

## SHAW STOCKBROKING LIMITED

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### Colorpak Ltd(70c – Buy)

- CKL has reported an inaugural (listed 15/4/04) interim NPAT of \$1.6m, \$2.8m pre goodwill amortisation.
- A 1c fully franked interim dividend was declared, (books 4 March, payable 6 April).
- Trading deemed “very encouraging”, revenues being +14.5% on pcp and 12.6% on H2 04. Outlook for balance of year is very positive and on track to achieve at least FY05 Prospectus forecasts, \$2.9m NPAT, \$5.3m (pre-goodwill).

#### Investment Fundamentals Market Cap:\$54m

		H2 04	2005	2006	2007
NPAT	\$m	1.5	3.4	6.9	7.2
Normalise	\$m	2.7	5.8	6.9	7.2
EPS	c	3.4	7.3	8.6	8.9
P/E	x	20.4	9.6	8.2	7.8
Dividend p	c	0.0	2.5	4.0	5.0
Yield	%	na	3.6	5.7	7.1
Franking	%	na	100%	100%	100%
<b>Normalised eps growth</b>			na	17.1%	4.3%

Source: Shaw Institutional Stockbroking

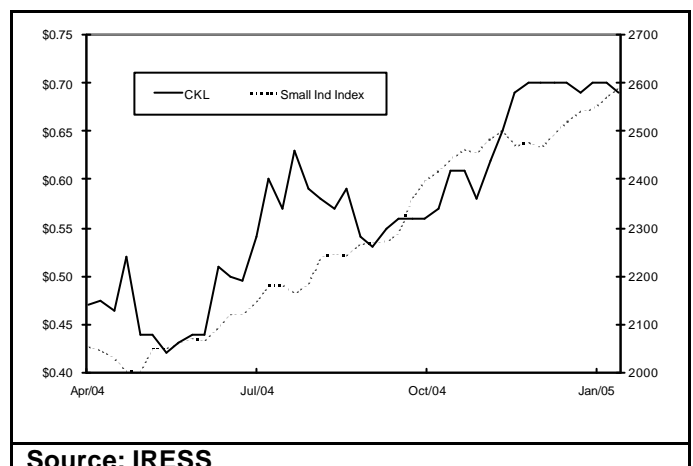
#### The Shaw Line

The result was inline with expectations, built on strength of H204 result, (\$2.7m vs \$2.3m Prospectus Forecast) and AGM commentary that H1 performance was “broad indicator of absolute profitability achievable in FY04/05.

Near-term earnings will be boosted from the contribution of Castle Graphics, acq in 12/04 with \$7m in annualised revenues (11% CKL’s revenues).Castle embellishes CKL’s service offering, (self-adhesive labels and flexible packaging) to customers in the targeted pharmaceutical and food industries.

Two prospective avenues for sizeable growth for CKL are emerging, namely customer capture from the takeover of Wadepak (WDP) by Carter Holt Harvey (CHY) and CKL’s new “state of art“ factory in Sydney, due for commissioning in late 2005. These both allow CKL to leverage off it’s “niche” 9% market share.

- Wadepak has annualised turnover of \$85m, with some 15% sourced from the Pharmaceutical industry, which is being targeted by CKL through its investment in technology and short production runs.. Some customers of WDP are also customers of CHY and may wish to retain dual supply arrangements.
- The new factory at Regents Park will offer increased capacity and improved workflows due to consolidation/integration of manufacturing process, currently spread over a number of sites at Erskville.



Source: IRESS

Our FY07 and FY08 forecasts only incorporate revenue growth of 8% and 7%, somewhat lower than the recent growth achieved. Moreover despite the expectation of a lift in manufacturing efficiency from the Regents Park plant, we have increased our EBITA operating margin only from the 17.5% achieved in H105 to 18.5% in FY07. These conservative assumptions hence provide both a source of upside earnings risk and a buffer against a cyclical downturn in industry demand. However some 60% of CKL’s sales are sourced from the Pharmaceutical and Healthcare industries, where a measure of low amplitude volatility in demand exists.

These growth options coupled with CKL’s undemanding pricing (FY05 P/E of 9.6x) and a near

5% fully franked dividend yield makes it an attractive investment proposition.

<b>ColorPak</b>		
<b>Financial Summary</b>	<b>h2 04</b>	<b>h1 05</b>
<b>Sales Revenue</b>	24.7	27.9
<b>EBITDA</b>	5.2	5.6
<b>EBITDA Margin</b>	21%	20%
<b>EBITA</b>	4.5	4.9
<b>EBITA Margin</b>	18.0%	17.4%
<b>Goodwill amortisation</b>	(1.2)	(1.2)
<b>EBIT</b>	3.3	3.7
<b>Net Interest Expense</b>	(0.8)	(0.9)
<b>Pre tax Profit</b>	2.5	2.8
<b>Tax Expense</b>	(1.0)	(1.2)
	1.5	1.6
<b>NPAT</b>	1.5	1.6
<b>NPAT(pre goodwill)</b>	2.7	2.8

**The author has an economic interest in the securities of this company**

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