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Shine Corporation (SHJ)

Significant growth for well into the future

A clear growth pathway... for well into the future

SHJ has delivered consistent strong double-digit earnings growth since its listing in May 2013, with a well-balanced contribution from organic and acquired growth. Under a clear growth strategy, we expect this to continue, for well into the future. Key drivers:

- Redevelopment of case management system (by FY17):** This will enable personalised case management. Key goal is to improve WIP recoverability. **For a 1% improvement** from current levels, **SHJ estimates a \$1.5m EBITDA benefit.** We believe there is a 10% lift opportunity in WIP recoverability over the medium-term, which we estimate **corresponds to \$12 to \$13m of additional EBITDA.**
- Rising brand awareness outside QLD:** Brand recognition in NSW, VIC and in SHJ's Special Practice Areas (SPA) is building momentum. We believe the fruits of SHJ's recent increased marketing investment will become evident in FY16/17.
- Further margin upside prospects:** Driven by strengthening local expertise and efficiencies in VIC and a growing contribution from higher margin SPA work.
- Recent commencement of third party disbursement funding:** We expect this to boost free cash flow which can then be used to support growth in the business.
- Domestic PI market consolidation still has a long way to go:** SHJ flagged "several acquisition prospects in the pipeline". In our view the next is likely near-term. We believe **market consolidation will continue for a further 5 to 10 yrs.**

Recommendation
Buy (unchanged)
Price
\$3.18
Target (12 months)
\$3.58 (previously \$3.45)

Expected Return

Capital growth	12.5%
Dividend yield	1.5%
Total expected return	14.0%

Company Data & Ratios

Enterprise value	\$559m
Market cap	\$548m
Issued capital	172.4m
Free float	45%
Avg. daily val. (52wk)	\$509k
12 month price range	\$1.99 - \$3.35

GICS sector

Commercial Services and Suppliers

Disclosure: Bell Potter Securities acted as lead manager to the Jun/Jul 2014 renounceable entitlement offer and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	2.90	2.96	1.90
Absolute (%)	10.34	8.11	68.74
Rel market (%)	9.84	-1.47	62.01

Track record demonstrates high internal visibility & control

A key positive is the strong handle management has across the business. Since listing management has demonstrated a high level of visibility and risk control, with a proven ability to forecast accurately. We believe the combination of high calibre leadership and a strong commitment to invest in staff, processes and systems, underpin this.

Investment view – Retain Buy, PT \$3.58

Updating our peer comparatives used in our EV/EBITDA valuation (SGH in particular) lifts our PT from \$3.45 to \$3.58. We like SHJ's clear national growth agenda and drive to enhance productivity. In addition, a fragmented market provides opportunities to execute accretive acquisitions. Operationally, the combination of high return metrics, minimal net debt & sector leading margins is attractive. Buy rating with a PT of \$3.58.

Absolute Price



Earnings Forecast

Jun Year end	2014a	2015e	2016e	2017e
Sales (A\$m)	115.5	148.6	169.3	184.4
EBITDA (A\$m)	34.2	45.9	51.8	56.9
NPAT (reported) (A\$m)	22.2	28.8	34.3	38.1
NPAT (underlying) (A\$m)	22.2	29.7	34.3	38.1
EPS underlying (cps)	14.3	17.3	19.9	22.1
EPS underlying growth (%)	15.9%	20.8%	15.1%	11.1%
PER (on underlying EPS) (x)	22.2	18.4	16.0	14.4
EV/EBITDA (x)	16.2	12.0	10.7	9.7
Dividend (cps)	3.5	4.2	5.1	5.5
Yield (%)	1.1%	1.3%	1.6%	1.7%
Franking (%)	0%	0%	0%	50%
ROE (%)	19.9%	19.3%	18.1%	17.9%

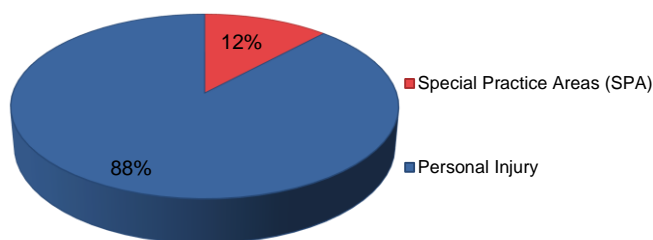
Executing on a clear path for growth

Growing SPA capability nationally & diversifying outside QLD

SHJ's growth strategy is focused on two fronts:

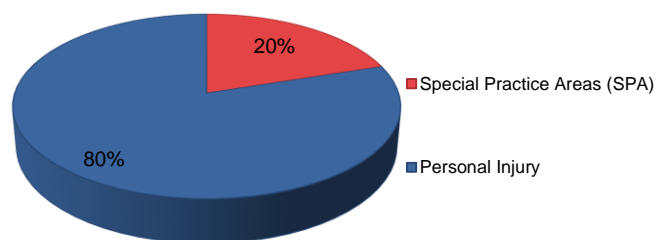
- 1 Increase exposure to "non-core" damages based litigation fields, or "Special Practice Areas" (SPA), across the national business from ~12% of FY13 group revenues, to 25-30%. In 1H15, SPA work accounted for ~20% of group revenue (Figure 2). We expect acquisitions will continue to form an integral component to drive growth on this front.

Figure 1 – Revenue split by SPA vs PI work, FY13 revenues



SOURCE: COMPANY DATA / COMPANY REPORTS

Figure 2 – Revenue split by SPA vs PI work, 1H15 revenues



SOURCE: COMPANY DATA / COMPANY REPORTS

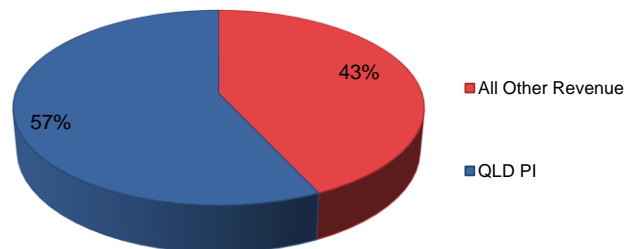
SPA work tends to be higher margin business (if risks are appropriately controlled). Therefore the increasing exposure to SPA work should be accretive to SHJ's margins.

- 2 Strengthen emerging footprint in VIC, NSW and WA, therefore diversifying exposure away from QLD personal injury. Since FY13, SHJ's exposure to QLD personal injury has diluted from 57% to 46%, (Figures 3 and 4). In 1H15 SHJ achieved strong double digit growth in NSW/WA, & high single digit growth in VIC. SPA work achieved strong double digit organic growth, & was also complemented with a boost from acquisitions.

We believe the key mechanisms to drive continued growth outside QLD include:

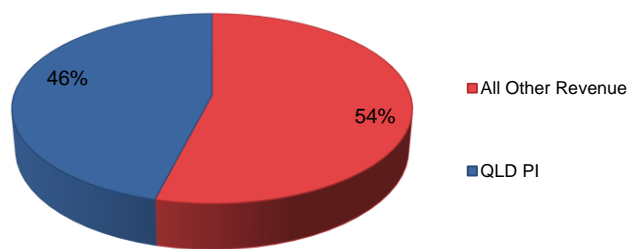
- a) Rising brand awareness with the support of marketing investment. We believe the increased investment underway in FY15 will deliver increasing enquiry volumes in FY16 and beyond;
- b) Margin improvement prospects, especially in Victoria, on the back of building strong local market expertise and efficiency measures; and
- c) Acquisitions.

Figure 3 – Revenue split by SPA vs PI work, FY13 revenues



SOURCE: COMPANY DATA / COMPANY REPORTS

Figure 4 – Revenue split by SPA vs PI work, 1H15 revenues



SOURCE: COMPANY DATA / COMPANY REPORTS

We believe this growth strategy is realising a number of important benefits including earnings diversification, reduced exposure to tort reform risk (especially in QLD), scale benefits, and broader brand recognition, together strengthening SHJ's reward-risk profile.

Redevelopment of SHJ's case management system

By FY17 SHJ expects to complete implementation of a substantial redevelopment of its case management system. Work on this has commenced with the 'detailed requirements' phase recently complete, and the 'build' phase now underway. The build phase will take approximately 18 months, before finally the 'run' phase heading into FY17.

The initiative targets **three key objectives**:

- 1 **Reduce average WIP cycle times** (*by stripping out waste and idle time*). SHJ's current average cycle time is ~18 months. SHJ has previously stated it seeks to reduce this by 150 days, improving cash flow metrics if successful.
- 2 **Improve the recoverability of WIP**. SHJ's WIP recoverability in 1H15 was ~84%. We believe there is potential to lift recoverability by 10% over 3 to 5 years. **For a 1% improvement from current levels, SHJ estimates a \$1.5m EBITDA benefit.** Therefore, we estimate a 10% lift **corresponds to \$12 to \$13m of additional EBITDA.**
- 3 **Increase/optimize the level of client damages** per case.

This project will involve upgrading system capability for **personalised case management**. By comparison, SHJ's current case management system is largely one process and lacks agility to support new jurisdictions and work type. As a consequence this requires a greater reliance on case managers to undertake the right steps outside the system's capabilities.

The key advantages that a personalised case management system can provide include:

- It supports the implementation of a case plan determined by the classification of the matter. Every case file will be supported independently in the system rather than "one size fits all".
- It enables faster inclusion of new workflows in new jurisdictions or new litigation fields into SHJ's case management process, with less reliance on "hardcoding";
- The first two factors in turn provide integration and scale benefits as SHJ continues to grow in new geographies and across targeted new litigation fields.
- Improves risk controls by only allowing authors to perform tasks in a case plan determined upfront that has been approved at panel review. This reduces the risk that case managers perform tasks outside the system that are not agreed upfront that cannot be recovered (therefore improving WIP recoverability). At the same time ensures case managers follow tasks agreed upfront which may improve WIP cycle or increase client damages.
- Is dynamic in that it supports change in case direction if, for example, new evidence is found for or against a case.
- An enhanced core case management system will likely have flow-on efficiency gains to back-office support tasks and result in the reduced need to put on extra support staff as SHJ grows.
- And finally it also enhances the capabilities of existing tools such as the Stage List given the improvement in information flow-through to these tools.

Third party disbursement funding

SHJ recently appointed a third party disbursement funding provider (since November 2013), which is common practice in personal injury litigation. Disbursements represent costs incurred during the course of a case and typically relate to the gathering of evidence to support the case. The most common example in personal injury is the cost of a medical report from medical professionals. Without a third party funding provider, these expenses must be borne by SHJ and can only be recovered from the client at a later date if the case is won. As a result, operating cash flow is impacted while the case is still active, and this distortion is amplified in years of strong growth in active case numbers.

The appointment of a third party disbursement funding provider should reduce this distortion, strengthening operating cash flow metrics. In 1H15, third party disbursement funding delivered ~\$0.6m in cash flow benefit. SHJ forecast this to lift to ~\$2m in FY16 as this new arrangement is rolled out across the group. This in turn should translate to a boost in free cash flow that can be used more usefully, such as support growth.

Acquisitions - ample opportunities for well into the future

Growth through acquisitions forms an important component of SHJ's growth strategy. Since listing, SHJ has announced three strategic acquisitions. As flagged in its 1H15 result, **SHJ remains active on this front with "several acquisition prospects in the pipeline"**.

The personal injury litigation market is fragmented. Figures 5 and 6 illustrate this although presented as an estimate at the time of SHJ's IPO in 2013.

Figure 5 – IBIS split for broader personal legal services market

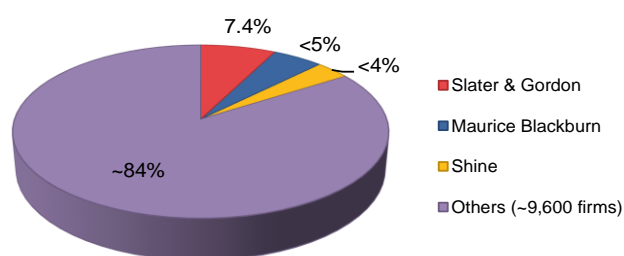
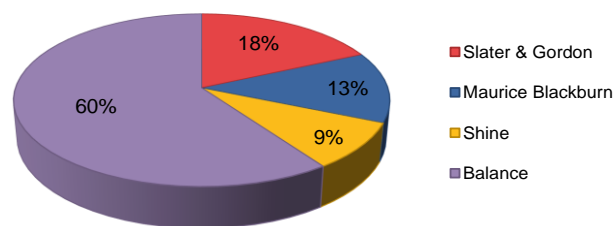


Figure 6 – SHJ's estimated market share, personal injury level



SOURCE: IBISWORLD INDUSTRY REPORT OD5125 DATED DECEMBER 2012, COMPANY DATA

SOURCE: COMPANY DATA

There remain ample acquisition opportunities over the foreseeable future. **We believe that there is still 5 to 10 years of consolidation** before the large three firms (Slater & Gordon, Maurice Blackburn and Shine Corporate) begin to encroach on each other.

We expect acquired growth to be weighted towards (1) growing outside of QLD and (2) increasing exposure to SPA (non-core) work areas. The earlier Figures 1 to 4 illustrate the strong progress to date on both these fronts.

Listed peer group comparison

Figure 7 provides an update of SHJ's valuation versus peers. SHJ's multiples remain below its closest peer, SGH. Overall, we view SHJ's valuation multiples as undemanding.

Figure 7 - Peer valuation comparison

Peer	Listing Currency Base	Year End	Market Cap (\$m)	EV (\$m)	EV/EBITDA				P/E				EPS Growth (%)				Div Yield (%)				
					FY14	FY15e	FY16e	FY17e	FY14	FY15e	FY16e	FY17e	FY14	FY15e	FY16e	FY17e	FY14	FY15e	FY16e	FY17e	
Shine Lawyers (BPS)	AUD	JUN	548	553	16.2	12.0	10.7	9.7	22.2	18.4	16.0	14.4	15.9%	20.8%	15.1%	11.1%	1.1%	1.3%	1.6%	1.7%	
Domestic																					
Slater & Gordon Limited	Law Firm	AUD	JUN	1,583	1,746	18.1	14.2	12.1	11.0	26.7	20.6	17.4	15.8	21.0%	29.4%	18.6%	9.7%	1.0%	1.3%	1.5%	1.7%
Chandler Macleod Group Ltd	Recruitment Services	AUD	JUN	296	396	10.1	9.3	8.5	8.2	14.2	15.0	12.6	10.4	-25.5%	-5.3%	19.4%	20.9%	5.4%	6.1%	6.5%	
IMF Australia Ltd	Financial Services	AUD	JUN	381	295	12.3	7.3	6.6	6.2	21.2	13.2	6.2	6.4	60.2%	113.9%	-2.7%		3.6%	4.6%	5.0%	5.9%
Average (ex Shine)					13.5	10.3	9.1	8.5	20.7	16.3	12.0	10.9	-2.2%	28.1%	50.6%	9.3%	3.3%	4.0%	4.3%	3.8%	
Median (ex Shine)					12.3	9.3	8.5	8.2	21.2	15.0	12.6	10.4	-2.2%	29.4%	19.4%	9.7%	3.6%	4.6%	5.0%	3.8%	
International comparable peers																					
Michael Page International PLC	Recruitment Services	GBP	DEC	3,140	2,967	15.9	13.3	10.8		30.4	24.1	19.0	15.1	12.9%	25.9%	27.3%	25.9%	2.2%	2.4%	2.6%	2.9%
Shree PLC	Recruitment Services	GBP	NOV	827	846	12.0	9.6	8.0	7.1	21.7	16.9	13.6	11.1	58.2%	28.4%	24.1%		4.2%	4.3%	4.6%	5.2%
Corporate Executive Board	Corporate Services	USD	DEC	3,395	3,905	12.8	12.5	11.2		23.0	20.8	18.5		8.2%	10.6%	12.4%		1.4%	1.9%	2.2%	
FTI Consulting	Corporate Services	USD	DEC	2,015	2,574	9.1	8.4	7.3	6.6	22.9	18.0	14.5	12.4	-29.6%	27.4%	23.7%					
Hays PLC	Recruitment Services	GBP	JUN	4,247	4,400	13.9	12.1	10.1	8.6	25.4	20.9	16.7	13.7	22.0%	21.3%	25.7%	21.5%	1.7%	1.9%	2.5%	3.5%
Robert Walters PLC	Recruitment Services	GBP	DEC	512	484	11.6	10.3			26.1	22.1			67.1%	18.2%	23.1%		1.7%	2.0%	2.2%	
WS Atkins PLC	Tech Consultancy	GBP	MAR	2,559	2,299	8.9	8.1	7.5	7.0	15.8	14.3	13.0	12.1	5.7%	10.5%	9.6%	7.3%	2.5%	2.7%	2.9%	3.1%
Average					12.0	10.6	9.2	7.3	23.6	19.6	15.9	12.9	20.6%	20.3%	20.8%	18.2%	2.3%	2.5%	2.8%	3.7%	
Median					12.0	10.3	9.1	7.1	23.0	20.8	15.6	12.4	12.9%	21.3%	23.7%	21.5%	2.0%	2.2%	2.5%	3.3%	
Overall Average (ex Shine)					12.5	10.5	9.1	7.8	22.7	18.6	14.6	12.1	15.6%	22.7%	29.8%	13.8%	2.6%	3.0%	3.3%	3.7%	
Overall Median (ex Shine)					12.2	9.9	8.5	7.1	22.9	19.3	14.5	12.3	12.9%	23.6%	23.4%	15.3%	2.2%	2.4%	2.6%	3.3%	

SOURCE: BELL POTTER SECURITIES ESTIMATES

Shine Corporation

Principal business
is personal injury

Company Description

Shine Corporate Limited (SHJ) is the third largest plaintiff litigation firm in Australia with over 600 staff in over 30 offices. The company has a niche focus on damages litigation with personal injury (PI) litigation being its principal business. Services are provided under a “No Win No Fee” model with fees not received until the successful conclusion of a case. SHJ is based primarily in QLD, although also has a footprint in NSW, VIC & a Perth office.

Investment Strategy

We rate SHJ Buy with a PT of \$3.58. SHJ’s medium-term growth strategy is on two fronts:

- 4 To increase exposure to “non-core” damages based litigation fields across the national business to 25-30% of group revenues. Acquisitions will form an integral component to drive growth on this front.
- 5 To strengthen its emerging footprint in VIC, WA and NSW. Initially, growth in VIC and WA will be more acquisitively weighted, while in NSW we expect growth will be more organically weighted with a focus towards consolidating existing.

Investment in staff and systems/processes is at the core of SHJ’s growth strategy. The heavy use of systems and tools facilitates case catalogue transparency, lifts platform scalability, and provides scope to enhance operating metrics.

Valuation

Our 12 month valuation is \$3.58 derived using an EV/EBITDA SOTP multiple methodology.

Risk to Investment Thesis

Key risks to our investment thesis include (but are not limited to):

Regulatory reform
risk is SHJ’s
largest risk

- A) **Regulatory reform risk:** Tort reform, amendments to current legislation, or the introduction of new legislation can cause material changes in case flow volumes.
- B) **WIP Recoverability:** WIP may not be fully recoverable if a case is unsuccessful because no damages are paid or if legislation limits what SHJ may recover on a successful case. Delay in WIP recovery may adversely affect cash flow and profitability.
- C) **Lift in SPA exposure:** SPA work offer higher margins but with higher risks attached.
- D) **Acquisition risks:** Poor due diligence or unsuccessful integration will impact earnings.
- E) **Risks to organic growth:** Reliant on ability to hire/retain skilled staff. Inability to attract clients in new states/practices where SHJ has lower experience/brand recognition.
- F) **Brand reputation risk:** Brand reputation is critical in personal injury. Professional negligence, staff misconduct or any other act that diminishes SHJ’s reputation will lead to a reduced level of enquires, hence impacting market share and earnings.
- G) **System risk:** SHJ’s high reliance on system tools, (such as its internally customised case management systems), raises risk to system failures.
- H) **Competition risk:** This will impact margins and may impinge on SHJ’s market share.
- I) **Concentration of shareholding:** Key shareholders can exert significant influence on company matters. Concentration may impact market liquidity. Also, the sale of shares or the perception that such sales might occur, could adversely affect SHJ’s share price.
- J) **Personnel:** The departure of any key personnel would likely have an adverse effect.

Shine Corporation

as at 16 March 2015

Recommendation
Price
Target (12 months)

Buy
\$3.18
\$3.58

Table 1 - Financial summary

Jun Year end	2012	2013	2014	2015e	2016e	2017e
Profit & Loss (A\$m)						
Sales revenue	85.5	105.2	115.5	148.6	169.3	184.4
... Change	20.1%	23.1%	9.8%	28.6%	13.9%	9.0%
EBITDA	23.6	27.6	34.2	45.9	51.8	56.9
... Change	12.1%	17.2%	23.7%	34.3%	12.8%	9.9%
Deprec. & amort.	(0.8)	(1.5)	(1.8)	(2.0)	(2.2)	(2.3)
EBIT	22.8	26.1	32.4	43.9	49.6	54.6
Net Interest	(0.7)	(0.9)	(0.9)	(1.4)	(0.6)	(0.2)
Pre-tax profit	22.1	25.3	31.5	42.5	49.0	54.4
Tax expense	(6.7)	(7.8)	(9.3)	(12.8)	(14.7)	(16.3)
... tax rate	30%	31%	30%	30%	30%	30%
Associates	-	-	-	-	-	-
Minorities/Prefs	-	-	-	-	-	-
Underlying Net Profit	15.5	17.5	22.2	29.7	34.3	38.1
... Change	11.9%	13.2%	26.7%	34.1%	15.4%	11.1%
Abs. & extras.	-	-	-	(0.9)	-	-
Reported Profit	15.5	17.5	22.2	28.8	34.3	38.1
Cashflow (A\$m)						
Gross Operating Cash Flow	11.8	8.7	10.5	19.7	25.4	36.2
Net Interest Expense	(0.7)	(0.9)	(0.9)	(1.1)	(0.6)	(0.2)
Tax	(1.8)	(2.9)	(1.7)	(4.2)	(6.2)	(9.3)
Other	(1.4)	0.0	3.5	-	-	-
Net Operating Cash Flow	7.9	5.0	11.4	14.4	18.6	26.7
Capex	(3.6)	(2.9)	(1.1)	(2.6)	(4.2)	(3.9)
Free Cash Flow	4.3	2.1	10.3	11.8	14.4	22.8
Acquisitions	(5.1)	(12.1)	(7.9)	(28.0)	(2.2)	(2.2)
Disposals	-	-	-	-	-	-
Dividends paid	(0.3)	(1.5)	(5.4)	(6.0)	(8.0)	(9.2)
Other investing items	-	-	-	(0.9)	-	-
Equity	-	13.7	-	28.5	-	-
Debt increase/(reduction)	5.4	4.6	(1.9)	(6.8)	(4.2)	(11.4)
Balance Sheet (A\$m)						
Cash	9.3	16.0	11.0	6.3	10.5	21.9
Receivables	6.0	8.6	5.4	11.8	12.8	13.9
Net Work In Progress	77.2	88.9	76.9	101.7	114.3	122.8
Net Unbilled disbursements	20.0	20.8	19.5	23.7	26.7	28.7
Inventories	-	-	-	-	-	-
Other current assets	1.0	2.2	1.1	1.5	1.5	1.5
Current Assets	113.5	136.5	114.0	144.9	165.8	188.9
Receivables	-	-	3.6	4.8	4.8	4.8
Net Work In Progress	14.4	27.4	65.9	87.3	98.6	106.3
Net Unbilled disbursements	2.6	6.6	15.6	20.7	23.4	25.1
Assoc & investments	-	-	-	-	-	-
Fixed Assets	3.4	5.1	4.6	5.7	7.9	9.8
Intangibles	5.7	9.1	8.9	35.1	37.1	39.1
Other non-curr assets	2.1	0.1	0.2	-	-	-
Non Current Assets	28.2	48.4	98.7	153.6	171.7	185.1
Total Assets	141.7	184.8	212.7	298.5	337.5	373.9
Short term debt	13.2	2.4	5.0	8.3	8.3	8.3
Creditors	12.1	18.2	20.1	26.6	28.3	29.7
Provisions	3.9	4.9	6.1	8.7	17.1	24.0
Other curr liabilities	-	-	-	-	-	-
Current Liabilities	29.2	25.6	31.3	43.6	53.6	62.0
Long term debt	1.9	16.8	12.3	-	-	-
Creditors	2.6	0.9	2.1	17.4	17.4	17.4
Provisions	31.9	38.4	47.1	58.4	63.8	69.2
Other non curr liabilities	-	-	-	-	-	-
Non Current Liabilities	36.4	56.1	61.5	75.8	81.3	86.6
Total Liabilities	65.6	81.7	92.8	119.4	134.9	148.6
Net Assets	76.1	103.1	119.9	179.0	202.6	225.3
Share Capital	4.6	18.3	18.3	51.4	51.4	51.4
Reserves	-	-	-	-	-	-
Retained Earnings	71.5	84.9	101.6	127.7	151.3	173.9
Shareholders Equity	76.1	103.1	119.9	179.0	202.6	225.3
Outside Equity Interests	-	-	-	-	-	-
Total Equity	76.1	103.1	119.9	179.0	202.6	225.3
Net debt/(cash) \$m	5.8	3.3	6.3	2.0	(2.2)	(13.6)

Price	\$3.18
Recommendation	Buy
Diluted issued capital (m)	172.4
Market cap (\$m)	548.2
Target Price (A\$ps)	\$ 3.58

Jun Year end	2012	2013	2014	2015e	2016e	2017e
Valuation Ratios						
Underlying EPS (eps)	11.0	12.3	14.3	17.3	19.9	22.1
... % change	11.9%	11.8%	15.9%	20.8%	15.1%	11.1%
PE (on underlying EPS) (x)	28.8	25.8	22.2	18.4	16.0	14.4
EV/EBITDA (x)	23.68	20.20	16.33	12.16	10.78	9.82
EV/EBIT (x)	24.48	21.38	17.24	12.72	11.27	10.23
NTA (\$ps)	0.50	0.61	0.72	0.83	0.96	1.08
P/NTA (x)	6.33	5.24	4.44	3.81	3.31	2.94
Book Value (\$ps)	0.54	0.67	0.77	1.04	1.18	1.31
Price/Book (x)	5.85	4.78	4.11	3.06	2.71	2.43
DPS (cps)	-	1.8	3.5	4.2	5.1	5.5
... % pay-out	-	15.5%	25.8%	22.7%	25.5%	25.0%
Yield (%)	-	0.6%	1.1%	1.3%	1.6%	1.7%
Franking (%)	-	0%	0%	0%	0%	50%

Performance Ratios						
Revenue growth (%)	20.1%	23.1%	9.8%	28.6%	13.9%	9.0%
EBITDA growth (%)	12.1%	17.2%	23.7%	34.3%	12.8%	9.9%
EBITDA/sales margin (%)	27.6%	26.3%	29.6%	30.9%	30.6%	30.9%
EBIT/sales margin (%)	26.7%	24.8%	28.0%	29.6%	29.3%	29.6%
Gross cash conversion (%)	44.2%	31.4%	40.8%	42.8%	49.0%	63.6%
Free cash-flow yield (%)	1.0%	0.5%	2.1%	2.2%	2.6%	4.2%
ROE (%)	22.4%	20.2%	19.9%	19.3%	18.1%	17.9%
ROIC (%)	21.7%	18.8%	19.0%	19.2%	18.1%	18.5%
Capex/Depn (x)	4.7	1.9	0.6	1.3	1.9	1.7
Net interest cover (x)	33.8	30.6	35.8	30.5	85.6	309.6
Net Debt/EBITDA (x)	0.2	0.1	0.2	0.0	n/a	n/a
Net debt/equity (%)	7.7%	3.2%	5.3%	1.1%	-1.1%	-6.1%
Net debt/net debt + equity (%)	7.1%	3.1%	5.0%	1.1%	-1.1%	-6.4%

Half yearly (A\$m)	1H14	2H14	1H15	2H15e	1H16e	2H16e
Sales revenue	56.6	58.9	70.2	78.4	83.6	85.6
EBITDA	17.7	16.5	22.0	24.0	25.5	26.3
Deprec. & amort.	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)
EBIT	16.8	15.6	21.0	23.0	24.4	25.2
Interest expense	(0.4)	(0.5)	(0.7)	(0.7)	(0.2)	(0.3)
Pre-tax profit	16.3	15.1	20.2	22.3	24.2	24.8
Tax expense	(5.0)	(4.4)	(6.1)	(6.7)	(7.3)	(7.4)
... tax rate	30%	29%	30%	30%	30%	30%
Associates	-	-	-	-	-	-
Minorities	-	-	-	-	-	-
Underlying Net Profit	11.4	10.8	14.1	15.6	16.9	17.4
Abs. & extras.	-	-	(0.9)	-	-	-
Reported Profit	11.4	10.8	13.3	15.6	16.9	17.4

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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