

16 February 2010

# Photon Group Ltd (PGA)

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Solid result with organic growth prospects

## Recommendation

**Buy**

**Price**

**\$1.15**

**Target (12 months)**

**\$2.00**

PGA reported 1H10 in-line with our expectations. Trading conditions appear to have improved materially (with a good start to CY10) and we expect a stronger 2H10e (coupled with abating FX pressure). PGA is developing a focus on organic growth. We expect such a focus to deliver strong shareholder returns as earnings coupled with financial deleveraging delivers ROE and EPS expansion. Retain BUY with \$2.00 TP.

## Expected Return

Capital growth **73.9%**

Dividend yield **6.9%**

Total expected return **80.8%**

## Company Data & Ratios

Enterprise value **\$470m**

Market cap **\$205m**

Issued capital **178m**

Free float **65%**

12 month price range **\$0.80-\$2.18**

GICS sector

**Media**

Disclosure: Southern Cross Equities acted as a Co-manager

in PGA's \$115m Aug-09 capital raising, and received a fee.

## Absolute Price



SOURCE: IRESS

## 1H10 NPAT hit by one-off charges, weak Internet & FX

Reported NPAT of \$2.9m (1H09 \$5.3m) was impacted by a poor Internet Division performance (including one-off charges) coupled with a FX impact (35% of PGA's earnings are FX exposed). However we had accounted for this and as a result underlying NPAT of \$9.7m was ahead of our \$8.8m forecast. Whilst revenue was soft (12% decline vs. pcp) we expect a stronger 2H10e as trading conditions are much improved (whilst FX headwinds should reduce).

PGA confirmed that there are no material acquisitions being considered. We view this as evidence of progress towards an organic growth strategy. PGA also expects to add two independent Directors, which we believe should help to expand the Board's skill-set and profile. New CEO expected to be appointed in coming months.

## BUY retained with \$2.00 TP

We retain our BUY recommendation supported by an attractive valuation and promising signs of an organic growth strategy. We view PGA as attractively priced on 7.5x FY10e earnings (falling to 5.8x FY11e) supported by a 7% dividend yield.

## Earnings Forecast

Year end 30 June	2009a	2010e	2011e	2012e
NPAT (reported) (\$m)	21	20	35	46
NPAT (adjusted) (\$m)	25	27	35	46
EPS (adjusted) (cps)	24.7	15.3	19.8	25.6
EPS growth (%)	-13.6%	-38.2%	29.9%	29.2%
PER (x)	4.7	7.5	5.8	4.5
P/OCFPS (x)	3.1	4.0	4.1	3.8
EV/EBITDA (x)	5.1	5.3	5.0	4.5
Dividend (¢ps)	12.5	7.9	9.9	12.8
Yield (%)	10.9%	6.9%	8.6%	11.1%
ROE (%)	9.5%	7.3%	9.0%	10.9%

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

# Organic growth focus pleasing

PGA has delivered a solid result, which at a reported NPAT level was impacted by a weak Internet Division coupled with FX headwinds and one-off charges. These impacts were expected and on an adjusted basis NPAT was slightly ahead of our forecasts.

The most pleasing take-out from today was managements comments that it is not considering material acquisitions coupled with its intention to expand the Board with two independent Directors. We believe an organic growth focus is likely to deliver optimal shareholder returns, and we view today's comments as consistent with this.

## \$9.7m adjusted NPAT ahead of our expectation

### Adjusted NPAT ahead of expectation

Adjusted NPAT of \$9.7m was up 36% vs. pcp and ahead of our expectation at \$8.8m. The reported NPAT of \$2.9m was down versus \$5.3 in 1H09 due largely to DBS impairment (\$3.1m) and losses related to Geekversity exit (\$5.6m).

An interim dividend of 3.0cps was declared which was slightly ahead of our 2.5cps expectations.

Figure 1 - 1H10 results summary

\$m	1H09a	1H10a	pcp %	2009a	2010e	pcp %	1H09 SCE vs. actual
Sales revenue	221.6	196.3	-11.4%	440.6	423.0	-4.0%	-8.8%
Total revenue	222.3	196.6	-11.5%	441.9	423.9	-4.1%	-8.9%
Operating expenses	(180.2)	(159.3)	-11.6%	(349.0)	(335.6)	-3.8%	-10.9%
EBITDA (adjusted)	42.1	37.3	-11.4%	92.8	88.3	-4.9%	0.8%
Depreciation & Amort.	(9.9)	(10.3)	3.4%	(20.6)	(20.4)	-1.0%	5.0%
EBIT (adjusted)	32.1	27.0	-15.9%	72.3	67.9	-6.0%	-0.8%
Net interest expense	(14.4)	(12.2)	-15.4%	(26.6)	(24.5)	-7.7%	-7.0%
Pre-tax profit (adjusted)	13.6	12.9	-5.6%	41.7	41.3	-0.8%	-9.0%
Income tax expense	(5.9)	(3.0)	-48.6%	(15.6)	(13.6)	-12.9%	-36.8%
NPAT (adjusted)	7.2	9.7	35.7%	25.1	27.2	8.5%	10.8%
EPS (adjusted) cps	6.7	6.2	-7.2%	24.7	15.3	-38.2%	26.8%
DPS cps	6.0	3.0	-50.0%	12.5	7.9	-36.7%	22.1%

SOURCE: COMPANY AND SOUTHERN CROSS EQUITIES ESTIMATES

## Divisional overview

### Operating conditions improving with good pipeline for most businesses

- **Internet & eCommerce** - delivered \$5.8m EBITDA (pre DBS impairment and Geekversity exit) slightly ahead of our expectation of \$5m but well short of 1H09a (\$12.1m). This was due to underperformance of Geekdom coupled with weaker US online advertising. We expect a stronger 2H10e following the closure of Geekversity coupled with improving online advertising and a positive contribution (albeit small in 2H10e) from DBS;
- **Field Marketing** – delivered \$12.9m EBITDA in-line with our expectation (\$15m vs. pcp). This division is generally performing well and we expect a better 2H10e as business volumes return (incl. a large Vodafone contract);
- **Specialised Communications** - delivered \$7.7m EBITDA versus our expectation of \$8.5m (\$7.5m vs. pcp). While its Public Relations and Public Affairs businesses have been performing well, this division should further benefit from returning business in its Corporate Comms (ie Precinct, Likemind) and Events (Sledge, ABT) businesses;

- **Strategic Intelligence** - delivered \$7.3m EBITDA ahead of our expectation of \$6.0m (\$4.9m vs. pcp). Within SI the Communications Advisory businesses have been performing well with Naked enjoying considerable success (particularly in the US). Pleasingly the pipeline for the Research businesses (Jigsaw, Leading Edge) now looks strong following a soft period;
- **Integrated Communications** - delivered \$9.4m EBITDA in-line with our expectation (\$5.4m vs. pcp). Advertising agencies continue to perform with clients concentrated in non-cyclical clients sectors. Management see opportunities to expand off-shore for its leading agencies (BWM, BMF).

Figure 2 - Divisional result

\$m	1H09a	1H10a	pcp %	2009a	2010e	pcp %	1H10 SCE vs. actual
Experiential & Field Marketing	74.0	67.8	-8.4%	141.2	137.8	-2.4%	-3.2%
Internet & eCommerce	25.3	17.1	-32.2%	51.1	42.1	-17.5%	0.8%
Specialised Communications	41.4	34.9	-15.8%	79.3	78.9	-0.6%	-15.0%
Strategic Intelligence	38.2	33.8	-11.5%	75.7	72.5	-4.3%	-14.8%
Integrated Comms & Digital	42.8	42.8	0.0%	93.3	91.8	-1.6%	-10.0%
<b>Divisional revenue</b>	<b>221.6</b>	<b>196.3</b>	<b>-11.4%</b>	<b>440.6</b>	<b>423.0</b>	<b>-4.0%</b>	<b>-8.8%</b>
Experiential & Field Marketing	15.0	12.9	-14.0%	27.6	27.9	1.1%	-0.6%
Internet & eCommerce	12.1	5.8	-52.3%	29.1	16.8	-42.3%	15.1%
Specialised Communications	7.5	7.7	2.9%	16.4	18.2	10.9%	-9.2%
Strategic Intelligence	4.9	7.3	47.0%	12.8	16.3	27.4%	21.1%
Integrated Comms & Digital	5.4	9.4	73.8%	15.7	18.4	17.1%	4.7%
<b>Divisional EBITDA</b>	<b>45.0</b>	<b>43.1</b>	<b>-4.1%</b>	<b>101.6</b>	<b>97.6</b>	<b>-4.0%</b>	<b>3.8%</b>
Corporate costs	-	4.7	24.1%	8.6	9.3	7.8%	29.1%
Other	-	1.9	363.2%	3.7	8.8	139.7%	1.1%
<b>Group EBITDA (reported)</b>	<b>38.4</b>	<b>28.5</b>	<b>-25.8%</b>	<b>89.3</b>	<b>79.5</b>	<b>-11.0%</b>	<b>0.6%</b>
<b>EBITDA margins</b>							
Year end June 30	1H09a	1H10a	pcp %	2009a	2010e	pcp %	1H10 SCE vs. actual
Experiential & Field Marketing	20.3%	19.1%	-6.1%	19.6%	20.3%	3.6%	2.7%
Internet & eCommerce	47.7%	33.6%	-29.6%	56.9%	39.8%	-30.1%	14.2%
Specialised Communications	18.1%	22.1%	22.2%	20.7%	23.1%	11.6%	6.8%
Strategic Intelligence	12.9%	21.5%	66.1%	16.9%	22.4%	33.1%	42.2%
Integrated Comms & Digital	12.7%	22.0%	73.9%	16.8%	20.1%	19.1%	16.4%
<b>Divisional EBITDA</b>	<b>20.3%</b>	<b>21.9%</b>	<b>8.2%</b>	<b>23.1%</b>	<b>23.1%</b>	<b>0.0%</b>	<b>13.8%</b>
<b>Group EBITDA</b>	<b>17.3%</b>	<b>14.5%</b>	<b>-16.2%</b>	<b>20.3%</b>	<b>18.8%</b>	<b>-7.3%</b>	<b>10.3%</b>

SOURCE: COMPANY AND SOUTHERN CROSS EQUITIES ESTIMATES

## Outlook – organic growth focus

Management expect good EBITDA growth (vs. pcp) for Specialised Comms, Strategic Intelligence and Integrated Comms, while Field Marketing is expected to be in-line with 1H09a. With the strategic review of Internet almost complete, management expects an improvement in the 2H10e performance.

Whilst no material acquisitions are being considered, we do expect minor bolt-on acquisitions in 2H10. PGA expects to appoint two independent Directors and it seems likely that this will follow, rather than lead, the appointment of a new CEO.

## FCF generation

Free cash-flow was much stronger in 1H10 vs. pcp driven by working capital improvements. We expect EBITDA growth coupled with lower cash tax and capex to continue to drive free cash-flow in 2H10e.

Figure 3 - Stronger FCF generation

Year end June 30	1H09a	1H10a	pcp %	2009a	2010e	pcp %
EBITDA (adjusted)	40.2	37.3	-7.2%	89.2	88.3	-1.0%
Working capital changes	(10.0)	0.3	-103.0%	(13.6)	(4.8)	-64.7%
Change in provisions	(0.2)	-	-100.0%	(0.2)	-	-100.0%
Tax paid	(12.1)	(11.9)	-1.7%	(17.4)	(15.0)	-13.8%
Net finance expense	(11.9)	(9.0)	-24.2%	(21.0)	(16.3)	-22.3%
Other	1.9	(0.1)	-104.0%	0.2	(0.5)	-314.5%
<b>Operating cash flow</b>	<b>7.9</b>	<b>16.6</b>	<b>109.3%</b>	<b>37.3</b>	<b>51.7</b>	<b>38.6%</b>
Capex	(5.2)	(6.6)	26.7%	(12.3)	(11.1)	-9.5%
<b>Free cash flow</b>	<b>2.7</b>	<b>10.0</b>	<b>266.2%</b>	<b>25.0</b>	<b>40.6</b>	<b>62.2%</b>
FCF yield	2.2%	5.4%	150.6%	20.9%	19.3%	-7.6%

SOURCE: COMPANY AND SOUTHERN CROSS EQUITIES ESTIMATES

**Organic growth focus  
should maximise TSR**

## Minor changes to forecasts

We have made minor changes to our forecasts, resulting in a 2.4% and 1.5% decrease in EPS for FY10 and FY11 respectively.

Figure 4 - Forecast changes

\$m	2010e			2011e			2012e		
	Old	New	Diff. %	Old	New	Diff. %	Old	New	Diff. %
Sales revenue	446.8	423.0	-5.3%	474.8	457.8	-3.6%	493.8	475.4	-3.7%
Total revenue	448.0	423.9	-5.4%	476.0	458.6	-3.7%	495.0	476.0	-3.8%
Operating expenses	(368.7)	(344.4)	-6.6%	(379.9)	(364.2)	-4.1%	(388.6)	(371.8)	-4.3%
EBITDA (adjusted)	88.0	88.3	0.3%	96.1	94.4	-1.8%	106.4	104.3	-2.0%
EBITDA margin (%)	19.7%	20.9%		20.2%	20.6%		21.6%	21.9%	
Depreciation & Amort.	(19.4)	(20.4)	4.7%	(19.8)	(18.3)	-7.4%	(20.6)	(15.8)	-23.0%
EBIT (adjusted)	68.6	67.9	-0.9%	76.3	76.1	-0.3%	85.9	88.4	3.0%
Net interest expense	(22.9)	(24.5)	7.1%	(18.6)	(19.8)	5.9%	(15.2)	(15.9)	5.0%
Pre-tax profit (adjusted)	45.7	41.3	-9.5%	57.7	56.1	-2.7%	70.7	72.2	2.2%
Income tax expense	(16.8)	(13.6)	-19.2%	(20.8)	(20.2)	-2.7%	(25.4)	(26.0)	2.2%
NPAT (adjusted)	27.9	27.2	-2.4%	35.9	35.4	-1.5%	44.2	45.7	3.3%
EPS (adjusted) cps	15.6	15.3	-2.4%	20.1	19.8	-1.5%	24.8	25.6	3.3%
DPS cps	7.8	7.9	1.1%	10.1	9.9	-1.5%	12.4	12.8	3.3%
Accrued Capex	11.2	11.1	-0.5%	11.9	13.7	15.7%	12.3	14.3	15.5%

SOURCE: COMPANY AND SOUTHERN CROSS EQUITIES ESTIMATES

## BUY recommendation and \$2.00 TP retained

**\$2.13 blended  
valuation**

We retain our BUY recommendation and \$2.00 TP. Pleasing we believe we can see the early progress towards an organic growth strategy. Such a strategy coupled with strong valuation supports our BUY recommendation.

We have a blended valuation for PGA of \$2.13 (previously \$2.16).

# Photon Group Limited (PGA)

**Diversified business, leveraged to structural change**

**Resilient business limits cyclical risk of typical media business**

**Portfolio of strategic businesses**

Blended Valuation	FY10e
DCF	\$ 2.10
PER	\$ 1.98
EV/EBITDA	\$ 2.23
SOTP	\$ 2.21
<b>Blended valuation</b>	<b>\$ 2.13</b>
<b>Target Price</b>	<b>\$ 2.00</b>

**Key talent risk not as material as we first envisaged**

## Company description

PGA is a diversified marketing and communications company at the forefront of the structural change from mass media to more direct consumer and corporate media via the internet, face to face, mobile and point of sale. PGA operates five divisions across Australia and the globe:

- Field Marketing – outsourced sales execution;
- Internet & e-Commerce – digital/web agency services, email and SMS marketing services, and “clip the ticket” e-commerce services;
- Integrated Communications & Digital – advertising agencies and promotional agencies (brand, in-store sales);
- Specialised Communications – public relations, corporate communications and event management;
- Strategic Intelligence – independent communications strategic advice and consumer research.

PGA is 25% owned by Reg Grundy, 9% Orion Asset Management, 7% Bailey Family (management), and 4% Tim Hughes (management and Chairman).

## Investment thesis

Our investment thesis is based on PGA as:

1. Well placed for the new media world (structural change), and not aligned to one channel or business model;
2. Resilient diversified holding company which grew FY09 LFL revenue (7% vs. pcp) and EBITDA (4% vs. pcp) through downturn;
3. Sustainable growth focus with balance sheet concerns largely behind it.

Our blended valuation is \$2.13, which we discount 6% (execution risk) to derive our TP (and BUY recommendation). Our \$2.10 DCF is derived using a TGR of 3.0% with a WACC of 11.3% based on a Beta of 1.3x. We also derive a \$1.98 PER (13x FY10e), a \$2.23 EV/EBITDA (7.5x FY10e) and a \$2.21 SOTP.

## Risks

Downside risks to our valuation include (but are not limited to):

1. Risk from further acquisitions which may pressure ROE while increasing debt (including Earn Outs);
2. Interest rate – PGA currently has a high proportion of AUD floating debt which sees it exposed to rising interest rates. We assume the average interest cost of 7.0%;
3. Risk to earnings from strengthening AUD. Whilst translation risk is effectively offset via foreign borrowing, we expect the significantly higher AUD impacts translation of earnings and have adjusted our earnings appropriately;
4. Key talent risk – key talent acquired through acquisitions will leave at the conclusion of earn out agreements. Whilst we initially felt this was a key risk we have seen sufficient retention strategies to migrate this risk (i.e. Naked has 34 managers entitled to earn outs therefore reducing key talent risk within that business).

Table 1 - Financial summary

PROFIT AND LOSS						VALUATION DATA					
Y/e June 30 (\$m)	2008a	2009a	2010e	2011e	2012e	Y/e June 30	2008a	2009a	2010e	2011e	2012e
Total income	378	442	424	459	476	Adjusted EPS (c)	28.6	24.7	15.3	19.8	25.6
Operating expenses	(300)	(349)	(336)	(364)	(372)	EPS growth (%)	22.8%	-13.6%	-38.2%	29.9%	29.2%
<b>EBITDA (underlying)</b>	<b>78</b>	<b>93</b>	<b>88</b>	<b>94</b>	<b>104</b>	DPS (c)	28.5	12.5	7.9	9.9	12.8
Depreciation & Amort.	(17)	(21)	(20)	(18)	(16)	Dividend Yield (%)	24.8%	10.9%	6.9%	8.6%	11.1%
<b>EBIT</b>	<b>61</b>	<b>72</b>	<b>68</b>	<b>76</b>	<b>88</b>	EV/EBITDA	6.0	5.1	5.3	5.0	4.5
Net interest expense	(25)	(27)	(25)	(20)	(16)	EV/EBIT	7.7	6.5	6.9	6.2	5.3
Associate income & Other	0	(4)	(2)	(0)	(0)	P/E ratio (x)	4.0	4.7	7.5	5.8	4.5
<b>Pre-tax profit</b>	<b>37</b>	<b>42</b>	<b>41</b>	<b>56</b>	<b>72</b>	<b>Blended Valuation</b>	<b>FY10e</b>				
Income tax expense	(14)	(16)	(14)	(20)	(26)	DCF	\$	210			
<b>Reported Net Profit</b>	<b>22</b>	<b>21</b>	<b>20</b>	<b>35</b>	<b>46</b>	PER	\$	198			
One-off items	-	4	9	-	-	EV/EBITDA	\$	223			
<b>Adjusted net profit</b>	<b>22</b>	<b>25</b>	<b>27</b>	<b>35</b>	<b>46</b>	SOTP	\$	221			
						<b>Blended valuation</b>	<b>\$</b>	<b>213</b>			
						<b>Price Target</b>	<b>\$</b>	<b>200</b>			
CASHFLOW						PROFITABILITY RATIOS					
Y/e June 30 (\$m)	2008a	2009a	2010e	2011e	2012e	Y/e June 30	2008a	2009a	2010e	2011e	2012e
EBITDA (underlying)	78	89	88	94	104	Sales revenue growth (%)	93.6%	16.9%	-4.0%	8.2%	3.8%
Change in working capital	(16)	(14)	(5)	(9)	(10)	EBITDA/sales (%)	20.8%	21.1%	20.9%	20.6%	21.9%
Tax paid	(16)	(17)	(15)	(19)	(23)	EBIT/sales (%)	16.3%	16.4%	16.1%	16.6%	18.6%
Net finance expense	(21)	(21)	(16)	(15)	(15)	Capex/sales (%)	2.6%	2.8%	2.6%	3.0%	3.0%
Other	(1)	0	(1)	(1)	(1)	Return on assets (%)	8.5%	9.3%	8.4%	8.9%	10.1%
<b>Operating cashflow (1)</b>	<b>24</b>	<b>37</b>	<b>52</b>	<b>50</b>	<b>55</b>	Return on equity (%)	11.4%	9.5%	7.3%	9.0%	10.9%
Capex (2)	(10)	(12)	(11)	(14)	(14)	ROIC (%) (post tax)	8.2%	9.4%	8.8%	8.5%	9.3%
Disposals	0	1	0	-	-	Dividend payout (%)	99.7%	50.6%	51.8%	50.0%	50.0%
Acquisitions & Other	(202)	(40)	(83)	(44)	(21)	Effective tax rate (%)	38.3%	37.4%	32.8%	36.0%	36.0%
<b>Investing cashflow</b>	<b>(211)</b>	<b>(52)</b>	<b>(94)</b>	<b>(58)</b>	<b>(35)</b>	Free cash-flow yield (%)	16.8%	21.4%	19.8%	17.8%	19.7%
Dividends paid	(20)	(25)	(14)	(17)	(21)						
Equity issued	2	73	109	-	-						
Other	(2)	(3)	(2)	-	-						
Borrowings incurred/(repaid)	224	(43)	(32)	-	-						
<b>Financing cashflow</b>	<b>204</b>	<b>2</b>	<b>61</b>	<b>(17)</b>	<b>(21)</b>	LIQUIDITY AND LEVERAGE RATIOS					
Increase in cash/(debt)	17	(13)	19	(24)	(1)	Y/e June 30	2008a	2009a	2010e	2011e	2012e
<b>Free cash flow (1+2)</b>	<b>15</b>	<b>25</b>	<b>41</b>	<b>36</b>	<b>40</b>	Net debt/(cash) (\$m)	359	372	265	238	209
						<b>Net debt/equity (%)</b>	<b>189%</b>	<b>141%</b>	<b>71%</b>	<b>60%</b>	<b>50%</b>
						EBIT net interest cover (x)	2.5	2.7	2.8	3.9	5.5
						Net debt/EBITDA (x)	4.6	4.0	3.0	2.5	2.0
						Current ratio (x)	4.6	4.0	3.0	2.5	2.0
						Receivables turnover (x)	3.5	4.0	4.1	4.1	4.1
						Payables turnover (x)	3.5	3.0	2.7	2.7	2.7
BALANCE SHEET						INTERIMS					
Y/e June 30 (\$m)	2008a	2009a	2010e	2011e	2012e	Half end Dec 30 (\$m)	1H08a	1H09a	1H10a	1H11e	1H12e
Cash	39	24	27	27	27	Total income	160	222	197	223	231
Receivables	109	110	104	112	117	EBITDA	31	42	37	44	50
Other financial assets	1	-	-	-	-	EBIT	25	32	27	35	42
Other	22	19	19	19	19	Net profit after tax (adj)	10	7	10	16	21
<b>Current assets</b>	<b>171</b>	<b>152</b>	<b>150</b>	<b>158</b>	<b>163</b>	Adjusted EPS (c)	131	6.7	6.2	8.7	12.0
PPE	22	21	17	21	28	Interim DPS (c)	12.0	6.0	3.0	4.4	6.0
Intangibles	502	581	623	658	670						
Investments	14	10	-	-	-						
Other	13	13	14	14	14						
<b>Non-current assets</b>	<b>552</b>	<b>624</b>	<b>654</b>	<b>694</b>	<b>713</b>	DIVISIONAL EBITDA					
<b>Total assets</b>	<b>723</b>	<b>777</b>	<b>804</b>	<b>852</b>	<b>875</b>	Y/e June 30 (\$m)	2008a	2009a	2010e	2011e	2012e
Current payables	108	149	158	171	178	Experiential & Field Marketing	22	28	28	29	30
Short term debt	12	36	4	4	4	Internet & eCommerce	24	29	17	20	28
Provisions	6	5	-	-	-	Specialised Communications	18	16	18	21	22
Non-current payables	58	45	21	23	24	Strategic Intelligence	10	13	16	16	16
Long term debt	321	248	226	241	231	Integrated Comms & Digital	12	16	18	19	19
Other	29	29	20	20	20	Corporate costs	(9)	(9)	(9)	(11)	(11)
<b>Total liabilities</b>	<b>533</b>	<b>512</b>	<b>429</b>	<b>458</b>	<b>457</b>	Significant items	-	(4)	(9)	-	-
Shareholders' equity	190	265	375	393	419	<b>Group EBITDA</b>	<b>78</b>	<b>89</b>	<b>79</b>	<b>94</b>	<b>104</b>
<b>Total shareholders funds</b>	<b>190</b>	<b>265</b>	<b>375</b>	<b>393</b>	<b>419</b>						
<b>Total funds employed</b>	<b>483</b>	<b>525</b>	<b>578</b>	<b>611</b>	<b>627</b>						
W/A diluted shares on issue	76	102	178	178	178						

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

**Recommendation structure**

Spec Buy: Expect >30% total return on a 12 month view but carries significantly higher risk than its sector

Buy: Expect >15% total return on a 12 month view

Accumulate: Expect total return between 0% and +15% on a 12 month view

Reduce: Expect -15% and 0% total return on a 12 month view

Sell: Expect <-15% total return on a 12 month view

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Southern Cross Equities Ltd and its associates hold 1,986,741 shares in PGA as at the date of this report. This position is subject to change without notice.



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