

CPT Global Limited

ASX Code: CGO

Technical expertise the driver of a robust business

Version 30.4.03

Market statistics

Last sale price	\$0.45
12 month high / low	\$0.75/\$0.40
Ordinary shares	34.6 million
Capitalisation	\$15.6 million
Averaged volume/per month (excluding buy back)	100k shares

Key financials indicators

Balance sheet (at 30.12.02)	Nil debt, cash \$3.9 million
Operating cashflow	\$1.45 million (FY02)

30 June		FY01	FY02a	1 st H FY02a	FY03e
Revenue	\$m	28.54	28.74	15.0	30.5
Profit after Tax reported	\$m	2.34	0.85	0.67	1.6
EPS* normalised	¢	8.7	3.7	2.4	5.9
PER	x	4.6	10.9	n/a	6.7
DPS	¢	5.0#	2.5	2.0	4.5
Yield	%	12.5	6.2	n/a	10.0
Franking	%	100	100	100	100

* EPS calculated on pre-goodwill basis - see page 6 and post adjustments
FY01 dividend included a 0.5¢ special dividend

Buy back details (approval until 30 Sept. 2003)

Maximum buy-back	3.0 million
Acquired to-date	568,095

Directors

Gerry Tuddenham	Executive Chairman
Peter Corrigan	Managing Director
Peter Wright	Exec. Director
Glenn Fielding	Non-executive
Fred Grimwade	Non-executive

Major shareholders

Gerry Tuddenham	34.5%
Peter Corrigan	14.4%
Consultants & staff	30.0%

Investment value and 'unloved' sectors

With the froth of the technology 'era' being swept away, there has been a tendency to overact, dragging all companies down. It is here where investment value lies. IT has a pivotal role in the modern corporation. Service companies, with real expertise, have a role to play. We predict that the year will be a period of sifting of the sector, when the market identifies companies with real product and service offerings.

MARK TOPY B. Bus, FSIA, CPA

This report has been produced under contract. See disclosure details on Page 8 for important information.

Highlights

- Profitable service company, with strengthening business fundamentals.
- Projected PER of 6.7x represents a value situation.
- Projected dividend yield of 10.0% (100% franked).

Key points

- CPT is a leading consulting company, evident from the quality of its track-record, client list and internationally regarded expertise.
- A comparison against successful service companies identifies why we believe CPT is a strong business.
- CPT's specialised skill set is in the tuning and performance extraction of major IT systems.
Simply put, CPT's technical ability extracts better output from major IT systems, providing a measurable benefit for its large corporate clients.
- CPT's expertise has remained in demand during difficult industry times, due to value-adding and cost-reduction solutions.
- CPT is broadening its consulting to generate more recurring income from high-value services. International clients are also being targeted.
- **The move into risk-reward is a powerful client value proposition, which leverages CPT's knowledge-base.**

Investment Case

CPT's share price is low on a fundamental assessment, based on a projected 2003 PER of 6.7x. This is due to factors such as sector sentiment and small-cap capitalisation, and a shortcoming in FY02 results. **The key question, is why invest in the stock?**

The rationale is the confidence in the profit momentum. **CPT is well placed to deliver, due to the strength and substance of its business.** Management is engaged in long term company building, rather than *glossy*, short term expansion, which was a feature of the IT boom.

The earnings upside exists in international business and risk-reward activity. There is the prospect of the share price rebounding from its low level, as CPT delivers on results. **This is the prime investment attraction (supported by the dividend yield).** The yard stick is results, as each half year result brings the evidence of CPT's progress (reinforced by the 1stH 03 result).

Investment summary

1. Checklist of → the business

2. Assessing → CPT as a service company

Illustrating the CPT difference: Risk-Reward

In a challenging environment, the ability to offer innovative, value-adding products distinguishes CPT in the market-place. Risk-Reward is such an innovative product. The key details of Risk-Reward are:

- CPT offers to identify cost savings for a company on a no fee, 'success' basis.
- CPT shares in the savings that are identified.
- The margins on Risk-Reward can be over 50%, significantly higher than normal consulting. The product can make a material contribution to profit.
- The risk to CPT is comparatively low, as a key staff member can identify within a few days whether savings are achievable.
- Successful Risk-Reward can establish entry to major global clients, which may not otherwise have been possible.
- **CPT is able to demonstrate real expertise to potential clients.**
- Risk-Reward is proving successful with overseas clients.

(further details on page 5)

Prior to the more detailed explanation, we present a company snapshot.

Features

- a. Leading expertise --
- b. Track record --
- c. Market position --
- d. Client list --

- a. Management and --
- b. Consulting expertise --

- c. Genuine competitive advantage (away from 'commodity' services) --

- d. Ability to generate value for clients --

3. IT industry position

- a. Profitability --
- b. Client demand --

c. Sector comparison

Oakton	-	Profit solid, but slowed in last half
SMS	-	Major write downs, staff under utilisation
Powerlan	-	Selling assets and restructuring
Volante	-	Profitable, but margin erosion
Data#3	-	Recovering profit level
Kaz	-	Profit downgrade, but solid business

CPT is not reliant on equipment related sales. It focuses on specialist services. CPT's services and products offer real cost solutions in difficult times. The financial performance has

CPT is a leading 'human capital' company, that can be compared to companies outside IT.

Details

CPT's technical skill is unique and cost effective in the IT arena.

Profitable operation since 1993.

Little competition due to specialised expertise.

Australia's largest companies, includes Telstra, Coles Myer, major financial institutions. **Internationally;** Bank of Ireland, UBS, General Motors.

Gerry Tuddenham and Peter Corrigan have international standing. CPT consultants are at the top of their field.

Technical expertise is unique. Also highly price competitive. CPT is a difficult business model to imitate.

CPT offers real cost solutions and extracts greater performance from existing systems.

CPT has weathered the IT slump.

The demand for CPT's services has continued and is not crucially dependent on new projects.

been in the 'mid quartile'. However, CPT has been able to report a positive profit trend (1stH FY03), lifting its relative performance compared to the general sector.

Background & recent events

History

- CPT was established in 1993, and has been consistently profitable.
- CPT was listed on the ASX in September 2000.
- The company issued 6.0 million new shares at \$1.00, with net funds received of \$4.65 million.

Acquisitions

CPT acquired Deakin in February 2001. Deakin is a broader consulting group, with a strong Canberra client profile.

Cost of acquisition was \$1.7 million, composed of \$1.09 million cash and 549,334 CPT shares issued at 75 cents.

The acquisition has now been finalised and Deakin is being fully integrated into CPT, with the benefits of rationalisation being implemented.

Gerry Tuddenham has over 30 years experience in computer testing, in mainframe.

Peter Corrigan has over 20 years experience in IT, focussed on mid-range, and co-authored the international industry text, Oracle Performance Tuning.

Over 200 associated personnel.

With its level of technical expertise, CPT is unique in a global context. We are not aware of other companies with the same strong technical capability.

In a tough environment, CPT can show clients how to achieve cost savings, through stretching existing resources.

This is a value-generating service, with little direct competition.

Business model

CPT was formed by the major shareholder Gerry Tuddenham, who is a leader in the consulting fields. The strategy was to bring together a group of leading IT personnel, to create an organisation different to existing consulting companies.

CPT now has over 200 associated personnel, which includes employees and consultants. The CPT approach is to use only highly experienced individuals, who are prominent in their fields of expertise. The minimum level of experience of personnel is 10 years, and the average experience is considerably higher. This establishes a point of difference to other IT consulting businesses that provide generalised advice, and have consultants with ranging experience working on a job (including recent graduates).

CPT is different in maintaining a highly technical culture, rather than a 'sales' orientated culture. Added to this is the growth in Management Consulting Services (MIT), which is building a broader capability and strengthens CPT's ability to be a trusted consultant, in providing independent advice.

CPT's consulting staff are contractors. This is preferred by the consultants, who consider themselves as 'independent'. Generally consultants have worked with CPT long term, deriving greater working benefits than a pure contract relationship. Work contracts are renewed on a rolling basis. For CPT there is the benefit, that there is no mandatory requirement to maintain consultants if there is no work. This provides financial flexibility to respond to market conditions. However, CPT has been able to maintain employment continuity, even in difficult times. Consultant loss

has been low, particularly by industry standards, with high levels of organisational loyalty. Because of the structure adopted, CPT has built an organisation with a distinctive culture. **It is the challenge and range of contracts that provides the work satisfaction and 'glue' that holds CPT together.** As leaders in their fields, both Gerry Tuddenham and Peter Corrigan are able to lead the organisation by example.

Why does this make CPT different?

The high-end technical expertise is unique, and creates a real knowledge base. While no business will be immune from competition, CPT has limited direct attack. Competitors tend to be individuals or small groups of contractors. CPT also has the advantage of cross-discipline expertise, so consultants can draw upon each other for assistance in a specific area. CPT also works alongside mainstream contractors, which require its specialised expertise.

What can CPT deliver?

Consultants can come into a large company with major IT systems, and rapidly identify where a problem exists, and what is required to rectify the situation. The consultant departs following the completion of a project. The service is cost effective, as companies cannot efficiently maintain this level of technical expertise on a permanent basis.

Areas of activity

CPT is predominantly involved with mainframes and midrange computers, which are the backbone of large IT systems. There has been a trend toward the use of midrange systems, due to their flexibility and individual cost advantage. However, due to the wide dispersion of midranges in organisations, there is a reverse trend of centralisation evident, to allow more effective control. CPT can accommodate different system requirements, in driving optimal response.

CPT skill set

Technical

- Capacity, planning assurance and reviews
- Cost reduction programs and 'cost of running' reports
- Stress and volume testing, and tuning of systems
- Test facilitation/management
- Technical support including database and administration
- Architecture design solutions, application performance

Management of IT Consulting services (MIT)

Beyond providing technical skills, CPT is building a broader business platform with recurring income, incorporating the following areas:

- Shared services
- Strategic sourcing
- Technical services on demand
- Cross-checking outsourcing outcomes
- Managed services

The Deakin acquisition increased the number of CPT clients to over ninety.

Winning further major international clients will be the best verification of CPT's credentials.

CPT's business revenue composition

Telco	39%
Federal Government	11%
Utility	2%
Financial	37%
State Government	8%
Other	3%

Summarising CPT's ability, the company's expertise ensures IT systems are working in an optimal manner and costs are managed. CPT also provides capacity planning to enable expansion decisions to be accurately taken. CPT's independence provides clients with unbiased advice, and an ability to cross-check multi-million dollar out-sourcing contracts in terms of actual data volume usage (measured by 'MIPS'), versus what is being paid for.

Client base

CPT clients are predominantly corporations and government bodies. The coverage of major domestic companies is extensive, with work undertaken for over 80% of the top 100 companies. Major clients include Telstra, Coles Myers and financial service providers such as ANZ, CBA, NAB and regional banks. International clients include Bank of Ireland, UBS, General Motors (Europe), and major global insurance companies such as Allianz and AMB Generali.

Telstra continues to be the largest client (estimated at 39%), due to its considerable IT requirements. However, this is spread between autonomous divisions, and the contracting is unrelated. CPT is reducing its proportional reliance on individual clients, as it grows.

Industry landscape

2002 was an extremely difficult year for the IT sector. Companies deferred expenditure on new systems, and consulting also suffered. The corporate focus has moved to tight cost control, and a greater appraisal of IT expenditure. While CPT is not immune to these pressures, it has a responsive strategy to maintain its business. The ability to provide cost reduction and extract maximum output from existing systems resonates with clients. It provides CPT with a key point of difference, and a service that companies will employ.

Key issues and trends

- Cautious environment
- New projects remain scarce
- Slow recovery in IT spending

Margins

Excess capacity in consulting has meant that rates have been under pressure. CPT is working hard to ensure its service is recognised for its value generation. Consultant rates have been adjusted in line with contract rates.

Deakin Consulting

CPT announced the full integration of Deakin (March 03). The objective is to more rapidly realise the acquisition benefits. The cost base is being reduced through centralisation of Deakin's back-office and accounting functions. Parallel with this move, CPT has also implemented a more state based management structure, as part of the Deakin integration. The new structure is to have individual state managers with greater autonomy, who report through to head office.

Sydney target for growth

CPT has had a lesser presence in the Sydney market. As part of the strengthened structure, a new (experienced) divisional manager has been appointed to drive the Sydney and Brisbane markets. Sydney is the location of many international companies, and has felt the downturn severely due to the contraction of new business activity. **The new focus is aimed at strongly lifting CPT's profile.**

Offshore profitability

Attention to costs and winning business is leading to a pick-up. Strategies such as risk-reward are assisting in attracting new clients.

Specific strategies

CPT is seeking to lift returns in a number of ways. This includes lifting its marketing - to attract new clients, improving quality of service delivery and gaining government endorsed supplier status internationally. **The key objective is to ensure CPT can deliver value to its clients.**

Strategy

Drivers of growth

- **Building a deeper business**
- **International expansion**
- **Risk-reward knowledge leverage**

With the power of modern data telecommunications, CPT can provide contracting service to major international clients from an Australian base.

Risk-reward business represents a major business opportunity and leverages CPT's knowledge-base.

Margins on risk-reward contracts are potentially over 50%.

We see the key risks and possible surprises to our CPT analysis as:

Risk areas

- Contract margin decline occurs
- Fall in order book
- Offshore business struggles

Upside gains

- Risk-reward contracts contribute significant gains
- Major international client wins

Despite some softness in consulting, we believe CPT can maintain margin.

Global opportunities are significant.

Broadening the business

CPT has expanded its business into the complimentary areas of Management of IT Consulting Services (MIT). CPT does not have an ambition of pursuing general consulting. Rather, the target is high-value areas, in seeking to leverage off technical consulting. This has been supported by the addition of key staff such as Peter Wright, with the charter of building the MIT area. Peter has extensive experience, having held senior positions with major companies such as DMR (Consulting Director and VP) and IBM GSA (Principal, Applications Outsourcing). MIT includes:

- IT delivery, support reviews, and improvement.
- Senior project management.
- IT metrics (measurement), extracting the data from 'cost of running' and other models.
- Selective outsourcing, and readiness/transition services.

CPT's focus is to bring a more analytical thoroughness to the business areas. MIT is also beneficial in creating a recurring income base through ongoing work with companies, providing greater earnings certainty. **The expanded service offer - provides a stronger client proposition.**

International entrée

CPT's ability to assemble high-level technical expertise is a unique business model. CPT has found international clients receptive to this approach. Moreover a key part of CPT's approach is to employ specific value-generating tools as a market entrée to international clients, and a means of building the broader business. In many cases, gaining an entry may not have otherwise been possible. These tools include risk-reward, strategic consulting and regulatory compliance. The initial move has been into UK, Ireland and Europe. The appeal

is the potential of international clients, with numbers of global offices. Australia represents less than 2% of the world's business computer data flow. The offshore potential is thus considerable and CPT has a genuine world class offering. With the ability to transfer Australian personnel, and strike contracts in stronger currencies (such as £), offshore business has a higher profit margin. The location of physical staff is also becoming less critical - due to the power of telecommunications. The service for international clients can thus come from a domestic consultant-base, further increasing margins. Bidding on large international contracts may test CPT's financial capacity. This may be overcome through working in tandem with large IT partner companies.

Risk-Reward leverage

Risk-Reward is an example of CPT's market entrée strategy. Through the experience CPT has developed, it is confident of identifying significant IT savings. In leveraging this ability, CPT is proposing that it will (at no cost), identify savings, and if successful, share in the gains under an agreed formula. The client has no risk in accepting such a structure, representing a 'win win' situation. Clients are proving to be receptive to this approach, although this is proving more effective overseas, as Australian companies are more cautious.

The Risk-Reward creates the ability for CPT to rapidly demonstrate its expertise to large new clients. The gains for clients can be considerable, and CPT's share is still material. This is a highly profitable strategy for CPT, and leverages its knowledge-base. The margin on risk-reward activity is potentially over 50%.

CPT sees its expertise as distinct in this area, with significant potential for profit contribution.

Financials

Profit model

- **Cashflow positive**
- **Balance sheet strong**
- **Margins a key focus**

FY02 was the most difficult year in IT for a decade.

CPT showed resilience in its revenue base.

CPT has not destroyed shareholder value in acquisition write-downs, or declined into making losses.

The 1stH 03 result was a positive step, although contribution from Deakin was minimal.

The half year comparisons show a positive trend.

Half year comparison summary

30 June		FY02a 1 st H	FY03a 1 st H	FY03e 2 nd H
Rev	\$m	13.3	15.0	15.5
Margin	%	7.4	8.3	10.3
	EBITDA/Rev			
Profit	\$m	0.69	0.67	0.93
	after Tax			
EPS *	€	2.6	2.4	3.5
DPS	€	1.5	2.0	2.5

Reported profit (before adjustments)

* Normalised EPS (after adjustments)

FY03 forecast is consciously set in terms of what is achievable, even if the current environment continues.

The risk-reward and other value added activities will contribute to this performance.

30 June		FY02a	FY03a 1 st H	FY03e
Rev	\$m	28.74	15.0	30.5
Profit	\$m	0.85	0.67	1.6
	after Tax			
EPS *	€	3.7	2.4	5.9
PER	x	10.9	n/a	6.7
DPS	€	2.5	2.0	4.5

Detailed model on Page 8

* Normalised EPS is based on pre-amortisation profit, and after exchange adjustments. \$7.6 million of intangibles relates to IPO restructuring, transferring the business from a trust to a company. We value CPT on a pre-amortisation profit basis, which more accurately reflects its operational profit 'cashflow'.

FY02 summary

CPT experienced a difficult first half in FY02, which impacted on the full year result. This reflected the costs of expansion in the UK, and a marketing effort to offset the impact of September 11. However this was not successful, as corporate decisions were put on hold, and margins also came under pressure - due to reduced consulting activity. The second half of FY03 showed a recovering trend. **Despite a difficult period, CPT has not incurred the major write-downs or profit collapses seen elsewhere in the IT sector.**

1st Half Result FY03

The performance lift has continued into the current half year, with operational Profit after tax being \$0.974 million (pre amortisation and depreciation). The half year comparative performance points to CPT building its profit level. Operational cashflow supported payment of an interim 2.0 cent dividend. CPT signalled in September 2002 their anticipation of profit 'doubling' in FY03.

Profit structure

CPT is a straightforward business. The fixed cost structure relates to the head office functions. The predominant financial feature is the revenue-cost relationship of a contracting business.

Contract margin, after covering overheads, is the driver of core profitability. Non-contracting and one-off costs, such as business development, impact on the final result. Contract margin fell from historical levels around 10 - 12% to 6.9% in FY02 (EBITDA / Revenue). The 1stH FY03 saw the margin improve to 8.3%, and the projected trend is that this margin will recover to more historic levels.

Balance sheet

CPT's financial position remains strong with \$3.92 million in cash, and no debt. Total intangibles of \$8.0 million is the major balance sheet feature, although understating the company's value. The unchanged cash level reflects the strong cashflow and there is the capacity to fund acquisitions. However, despite a fall in the value of IT businesses, CPT has not identified opportunities that meet its tight criteria. In the absence of suitable acquisitions, CPT is engaged in a buy back as a capital management tool. To-date, 568,095 shares have been repurchased, with a maximum of 3.0 million shares.

Outlook

Major issues for FY03 are:

- Maintaining margins
- Generating contribution from risk reward
- Tight cost control
- Gains from the integration of Deakin Consulting
- Targeting government agencies and departments

Forecasts

Given the tough conditions, we have adopted a consciously conservative approach. We are not anticipating major volume growth. However, we see scope for margin improvement, as conditions improve. We have forecast a profit after tax of \$1.6 million for FY03, in line with the company's public statement.

Valuation framework

based on:

1. **Absolute value, comparing with small cap industrial index**
2. **Peer IT sector**
3. **Broader service group**

IT sector

Company	Market Cap'n* \$m	Profit FY02 \$m	PER FY03 e normalised X
CPT	14.2	0.85	6.7
Oakton	64.3	6.9	8.8
Kaz	129.6	10.3	8.0
SMS	75.3	Loss	48.0
Data #3	14.0	3.2	11.7
Volante	70.8	4.3	9.0

* market capitalisation and PER as at date of report preparation

While profit after tax has been shown as a crude comparison, it is more accurate to compare results on the basis of EBITDA, or profit before goodwill. See the more detailed information on Page 9.

The IT comparison is constrained by the many profit slumps, which are distorting sector valuation.

Tough times show which companies have substance and longevity.

Small-cap syndrome

CPT has an issue of capitalisation and a tight share register that inhibits trading, although this is not a unique situation. Small-caps can be successful by delivering results.

We see CPT's business scalability and expansion opportunities, as being the ingredients that can attract investor attention.

CPT also has takeover appeal due to its specialisation, which a major company could leverage.

Valuation

1. We believe that a prospective PER of 8.0x is a realistic starting point, and this multiple is not demanding relative to the sector. We estimate the ASX small cap, diversified sector is trading on a prospective FY03 PER of 10.0x.

Specific valuation criteria

2. IT sector comparison

The difficult IT market had a serious impact on sector profitability. Many operators were reliant on the spending level of the boom period of the 1990s, and could not readjust their businesses. This has led to a dramatic decline in many company valuations, which distorts sector comparison. A number of the company values are either over-sold, or reflect serious business problems.

We see the companies with earnings maintainability as being the most appropriate focus. CPT has only limited direct peers in IT consulting (see Page 9 for expanded comments). However, we consider investors largely take a superficial view in regarding IT as 'one sector'. We have thus presented a broader sector comparison.

CPT valuation parameters

CPT's micro capitalisation generally warrants a valuation discount. However, we regard CPT as having a stronger, more resilient business, which lifts the valuation above commodity IT businesses. Moreover, we consider that the value should incorporate some takeover component, due to CPT's strategic appeal to large IT companies. Taking these factors and CPT's lower FY02 result into account, we believe that CPT should be valued at a 12-15% discount to the lead companies in the sector.

We regard an EBITDA multiple of 6.0x or normalised PER of 9.0x, as representing the current fair market value for the leading sector performers. Accordingly, we arrive at a prospective FY03

PER of 8.3x. **Based on this approach, we derive an immediate-term share price value of \$0.49 for CPT.** We see this as being underpinned by an attractive, maintainable dividend yield (forecast 10.0%). CPT will be able to reduce the value discount with consistent results - leading to a higher multiple. **The longer term upside, is the recovery in conditions in the IT sector.** We consider that IT is at a cyclical 'historic' low point in valuation. A recovery does not assume major growth, but rather, a modest recovery from the currently depressed situation.

3. Service company sector

Company	Market cap'n	Profit FY02	PER FY03 x
Tempo	180.3	11.6	11.7
Programmed Maintenance	138.3	12.5	9.7
Candle	35.7	3.0	9.4
Skilled Engineering	199.6	10.3	13.2

We further see the service sector as representing a relevant context, due to CPT's specialised service focus. Important to this comparison is to consider the sector attributes. Does a company have a service that will be employed beyond boom conditions? **We see hallmarks of successful service companies as:**

- A strong track record
- Management discipline
- Maintainable profit margin
- Having an expertise with competitive differentiation
- Growth through sensible, well-priced acquisitions

We believe CPT can demonstrate its expertise and management rigour, and earn the credibility to be judged along-side other leading service companies. In valuation, the service sector trades in a PER band between 8.0x and 13.0x. Incorporating the stated discount level for CPT of 20%, we reiterate a prospective PER of 8.3x for CPT as realistic.

Financial data

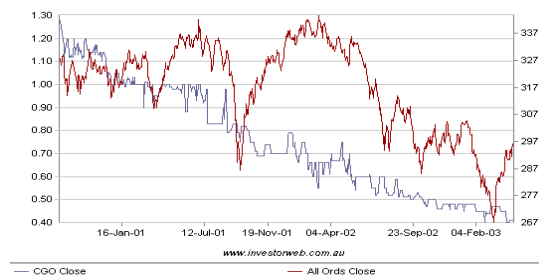
Market Details

Last sale price	\$0.45
12 month high / low	\$0.74/\$0.40
Number of shares	34.6
Options	1.25 million at prices above \$1
Capitalisation	\$15.6 million

Key investment statistics

FY 30 June	01a	02a	03a	03e
(unless otherwise stated)			1 st H	
EPS – post amort'n	¢ 7.5	2.5	1.7	4.6
PER	x 6.0	18.0	-	9.8
EPS (normalised)	¢ 8.7	3.6	2.4	5.9
- pre amortisation				
% Growth	n/a	(57.2)	n/a	61.6
PER	x 4.6	10.9	n/a	6.7
- pre amortisation				
Dividend per share	¢ 5.0	2.5	2.0	4.5
* FY02 includes special div.				
Yield	% 11.1	5.6	n/a	10.0
Franking	% 100	100	100	100
Payout ratio	% 57.5	67.9	82.9	75.6
(on normalised EPS)				
EV/EBITDA	x 2.4	5.1	n/a	3.3

Share price chart



Financial return ratios	01	02	03a	03e
			1 st H	
EBITDA/Revenue	% 14.9	6.9	9.3	10.0
Return on assets	% 16.2	6.8	n/a	11.1
Return on equity	% 21.4	9.25	n/a	16.6

Key financial assumptions

1. **Buy back;** we are assuming that a further 500,000 shares are bought back in the period to 30 June 2003, requiring \$0.225 million in funds (from cash). Our assumed average weighted capital for FY03 is 34.76 million shares.

2. **Margins;** we have assumed a 10% EBITDA/Revenue margin in FY03, based primarily on improvements in cost control, increased operating margins, and contribution from Risk-Reward.

3. Options;

Options are exercisable at \$1.00 and expire at dates from September 03 to September 05. As options are out of the money, we have not assumed dilution for purpose of EPS calculation. 350,000 options lapsed, or were no longer exercisable, in the period to the report date.

Details:

- 500,000 options exercisable to 8.9.05 at \$1.00
- 300,000 options exercisable to 8.9.04 at \$1.00
- 450,000 options exercisable to 8.9.03 at \$1.00

Disclosures and disclaimers

1. **Basis of preparation** This report has been prepared under contract to CPT Limited, for which a fee will be received. The report objectives are to be accurate and informed, in outlining the business and all relevant considerations. Rather than making any recommendation, the report sets out an assessed valuation framework, based on certain assumptions, which sets a view of stock value. These assumptions reflect the opinion and knowledge of the author. Any potential investors in CPT should form their opinion after careful examination of all public information. This report is for information purposes and should not be taken to imply a recommendation to buy or sell any security.

2. **Disclosure** The author is a long term holder of 3,000 CPT Global shares, through a superannuation fund.

3. **Disclaimers** The report producer expressly disclaims any liability and responsibility to any third person in respect of information contained herein. No consideration has been taken of the objectives of any such person reading this report, in relation to investment or general financial needs. A properly authorised financial adviser should be consulted in relation to any investment decision.

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Appendix Detailed sector comments

IT sector comparison

We have presented a more thorough look at IT companies and valuations, to extend our comparative valuation comments.

- We believe the most accurate (and sophisticated) investment approach is to compare CPT Global to IT consulting companies. However, this is a relatively small sample in the domestic market. We consider SMS Management and Oakton to be the two closest companies to CPT in their activities in IT consulting, although there is an issue of relative capitalisation and liquidity.
- We recognise that investors are taking more of a 'broad brush' approach in considering IT as one sector. Accordingly, we have also presented a wider comparison.
- With the volatility in business performance, we have endeavoured to consider the critical factors behind the respective market values. A low valuation may not reflect value. The stability of results is a factor.

Company and ASX Code	Share price 30.04.03	Market Cap'n \$m	FY02 Profit after Tax \$m	1 st H FY03 Profit after Tax \$m	FY02 EBITDA \$m	EV/ EBITDA X (FY02)	EPS Normalised* Forecast (FY03)	PER* x	Comments
CPT Global	\$0.45	15.6	0.83	0.67	1.98	3.3	5.9	6.7	
Oakton Ltd OKN	\$0.81	64.3	6.9	2.9	12.3	5.9	9.2	8.8	Result down for 1 st H reflecting a slow down in business growth, and cautious outlook. OKN has been regarded as a sector leader. Integrated business model.
SMS Manag't & Technology Ltd SMX	\$0.24	75.3	Slight Loss	Loss (7.7)	9.4	7.2	0.05	48.0	The takeover of Sausage Software uncovered a number of problems. The focus is now consulting. Excess contractor capacity is evident. The valuation reflects low profitability and volatility.
KAZ Group Ltd KAZ	\$0.16	129.6	10.3	3.1	35.0	4.2	2.0	8.0	Range of outsourcing, consulting and software. Post acquisition of Aspect, an earnings disappointment reduced the market value.
Data #3 Ltd DTL	\$0.96	14.0	3.2	0.06 (write down)	3.3	5.6	0.082	11.7	Has showed a recovering underlying profit result, leading to a lift in market valuation. Involved in procurement and integration of IT products.
Powerlan Ltd PWR	\$0.034	15.9	loss	2.6	No forecast	2.6	n/a	n/a	Stock highly speculative at present. After engaging in numerous acquisitions - returning to a core business. Significant write-offs, resulting in losses. Recovery in the 1 st H but ongoing restructuring.
Volante Group Ltd VGL	\$1.04	70.8	4.3	3.0	6.0	5.7	11.5	9.0	Primarily a reseller of IT product, although with a growing consulting business.

* Normalised EPS adding back amortisation charge for goodwill on acquisitions

Sector valuation

From the above, we observe that the IT consulting sector is trading on a prospective FY03 normalised valuation in the broad range of 8.0 – 11.0x, although there is discounting of poor performers. This is the basis of comments re CPT's relative valuation to the sector.

Poor results of SMS and Powerlan are distorting their valuations, which do not convey sensible information at this point.

