

# Update

## Colorpak Ltd FY 04 Results Overview

**Sector: Containers & Packaging**  
**Analyst: Nick Maclean**

**August 16, 2004**  
**Share Price: \$0.63**

### MELBOURNE

Level 29  
35 Collins Street  
Melbourne Vic 3000  
Tel: (03) 9242 4000  
Fax: (03) 9242 4040

### SYDNEY

Level 35  
60 Margaret Street  
Sydney NSW 2000  
Tel: (02) 9247 8666  
Fax: (02) 9247 9366

### PERTH

Level 30  
44 St. George's Tce  
Perth WA 6000  
Tel: (08) 9268 4888  
Fax: (08) 9268 4884

### ADELAIDE

Level 14  
90 King William St  
Adelaide SA 5000  
Tel: (08) 8407 5700  
Fax: (08) 8407 5717

### GERALDTON

38 Marine Terrace  
Geraldton  
WA 6530  
Tel: (08) 9964 3800  
Fax: (08) 9964 5811

### MOUNT WAVERLEY

284 Stephenson's Rd  
Mount Waverley  
Victoria 3149  
Tel: (03) 9831 5000  
Fax: (03) 9809 5746

### ARMADALE

1201 High Street  
Armadale  
Victoria 3143  
Tel: (03) 8823 6666  
Fax: (03) 8823 6699

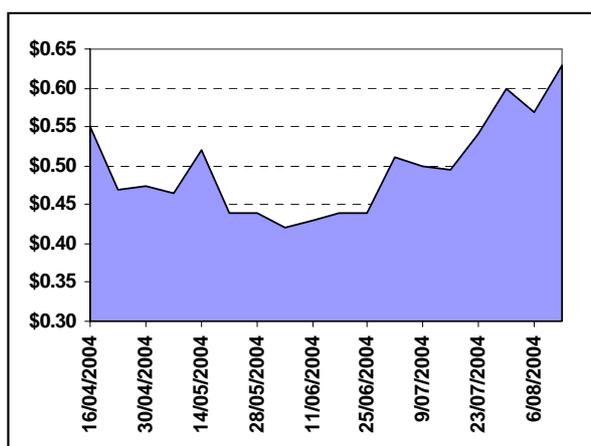
### MAROOCHYDORE

Level 3  
26 Duporth Ave  
Maroochydore  
Queensland 4558  
Tel: (07) 5409 6100  
Fax: (07) 5409 6199

### 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 19<sup>th</sup>. 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 28<sup>th</sup>, 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



---

**DISCLAIMER**

---

**Disclosure of Interest**

Tolhurst Noall Ltd ('Tolhurst Noall') and/or entities and persons connected with it may have an interest in the securities the subject of the recommendations set out in this report. In addition, Tolhurst Noall and/or its agents will receive brokerage on any transaction involving the relevant securities.

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

**Disclaimer**

The information and opinions contained in this report have been obtained from sources Tolhurst Noall believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Information and opinions contained in the report are published for the assistance of recipients, but are not relied upon as authoritative and may be subject to change without notice. Except to the extent that liability cannot be excluded, no Tolhurst Noall Group company accepts any liability for any direct or consequential loss arising from any use of material contained in this report.

**General Securities Advice Warning**

This report is intended to provide general securities advice. In preparing this advice, Tolhurst Noall did not take into account the investment objective, the financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances.

**Explanation of Tolhurst Noall's Recommendation and Risk Rating system:**

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.

I verify that I, **Nick Maclean**, have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.