

Ammtec (AEC.ASX)

Tuesday 17 August 2010

FY10 result in line. Dividend dispute threatens CPB's hostile bid.

Event:

- AEC reported its FY10 result.

Key FY10 result details:

- Revenue:** -2% yoy to \$54.0m (FSB \$55.3m) (1H/2H: \$24.5m / \$29.5m)
- EBITDA:** flat yoy at \$12.8m (FSB \$12.5m) (1H/2H: \$5.2m / \$7.6m)
- EBITDA margin:** +30 bps yoy to 23.8% (1H/2H: 21.3% / 25.8%)
- NPAT rep:** +4% yoy to \$6.7m (FSB \$6.7m)
- NPAT adj:** +4% yoy to \$6.7m (FSB \$6.7m) (1H/2H: \$2.6m / \$3.7m)
- EPS adj:** -25% yoy to 18.9 cps (FSB 18.0 cps) (1H/2H: 9.1 cps / 9.8 cps)
- DPS:** +9% yoy to 17.5 cps (FSB 17.5 cps) (1H/2H: 6.5 cps / 11.0 cps)

Analysis:

- Result in line.** There were few surprises given the result was pre-announced in July 2010. NPAT of \$6.7m came in line.
- Second half recovery.** 2HFY10 showed a solid recovery with 46% EBITDA growth on 20% revenue growth on 1HFY10.
- Marc the hero.** The hero of the result was Marc technologies which reported 60% revenue growth on 1HFY10 with the EBITDA margin expanding from 3.3% to 27.5%. Marc's strong FY11 order book underpins Ammtec's bullish guidance.
- Outlook.** The company said "Ammtec has already achieved a very strong start to FY11 due to enhanced performance from all three businesses and a return to pre-GFC trading conditions." Management expects FY11 revenue growth of 36-47% to \$73.3m-\$79.1m and NPAT growth of 65-91% to \$11.1m-\$12.9m.
- Dividend dispute.** Ammtec declared a final dividend of 11 cps, payable in October 2010 (17.5 cps FY10 dividend represents 95% of NPAT). However, Campbell Brothers warned this breaches a key condition and may result in the offer lapsing or a downward adjustment to the offer (ie -11 cps).

Earnings & Valuation:

- FY11 EPS -2% & FY12 EPS -6% reflecting lower margins and higher D&A.
- DCF valuation down from \$3.34/share to \$3.01/share.

Catalysts:

- CPB's \$3.35/share cash or 2 for 17 takeover offer (CPB has 9.99% of AEC). The offer closes 5.00 pm Perth time on 22 September 2010.
- Positive earnings announcements and new contract wins.

Recommendation:

- We maintain our Hold and our \$3.35/share price target.**
- In the near-term, we expect the AEC stock price to be dictated by the takeover offer. The scrip offer currently implies \$3.70/share for AEC (CBP \$31.45/share). However, we see downside risk to the share price if CPB walks away or reduces its offer given AEC is trading well above our forward valuation of \$3.20/share.
- Trading on a FY11 PER of 13.6x, we do not regard the fundamentals as compelling at these levels. We view the 95% payout ratio as unsustainable.

Metals & Mining

Rating	Hold
Previous	Hold

Share Price (\$)	3.47
Price Target (\$)	3.35
Previous (\$)	3.35
NPV (\$/share)	3.01
Risk	Medium

Capital Structure

Shares on Issue (m)	36.5
Shares on Issue diluted (m)	40.5
Free Float (%)	100%
12mth Av Daily Volume (m)	0.05
Market Cap (\$m)	140.7
FY11e EV (\$m)	149.2

Key Metrics

Year to June	FY10a	FY11e	FY12e	FY13e
Revenue (\$m)	54.0	67.9	76.0	83.2
EBITDA (\$m)	12.8	18.5	21.4	23.5
NPAT rep (\$m)	6.7	10.3	11.9	13.2
NPAT adj (\$m)	6.7	10.3	11.9	13.2
EPS adj (¢)	18.9	25.4	29.2	32.5
DPS (¢)	17.5	19.8	22.7	26.0
Rev growth (%)	-2%	26%	12%	10%
EPS growth (%)	-25%	34%	15%	11%
EBITDA margin (%)	24%	27%	28%	28%
PER (x)	18.3	13.6	11.9	10.7
EV / EBITDA (x)	9.9	8.1	7.0	6.4
Yield (%)	5.0	5.7	6.5	7.5
Op Cashflow (\$m)	5.9	10.9	13.0	14.9
Capex (\$m)	-9.4	-8.0	-6.5	-5.0
FCF (\$m)	-3.5	2.9	6.5	9.9
Net Debt (\$m)	2.7	8.5	9.9	8.9
Gearing (%)	4.1	11.3	12.2	10.6
EBITDA / Net int (x)	32.4	31.8	18.7	22.8

Share Price Graph



Analyst

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FY10 RESULT OVERVIEW

Financial Metrics

- **Revenue:** -2% yoy to \$54.0m (FSB \$55.3m) (1H/2H: \$24.5m / \$29.5m)
- **EBITDA:** flat yoy at \$12.8m (FSB \$12.5m) (1H/2H: \$5.2m / \$7.6m)
- **EBITDA margin:** +30 bps yoy to 23.8% (FSB 22.6%) (1H/2H: 21.3% / 25.8%)
- **NPAT rep:** +4% yoy to \$6.7m (FSB \$6.7m)
- **NPAT adj:** +4% yoy to \$6.7m (FSB \$6.7m) (1H/2H: \$2.6m / \$3.7m)
- **EPS adj:** -25% yoy to 18.9 cps (FSB 18.0 cps) (1H/2H: 9.1 cps / 9.8 cps)
- **DPS:** +9% yoy to 17.5 cps (FSB 17.5 cps) (1H/2H: 6.5 cps / 11.0 cps)

Divisions

• Met Consulting

Revenue: +3% yoy to \$39.4m (1H/2H: \$18.9m / \$20.5m)

EBITDA: -10% yoy to \$11.9m (1H/2H: \$5.9m / \$6.0m)

• Marc Technologies

Revenue: -12% yoy to \$14.5m (1H/2H: \$5.6m / \$8.9m)

EBITDA: +94% yoy to \$2.7m (1H/2H: \$0.2m / \$2.5m)

Cashflow

- **Op Cashflow:** -51% yoy to \$5.9m (FSB \$8.9m)
- **Capex:** +60% yoy to \$9.4m (FSB -\$10.0m)
- **Free Cashflow:** -\$3.5m vs +\$6.2m in pcp (FSB -\$1.1m)

Balance Sheet

- **Net Debt:** \$2.7m (\$3.1m Cash & \$5.8m Debt) vs pcp at \$12.1m
- **Gearing:** 4% vs pcp at 22%
- **Net Interest Cover:** 32.4x vs pcp at 9.1x

FSB Analysis:

- There were few surprises given the result was pre-announced in July 2010. NPAT of \$6.7m came in line. While adjusted NPAT grew 4% yoy, EPS fell 25% due to dilution from the capital raising and SPP conducted in July 2009.
- FY10 revenue fell 2% yoy to \$54.0m while EBITDA was flat at \$12.8m. The EBITDA margin improved by 30 bps in FY10 to 23.8%.
- 2HFY10 showed a solid recovery with 46% EBITDA growth on 20% revenue growth compared to 1HFY10. Much of this improvement was due to a sharp turnaround in the Marc Technologies business.
- The significant decline in operating cashflow reflected increased investment in working capital for growth. We expect this to unwind in FY11, producing solid cashflow growth.
- We estimate the \$9.4m of capex comprised \$4m of maintenance capex and \$5.4m of growth capex. Ammtec has been building a new hydromet facility scheduled for completion by December 2010 as well as investing in new equipment and capabilities. We expect Ammtec to spend another \$4m on this facility in 1HFY11.
- Ammtec's Balance Sheet is strong with FY10 net debt of just \$2.7m and gearing of 4%.

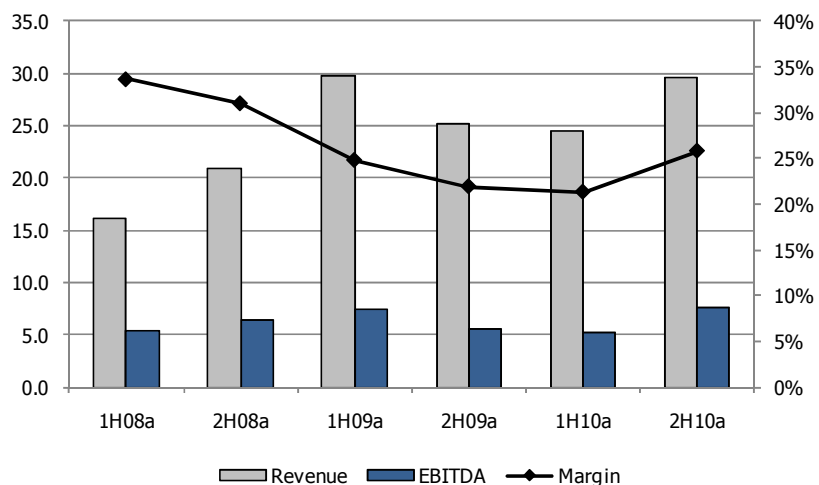
- Ammtec has declared a fully franked final dividend of 11 cps, payable in October 2010, 'irrespective of the status of the ALS offer at the time.' This takes the total FY10 dividend to 17.5 cps (vs 16 cps in pcp), equivalent to a payout ratio of 95% (vs 75% in pcp).
- Campbell Brothers has since warned this breaches a key condition and may result in the offer lapsing or a downward adjustment to the offer (ie -11 cps)
- A snapshot of the FY10 result versus our forecasts and the pcp is shown below:

AEC FY10 Result Summary

		1HFY10	2HFY10	FY10	FY10		FY09	pcp
		Actual	Actual	Actual	FSB	Diff	Actual	Diff
Sales Revenue	\$m	24.5	29.5	54.0	55.3	-2%	54.9	-2%
EBITDA	\$m	5.2	7.6	12.8	12.5	3%	12.9	0%
EBITDA margin	%	21.3%	25.8%	23.8%	22.6%	5%	23.5%	1%
D & A tangibles	\$m	1.0	1.1	2.1	2.0	5%	1.7	24%
EBITA	\$m	4.2	6.5	10.7	10.5	2%	11.2	-4%
EBITA margin	%	17.2%	22.1%	19.9%	19.0%	5%	20.4%	-3%
Amort Intang	\$m	0.0	0.0	0.0	0.0	0%	0.0	0%
EBIT	\$m	4.2	6.5	10.7	10.5	2%	11.2	-4%
EBIT margin	%	17.2%	22.1%	19.9%	19.0%	5%	20.4%	-3%
Net Interest	\$m	0.2	0.1	0.3	0.3	8%	1.2	-73%
Profit before tax	\$m	4.0	6.4	10.4	10.2	2%	10.0	4%
Tax exp	\$m	1.4	2.3	3.6	3.3	12%	3.5	5%
NPAT pre	\$m	2.9	4.3	7.2	7.2	0%	6.9	4%
Minorities	\$m	-0.2	-0.2	-0.4	-0.4	nm	-0.4	7%
NPAT pre sig	\$m	2.6	4.1	6.7	6.7	0%	6.5	4%
Significant items	\$m	0.0	0.0	0.0	0.0	0%	0.0	0%
NPAT rep	\$m	2.6	4.1	6.7	6.7	0%	6.5	4%
NPAT adj	\$m	2.6	4.1	6.7	6.7	0%	6.5	4%
EPS rep	¢	8.3	11.8	20.1	18.0	12%	26.9	-25%
EPS adj	¢	9.1	9.8	18.9	18.0	5%	25.4	-25%
DPS	¢	6.5	11.0	17.5	17.5	0%	16.0	9%

Source: Company, FSB estimates

AEC Revenue & EBITDA 1HFY08-2HFY10 (\$m)



Source: Company, FSB estimates

DIVISIONS

- A divisional breakdown is displayed below:

AEC FY10 Divisional Breakdown

		1HFY09	2HFY09	FY09	1HFY10	2HFY10	FY10	pcp
		Actual	Actual	Actual	Actual	Actual	Actual	Diff
Met Consulting	\$m	20.2	18.0	38.2	18.9	20.5	39.4	3%
Marc Technologies	\$m	9.6	7.0	16.6	5.6	8.9	14.5	-12%
PSI	\$m	0.0	0.1	0.1	0.0	0.0	0.0	-68%
Sales Revenue	\$m	29.8	25.1	54.9	24.5	29.5	54.0	-2%
Met Consulting	\$m	6.3	7.0	13.2	5.9	6.0	11.9	-10%
Marc Technologies	\$m	1.9	-0.5	1.4	0.2	2.5	2.7	94%
PSI	\$m	-0.7	-0.9	-1.5	-0.8	-0.7	-1.5	0%
Other	\$m	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2	32%
EBITDA	\$m	7.4	5.5	12.9	5.2	7.6	12.8	0%
Met Consulting	%	31.0%	38.7%	34.6%	31.3%	29.3%	30.3%	
Marc Technologies	%	19.8%	-7.5%	8.3%	3.3%	27.6%	18.3%	
PSI	%	nm	nm	nm	nm	nm	nm	
EBITDA margin	%	24.8%	21.9%	23.5%	21.3%	25.8%	23.8%	

Source: Company, FSB estimates

Metallurgical Consulting

- Met lab revenue grew 3% yoy to \$39.4m while EBITDA fell 10% yoy to \$11.9m. The EBITDA margin declined from 34.6% in FY09 to 30.3% in FY10.
- Although 2HFY10 met lab revenue grew 9% on 1HFY10, EBITDA only grew 2%, implying a 200 bps deterioration in the EBITDA margin to 29.3%. This perhaps reflects increased costs associated with the capacity expansions.
- In the Target's Statement, Ammtec highlighted that the metallurgical consulting business is experiencing strong demand for its services as new resources projects are planned in Australia and internationally.
- Ammtec projects 15-29% revenue growth to \$45.4m-\$50.9m and 29-49% EBITDA growth to \$15.2m-\$17.6m in FY11 for the met lab segment. The company noted that the high end of its revenue guidance includes \$5.5m from the new hydromet facility while the low end does not.
- Management expects FY11 EBITDA margins at the met lab to return to historical levels of 33-35%, driven in part by new labour saving automated sample preparation equipment which should be completed by December 2010.

Marc Technologies

- The hero of the FY10 result was Marc technologies which reported 60% revenue growth on 1HFY10 with the EBITDA margin expanding from 3.3% to 27.5% over the period.
- Marc's FY10 revenue dropped 12% yoy to \$14.5m. However, EBITDA grew 94% on the pcp to \$2.7m as margins recovered from 8.3% in FY09 to 18.3% in FY10. Marc was significantly impacted by the capex freezes imposed throughout the mining industry during the GFC.
- Management said that Marc Technologies has a strong order book with the company guiding for 75% revenue growth to \$25.4m and 78% EBITDA growth to \$4.8m in FY11. Roughly half of the FY11 guidance is contracted and a further quarter under negotiation.

Purity Systems Inc. (PSI)

- In FY10, PSI cost Ammtec \$1.5m, broadly consistent with the pcg.
- In early July 2010 Ammtec confirmed PSI's first commercial sale worth \$1.5m.
- The company projects PSI to achieve FY11 revenue of \$2.7m-\$3.0m which would be EBITDA neutral. Management expects the resin business to be profitable in FY12.

OUTLOOK

- Ammtec has provided detailed formal FY11 guidance which is displayed in the table below. Management expects FY11 revenue growth of 36-47% to \$73.3m-\$79.1m and NPAT growth of 65-91% to \$11.1m-\$12.9m.
- The company said *"Ammtec has already achieved a very strong start to FY11 due to enhanced performance from all three businesses and a return to pre-GFC trading conditions."*
- The Board continues to recommend shareholder's reject Campbell Brother's bid in its current form for undervaluing the company.
- Ammtec has provided FY11 capex guidance of ~\$8m, comprising ~\$4m growth capex and \$4m maintenance capex. Almost all of the \$4m growth capex relates to the hyromet facility and is expected to be incurred in 1HFY11.

AEC FY11 Company Guidance

		FY10 Actual	FY11 Low	FY11 High	pcg Low	pcg High
Met Consulting	\$m	39.4	45.4	50.9	15%	29%
Marc Technologies	\$m	14.5	25.4	25.4	75%	75%
PSI	\$m	0.0	2.7	3.0	nm	nm
Consolidation	\$m	0.0	-0.3	-0.3	nm	nm
Sales Revenue	\$m	54.0	73.3	79.1	36%	47%
Met Consulting	\$m	11.9	15.2	17.6	27%	47%
Marc Technologies	\$m	2.7	4.8	4.8	81%	81%
PSI	\$m	-1.5	0.0	0.1	nm	nm
Consolidation	\$m	-0.2	-0.3	-0.3	nm	nm
EBITDA	\$m	12.8	19.6	22.2	53%	73%
Met Consulting	%	30.3%	33.5%	34.6%	11%	14%
Marc Technologies	%	18.3%	18.9%	18.9%	3%	3%
PSI	%	nm	nm	nm	nm	nm
EBITDA margin	%	23.8%	26.7%	28.1%	13%	18%
D & A	\$m	2.1	2.6	2.6	23%	23%
EBIT	\$m	10.7	17.0	19.6	59%	83%
EBIT margin	%	19.9%	23.2%	24.8%	17%	25%
Interest	\$m	0.3	0.5	0.5	58%	58%
Profit before tax	\$m	10.4	16.5	19.1	59%	84%
Tax	\$m	3.6	5.4	6.2	48%	70%
NPAT pre-min	\$m	7.2	11.1	12.9	55%	80%
Minorities	\$m	-0.4	0.0	0.0	nm	nm
NPAT rep	\$m	6.7	11.1	12.9	65%	91%
EPS rep	¢	20.3	30.5	35.3	50%	74%

Source: Company, FSB research

REVISED FORECASTS

- We have made only minor changes to our FY11 and FY12 earnings forecasts on the back of the FY10 result.
- Our FY11 and FY12 revenue projections are up 1% and 2% to \$67.9m and \$76.0m respectively. Note that our FY11 revenue projection is 7% below the bottom of management's guidance range and 14% below the top end.
- Lifting our D&A tangibles assumption in FY11 has reduced our EBIT projection slightly.
- The impact on PBT has somewhat been limited by lower net interest forecasts.
- Our changes reduce our FY11 and FY12 NPAT and EPS projections by 2% and 6% respectively. Our FY11 NPAT forecast sits 7% and 20% below the top and bottom of the guidance range.
- The table below provides a summary of our forecast changes.

AEC Forecast Changes

		FY11e	FY11e		FY12e	FY12e	
		NEW	OLD	Diff	NEW	OLD	Diff
Sales Revenue	\$m	67.9	67.5	1%	76.0	74.3	2%
EBITDA	\$m	18.5	18.6	0%	21.4	21.9	-3%
EBITDA margin	%	27.2%	27.5%	-1%	28.1%	29.5%	-5%
D & A tangibles	\$m	2.6	2.4	10%	2.7	2.6	2%
EBITA	\$m	15.9	16.2	-2%	18.7	19.3	-3%
EBITA margin	%	23.4%	24.0%	-3%	24.6%	26.0%	-5%
Amort Intang	\$m	0.0	0.0	nm	0.0	0.0	nm
EBIT	\$m	15.9	16.2	-2%	18.7	19.3	-3%
EBIT margin	%	23.4%	24.0%	-3%	24.6%	26.0%	-5%
Net Interest	\$m	0.5	0.7	-29%	1.0	0.7	43%
Profit before tax	\$m	15.4	15.5	-1%	17.7	18.6	-5%
Tax exp	\$m	5.1	5.0	2%	5.8	6.0	-2%
NPAT pre min	\$m	10.3	10.5	-2%	11.9	12.7	-6%
Minorities	\$m	0.0	0.0	0%	0.0	0.0	0%
NPAT pre sig	\$m	10.3	10.5	-2%	11.9	12.7	-6%
Significant items	\$m	0.0	0.0	0%	0.0	0.0	0%
NPAT rep	\$m	10.3	10.5	-2%	11.9	12.7	-6%
NPAT adj	\$m	10.3	10.5	-2%	11.9	12.7	-6%
EPS adj	¢	25.4	26.0	-2%	29.2	31.2	-6%

Source: FSB estimates

VALUATION

- Changes made to our forecasts, together with rolling our model forward, reduce our NPV from \$3.34/share to \$3.01/share and increase our year-forward valuation from \$3.18/share to \$3.20/share. We retain 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	130.7	3.22	139.5	3.44
Net debt	8.5	0.21	9.9	0.24
NPV	122.2	3.01	129.6	3.20

Source: FSB estimates

RECOMMENDATION

- We maintain our Hold and our \$3.35/share price target.**
- In the near-term, we expect the AEC stock price to be dictated by the takeover offer. The scrip offer currently implies \$3.70/share for AEC (CBP \$31.45/share). However, we see downside risk to the share price if CPB walks away or reduces its offer given AEC is trading well above our forward valuation of \$3.20/share.
- Trading on a FY11 PER of 13.6x, we do not regard the fundamentals as compelling at these levels. We remain comfortably below management's strong guidance range at this point. We would like to see further evidence of a strong 1HFY11 before upgrading our forecasts.
- Further, we do not view the 95% dividend payout ratio as sustainable. We use 70% going forward. Ammtec still has another \$8.0m of capital commitments in FY11 by our estimates. Our model requires further borrowing to keep cash on the Balance Sheet positive.

Ammtec Ltd (AEC)

Full Year Ended 30 June

Profit and Loss (\$m)	2009a	2010a	2011e	2012e
Sales Revenue	54.9	54.0	67.9	76.0
Other Revenue	0.0	0.0	0.0	0.0
Total Revenue	54.9	54.0	67.9	76.0
EBITDA	12.9	12.8	18.5	21.4
EBITDA margin (%)	23.5	23.8	27.2	28.1
D & A tangibles	1.7	2.1	2.6	2.7
EBITA	11.2	10.7	15.9	18.7
EBITA margin (%)	20.4	19.9	23.4	24.6
Amortisation intangibles	0.0	0.0	0.0	0.0
EBIT	11.2	10.7	15.9	18.7
EBIT margin (%)	20.4	19.9	23.4	24.6
Net Interest exp / (income)	1.2	0.3	0.5	1.0
Profit before tax	10.0	10.4	15.4	17.7
Tax exp / (benefit)	3.5	3.6	5.1	5.8
NPAT pre minorities	6.9	7.2	10.3	11.9
Minority Interests	-0.4	-0.4	0.0	0.0
NPAT pre sig items	6.5	6.7	10.3	11.9
Significant items	0.0	0.0	0.0	0.0
NPAT reported	6.5	6.7	10.3	11.9
NPAT adjusted *	6.5	6.7	10.3	11.9
EPS adj ¢	25.4	18.9	25.4	29.2

* NPAT adjusted for significant items and amortisation of intangibles

Cash Flow (\$m)	2009a	2010a	2011e	2012e
EBITDA	12.9	12.8	18.5	21.4
Net Interest	-1.2	-0.3	-0.5	-1.0
Tax	-3.5	-3.6	-5.1	-5.8
Δ Working Capital	3.7	-4.9	-2.0	-1.5
Other	2.1	0.7	0.0	0.0
Operating Cashflow	12.1	5.9	10.9	13.0
Capex	-5.9	-9.4	-8.0	-6.5
Net Acquisitions	-2.1	-1.2	-1.3	0.0
Asset Sales	0.3	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Investing Cashflow	-7.7	-10.6	-9.3	-6.5
Equity proceeds	0.1	18.8	0.0	0.0
Debt proceeds	1.6	0.0	7.0	1.0
Debt repayment	-0.8	-7.1	-2.0	-1.0
Dividends paid	-4.7	-4.8	-7.5	-7.9
Other	0.0	0.0	0.0	0.0
Financing Cashflow	-3.8	6.9	-2.5	-7.9
Net Cashflow	0.5	2.2	-0.8	-1.4

Ratios	2009a	2010a	2011e	2012e
EPS rep ¢	26.9	20.1	25.4	29.2
EPS adj ¢	25.4	18.9	25.4	29.2
EPS adj growth (%)	-15.4	-25.4	34.4	15.1
PER x	13.7	18.3	13.6	11.9
EV/EBITDA x	7.8	9.9	8.1	7.0
EV/EBIT x	9.0	11.8	9.4	8.1
Payout ratio (%)	79.0	94.6	70.0	70.0
DPS Total ¢	16.0	17.5	19.8	22.7
Yield (%)	4.6	5.0	5.7	6.5
Average RoE (%)	16.4	12.6	15.7	17.2
Average RoA (%)	18.0	13.9	17.9	19.6
Gearing (ND/ND+E) (%)	22.0	4.1	11.3	12.2
Net interest cover x	9.1	32.4	31.8	18.7
ND/EBITDA x	0.9	0.2	0.5	0.5
NTA (\$ per share)	0.71	1.09	1.06	1.16
WA # Shares Diluted (m)	25.6	35.6	40.5	40.5

Source: Company; FSB estimates

Half Year Ended 31 Dec

Profit and Loss (\$m)	1H09a	2H09a	1H10a	2H10a
Sales Revenue	29.8	25.1	24.5	29.5
Other Revenue	0.0	0.0	0.0	0.0
Total Revenue	29.8	25.1	24.5	29.5
EBITDA	7.4	5.5	5.2	7.6
EBITDA margin (%)	24.8	21.9	21.3	25.8
D & A tangibles	0.9	0.8	1.0	1.1
EBITA	6.5	4.7	4.2	6.5
EBITA margin (%)	21.8	18.6	17.2	22.1
Amortisation intangibles	0.0	0.0	0.0	0.0
EBIT	6.5	4.7	4.2	6.5
EBIT margin (%)	21.8	18.6	17.2	22.1
Net Interest exp / (income)	0.5	0.8	0.2	0.1
Profit before tax	6.0	3.9	4.0	6.4
Tax exp / (benefit)	2.1	1.4	1.4	2.3
NPAT pre minorities	4.1	2.8	2.9	4.3
Minority Interests	-0.1	-0.3	-0.2	-0.2
NPAT pre sig items	3.9	2.6	2.6	4.1
Significant items	0.0	0.0	0.0	0.0
NPAT reported	3.9	2.6	2.6	4.1
NPAT adjusted *	3.9	2.6	2.6	4.1
EPS adj ¢	16.0	9.4	9.1	9.8

* NPAT adjusted for significant items and amortisation of intangibles

Balance Sheet (\$m)	2009a	2010a	2011e	2012e
Cash	1.0	3.1	2.3	1.0
Receivables	9.7	15.4	18.3	20.4
Inventories	2.2	2.5	3.0	3.3
PPE	32.6	39.7	45.1	49.0
Intangibles	22.2	22.1	22.1	22.1
Investments	0.0	0.0	0.0	0.0
Other	1.3	2.0	2.0	2.0
Total Assets	69.1	84.8	92.7	97.8
Accounts payable	8.4	8.7	10.0	11.1
Provisions	0.0	0.0	0.0	0.0
Tax liabilities	0.4	1.8	1.8	2.1
Debt	13.1	5.8	10.8	10.8
Other	4.1	4.5	3.1	2.9
Total Liabilities	26.1	20.8	25.8	26.9
Reserves and capital	31.1	50.4	50.4	50.4
Retained earnings	11.8	13.7	16.6	20.5
Minorities	0.1	-0.1	0.0	0.0
Total Equity	43.0	64.0	67.0	70.9

Divisions (\$m)	2009a	2010a	2011e	2012e
Metallurgical Consulting	38.2	39.4	45.4	51.3
Marc Technologies	16.6	14.5	21.0	23.1
PSI	0.1	0.0	1.5	1.5
Other	0.0	0.0	0.0	0.0
Sales Revenue	54.9	54.0	67.9	76.0
Metallurgical Consulting	11.6	10.0	11.4	13.3
Marc Technologies	1.3	2.5	4.8	5.7
PSI	-1.5	-1.5	0.0	0.0
Other	-0.2	-0.2	-0.3	-0.3
EBIT	11.2	10.7	15.9	18.7

Valuation	now	one year		
	\$m	\$ ps	\$m	\$ ps
Business value	130.7	3.22	139.5	3.44
Net debt	8.5	0.21	9.9	0.24
NPV	122.2	3.01	129.6	3.20

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