

Update

Colorpak Ltd FY 04 Results Overview

Sector: Containers & Packaging
Analyst: Nick Maclean

August 16, 2004
Share Price: \$0.63

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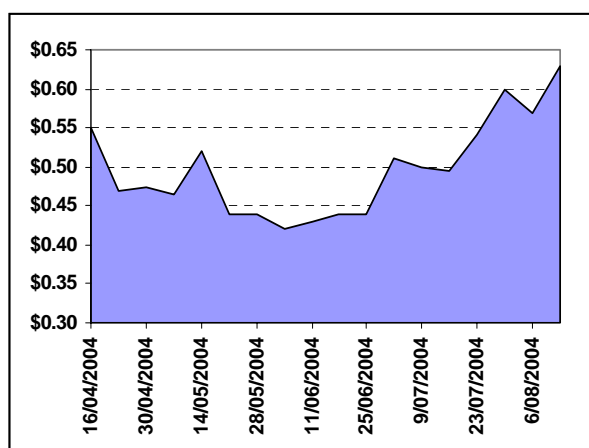
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RESULTS OVERVIEW

- Colorpak has confirmed a NPAT for the six months ended June 30, 2004 of \$1.47m - exactly in line with its profit upgrade announced on July 19th. This leads to a FY 04 NPAT of \$2.57m, equating to diluted EPS of 3.3 cents. On a pre-goodwill amortisation basis NPAT totalled \$4.97m (6.4 cents per share), placing the company on a current p/e of 9.9x (pre-goodwill).
- The company's top line revenue increased 3.6% in H2 from \$24.4m to \$25.2m while its EBITDA margin improved from 21.02% to 21.63%.
- Key drivers of the strong result were improvements in production efficiencies which were generated by two new machines installed in November last year, better than forecast input costs and tight cash management which lowered borrowing costs.
- In light of the company's high gearing levels, we are pleased that operating cash flows of \$4.4m for the half year exceeded our forecasts of \$3.6m. After accounting for the company's investing and financing activities, cash at the end of the period was -\$0.82m, although this was affected by costs associated with the company's public listing.
- Given CKL's negative NTA we look forward to continued strength in these operating cash flows which are expected to further improve the company's capital position. In relation to its gearing levels, we note CKL has exceeded our expected reduction in net debt/equity, achieving 76% versus our forecasts of 77%. This gives further confidence in the company achieving our target of 60% net debt/equity in FY 05.
- FY 04 Interest cover was a comfortable 4.2x which we expect to improve to 4.5x in FY 05.
- We believe CKL's first result as a publicly listed entity helps to reduce the company's risk profile as it illustrates better than expected operating cash flows, interest cover and gearing. Furthermore, it highlights CKL's ability to deliver on its forecasts. As such we have marginally adjusted upwards our FY 05 EBITA and P/E multiples to 7.5 and 10 times respectively. Combined with a \$0.025 forecast FY 05 dividend, this raises our 12 month price target from 60 cents to levels approaching 65 cents per share.
- Given the company's share price has rocketed up 42% since our BUY recommendation at \$0.445 on June 28th, 2004 to be currently trading at 63 cents per share, we believe it now more accurately reflects CKL's earnings outlook and indicates investors HOLD at current levels. However, we reiterate our earlier point that there is potential for further earnings upside to our forecasts through new contract wins and ongoing improvements in operating efficiencies.

CKL Weekly Share Price to August 13, 2004



Headline Numbers

	FY 04A	FY 05E	FY 06E
Revenue (\$m)	49.59	52.70	56.01
EBITDA (\$m)	10.58	10.97	11.66
EBIT (\$m)	6.71	7.17	10.26
Profit Before Tax (\$m)	4.55	5.05	8.13
NPAT (\$m)	2.57	2.91	5.69
NPAT – pre goodwill (\$m)	4.94	5.31	5.69
EPS – pre goodwill (c)	6.40	6.87	7.38
P/E (x)	9.9x	9.2x	8.5x
Dividend Per Share (c)	0	2.5	2.7
Yield (%)	n.a	3.97	4.26
Franking (%)	n.a	100	100



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- Tolhurst Noall acted as lead manager and underwriter of Colorpak's IPO for which it received fees as disclosed in the prospectus.

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Recommendations are assessments of each Tolhurst Noall Analyst's view of potential total returns over a 1-year period relative to the performance of the All Ordinaries Accumulation Index.

Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

We have divided our recommendations into four main categories:

Strong Buy: Expected Total Return in excess of 25% over a 1 year period relative to All Ordinaries Accumulation Index

Buy: Expected Total Return between 15% and 25% over a 1 year period relative to All Ordinaries Accumulation Index

Accumulate: Expected Total Return between 5% - 15% over a 1-year period relative to All Ordinaries Accumulation Index

Hold: Expected Total Return between -5% and 5% over a 1 year period relative to All Ordinaries Accumulation Index

Sell: Expected Total Return less than -5% over a 1 year period relative to All Ordinaries Accumulation Index

Risk Ratings:

Risk is a subjective assessment of overall risk within a company including price volatility and earnings variability, external liquidity, and size.

We divide our risk into three categories:

High: Company typically has high price volatility and earnings variability, low external liquidity and has a small market capitalisation.

Medium: Company typically has moderate price volatility and earnings variability, external liquidity and a medium size market capitalisation.

Low: Company typically has low price volatility and earnings variability, high external liquidity and is a large size market capitalisation.

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