

CPT Global (CGO)

Opinion Data

Recommendation	Hold
Risk Rating	High
Current share price	\$0.49
12 month target price	\$0.50
DCF valuation	\$0.71
Market capitalisation	\$18m

Company Background

CPT Global (CGO) is a specialist IT consulting and services company that provides services that enhance the efficiency, reliability and cost effectiveness of an IT organisation, with a focus on mainframe and mid-range IT platforms.

The Company operates predominately within the Australian, European and US markets. Main services are performance tuning, capacity planning, cost reduction services, testing and management of IT.

Founded in 1993 by current Executive MD. CGO listed in 2000 and employs 200 personnel. The head office is Melbourne, and other offices are Canberra, Sydney, Munich, New York and London.

CGO has +70 clients globally, across 17 countries. Domestic clients include Telstra, all Australian major banks as well as federal and state government agencies. Internationally, CGO works for +10 of the 20 largest global financial institutions.

Highlights

We are expecting 2H'09 earnings at least flat on 1H'09. We forecast FY'09F NPAT of \$2.2m. We expect conditions to remain tough but manageable in Australia. The offshore business is reportedly doing well with all major existing US & UK contracts being renewed.

A lack of visibility on the offshore risk-reward pricing model where earnings are lumpy and back-ended in nature adds to forecasting risk.

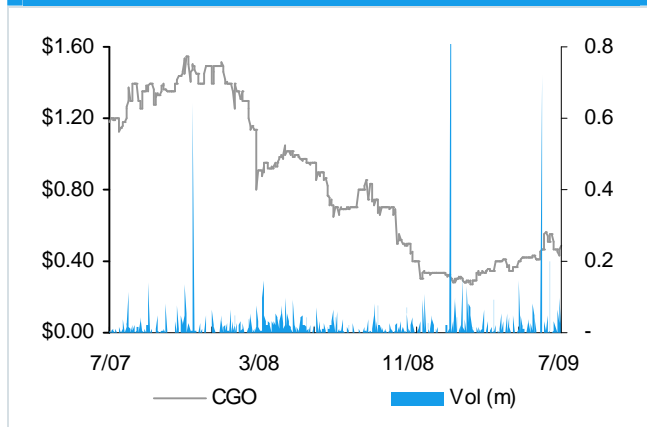
Outlook / Investment View

CGO is a well managed nano cap 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 risk-reward model is based on sharing the cost savings achieved for clients and is self-funding by definition. CGO's earnings are somewhat defensive in our view.

Our price target of \$0.50/share is 8x's FY'10F EPS.

The attraction in owning CGO, other than up & downside risk of the offshore risk-reward model is dividend yield; 11% on a trailing basis. 1H'09 payout ratio was 88%.

CGO Share Price / Volume



CPT Global
NFPOS
37 m
Price
\$0.49
Market Cap
\$18 m
Date:
14-Jul-09
Model Updated:
14-Jul-09
PROFIT & LOSS (\$m)

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Sales	41.4	44.5	45.5	46.7	48.0
EBITDA	4.6	2.9	3.6	3.7	3.9
Depn & Amort	-0.2	-0.2	-0.2	-0.2	-0.2
EBIT	4.4	2.7	3.3	3.5	3.6
Net Interest	0.0	-0.1	0.0	0.0	0.0
Income tax expense	-1.4	-0.9	-1.1	-1.2	-1.2
PAT including OEI	3.0	1.6	2.2	2.3	2.4
Reported NPAT pre abs.	3.0	1.6	2.2	2.3	2.4
Adjusted NPAT	3.0	1.6	2.2	2.3	2.4

BALANCE SHEET (\$m)

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Cash	0.8	0.1	0.5	0.4	0.3
PP&E	0.5	0.5	0.8	1.2	1.6
Debtors & Inventory	12.9	13.7	12.7	13.0	13.4
Intangibles	9.8	9.8	9.8	9.8	9.8
Other assets	1.1	0.8	0.6	0.7	0.7
Total Assets	25.1	24.9	24.5	25.1	25.9
Borrowings	0.0	0.0	0.0	0.0	0.0
Trade Creditors	4.5	5.6	4.9	5.0	5.2
Other Liabilities	2.9	2.5	2.9	3.1	3.4
Total Liabilities	7.4	8.1	7.8	8.2	8.6
NET ASSETS	17.7	16.8	16.7	16.9	17.3
OEI and Pref Shares	0.0	0.0	0.0	0.0	0.0
Shareholder Equity	17.7	16.8	16.7	16.9	17.3

CASHFLOW STATEMENT (\$m)

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Operating EBITDA	5.0	2.9	3.6	3.7	3.9
Interest & Tax Paid	(1.4)	(1.1)	(1.1)	(1.2)	(1.2)
Working Cap.	(2.9)	(0.5)	(0.2)	(0.2)	(0.3)
Operating CF	0.7	1.4	2.3	2.3	2.3
Maintenance Capex	0.5	0.3	0.3	0.4	0.4
Free Cashflow (FCF)	0.2	1.1	2.4	2.0	2.0
Ord & Pref Dividends	(2.3)	(2.8)	(2.0)	(2.1)	(2.0)
Expansion Capex	0.0	0.0	0.0	0.0	0.0
Net Other	0.1	0.0	0.0	0.0	0.0
Net Cashflow	(2.0)	(1.8)	0.4	(0.1)	(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	35.4	35.4
Overseas sales	9.4	9.1	10.1	11.2	12.5
Total sales	41.4	44.5	45.5	46.7	48.0

KEY RATIOS

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
EBIT Margin (%)	10.6%	6.0%	7.3%	7.4%	7.6%
NPAT Margin (%)	7.3%	3.6%	4.8%	4.9%	5.0%
ROE (%) y/e	17%	10%	13%	14%	14%
ROA (%) y/e	19%	11%	14%	14%	15%
ROIC (%) Av.	27%	16%	20%	21%	21%
NTA per share (\$)	0.21	0.18	0.19	0.19	0.20
Eff Tax Rate (%)	31%	37%	34%	34%	34%
Interest Cover (x)	na	na	na	na	na
Net Gearing (%)	-4.8%	-0.8%	-3.1%	-2.5%	-2.0%

VALUATION PARAMETERS

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Adjusted EPS (c)	8.6	4.5	6.0	6.2	6.5
Adjusted PE (x)	5.7	11.0	8.2	7.9	7.5
PER Rel - All Ind. Ex-Fin.	-48%	13%	32%	41%	48%
PER Rel - Small Indust.	-48%	13%	32%	41%	48%
Enterprise Value (\$m)	21.7	23.6	22.4	22.7	22.9
EV / EBITDA (x)	4.8	8.1	6.3	6.1	5.9
EV / EBIT (x)	4.9	8.8	6.7	6.5	6.3
Price / NTA	2.4	2.7	2.6	2.5	2.4
DPS (cps)	7.8	5.0	5.4	5.6	5.5
Dividend Yield (%)	15.8%	10.2%	11.0%	11.4%	11.3%
Franking (%)	100%	100%	100%	100%	100%
Free Cash / Share (c)	0.7	2.9	6.4	5.3	5.3
Price / FCF PS (x)	70.6	16.9	7.6	9.2	9.2

DCF VALUATION

PV Forecast CF (09-11)	6.3	Risk Free Rate	6.0%
PV Growth CF (12-17)	9.1	Equity Risk Premium	6.0%
PV Perpetuity	9.0	Equity Beta	1.3
Surplus Assets	0.0	Medium Term Growth	5.0%
Total	24.4	D / (D + E)	-1%
Net cash less OEI	-0.1	WACC	13.6%
NPV (\$m)	24.5	Terminal WACC	13.6%
NPV per diluted share	\$ 0.66	Terminal Growth	3.0%

WACC

Term. Growth Rate	14.6%	13.6%	12.6%	11.6%
1.5%	\$ 0.59	\$ 0.63	\$ 0.69	\$ 0.75
2.0%	\$ 0.60	\$ 0.64	\$ 0.70	\$ 0.76
2.5%	\$ 0.60	\$ 0.65	\$ 0.71	\$ 0.78
3.0%	\$ 0.61	\$ 0.66	\$ 0.72	\$ 0.80
5.0%	\$ 0.65	\$ 0.71	\$ 0.79	\$ 0.90

GROWTH PROFILE (YoY)

Y/E June 30	FY'07A	FY'08A	FY'09F	FY'10F	FY'11F
Sales (\$m)	32%	8%	2%	2%	3%
EBITDA (\$m)	38%	-36%	22%	4%	4%
Adj. NPAT (\$m)	46%	-46%	36%	4%	5%
Adj. EPS (cps)	44%	-48%	34%	4%	5%
DPS (cps)	29%	-35%	8%	4%	-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.

Risk Rating

Austock Securities Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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