0	0.0	0.0	0.0	
Inc. in Net Cash / (Debt)	39.7	39.6	-13.0	12.5	24.0	
Gross CF / Op. EBITDA (X)	0.78	0.88	0.98	0.97	0.98	
Maint. Capex / Sales (%)	1.4%	1.1%	3.1%	3.1%	3.1%	
Total Capex / Sales (%)	1.4%	1.1%	3.1%	3.1%	3.1%	
Maint. Capex / D&A (X)	0.47	0.34	1.00	1.00	1.00	
Total Capex / D&A (X)	0.47	0.34	1.00	1.00	1.00	
Maint. Capex / GCF (%)	8.5%	5.6%	14.4%	14.4%	14.2%	
Growth Spend ⁽⁴⁾ (A\$m)	40.0	95.0	33.9	10.0	0.8	

- (1) Reported NPAT (pre NRI's) is before abnormal & non recurring items & after Pref. Divs.
(2) Net Profit (Adj.) is before g/will amortisation, NRI's & Other Adjustments & after Pref. Divs.
(3) ROE excludes Pref. Capital.
(4) Growth Spend represents Expansionary Capex & Acquisitions
Source: Company data, IRESS & GSJBW Research Estimates

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Emerging Companies
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Divisional Analysis						
Year End	Jun	2009H	2010E	2011E	2012E	2013E
Sales Revenue						
Strategic Intelligence	75.7	71.2	74.0	77.0	80.1	
Internet Marketing & Communications	51.1	47.2	51.0	55.1	58.4	
Experiential & Field marketing	141.2	136.2	143.0	149.5	155.5	
Integrated Communications & Digital	93.3	88.2	90.8	95.4	99.2	
Specialised Communication	79.3	74.6	77.5	81.4	84.7	
Total Revenue	417.4	436.5	458.4	477.8	0.0	
EBIT Contribution						
Strategic Intelligence	12.8	15.5	16.1	16.8	17.5	
Internet Marketing & Communications	29.1	19.1	20.7	22.0	23.7	
Experiential & Field marketing	27.6	26.6	27.9	29.1	30.3	
Integrated Communications & Digital	15.7	19.6	20.3	21.0	22.1	
Specialised Communication	16.4	16.4	17.1	17.9	18.6	
Unallocated	-8.6	-8.8	-5.4	-5.6	-5.8	
Total EBIT	93.0	88.4	96.6	101.3	106.4	

Balance Sheet						
Year End	Jun	2009H	2010E	2011E	2012E	2013E
ASSETS:						
Cash	23.6	23.6	23.6	23.6	23.6	
Trade Debtors	110.0	116.9	122.2	128.4	133.8	
Inventory	0.0	0.0	0.0	0.0	0.0	
Prop., Plant & Equip. (net)	20.7	12.2	12.2	12.2	12.2	
Intangibles	580.8	628.2	620.5	612.9	605.3	
Investments	10.1	10.1	10.1	10.1	10.1	
Other	31.4	31.4	31.4	31.4	31.4	
TOTAL ASSETS	776.6	822.2	820.0	818.5	816.3	
Debt (incl Deferred Consideration)	395.8	316.2	295.3	272.8	247.9	
Trade Creditors	67.8	64.2	67.1	70.5	73.5	
Provisions	14.1	14.1	14.1	14.1	14.1	
Other	34.2	34.2	34.2	34.2	34.2	
TOTAL LIABILITIES	511.9	428.7	410.8	391.6	369.7	
EQUITY:						
Equity Reserves	254.0	368.6	368.6	368.6	368.6	
Retained Profits	8.7	21.9	36.4	53.0	71.5	
Minorities	2.0	3.0	4.1	5.3	6.5	
Preference Capital	0.0	0.0	0.0	0.0	0.0	
TOTAL EQUITY	264.7	393.5	409.2	426.9	446.6	
Capital Employed	639.7	696.5	698.9	701.7	704.2	
Net Debt / (Net Cash) (A\$m)	372.2	292.6	271.8	249.2	224.3	
Net Debt / Equity (%)	140.6%	74.4%	66.4%	58.4%	50.2%	
Net Debt / (D+E) (%)	58.4%	42.6%	39.9%	36.9%	33.4%	
Avg. Working Capital (A\$m)	42.3	52.7	55.1	57.8	60.3	
Avg. Work. Cap./Sales (%)	9.6%	12.6%	12.6%	12.6%	12.6%	
D&A / PPE (net) (%)	62.5%	106.5%	111.4%	117.0%	121.9%	
Debtors Turnover (days)	91.1	102.2	102.2	102.2	102.2	
Inventory Turnover (X)						
Creditors Turnover (days)	56.1	56.1	56.1	56.1	56.1	

DCF Valuation			
	(A\$m)	(\$ps)	
PV of Cash Flows	638	\$3.63	RF: 6.5%
Mkt Value of Inv.	0.0	\$0.00	MRP: 6.0%
(Debt) / Cash	-258	-\$1.46	KE: 14.0%
Equity Value (Pre Imp.)	381	\$2.16	KD: 5.3%
Value of Imp. Credits		0.34	Beta: 1.25
GSJBW DCF Value:	\$2.50		WACC: 12.5%
Shares on Issue (m)	175.9		

ROCE Analysis						
Year End	Jun	2009H	2010E	2011E	2012E	2013E
Adjusted NOPAT (A\$m)	55.4	52.5	57.7	60.9	64.4	
Avg. Capital Employed (A\$m)	595.3	668.1	697.7	700.3	702.9	
ROCE (%)	9.3%	7.9%	8.3%	8.7%	9.2%	
WACC (%)	12.5%	12.5%	12.5%	12.5%	12.5%	
ROCE Spread (abs.)	-3.2%	-4.7%	-4.3%	-3.8%	-3.4%	
Change in ROCE (abs.)	-1.3%	-1.4%	0.4%	0.4%	0.5%	

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Sell (S)	Stock is expected to underperform the S&P/ASX 200 for 12 months
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Earnings Momentum:	The percentage change in the current consensus EPS estimate for the stock (year 1) over the consensus EPS estimate for the stock 3 months ago. Stocks are rated according to their relative rank, effectively making it a market relative measure
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Sell	8%	6%
Hold	54%	43%
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