

# Ammtec (AEC.ASX)

## Rejects CPB's bid, provides FY10 & FY11 guidance.

Friday 28 May 2010

Metals & Mining

**Rating:** **Hold**  
(previous): Hold

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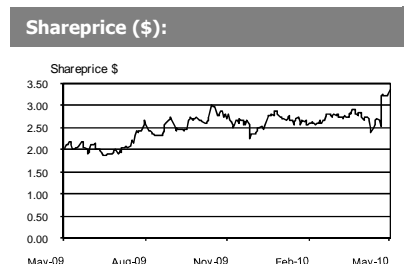
**Share price:** **\$3.33**  
Price target: \$3.35  
(Previous) \$3.35  
NPV per share \$3.25  
Risk: Medium

Shares on issue (m): 33.2  
Shares on issue (diluted) (m): 37.3  
Free float: 100%  
Average daily volume ('000): 36

Market cap (\$m): 119.4  
FY10e Enterprise value (\$m): 120.0  
FY10e Net debt (\$m): 0.6  
FY10e Gearing (ND/ND+E): 1%  
FY10e S'holders equity (\$m): 61.5  
FY10e NTA per share (\$): 1.00

**Forecast:** **2010**  
Free cash flow (\$m): -0.9  
Return on average equity: 12%  
Net interest cover: 32.9

**Forecast:** **2011**  
Free cash flow (\$m): 1.8  
Return on average equity: 16%  
Net interest cover: 22.6



**AEC Board intends to reject CPB's \$3.35/share offer as too low**, failing to reflect the true value of the company. The Board accused CPB of being 'opportunistic' in its timing given the uncertainty and volatility created by the proposed RSPT.

**AEC provided FY10 & FY11 guidance.** In what seems to be an attempt to highlight the strong and unappreciated growth profile of the company, AEC provided FY10 and FY11 earnings guidance. Specifically, the guidance is:

- FY10 Revenue \$52m; FY11 Revenue \$73.3m-\$79.1m (up 41%-52% yoy);
- FY10 EBITDA \$12m; FY11 EBITDA \$19.6m-\$22.2m (up 63%-85% yoy);
- FY10 EBIT \$10m; FY11 EBIT \$17.0m-\$19.6m (up 70%-96% yoy); &
- FY11 NPAT \$7m; FY11 \$11.1-\$12.9m (up 59%-84% yoy).

**FY10 in line.** The FY10 forecasts are broadly in line our expectations and the earnings CPB asked AEC to confirm as a condition of the bid. The sales mix implies a stronger than expected performance from Marc although Ammtec was weaker.

**FY11 well above our expectations, driven by Marc contracts.** The FY11 forecast is 27% ahead of our previous EBIT estimate. Recent, unannounced, contract wins by Marc explain the difference. The company also expects PSI to win its first commercial sale in FY11, turning the division break-even (previously losing \$1.5m p.a.).

**Revised forecasts.** FY10 & FY11 eps +2% & +16%, reflecting higher Marc earnings.

**CPB bid now implies a forward EBITDA multiple of 7.5x.** On our revised estimates, the \$3.35/share offer implies a FY11 PER of 13x and a FY11 EBITDA multiple of 7.5x (previously 15x and 8x respectively). In the current environment, we believe 8x is reasonable multiple for AEC, implying \$3.57/share, 7% above the current offer. We could envisage CPB sweetening the bid to this price. We note that 8x management's FY11 guidance implies \$3.85-\$4.37/share (+15%-30% the current offer).

**We maintain our Hold recommendation and our price target of \$3.35/share, in line with the offer price.** Our confidence in the FY11 outlook has increased following our discussions with management. However, we prefer to take a more conservative stance to reflect the prevailing sector risks and the relatively poor earnings visibility of the business. Although CPB could come back with a higher bid, say to \$3.57-3.85/share, we are reluctant to recommend buying at these levels on this basis. We remain well aware that the stock price would likely fall if CPB walks away.

Year to June (\$m)	2008a	2009a	2010e	2011e	2012e
Revenue	37.0	54.9	52.0	66.0	72.6
% change	41%	49%	-5%	27%	10%
EBITDA	11.9	12.9	12.0	18.2	21.4
EBITDA margin	32.2%	23.5%	23.1%	27.5%	29.5%
NPAT rep	6.7	6.5	6.4	10.3	12.4
NPAT adj*	6.7	6.5	6.4	10.3	12.4
EPS adj* ¢	30.0	25.4	17.2	25.4	30.5
% change	27%	-15%	-32%	47%	20%
Dividend ¢	25.0	16.0	16.4	20.9	25.1
PER x	10.7	12.6	18.6	12.6	10.5
EV/EBITDA x	6.8	7.3	10.0	7.5	6.4
Yield	7.8%	5.0%	5.1%	6.5%	7.8%

\* Figures adjusted for NRIs and amortisation of intangibles

Source: Company, Foster Stockbroking

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## REJECTS CPB'S OFFER, PROVIDES GUIDANCE

We met with Ammtec's senior management to discuss Campbell Brothers' \$3.35/share offer (announced on 19 May 10) and Ammtec's earnings guidance provided in the investor briefing (issued on 26 May 10).

As announced on 26 May 2010, the Ammtec Board intends to reject Campbell Brothers' unsolicited takeover offer (when it receives a Bidder's Statement) as being too low, failing to reflect the true value of the company. The Board accused Campbell Brothers of being 'opportunistic' in its timing given the uncertainty and volatility created by the proposed Resources Super Profits Tax (RSPT).

Although the company has not said what it would consider to be a fair price, we believe the FY11 earnings guidance attempts to highlight the strong near-term growth prospects.

Our initial impressions were that the FY11 numbers looked very high, being significantly above our forecasts. The table below provides a summary of the FY10 and FY11 guidance.

### AEC – FY10 & FY11 Earnings Guidance (\$m)

	FY10e	FY11e			FY11 Mid Growth
		Low	Mid	High	
<b>Revenue</b>	52.0	73.3	76.2	79.1	47%
<b>EBITDA</b>	12.0	19.6	20.9	22.2	74%
<b>EBIT</b>	10.0	17.0	18.3	19.6	83%
<b>NPAT</b>	7.0	11.1	12.0	12.9	71%
<b>EBITDA margin</b>	23.1%	26.7%	27.4%	28.1%	
<b>EBIT margin</b>	19.2%	23.2%	24.0%	24.8%	

Source: Company

### FY10 forecasts in line.

The FY10 profit forecasts are broadly in line our expectations and the earnings Campbell Brothers asked Ammtec to confirm as a condition of the bid. Specifically, our FY10 Revenue, EBITDA, EBIT and NPAT (pre-minorities) forecasts were \$52.5m, \$12.4m, \$10.3m, and \$6.7m respectively. The FY10 NPAT figure compares with the soft guidance provided in February (FY10 NPAT pre-minorities expected to be similar to FY09 at \$6.9m).

Although Ammtec noted that risks exist to the FY10 profit forecasts relating to costs associated with the Campbell Brothers offer, we argue these costs would likely be treated as non-operating. Therefore, we don't see Campbell Brothers pulling out on this matter. We previously highlighted a FY10 earnings downgrade as a key risk to the CPB bid price.

### FY10 - Strong performance from Marc offsets soft growth in Ammtec.

The sales mix outlined in the investor briefing suggests a much stronger performance from Marc Technologies than we had anticipated. The company expects Marc to generate \$14m revenue in FY10, implying a strong second half of \$8.4m, up 50% on the first half sales of \$5.6m. However, the flip side is that the core metallurgical business (Ammtec) looks to have grown less than expected. Ammtec's FY10 revenue of \$38.0m implies 2HFY10 revenue of \$19.1m, up just 1% on the first half.

### FY11 forecasts significantly above our expectations.

Ammtec's FY11 forecasts are significantly above our previous expectations and imply very strong profit growth. The mid-point of the guidance range represents 83% EBIT growth to \$18.3m on 47% revenue growth to \$76.2m. These figures are 27% above our previous forecasts.

**Key drivers of management's FY11 forecasts:**

- Marc Technologies' strong order book;
- New capacity and capabilities at the Ammtec met lab business; &
- PSI's first commercial sale (US\$1.5m).

**Marc Technologies - growing order book**

Ammtec said that it expects Marc Technologies to return to pre-GFC profitability levels in FY11. When Ammtec acquired Marc for ~\$12m in February 2008, the business generated annual revenues of ~\$12m and EBIT of ~\$3.1m (26% EBIT margin).

Management said Marc has recently won and begun working on a number of contracts which together represent 52% of the profit forecasts for Marc in FY11. If we work on pre-GFC EBIT levels for Marc of \$3.1m, then ~\$1.6m of EBIT is contracted in FY11. The company also said that Marc is currently negotiating a number of other contracts which represent 26% of the FY11 divisional budget (~\$0.8m). That leaves 22% of the budget (\$0.7m) for further organic growth.

The issue here seems to be that these new contracts were not announced to the market before Campbell Brothers' timely bid. While Ammtec argues contracts such as these are a part of the normal course of business, we regard them as significant, particularly considering the poor trading performance of the Marc business since the GFC. Recall Marc has underperformed since acquisition as it is exposed to the mining capex cycle which was particularly hard hit during the downturn. In our view, announcing these contracts would have better informed the market as to the substantially improved prospects for Marc in FY11.

**Ammtec met lab - new capacity and capabilities**

We estimate that management's FY11 guidance implies 23%-39% yoy organic growth for Ammtec, the core met business. This implies FY11 revenue for the division of \$47m-\$53m which compares to \$38.0m in FY10 and \$38.2m in FY09.

The company's solid growth expectations for the Ammtec core met business largely reflect new capacity and capabilities coming on stream in FY11. Ammtec expects to complete the final construction of its new \$9m Hydromet facility by December 2010. This new facility will contribute six months to the FY11 period. Other growth initiatives expected to boost FY11 earnings are expanded assay facilities, expanded pilot plant capabilities, oil and gas mineralogy services, a new heavy liquid separation lab and a robotic sample preparation facility.

**PSI - first commercial sale**

Ammtec said that PSI is very close to finalising its first sale, expected to be for US\$1.8m (Ammtec's 72% share would be A\$1.5m at 0.85/USD). The sale, which is for a mining application in Australia, is expected to be closed in early FY11. PSI currently costs the company ~\$1.5m per annum so this sale would mean PSI becomes break-even in FY11.

**FY11 Capex guidance**

The table below outlines the company's FY11 capex projections.

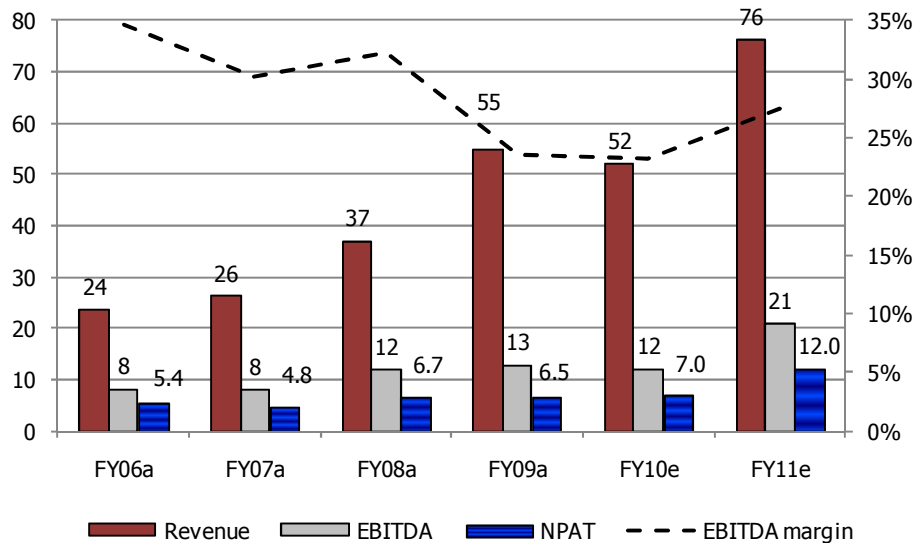
**FY11 Capex Guidance (\$m)**

Capex Initiative	FY11
Hydromet facility	4.0
Hydromet plant & equip	0.5
Pilot plant expansion	0.8
Mineralogy equipment	0.6
<b>Growth capex</b>	<b>5.9</b>
<b>Maintenance capex</b>	<b>2.2</b>
<b>Total Capex</b>	<b>8.1</b>
PSI investment	1.3

Source: Company

Ammtec expects FY11 capex to be \$8.1m, comprising \$5.9m growth capex and \$2.2m maintenance capex. This figure compares to FY10 and FY09 capex of \$10m and \$6m respectively. The company also plans to invest another US\$1m in PSI in FY11.

**AEC – Historic earnings trend and FY10 & FY11 forecasts (\$m)**



Source: Company, FSB estimates

The graph above illustrates Ammtec's historic earnings trend and includes the company's FY10 and FY11 forecasts. Note the FY11 forecasts reflect the mid-point of the guidance range. The 71% NPAT growth in FY11 is premised upon 74% EBITDA growth on 47% revenue growth. This implies a 500 basis point improvement in the EBITDA margin to 27%.

## REVISED FORECASTS

We have lowered our FY10 forecasts slightly. They now fall in line with company guidance.

We have increased our FY11 revenue forecast by 10% from \$59.9m to \$66.0m. Our revised figure is 13% below the mid-point of the company's guidance. However, our FY11 revenue projection still implies 27% yoy growth. Most of the uplift in our revision is driven by increased estimates for Marc. We have provided for all of the contracted work and most of the work under negotiation. We have also incorporated PSI's first sale into our model.

Our FY11 EBIT margin forecast remains unchanged at 24%. This is equal to the margin implied by the mid-point of the guidance.

Our FY10 and FY11 NPAT forecasts (pre-minorities) have been increased by 2% and 11% respectively. Our FY10 NPAT figure is in line with guidance, while our FY11 estimate is 14% below guidance. Our FY10 and FY11 EPS forecasts move in tandem with adjusted NPAT.

We prefer to take a more conservative approach to our FY11 earnings projections compared to the company to reflect the sector risks associated with the proposed RSPT as well as the relatively low earnings visibility of the core metallurgical consulting business (~70% of group turnover). While we acknowledge that the core business has proved relatively resilient during the downturn, 2HFY10 has failed to evidence meaningful growth.

The changes to our forecasts are displayed below.

### Forecast changes (\$m)

	FY10	FY10	Diff	FY11	FY11	Diff
	NEW	OLD		NEW	OLD	
Sales Revenue	52.0	52.5	-1%	66.0	59.9	10%
EBITDA	12.0	12.4	-3%	18.2	16.8	8%
EBITDA Margin	23.1%	23.5%	-2%	27.5%	28.0%	-2%
D & A tang	2.0	2.0	0%	2.3	2.4	-4%
EBITA	10.0	10.3	-3%	15.8	14.4	10%
Amort intang	0.0	0.0	nm	0.0	0.0	nm
EBIT	10.0	10.3	-3%	15.8	14.4	10%
EBIT Margin	19.3%	19.7%	-2%	24.0%	24.0%	0%
Net interest exp	0.3	0.5	-40%	0.7	0.7	0%
PBT	9.7	9.8	-1%	15.1	13.7	11%
Tax exp	3.1	3.4	-8%	4.8	4.4	11%
NPAT pre min	6.9	6.7	2%	10.3	9.3	11%
Minorities	-0.4	-0.4	0%	0.0	-0.4	-100%
NPAT pre sig items	6.4	6.3	2%	10.3	8.9	16%
Significant items	0.0	0.0	0%	0.0	0.0	0%
NPAT reported	6.4	6.3	2%	10.3	8.9	16%
<b>NPAT adjusted</b>	<b>6.4</b>	<b>6.3</b>	<b>2%</b>	<b>10.3</b>	<b>8.9</b>	<b>16%</b>
<b>EPS adj</b>	<b>17.2</b>	<b>16.8</b>	<b>2%</b>	<b>25.4</b>	<b>21.9</b>	<b>16%</b>

Source: FSB estimates

## CPB'S BID REVISITED

We now revisit Campbell Brothers' \$3.35/share bid in light of our revised forecasts and the company's FY11 guidance. The table below provides a summary of the historic earnings, our forecasts, the company's guidance and some valuation analysis.

### AEC – Earnings & valuation summary

	FY07a	FY08a	FY09a	FSBe FY10e	FSBe FY11e	Company		
						Low FY11e	Mid FY11e	High FY11e
Ammtec	26.2	32.7	38.2	38.0	45.5			
Marc	0.0	4.2	16.6	14.0	19.0			
PSI	0.0	0.0	0.1	0.0	1.5			
<b>Sales Revenue</b>	<b>26.2</b>	<b>37.0</b>	<b>54.9</b>	<b>52.0</b>	<b>66.0</b>	<b>73.3</b>	<b>76.2</b>	<b>79.1</b>
Ammtec	11%	25%	17%	-1%	20%			
Marc			296%	-16%	36%			
PSI			nm	nm	nm			
<b>Sales growth</b>		<b>41%</b>	<b>49%</b>	<b>-5%</b>	<b>27%</b>	<b>41%</b>	<b>47%</b>	<b>52%</b>
<b>EBITDA</b>	<b>7.9</b>	<b>11.9</b>	<b>12.9</b>	<b>12.0</b>	<b>18.2</b>	<b>19.6</b>	<b>20.9</b>	<b>22.2</b>
margin	30%	32%	23%	23%	28%	27%	27%	28%
<b>EBIT</b>	<b>7.2</b>	<b>10.8</b>	<b>11.2</b>	<b>10.0</b>	<b>15.8</b>	<b>17.0</b>	<b>18.3</b>	<b>19.6</b>
margin	27%	29%	20%	19%	24%	23%	24%	25%
<b>NPAT</b>	<b>4.8</b>	<b>6.7</b>	<b>6.5</b>	<b>6.4</b>	<b>10.3</b>	<b>11.1</b>	<b>12.0</b>	<b>12.9</b>
EPS	24	30	25	17	25	27	30	32
PER @ \$3.35 ps				19.4	13.2	12.2	11.3	10.5
<b>EV/EBITDA @ \$3.35 ps</b>				<b>11.3</b>	<b>7.5</b>	<b>7.0</b>	<b>6.5</b>	<b>6.1</b>
Equity Value @ 8x					144.6	156.2	166.6	177.0
<b>Price @ 8x</b>					<b>3.57</b>	<b>3.85</b>	<b>4.11</b>	<b>4.37</b>

Source: Company, FSB estimates

The \$3.35/share bid represents a forward EBITDA multiple of 7.5x on our revised forecasts. As discussed, we believe 8x is a fair multiple for Ammtec in the current market. This implies a value of 3.57/share, 7% above the current offer. Note that 8x implies \$3.85-\$4.37 on Ammtec's FY11 EBITDA guidance range of \$19.6m-\$22.2m.

At \$28.40/share, Campbell Brothers is trading on a FY11 PER of 16x and EV/EBITDA of 8.7x.

The matrix below illustrates per share valuations for Ammtec based on various FY11 EBITDA earnings and EBITDA multiples.

### AEC valuation sensitivity (\$/share)

		FY11 EBITDA multiple (x)				
		7	7.5	8	8.5	9
<b>FY11</b>	<b>14</b>	<b>2.40</b>	2.58	<b>2.75</b>	2.92	3.10
	16	2.75	<b>2.95</b>	<b>3.15</b>	3.34	3.54
<b>EBITDA</b>	<b>18</b>	3.10	3.32	<b>3.54</b>	3.76	3.99
	<b>(\$m)</b>	20	3.44	3.69	<b>3.94</b>	<b>4.18</b>
	<b>22</b>	3.79	4.06	<b>4.33</b>	4.60	<b>4.87</b>

Source: Company, FSB estimates

### Open share register

Ammtec has a relatively open register with just one substantial shareholder (Perpetual at 6.7%) and the Board and Management do not hold significant, blocking stakes. However, we view the probability of another bidder coming in over the top as relatively low given the niche nature of Ammtec's highly specialized business. The only other notable regional players in the metallurgical consulting space are SGS Minerals and Amdel.

## VALUATION

Our revised forecasts increase our NPV from \$3.07/share to \$3.25/share and our one-year forward valuation from \$2.95/share to \$3.10/share. We use a WACC of 12.5% and a terminal growth rate of 3%.

### Valuation

	NPV now		NPV in one year	
	\$m	\$ Per share	\$m	\$ Per share
Business value	121.7	3.26	131.8	3.25
Net debt	0.6	0.02	6.2	0.15
<b>NPV</b>	<b>121.1</b>	<b>3.25</b>	<b>125.6</b>	<b>3.10</b>

*Source: Company; FSB estimates*

## RECOMMENDATION

**We maintain our Hold recommendation and our price target of \$3.35/share, in line with the offer price.** Our confidence in the FY11 outlook has increased following our discussions with management. However, we prefer to take a more conservative stance to reflect the prevailing sector risks and the relatively poor earnings visibility of the business. Although Campbell Brothers could come back with a higher bid, say to \$3.57-3.85/share, we are reluctant to recommend buying at these levels on this basis. We remain well aware that the stock price would likely fall if Campbell Brothers walks away. Campbell Brothers has a track record for being patient when it comes to acquisitions.

**Ammtec Ltd (AEC)**

Full Year Ended 30 June

Profit and Loss (\$m)	2009a	2010e	2011e	2012e
Sales Revenue	54.9	52.0	66.0	72.6
Other Revenue	0.3	0.2	0.2	0.2
<b>Total Revenue</b>	<b>55.2</b>	<b>52.2</b>	<b>66.2</b>	<b>72.8</b>
<b>EBITDA</b>	<b>12.9</b>	<b>12.0</b>	<b>18.2</b>	<b>21.4</b>
EBITDA margin (%)	23.5	23.1	27.5	29.5
D & A tangibles	1.7	2.0	2.3	2.5
<b>EBITA</b>	<b>11.2</b>	<b>10.0</b>	<b>15.8</b>	<b>18.9</b>
EBITA margin (%)	20.4	19.3	24.0	26.0
Amortisation intangibles	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>11.2</b>	<b>10.0</b>	<b>15.8</b>	<b>18.9</b>
EBIT margin (%)	20.4	19.3	24.0	26.0
Net Interest exp / (income)	1.2	0.3	0.7	0.7
<b>Profit before tax</b>	<b>10.3</b>	<b>9.7</b>	<b>15.1</b>	<b>18.2</b>
Tax exp / (benefit)	3.5	3.1	4.8	5.8
<b>NPAT pre minorities</b>	<b>6.9</b>	<b>6.9</b>	<b>10.3</b>	<b>12.4</b>
Minority Interests	-0.4	-0.4	0.0	0.0
<b>NPAT pre sig items</b>	<b>6.5</b>	<b>6.4</b>	<b>10.3</b>	<b>12.4</b>
Significant items	0.0	0.0	0.0	0.0
<b>NPAT reported</b>	<b>6.5</b>	<b>6.4</b>	<b>10.3</b>	<b>12.4</b>
<b>NPAT adjusted *</b>	<b>6.5</b>	<b>6.4</b>	<b>10.3</b>	<b>12.4</b>
EPS adj ¢	25.4	17.2	25.4	30.5

\* NPAT adjusted for significant items and amortisation of intangibles

Cash Flow (\$m)	2009a	2010e	2011e	2012e
<b>EBITDA</b>	<b>12.9</b>	<b>12.0</b>	<b>18.2</b>	<b>21.4</b>
Net Interest	-1.2	-0.3	-0.7	-0.7
Tax	-3.5	-3.1	-4.8	-5.8
Δ Working Capital	3.7	-0.6	-1.8	-0.9
Other	2.1	1.3	0.0	0.0
<b>Operating Cashflow</b>	<b>12.1</b>	<b>9.1</b>	<b>10.8</b>	<b>14.0</b>
Capex	-5.9	-10.0	-9.0	-6.5
Net Acquisitions	-2.1	-1.1	0.0	0.0
Asset Sales	0.3	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Investing Cashflow</b>	<b>-7.7</b>	<b>-11.1</b>	<b>-9.0</b>	<b>-6.5</b>
Equity proceeds	0.1	18.8	0.0	0.0
Debt proceeds	1.6	0.0	5.0	0.0
Debt repayment	-0.8	-7.0	-1.0	-1.0
Dividends paid	-4.7	-5.3	-7.4	-8.4
Other	0.0	0.0	0.0	0.0
<b>Financing Cashflow</b>	<b>-3.8</b>	<b>6.4</b>	<b>-3.4</b>	<b>-9.4</b>
Net Cashflow	0.5	4.4	-1.6	-1.9

Ratios	2009a	2010e	2011e	2012e
EPS rep ¢	25.4	17.2	25.4	30.5
EPS adj ¢	25.4	17.2	25.4	30.5
EPS adj growth (%)	-15.4	-32.0	47.3	20.1
PER x	12.6	18.6	12.6	10.5
EV/EBITDA x	7.3	10.0	7.5	6.4
EV/EBIT x	8.4	12.0	8.6	7.2
Payout ratio (%)	79.0	92.5	74.0	74.0
DPS Total ¢	16.0	16.4	20.9	25.1
Yield (%)	5.0	5.1	6.5	7.8
Average RoE (%)	16.4	12.3	16.4	18.6
Average RoA (%)	18.1	13.6	19.0	21.2
Gearing (ND/ND+E) (%)	22.0	1.0	8.7	9.3
Net interest cover x	9.1	32.9	22.6	27.0
ND/EBITDA x	0.9	0.0	0.3	0.3
NTA (\$ per share)	0.71	1.00	0.99	1.09
WA # Shares Diluted (m)	25.6	37.3	40.5	40.5

Source: Company; FSB estimates

Half Year Ended 31 Dec

Profit and Loss (\$m)	1H09a	2H09a	1H10a	2H10e
Sales Revenue	29.8	25.1	24.5	27.5
Other Revenue	0.2	0.1	0.1	0.1
<b>Total Revenue</b>	<b>30.0</b>	<b>25.2</b>	<b>24.6</b>	<b>27.6</b>
<b>EBITDA</b>	<b>7.4</b>	<b>5.5</b>	<b>5.2</b>	<b>6.8</b>
EBITDA margin (%)	24.8	21.9	21.3	24.8
D & A tangibles	0.9	0.8	1.0	1.0
<b>EBITA</b>	<b>6.5</b>	<b>4.7</b>	<b>4.2</b>	<b>5.8</b>
EBITA margin (%)	21.8	18.6	17.2	21.2
Amortisation intangibles	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>6.5</b>	<b>4.7</b>	<b>4.2</b>	<b>5.8</b>
EBIT margin (%)	21.8	18.6	17.2	21.2
Net Interest exp / (income)	0.5	0.8	0.2	0.1
<b>Profit before tax</b>	<b>6.0</b>	<b>4.3</b>	<b>4.0</b>	<b>5.7</b>
Tax exp / (benefit)	2.1	1.4	1.4	1.7
<b>NPAT pre minorities</b>	<b>4.1</b>	<b>2.8</b>	<b>2.9</b>	<b>4.0</b>
Minority Interests	-0.1	-0.3	-0.2	-0.2
<b>NPAT pre sig items</b>	<b>3.9</b>	<b>2.6</b>	<b>2.6</b>	<b>3.8</b>
Significant items	0.0	0.0	0.0	0.0
<b>NPAT reported</b>	<b>3.9</b>	<b>2.6</b>	<b>2.6</b>	<b>3.8</b>
<b>NPAT adjusted *</b>	<b>3.9</b>	<b>2.6</b>	<b>2.6</b>	<b>3.8</b>
EPS adj ¢	16.0	9.4	8.1	9.2

\* NPAT adjusted for significant items and amortisation of intangibles

Balance Sheet (\$m)	2009a	2010e	2011e	2012e
Cash	0.5	4.9	3.4	1.5
Receivables	9.7	8.2	10.4	11.4
Inventories	2.2	2.7	3.4	3.7
PPE	32.6	40.6	47.2	51.2
Intangibles	22.2	21.8	21.8	21.8
Investments	0.0	0.0	0.0	0.0
Other	1.3	1.2	1.2	1.2
<b>Total Assets</b>	<b>68.6</b>	<b>79.3</b>	<b>87.4</b>	<b>90.8</b>
Accounts payable	8.4	6.6	7.9	8.4
Provisions	0.0	0.0	0.0	0.0
Tax liabilities	0.4	0.4	0.7	0.8
Debt	12.6	5.5	9.5	8.5
Other	4.1	5.2	4.8	4.6
<b>Total Liabilities</b>	<b>25.6</b>	<b>17.8</b>	<b>22.9</b>	<b>22.4</b>
Reserves and capital	31.1	49.4	49.4	49.4
Retained earnings	11.8	12.0	14.9	18.9
Minorities	0.1	0.1	0.1	0.1
<b>Total Equity</b>	<b>43.0</b>	<b>61.5</b>	<b>64.4</b>	<b>68.4</b>

Divisions (\$m)	2009a	2010e	2011e	2012e
WA	31.2	32.4	39.6	44.3
TAS	3.4	2.6	2.7	2.9
NSW	2.6	1.8	1.9	2.0
SA	1.1	1.2	1.3	1.3
<b>Total Met Revenue</b>	<b>38.2</b>	<b>38.0</b>	<b>45.5</b>	<b>50.5</b>
Marc	16.6	14.0	19.0	20.3
Other	0.3	0.2	0.2	0.2
<b>Total Revenue</b>	<b>55.1</b>	<b>52.1</b>	<b>64.7</b>	<b>71.1</b>

Valuation	now	one year		
	\$m	\$ ps	\$m	\$ ps
Business value	121.7	3.26	131.8	3.25
Net debt	0.6	0.02	6.2	0.15
<b>NPV</b>	<b>121.1</b>	<b>3.25</b>	<b>125.6</b>	<b>3.10</b>

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