

15 March 2001

COMPUTER AND OFFICE SERVICES

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CPT GLOBAL LIMITED
RECOMMENDATION: BUY
KEY POINTS

- CIBC is initiating coverage of CPT Global Limited with a Buy recommendation and a 12 month price target of \$1.30. An EBITDA multiple of 8.0x has been applied, being roughly in line with comparable Australian IT consulting businesses.
- Established in 1993, CPT is a highly profitable IT consulting business with a leading reputation for Capacity Planning, Performance Tuning and Testing in mainframe and midrange computer infrastructure. While competition exists, CPT is the only player providing a complete service in this niche that is supported by its own intellectual property.
- CPT's founders, Mr Gerry Tuddenham and Mr Peter Corrigan, have fostered a unique corporate culture. CPT typically targets consultants with a minimum 8 years experience in a specialised field. They are usually taken on as contractors, yet treated like permanent employees. With the reputation of the senior management and the variety of work CPT provides, staff turnover typically averages less than 5%.
- With a blue chip client base that is prepared to pay a premium for a quality service, CPT's business is not overly price sensitive. Furthermore, as the service provided is critical and cost effective, demand is usually strong in all economic climates.
- With cash of \$5.8m on hand and modest capex requirements, CPT can apply its strong internal cash flow for either organic or acquisitive growth. At the same time, the dividend is considered maintainable with the attractive yield underpinning the stock.
- Having reported an interim profit of \$0.9m, CPT states it is on track to deliver on its September 2000 Prospectus forecast of \$2.3m for the year. This event is expected to prompt a stock re-rating. CPT's potential to win a major outsourcing contract that will yield growth over and above its normal rate, is also seen as a likely share price catalyst. Note that 2002 estimates make no allowance for this. Lastly, a clearer outline as to CPT's expansion strategy for the European market will remove an element of risk. Investors are backing the proven and strict disciplinary focus of the management in this regard. Further news on this front expected later in the year. Buy.

CAPITAL DETAILS

ASX code:	CGO
Share price:	\$0.95
Shares on issue:	33.1 Million
Market capitalisation:	\$31.5 Million
12 month low-high:	\$0.90-1.40
12 month trade value:	\$3.8 Million
EPS/ PER:	\$0.08/ 11.6x
Dividend/ Yield:	\$0.05/ 5.3%
Est. cash as at 02/01:	\$5.8 Million
Date of last report:	Initiating Coverage

PRINCIPAL OFFICE

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DIRECTORS

Gerry Tuddenham, Executive Chairman
 Peter Corrigan, Managing Director
 Chris Gillies, Non-Executive Director
 Glenn Fielding, Non-Executive Director
 Peter Wright, Director Elect

VALUATION

	\$m
CPT Global Consulting	36.7
Cash at Bank	5.8
Cash from Options	0.0
Less: Debt	0.0
Equity Value	44.8
Shares	33.1
June 2002 Price Target (\$)	1.30
Current Price (\$)	0.95
Valuation Premium (%)	35.3
Assumptions:	
EBITDA 30 June 2002	\$4.6 Million
Target EBITDA Multiple	8.0x

VALUATION AND INVESTMENT THESIS

Exhibit 1.0							
Valuation Summary (\$millions)							
EBITDA 30 June 2002	4.6	Valuation per Share Grid - 12 Month Price Target					
Target EBITDA Xple	8.0 x	EBITDA Multiples vs Range of EBITDA (down)					
		6.0 x	7.0 x	8.0 x	9.0 x	10.0 x	
Enterprise Value (EV)	36.7	2.0	0.54	0.60	0.66	0.72	0.78
Add:		3.0	0.72	0.81	0.90	0.99	1.08
Cash at bank	5.8	4.0	0.90	1.02	1.14	1.26	1.38
Cash from Options	0.0	5.0	1.08	1.23	1.38	1.54	1.69
Less: Debt	0.0	6.0	1.26	1.45	1.63	1.81	1.99
		7.0	1.45	1.66	1.87	2.08	2.29
Equity Value	42.5						
		Sales Multiples vs Range of Sales Forecasts (down)					
		0.5 x	0.8 x	1.0 x	1.3 x	1.5 x	
Shares	33.1	25.0	0.55	0.74	0.93	1.12	1.31
Options	0.0						
Fully Diluted Capital	33.1	28.0	0.60	0.81	1.02	1.23	1.45
		31.0	0.64	0.88	1.11	1.35	1.58
June 2002 Price Target	\$ 1.29	34.0	0.69	0.95	1.20	1.46	1.72
Current Price	\$ 0.95	37.0	0.73	1.01	1.29	1.57	1.85
Valuation Upside	35.3%	40.0	0.78	1.08	1.38	1.69	1.99

Source: CIBC World Markets estimates

CIBC World Markets is initiating coverage of CPT Global (CPT) with a BUY recommendation and 12 month price target of \$1.30. An EBITDA multiple of 8.0x has been applied, this being roughly in line with the small companies average, as well as the sample of IT consulting companies highlighted in Exhibit 2.0.

Price earnings comparisons support the analysis, showing that CPT is not overly priced relative to the sample. CPT also offers an attractive fully franked dividend that ought to underpin the company's value over the long term.

Exhibit 2.0: Valuation Summary										
Australian IT Professional Service Providers										
	Year ended 30 June									
Company	Price (\$)	Mkt. Cap.	EV/ Sales (x)	EV/ EBITDA (x)	PER (x)	Yield (%)				
			2001	2002	2001	2002	2001	2002	2001	2002
CPT Global	0.95	31.4	0.9	0.7	7.0	5.6	11.6	10.1	5.3	6.3
Sausage Software	0.43	123.2	0.7	0.6	nmf	4.9	-12.0	55.9	0.0	0.0
KAZ Computer	1.26	737.4	5.6	3.4	30.6	18.4	41.3	25.7	0.6	0.9
Powerlan	0.89	314.4	1.0	0.8	8.6	6.4	17.6	11.6	0.0	0.0
eServ Limited	0.95	99.8	1.3	1.0	8.9	6.3	21.1	13.8	0.0	0.8
Oakton Computing	0.97	71.8	2.8	2.2	6.7	5.6	12.7	10.3	3.3	4.7
Volante Group	1.17	79.6	0.2	0.2	6.2	5.3	9.0	7.2	5.8	7.3
Median			1.0	0.8	7.8	5.6	12.7	11.6	0.6	0.9
Mean			1.8	1.3	11.3	7.5	14.5	19.2	2.1	2.9
Adjusted Mean			1.3	1.1	7.8	5.8	14.4	14.3	1.8	2.6

Source: CIBC World Market estimates, Bloomberg

Since listing in September 2000 at a 28% premium to its \$1.00 issue price, CPT's stock has come under pressure. A number of factors have contributed to the decline:

- The valuation correction among Internet, telecommunications and other IT plays over the course of the past 12 months. Despite a strong track record of high revenue growth and profitable earnings, CPT has been caught in the indiscriminate selling and general market malaise.
- With the passing of the 'dot.com' boom, the demand for some IT consulting services has slowed. While CPT is not competing directly for this type of business, both old and new economy businesses appear to be reviewing their IT budgets. Perhaps there is a misguided view that CPT will be affected by this.
- Poor performances by IT Professional services businesses such as Sausage Software, LibertyOne and Spike has left a sour taste for many investors, resulting in a fear of consultancy stocks generally.
- With more than 80% of its share register controlled by the top 20 shareholders, CPT's stock market liquidity is tight, thereby reducing the appeal of the stock to institutional and large retail investors.

Taking a 12 month view, however, CPT is expected to trend upwards. The following factors are seen as potential catalysts for the stock, underpinning the BUY recommendation and share price target:

- **Evidence that CPT will meet its September 2000 Prospectus forecasts and that it is positioned for similar growth rates for 2002 onwards.**

Having delivered an interim profit of \$0.9m on sales of \$13.3m, CPT is roughly on track to deliver its prospectus forecast of \$2.3m. With the first half impacted by IPO/ listing costs and expenses relating to CPT's unsuccessful pitch for a major outsourcing contract with DMR Consulting, margins are expected to recover in the second period. Note that an increase in CPT's charge out rate towards the end of the second quarter will impact fully in the second half.

- **The prospect that a major outsourcing contract will be secured, resulting in a substantial upwards revision to revenues and profits over and above CPT's normal growth rates.**

Although unsuccessful in its joint bid with DMR Consulting, CPT learned substantially from the experience while simultaneously enhancing its profile. There is a strong likelihood that CPT will be successful in subsequent partnering bids, where the company can secure larger contracts than usual. The forecasts for 2001 and 2002 factor in nothing for any such wins.

- **A clearer picture as to CPT's growth strategy, particularly regarding the UK and Europe.**

CPT has huge growth potential by replicating its highly successful Melbourne franchise overseas. However, there is clearly also risk attached. The process of growing the senior management structure by finding not only IT Professionals with a good technical knowledge but that also possess salesperson and human resource management skills, is one that cannot be rushed. Over riding all this is the need to instil CPT's culture where ever it takes the business. To this extent, the strict disciplines developed by Mr Gerry Tuddenham and Mr Peter Corrigan will be carefully imposed, thereby removing much of the natural risk. Developments on this front will emerge over the next six months.

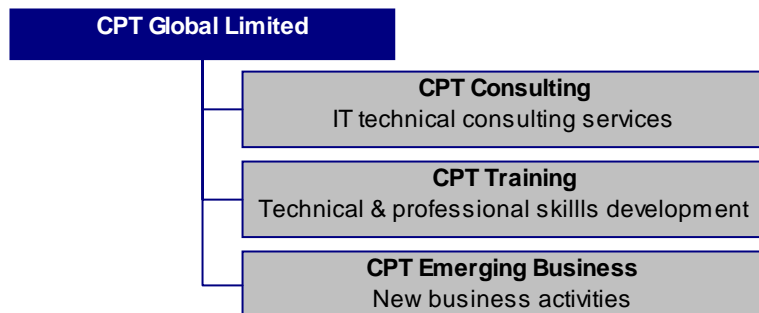
- **Properly priced acquisitions that add strategic value and synergy could also shape the way forward and ultimately drive the share price.**

CPT has openly flagged acquisitions as an option for future growth - provided that the target possesses unique intellectual property, customer relationships, service diversification, protection from competitors and a culture that can be easily shaped to fit that of CPT's. The price paid is also particularly relevant, given the high levels of goodwill attached.

OPERATIONAL OVERVIEW

CPT Global operates along three business divisions - CPT Consulting, CPT Training and CPT Emerging Business - as shown in Exhibit 3.0. Its operations are mainly within the Consulting, Development and Integration, and Educational segments of the Australian IT services market. Established in Melbourne in 1993, CPT now operates offices in Sydney, ACT and the UK with a total workforce of about 165.

Exhibit 3.0: Organisational Structure



Source: CPT Global Limited

CPT Consulting

Exhibit 4.0 illustrates the nine technical IT services CPT offers within its main consultancy business. The figure illustrates the way in which each of the services are inter-connected such that capacity planning ultimately creates demand for performance tuning from which there is a need for stress testing and potentially more capacity. CPT has developed the nine technical services around the foundation of the three core competencies.

Exhibit 4.0: CPT's Consulting Services



Capacity Planning Assurance and Reviews

Spiralling IT costs means that installations must have appropriate levels of capacity available and that it is being used efficiently. For example, it is critical for a businesses to have adequate hardware capacity provisioning, IT resources of CPU and storage in order to maintain operational service levels. CPT believes they have cornered the Capacity Planning market. They have a stringent procedure in place, which involves workload analysis, the review of business drivers, the relationship to current workload utilisation and capacity forecasting and reconciliation.

Cost Reductions

CPT offers Cost Reduction Programs to minimise IT operating costs. It identifies and implements measurable improvements in existing hardware configurations, operation systems, software, database management systems, business applications, and information delivery methods. CPT produces Operational “Cost of running” reports and models by establishing models of the business process. This report allows businesses to effectively monitor, control and allocate real IT costs.

Tuning Services

CPT offers specialised performance tuning and optimisation services for many widely used package applications including Oracle Financials, Hogan, SAP and Peoplesoft. CPT utilises proprietary performance tuning tools, including EXPETUNE - a tool developed by Mr Gerry Tuddenham and licensed to CPT.

Technical Support Services

CPT hires highly skilled and experienced database administrators to ensure that there is an operational and effective database management process. The company also offers system administrators in Mid-Range (Unix and NT) based installations. They monitor and maintain IT operations, disk utilisation, performance, memory, CPU and network connectivity.

Remote Technical Support is also provided and includes database administrations, performance monitoring and technical support on Mid-Range and Mainframe platforms. CPT also offers infrastructure and technical support services to businesses that outsource their operations or require additional resources to supplement in-house or niche skills. Lastly, CPT provides a complete database recovery test on each critical application twice a year. CPT has many years of experience in disaster recovery planning and procedures with in-depth backup strategy reviews and recovery trials.

Technical Reviews

CPT ensures that cost effective hardware and system software configurations are used to meet business outcomes. The company offers an initial environment performance audit followed by a detailed report on aspects of the environment.

CPT examines software applications using a top down approach with more emphasis at each successive stage. The entire product life cycle is examined. CPT also provides a snapshot of key application performance indicators and assesses database management systems.

Senior Project Management

CPT hires highly experienced project managers with strong technical skills. Each IT professional typically has a minimum 8 years of experience.

Architecture Services

Many performance problems generally result from the initial design phase. CPT offers customised architectural design solutions that reduce data warehousing construction costs and on-going maintenance.

Stress and Volume Performance Testing

CPT conducts sensitivity tests for hardware systems and business applications. They have the technical testing expertise for performance, stress, volume, integration, disaster recovery, benchmarking and end-to-end connectivity.

Testing Services

CPT offers large-scale testing activities. They design, build and manage integrated testing environments for applications, middleware and platforms.

CPT uses an extensive range of testing tools covering environment management, automation, problem management, testing repositories and data manipulation. CPT also uses EXPETEST, a tool designed by CPT's founder Mr Gerry Tuddenham and licensed to CPT.

IT Management Services

Following the recent appointment of Mr Peter Wright, CPT has established an IT management services practice. This group provides selective outsourcing management capabilities.

CPT Emerging Business

In June 2000, CPT formed a strategic alliance with Mercury Interactive – a US\$5 billion Nasdaq listed company that sells tools for finding bugs and testing the load capacity in software applications. Its three business operations are testing, application performance management and hosted services. In Mercury's core testing business, the company benefits from a strong competitive position, having roughly three times the market share of the next closest competitor in the US.

Mercury's strength is in the provision of performance management solutions for companies planning or developing a Web based business. For instance, in the critical period before a site goes live, Mercury's tools can be used to stress test it for customer response time, traffic etc. More than 10,000 Web based businesses, Internet Service Providers, Application Service Providers, systems integrators and consultants use Mercury Interactive solutions. It has a worldwide presence in 60 offices, spanning 20 countries and employs in excess of 1400 people globally. Mercury's business is being driven almost exclusively by Fortune 1000 companies, indicating that the quality of earnings is high and that Mercury's exposure to the 'dot.com's' is negligible.

Mercury has appointed CPT as a preferred supplier of IT consulting and hosting facilities management in Australia. As part of the arrangement, Mercury will host its testing and monitoring products, ActiveTest and ActiveWatch, while CPT will provide the professional services to support the products. Mercury has also outsourced professional training to CPT. At present, the agreement only covers Melbourne, Sydney and Canberra but will be expanded to other states in the near future.

Potentially, the Mercury relationship provides CPT with a high growth product line. CPT can either lever off existing customers or use the relationship to secure new clients. While it remains early days, and CPT is yet to generate any meaningful income from the relationship, the company is positioned early to capitalise on this market opportunity.

CPT Training

CPT Training is a skills development business division and was established through a series of contract service agreements. The unit focuses upon the technical, management and professional skills required by CPT's clients and other professional service providers. This includes one-to-one training and technical management courses which are client and industry specific to managers and professionals areas such as in IT, sales, marketing and customer service. CPT also provides in-house training to its own IT professionals.

MAINTAINING THE CULTURE

With any consulting or service business, the most valuable asset is usually the personnel team built up over a period of time. As such, protecting that asset and the goodwill grown around it is often the key to long term success.

Culture Development

Since the company's inception in 1993, CPT has worked hard to engender a culture aimed at long term consultant retention and brand name development. Historically, consultant turnover has averaged less than 5%. While CPT typically targets IT professionals with a minimum 8 years experience, the average level across the group is actually around 13 years.

CPT does not employ any graduates. By positioning itself as a niche provider of premium IT consulting services, CPT has found that people have generally approached them for positions. CPT states that it rarely advertises opportunities or uses placement agencies and the company is very particular about hiring. For instance, an IT consultant with 10 years experience is often turned away if CPT believes that person might be lacking in a specific area. Usually, CPT makes it a practice to maintain contact with that person so that in 1-2 years time, when they have gained the relevant experience, they are ready to be taken on. Even then, however, CPT is very careful to match the job to the potential IT Professional as opposed to taking someone on purely to drive growth and giving them the first job that comes along.

By hiring in this way, CPT has created an atmosphere in which the consultants are comfortable, happy and the best in the market at what they do. The result is a business for which people are keen to work and one which has a reputation for excellence and stability.

Contractor Employees

Traditionally, CPT has employed all its consultants on a contracting basis but treated them as employees. Psychologically this seems to work, with the consultant retaining the feeling of freedom and independence that comes with being a contractor yet working in the cohesive environment that might prevail in a firm of permanent employees. By employing consultants as contractors, CPT also mitigates its risk should it need to cut numbers back at any time.

More recently, CPT has initiated workplace agreements - essentially paying the consultant an hourly rate but with benefits such as company paid super thrown in. Around 30-40 of CPT's 165 consultants are now on work place agreements.

As a recently listed company, CPT is also able to offer share and employee option schemes as a retention tool. This will allow margin enhancement over the long term.

Having positioned itself at the top of its market, CPT is able to charge-out its consultants at highly profitable rates yet still undercut groups such as IBM, Andersen (Accenture) and PriceWaterhouse. With much of the client base being blue chip companies who are prepared to pay a premium for quality work, CPT usually has flexibility in its pricing structure. Note that much of the success of CPT's business model lies in the low margin it charges on its consultants which helps deter competition and promote customer loyalty.

CUSTOMER BASE AND COMPETITION

As discussed already, Telstra was CPT's first major client and still accounts for around 65% of the company's revenue. With the revenue stream so dependent on one customer, there is a risk to the company should the relationship break down. That said, the risk has been mitigated to the extent that CPT has multiple contracts with multiple divisions of Telstra, all of which are autonomous to one another. CPT also points out that over the six year life of the relationship, a contract has never been terminated for non-performance.

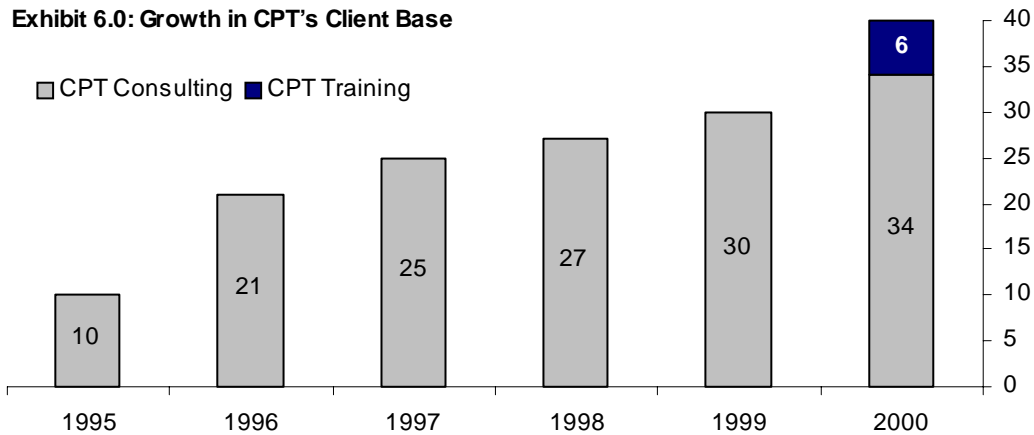
Exhibit 5.0: CPT's Sectoral Client Base

		CPT Service Segment								
		Capacity Planning Assurance & Reviews	Cost Reduction	Tuning Services	Technical Support Services	Technical Reviews	Senior Project Management	Architecture Services	Stress and Volume Performance Testing	Testing Services
Industry	Banking	●	●	●	●	●	●	●	●	●
	Telecommunications	●	●	●	●	●	●		●	●
	Retail	●	●	●		●				●
	Government - Local	●	●				●			●
	Government - Federal	●	●				●			●
	Insurance	●	●		●	●	●		●	●
	Technology	●	●	●	●	●	●	●	●	●
	Tourism & Leisure	●	●	●			●			●
	Transport	●					●			●
	Utilities		●	●				●		●
	Management Consulting Firms	●	●					●	●	●
	Alcohol & Tobacco	●	●							●

Source: CPT Global Limited

Telstra aside, CPT's client base is of the highest quality. To date, the company has mainly focused on the financial sector, acting for clients such as ANZ Bank, National Australia Bank, St George Bank and UBS Warburg (UK). The Australia Taxation Office, AXA, Coles Myer, DMR Consulting and Qantas are also considered key clients. Exhibit 5.0 highlights CPT's expertise across the sectors in which it has worked while Exhibit 6.0 shows the growth in the number of clients since the company's inception.

Exhibit 6.0: Growth in CPT's Client Base



Source: CPT Global

The future client base

Over the long term, the proportion of work flowing from Telstra is expected to decline as CPT expands its presence in Sydney, ACT and the UK. The company's expertise in the financial sector will benefit in Sydney and the UK while the move in to ACT is meant to capitalise on Government outsourcing opportunities. CPT has been accredited as an endorsed Federal Government Supplier. CPT is also likely to begin targeting the insurance and transport sectors, having now gained at least some experience in both of these markets.

It is worth noting that once CPT secures a client, the level of retention is good. There is focus on developing a long term relationship built on an intimate knowledge of the client's business which makes it difficult for the client to switch once CPT is entrenched. In addition, as CPT is offering a unique service that no other player can replicate in its entirety, competition is limited.

Large consultancy firms such as IBM GSA and PriceWaterhouseCoopers are competitors in some areas but have not been able to provide as comprehensive a solution as CPT and indeed often present CPT with opportunities to partner. Having raised its profile and level of expertise through its unsuccessful joint bid with DMR Consulting last year, partnering is likely to play an important role and source of growth for CPT in coming years.

Finally, note that CPT's blue chip client base are employing the company for mission-critical IT support. As a result, they are more likely to pay a premium for a quality service rather than haggle on the hourly rate being charged. This fact means CPT's business is not price sensitive, as it might be if they were targeting the SME market.

GROWTH AND BUSINESS DEVELOPMENT STRATEGY

CPT is expected to drive much of its growth on four fronts through replicating the existing franchise domestically and overseas, expanding existing client relationships, diversifying into new business lines and making opportunistic acquisitions.

Replicating the Franchise

With its Melbourne presence firmly entrenched, CPT opened a Sydney office in 1998 and an ACT office in March 2000. Sydney now numbers around 15 people. The ACT office totals three full-time consultants plus a number of part time fly-ins.

In July 1999, CPT established a UK presence through a 51% shareholding in CPT Global (UK) Limited. Now at 10 people, the UK office has established a foothold with the financial services group, UBS Warburg.

Establishing new offices, however, must be carefully handled. While CPT has created a unique culture in its birth place market of Melbourne, the challenge is in replicating the same culture in new markets such as Sydney and the UK.

Expanding domestically is a far easier task than moving off-shore, where the need for local knowledge is essential. The difficulty lies in the need to recruit local people who are not only 'tech-heads' but who also know how to market the firm, open doors to major clients and close a sale - all at the same time as managing a growing team of people. Before this can take place, the management in question must also understand CPT's culture so that the 'Melbourne franchise' can be successfully replicated in that new market. If this is not done properly, the long term viability of the operation may not be secure. To this extent, the disciplines and experience of Mr Gerry Tuddenham and Mr Peter Corrigan will be strictly imposed and the growth tightly managed.

CPT is presently exploring the ways in which the UK market can be expanded quickly to provide critical mass. One option is to grow the presence slowly by appointing senior managers and then recruiting carefully as new work is won. The other option is to take an aggressive approach and grow quickly by acquiring a larger team of people or an established outfit. CPT indicates that both approaches are being evaluated.

The US is also under consideration, although CPT will tackle this market carefully. While the company believes it could win work in the US, the culture is markedly different. As such, partnering with a local player may be the best option. Developments on the US front are considered possible later in the year.

Growth via Acquisition

With nearly \$6m in cash and no debt, CPT is considering acquisitions as a form of growth. That said, the company will adopt a cautious approach. Of primary importance, CPT must be comfortable with the internal culture and senior management of the target, as well as the calibre and expertise of the consultants. The need to lock-in the key management and employees of the target, perhaps by way of a structured earn-out over the course of a few years, is also a major consideration. Apart from this, however, CPT may examine acquisitions that diversify its existing service offering - provided there are opportunities to cross-sell or lever the existing knowledge base.

The main disadvantage of acquiring consultancies is in the goodwill created on the balance sheet. The price paid is therefore essential and CPT must carefully assess the merits of growth via acquisition as opposed to hiring on an 'as needed' basis.

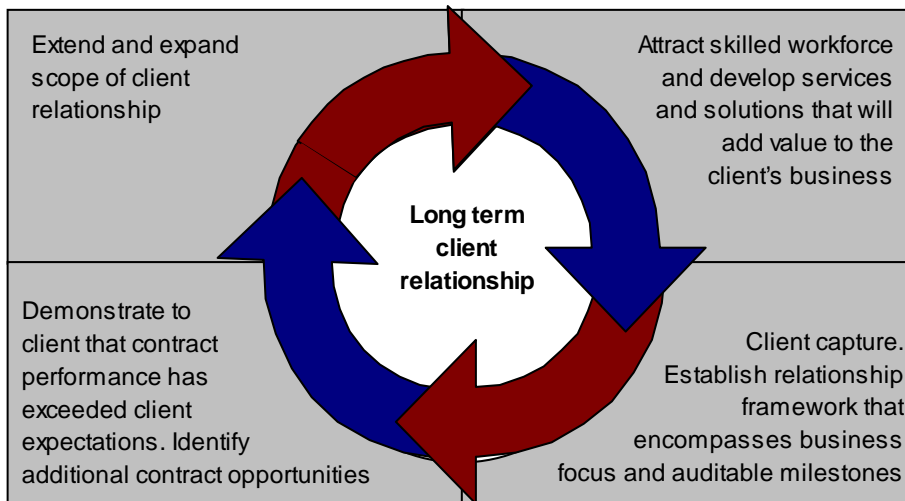
Expanding existing client relationships

By constantly exceeding the expectations of its client base, CPT not only maintains the relationship but ultimately extends and expands the scope of the engagement, creating a 'business partner' relationship. This makes it increasingly difficult for the client to switch to another service provider.

In the long run, specialisation in niches such as telecommunications and finance will assist CPT in securing work with other clients in the same areas.

Adding value to the client's business by constantly enhancing or expanding the current service offering, is also critical to CPT's growth.

Exhibit 7.0: CPT's Long Term Client Development Strategy

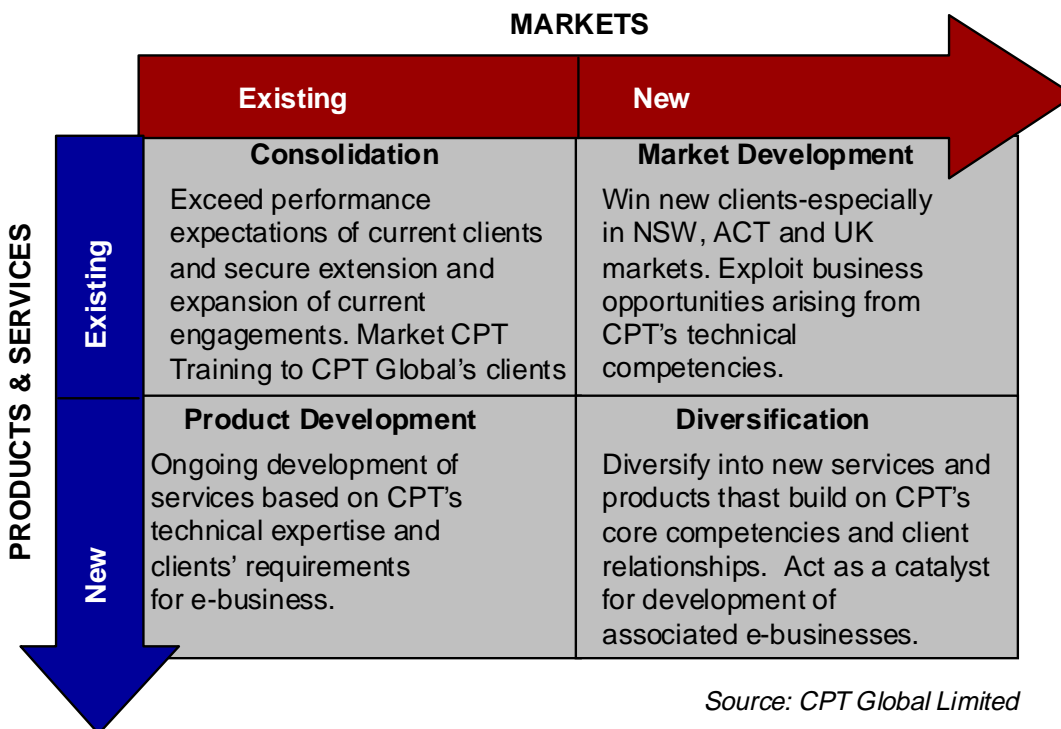


Source: CPT Global

Diversification

CPT examines all opportunities to exploit its technical competency, industry reputation and market positioning. The company's alliance with Mercury Interactive, discussed elsewhere in this report, is consistent with this approach.

Exhibit 8.0: Business Development Strategy



Source: CPT Global Limited

FINANCIAL SUMMARY

As a consultancy business, CPT's financial model is tied to the hourly charge-out rate on its billable IT Professionals, the gross profit margin earned on those personnel, and the ability to win new work. Exhibit 9.0 illustrates the growth in consultant numbers since 1996, total revenue and the annual sales per average consultant ratio.

Exhibit 9.0							
Revenue versus Staff Analysis							
	1996	1997	1998	1999	2000	2001E	2002E
Mainframe	27	35	36	50	54	60	73
Cross Platform	0	3	26	41	58	75	91
Open Systems	<u>0</u>	<u>5</u>	<u>16</u>	<u>19</u>	<u>22</u>	<u>30</u>	<u>36</u>
Total Staff	27	43	78	110	134	165	200
Average Staff		35	61	94	122	150	183
Annual Increase		16	35	32	24	31	35
Revenue (\$m)		5.4	10.9	16.6	22.3	28.1	35.3
Sales per Staff	\$ 125,930	\$ 139,667	\$ 150,791	\$ 166,358	\$ 170,321	\$ 176,569	
Sales per Average Staff	\$ 154,714	\$ 180,066	\$ 176,457	\$ 182,721	\$ 187,980	\$ 193,500	
Increase in Sales/ Avg Staff			16.39%	-2.00%	3.55%	2.88%	2.94%
EBITDA		0.8	1.3	2.2	2.3	3.7	4.6
<i>Margin</i>		<i>14.8%</i>	<i>12.2%</i>	<i>13.1%</i>	<i>10.2%</i>	<i>13.0%</i>	<i>13.0%</i>

Source: Company Data, CIBC World Markets Estimates

Sales are dominated by Telstra

Sales are typically weighted towards the second half, mostly due to CPT's contract with Telstra, which accounts for around 65-70% of sales and runs to the 30 September each year. CPT's present contract is for three years of which there is two years to run, and is structured on an umbrella basis in which CPT services as many as 15 divisions of the telco.

As a result, as much as 90% of CPT's revenue target for the current year is already underwritten.

It is important to note that as much as 90% of CPT's work is charged on a time plus materials basis, thereby removing much of the budgeting risk for the company. When it comes to the negotiations, CPT is usually in a relatively strong position given that the service they offer is built on quality of service in a niche with limited competition. As such, CPT is not considered to be a price sensitive business.

Consulting still accounts for around 90% of total revenue with emerging business and training accounting for the balance. As discussed earlier in this report, emerging business is potentially a high revenue contributor over the long term, mainly on the back of the alliance with Mercury Interactive. Training is operating at breakeven for the moment and is unlikely to be a meaningful profit centre going forward.

Costs and margins

As a consultancy business, personnel costs are clearly the major overhead. Billable employee rates are re-negotiated at the start of each financial year. Of CPT's 165 consultants, around 20 are estimated to be non-billable. Rent expense is the next largest cash cost centre at around \$0.3m per annum.

As can be seen in Exhibit 9.0, the EBITDA margin has traditionally averaged around 13% except for 1999/00 where there was a noticeable slip. CPT was impacted by rate pressures flowing from Y2K concerns in this year.

On track for prospectus forecasts

CPT reported first half sales of \$13.3m, equating to around 47% of CPT's September 2000 Prospectus forecast of \$28.1m. As already mentioned, sales are weighted towards the second half of the financial year.

At the bottom line, the company reported net income of \$0.9m, equating to 39% of the \$2.3m forecast for the full year. As a result of costs relating to CPT's IPO (about \$121,000), as well as expenses incurred on the unsuccessful outsourcing contract with DMR Consulting (about \$90,000), margins were adversely affected. As these costs were once-off in nature, CPT believes the second half result will be stronger, and that prospectus forecasts will be met. It is noted that the second quarter EBITA margin of 13.1% was markedly higher than the 10.4% earned in the first period. The second half result will enjoy the full impact of the rate increase.

Growth for 2002

Looking out to 2002, sales are forecast to grow at similar rates to the current financial year. An increase of 25% has been assumed with maintenance of the overall EBITDA margin at 13.0%. Note that there is potential for an earnings surprise should CPT successfully secure a major outsourcing contract similar to the one bid for in the previous half. The forecasts make no allowance for this, nor the prospect of an acquisition. Overall, a respectable EPS growth of 15-16% is forecast for 2002, driving an increase in the DPS to 6.0c fully franked.

Balance sheet and cash flow

Aside from goodwill to the tune of \$6.3m, the balance sheet is strong, with zero debt and cash totalling \$5.8m at 31 December 2000. Cash is expected to increase from here. As a consulting firm, CPT's capital expenditure requirement is minimal, leaving the bulk of the available cash flow for either dividend payments or opportunistic acquisitions. Note that CPT's expansion in Sydney, ACT and the UK has been entirely self-funded from internal cash flow. Any acquisitions, however, are likely to be financed via a mixture of cash and equity.

A return of capital or a share buy back is thought unlikely. Despite there being no immediate need for the company's cash resource, it is understood that a dividend reinvestment plan is under consideration.

Exhibit 10.0					
Income Statement (\$millions)			Year ended 30 June		
	2000A	2001E	2002E	1H01A	2H01E
Sales	22.3	28.1	35.3	13.3	14.8
<i>Sales Growth</i>		<i>26.1%</i>	<i>25.7%</i>	<i>n/a</i>	<i>n/a</i>
Other Income	0.1	0.3	0.5	0.1	0.2
EBITDA	2.3	3.7	4.6	1.6	2.0
<i>Margin</i>	<i>10.1%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>12.1%</i>	<i>13.8%</i>
Depreciation & Amortn	0.4	0.3	0.4	0.2	0.2
EBIT	1.9	3.4	4.2	1.4	1.9
<i>Margin</i>	<i>8%</i>	<i>11.9%</i>	<i>11.9%</i>	<i>10.5%</i>	<i>12.7%</i>
Net Interest	0.0	(0.3)	(0.5)	(0.1)	(0.2)
Pre Tax Income	1.9	3.7	4.7	1.5	2.1
Tax (benefit)	0.8	1.3	1.6	0.6	0.8
<i>Effective Tax Rate</i>	<i>44.2%</i>	<i>35.8%</i>	<i>33.0%</i>	<i>37%</i>	<i>36%</i>
Minority Interests	0.0	0.1	0.1	0.0	0.0
Net Income	1.0	2.3	3.1	0.9	1.3
Post Tax Abnormal	0.0	0.0	0.0	0.0	0.0
Reported Profit	1.0	2.3	3.1	0.9	1.3

Exhibit 11.0					
Per Share Ratios & Multiple Based Valuation			Year ended 30 June		
	2000A	2001E	2002E	1H01A	2H01E
EPS (c)	4.1	8.2	9.4	3.3	4.7
<i>Growth pcp</i>	<i>n/a</i>	<i>n/a</i>	<i>15.0%</i>	<i>#REF!</i>	<i>n/a</i>
EBITDA/ Share (c)	9.0	13.0	13.9	5.9	7.3
<i>Growth pcp</i>	<i>n/a</i>	<i>n/a</i>	<i>6.8%</i>	<i>n/a</i>	<i>n/a</i>
DPS (c)	0.0	5.0	6.0	2.0	3.0
NTA/ Share (c)	3.4	20.2	24.7	18.6	20.2
Franking (%)	0.0	100.0	100.0	100.0	100.0
Payout Ratio (%)	0.0	61.2	63.8	59.8	64.2
Share Price (c)	95.0	95.0	95.0	95.0	95.0
PER (X)	23.4	11.6	10.1		
EV/ EBITDA (x)	11.3	7.0	5.6		
EV/ Sales (x)	1.1	0.9	0.7		
Price/ NTA (x)	28.2	4.7	3.8	5.1	4.7
Yield (%)	0.0	5.3	6.3	2.1	3.2

Exhibit 12.0					
Balance Sheet Summary (\$millions)					
	2000A	2001E	2002E	1H01A	
Cash	0.5	8.0	9.3	5.8	
Receivables	3.1	3.7	4.6	4.1	
Inventories	0.0	0.0	0.0	0.0	
Plant & Equipment	0.2	0.5	0.9	0.5	
Intangibles	6.4	6.1	5.7	6.3	
Other	0.3	0.0	0.0	0.0	
Total Assets	10.5	18.3	20.6	16.7	
Debt	0.0	0.0	0.0	0.0	
Trade Creditors	1.7	2.9	3.6	3.2	
Provisions	0.7	2.3	2.7	1.2	
Other	0.7	0.7	0.7	0.0	
Total Liabilities	3.2	6.0	7.1	4.3	
Net Assets	7.3	12.3	13.5	12.4	

Source: Company Data, CIBC World Markets Estimates

MANAGEMENT PROFILES

Gerry Tuddenham, Executive Chairman

Mr Tuddenham is the founder of CPT Global and its major shareholder. With over 28 years of IT experience, he is a technical specialist with an extensive business acumen in the IT industry. Mr Tuddenham has developed the software tools EXPETUNE and EXPETEST, which automates and repeats specialised performance and test coverage tasks. These tools are licenced to CPT Global on a non-transferable and non-exclusive basis. Furthermore, he is responsible for managing CPT Emerging Business and is also a member of CPT's Business Development Team.

Peter Corrigan, Managing Director

Mr Corrigan has over 17 years of IT experience, with an emphasis on the Mid-Range platforms (Unix and NT). His other area of expertise is in performance tuning, database administration, data warehousing design and construction.

Chris Gillies, Non Executive Director

Ms Gillies has more than 30 years experience in the IT industry. Previously, she held the role as Consulting Director and Vice President of the internationally recognised technology consulting group, DMR, and was also Chief Information Officer at the Bank of Melbourne. At present, she is the Group Executive at St George Bank and holds board positions at Centrelink and MS Society of Victoria.

Glenn Fielding, Non Executive Director

Mr Fielding was previously a founding member of the SMS Consulting Group, a subsidiary of Sausage Software. He spent 13 years with SMS and was responsible for establishing the national contracting arm of the business.

Michael Tanner, Chief Financial Officer & Company Secretary

Mr Tanner has more than 15 years experience in finance and accounting, with a focus in the IT industry. He is a registered Chartered Accountant, with previous roles including financial controller, finance manager and financial consultant in a variety of industries. Mr Tanner also has international experience, having worked in the U.K and South Africa.

Peter Wright, IT Management Services Manager

Mr Wright has over 30 years of IT experience. Previously, he was a Consulting Director and Vice President at DMR and was responsible for establishing and managing their Systems Delivery and Maintenance Services practice. In addition, Mr Wright was also held senior outsourcing positions with IBM GSA.

Michael Augello, Business Manager

Mr Augello has 18 years of experience in the IT industry, with an emphasis in systems delivery life cycle. He joined CPT in 1994 and has focused on the technical and management consulting side. Currently, he manages several key client projects in performance tuning, capacity planning and cost reduction. Previously, he was a senior consultant with DMR.

Kevin Akom, Business Manager

Mr Akom has 18 years of IT experience, with an expertise in project management and general technical consulting. Prior to joining CPT, he was an Associate Director at DMR. Currently, Mr Akom is the client relationship manager for CPT's largest client, Telstra.

David Graver, Business Manager

Mr Graver has over 30 years of IT experience spanning technical, application development and senior project management roles in the financial, telecommunications, travel and transportation industries.

Toby Travanner, Training Manager

Mr Travanner has 15 years business experience, with 11 years in corporate training and professional development programs. Previously, he spent 7 years with IBM and was involved in a variety of business development and training roles.

TOP TWENTY SHAREHOLDERS

The share register is dominated Mr Gerry Tuddenham, Mr Peter Corrigan and Mr Michael Augello who collectively account for 55.7%.

CPT staff and consultants account for around 10.0m issued shares.

Exhibit 13.0		
Top 20 Shareholders, 28 February 2001 - Quoted Securities Only		
	Shares	%
GNP Nominees Pty Ltd	20,627,542	72.4
Permanent Trustee Australia Ltd	1,888,000	6.6
Mirrabooka Investments Ltd	775,000	2.7
Tuddy Super Pty Ltd	361,000	1.3
Chase Manhattan Nominees Limited	350,000	1.2
National Nominees Ltd	224,000	0.8
Austock Nomiees Pty Ltd	190,000	0.7
Thomas Michael Slattery	135,000	0.5
Solaia Holding Pty Ltd	125,000	0.4
Business Technology & Service Fundamentals P/L	95,626	0.3
Michael Scott Crosbie	87,500	0.3
Gauntlet Computing Pty Ltd	86,000	0.3
Shriji International Pty Ltd	84,750	0.3
Ross Ernest Barker	83,500	0.3
Carey Enterprises Pty Ltd	80,375	0.3
KPM Field Pty Ltd	78,754	0.3
Beconwood Securities Pty Ltd	75,000	0.3
Forty Eighth Macorp Nominees Pty Ltd	70,500	0.2
Fawkner Capital Management Pty Ltd	70,000	0.2
Elizabeth Mary Dutton Summons	70,000	0.2
Top 20 Shareholders	25,557,547	89.7

Source: CPT Global Limited

Senior management and key staff account for most of the 7.0m options outstanding. Of these, there is one senior consultant holding 4.2m options which are exercisable in set increments at \$1.00 - but only when CPT's stock reaches price targets of \$1.50, \$3.00, \$5.00 and \$8.00 for a continuous 30 day period prior to the exercise of the options.

Of the remaining options, most are exercisable at \$1.00 per share from September 2001 onwards.

Exhibit 14.0			Exhibit 15.0			
Approximate Ownership Structure			Outstanding Options as at 31 January 2001			
	Shares	%	Number	Exercise	Exercise	Strike
			Out	Start Date	End Date	Price
Gerry Tuddenham	11,925,637	36.1	550,000	8-Sep-01	8-Sep-05	1.00
Peter Corrigan	4,768,186	14.5	550,000	8-Sep-01	8-Sep-05	1.00
Michael Slattery (1)	200,004	0.6	300,000	8-Sep-01	8-Sep-03	1.00
Consultants & Staff	10,118,222	30.7	300,000	8-Sep-01	8-Sep-03	1.00
Public & Institutions	5,987,951	18.1	300,000	8-Mar-02	8-Sep-03	0.50
Total (Undiluted)	33,000,000	100.0	15,000	8-Sep-01	8-Sep-02	1.00
			15,000	8-Sep-02	8-Sep-03	1.25
			20,000	8-Sep-03	8-Sep-04	1.50
			4,200,000	8-Sep-01	8-Sep-05	1.00
			75,000	8-Dec-00	8-Sep-05	0.00
			150,000	8-Sep-01	8-Sep-03	1.00

(1) Michael Slattery resigned in February 2001

Source: CPT Global Limited

Source: CPT Global Limited



World Markets

CIBC WORLD MARKETS AUSTRALIA LIMITED

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Participating Organisation of Australian Stock Exchange Limited

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