

# CPT Global (CGO)

**1H'09 - helped along by weak A\$**

3 March 2009

## Opinion Data

<b>Recommendation</b>	<b>Hold</b>
<b>Risk Rating</b>	<b>High</b>
<b>Current share price</b>	<b>\$0.32</b>
<b>12 month target price</b>	<b>\$0.34</b>
<b>DCF Valuation</b>	<b>\$0.73</b>
<b>Market capitalisation</b>	<b>\$11m</b>

**CPT Global (CGO) reported a 1H'09 NPAT of \$1m. Excluding a one-off tax charge, adjusted NPAT was \$1.3m, flat on pcp. This result was better than expected.**

Key points:

- **Revenue was down 6%** to \$22m. Domestic revenue contributed \$16.2m with the remainder from the international business where revenue increased 16%, helped by a weak A\$.
- **EBITDA margins** were flat on pcp at 9.2%.
- **Net cash** was -\$0.4m at the half, and \$0.8m in late February.
- **An interim dividend of 2.5cps (ff)** was declared representing a payout ratio of 88% (from 112% in FY'08). We forecast a full year dividend of 4.9cps.
- The domestic forward order book currently represents 63% of the full year target vs. 81% at 1H'08. We expect ongoing weakness in the Australian business. The offshore business is reportedly doing well with all major existing US & UK contracts being renewed.
- **FY'09F.** We forecast NPAT of \$2m. We expect conditions to remain tough but manageable in Australia. Risks include a lack of visibility on the offshore risk reward pricing model and a postponement of decision making on contract starts.

**Investment View.** Hold

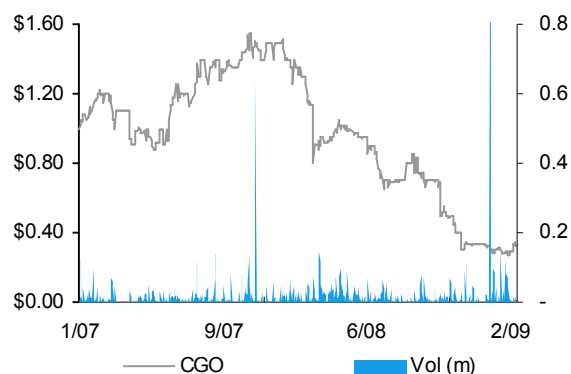
CGO is a well managed business with leverage to the telco (40%) and financial services (33%) sectors. Its services aim to reduce costs for IT departments, which in the current climate is becoming increasingly relevant. CGO's earnings are somewhat defensive in our view.

Our price target of \$0.34/share is 6x's FY'09F EBIT.

## Earnings Forecasts

Y/end June (A\$m)	2007A	2008A	2009F	2010F
Revenue	41.4	44.5	44.7	43.9
EBITDA	4.6	2.9	3.3	3.5
EBIT	4.4	2.7	3.1	3.2
NPAT (adjusted)	3.0	1.6	2.0	2.1
EPS adj. (cps)	8.6	4.5	5.5	5.8
EPS Growth (%)	44%	-48%	23%	5%
DPS (c)	7.8	5.0	4.9	5.2
Dividend Yield (%)	24.2%	15.6%	15.4%	16.2%
PE (x)	3.7	7.2	5.9	5.6
EV / EBITDA (x)	3.2	5.6	4.6	4.3
EV / EBIT (x)	3.3	6.2	5.0	4.6
Gearing (%)	-5%	-1%	-4%	-5%
EBIT Margin (%)	11%	6%	7%	7%
Interest Cover (x)	na	na	na	na

## CGO Share Price / Volume



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**CPT Global**
**NFPOS**
**34 m**
**Price**
**\$0.32**
**Market Cap**
**\$11 m**
**Date:**
**3-Mar-09**
**Model Updated:**
**3-Mar-09**
**PROFIT & LOSS (\$m)**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
<b>Sales</b>	41.4	44.5	44.7	43.9	45.0
EBITDA	4.6	2.9	3.3	3.5	3.6
Depn & Amort	-0.2	-0.2	-0.2	-0.2	-0.2
<b>EBIT</b>	4.4	2.7	3.1	3.2	3.4
Net Interest	0.0	-0.1	0.0	0.0	0.0
Income tax expense	-1.4	-0.9	-1.0	-1.1	-1.1
PAT including OEI	3.0	1.6	2.0	2.1	2.2
Reported NPAT pre abs.	3.0	1.6	2.0	2.1	2.2
<b>Adjusted NPAT</b>	3.0	1.6	2.0	2.1	2.2

**BALANCE SHEET (\$m)**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Cash	0.8	0.1	0.6	0.9	0.8
PP&E	0.5	0.5	0.8	1.2	1.6
Debtors & Inventory	12.9	13.7	12.5	12.2	12.6
Intangibles	9.8	9.8	9.8	9.8	9.8
Other assets	1.1	0.8	0.6	0.6	0.6
<b>Total Assets</b>	25.1	24.9	24.3	24.7	25.5
Borrowings	0.0	0.0	0.0	0.0	0.0
Trade Creditors	4.5	5.6	4.8	4.7	4.9
Other Liabilities	2.9	2.5	2.9	3.1	3.3
<b>Total Liabilities</b>	7.4	8.1	7.7	7.8	8.2
<b>NET ASSETS</b>	17.7	16.8	16.6	16.9	17.3
OEI and Pref Shares	0.0	0.0	0.0	0.0	0.0
<b>Shareholder Equity</b>	17.7	16.8	16.6	16.9	17.3

**CASHFLOW STATEMENT (\$m)**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
<b>Operating EBITDA</b>	5.0	2.9	3.3	3.5	3.6
Interest & Tax Paid	(1.4)	(1.1)	(1.0)	(1.1)	(1.1)
Working Cap.	(2.9)	(0.5)	0.1	(0.2)	(0.3)
<b>Operating CF</b>	0.7	1.4	2.4	2.2	2.2
Maintenance Capex	0.5	0.3	0.3	0.4	0.4
<b>Free Cashflow (FCF)</b>	0.2	1.1	2.3	2.1	1.8
Ord & Pref Dividends	(2.3)	(2.8)	(1.8)	(1.9)	(1.9)
Expansion Capex	0.0	0.0	0.0	0.0	0.0
Net Other	0.1	0.0	0.0	0.0	0.0
<b>Net Cashflow</b>	(2.0)	(1.8)	0.5	0.2	(0.1)

**COMPOSITION (\$m)**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Australian sales	31.9	35.4	35.4	34.0	34.0
Overseas sales	9.4	9.1	9.3	9.8	11.0
<b>Total sales</b>	41.4	44.5	44.7	43.9	45.0

**KEY RATIOS**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
EBIT Margin (%)	10.6%	6.0%	6.8%	7.3%	7.5%
NPAT Margin (%)	7.3%	3.6%	4.5%	4.8%	4.9%
ROE (%) y/e	17%	10%	12%	13%	13%
ROA (%) y/e	19%	11%	13%	14%	14%
ROIC (%) Av.	27%	16%	18%	20%	20%
NTA per share (\$)	0.22	0.20	0.20	0.21	0.22
Eff Tax Rate (%)	31%	37%	34%	34%	34%
Interest Cover (x)	na	na	na	na	na
Net Gearing (%)	-4.8%	-0.8%	-3.9%	-5.1%	-4.6%

**VALUATION PARAMETERS**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Adjusted EPS (c)	8.6	4.5	5.5	5.8	6.0
<b>Adjusted PE (x)</b>	<b>3.7</b>	<b>7.2</b>	<b>5.9</b>	<b>5.6</b>	<b>5.3</b>
PER Rel - All Ind. Ex-Fin.	-78%	-48%	-53%	-51%	4%
PER Rel - Small Indust.	-78%	-48%	-53%	-51%	4%
Enterprise Value (\$m)	14.6	16.5	15.2	14.8	15.0
EV / EBITDA (x)	3.2	5.6	4.6	4.3	4.2
<b>EV / EBIT (x)</b>	<b>3.3</b>	<b>6.2</b>	<b>5.0</b>	<b>4.6</b>	<b>4.5</b>
Price / NTA	1.4	1.6	1.6	1.5	1.5
DPS (cps)	7.8	5.0	4.9	5.2	5.1
Dividend Yield (%)	24.2%	15.6%	15.4%	16.2%	16.0%
Franking (%)	100%	100%	100%	100%	100%
Free Cash / Share (c)	0.7	2.9	6.3	5.8	4.9
Price / FCF PS (x)	46.1	11.1	5.1	5.5	6.5

**DCF VALUATION**

PV Forecast CF (08-12)	6.2	Risk Free Rate	6.0%
PV Growth CF (12-17)	9.4	Equity Risk Premium	6.0%
PV Perpetuity	9.2	Equity Beta	1.3
Surplus Assets	0.0	Medium Term Growth th	5.0%
Total	24.8	D / ( D + E )	-1%
Net cash less OEI	-0.1	WACC	13.6%
NPV (\$m)	24.9	Terminal WACC	13.6%
NPV per diluted share	\$ 0.73	Terminal Growth th	3.0%

Term. Growth Rate	WACC			
	14.6%	13.6%	12.6%	11.6%
1.5%	\$ 0.64	\$ 0.69	\$ 0.75	\$ 0.82
2.0%	\$ 0.65	\$ 0.70	\$ 0.77	\$ 0.84
2.5%	\$ 0.66	\$ 0.71	\$ 0.78	\$ 0.86
3.0%	\$ 0.67	\$ 0.73	\$ 0.79	\$ 0.88
5.0%	\$ 0.71	\$ 0.78	\$ 0.88	\$ 1.00

**GROWTH PROFILE (YoY)**

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Sales (\$m)	32%	8%	0%	-2%	3%
EBITDA (\$m)	38%	-36%	13%	5%	4%
Adj. NPAT (\$m)	46%	-46%	25%	5%	4%
Adj. EPS (cps)	44%	-48%	23%	5%	4%
DPS (cps)	29%	-35%	-2%	5%	-1%

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### Recommendation Criteria

#### Investment View

Austock Securities Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
> 20%	20% - 5%	< 5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

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