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Medical Developments (MVP)

More than just the Aussie "Green Whistle"

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Paul Jensz
pjensz@pacpartners.com.au
+613 8633 9864

Key Points

- MVP kept "Green Whistle" ("Penthrox") trauma pain relief alive for Australian ambulance and surf life saving use when the rest of world thought it was too hard.
- MVP improved Penthrox with lower dosages, wider applications, education, and lower cost manufacture.
- MVP added another cash generating business with Spacers (for effective inhalation of medicines eg asthma)
- While MVP waits for EU approval of Penthrox in Dec'14 or during CY'15, there are plenty of global growth avenues with approved Spacers and Penthrox distribution agreements.

Two global shots on goal – Pain Relief and Respiratory Assist

MVP sustainable strategy and action plan includes:

Multiple shots on goal. MDV started in 1972 as a manufacturer and distributor of Penthrox (trauma pain relief) and added Spacers (for enhanced inhalation of medicines) in 1985.

Advantage over Gold Standard. Penthrox has maintained market share in Aust/NZ at 10% of the trauma market with: clinical trial data to support safety and effectiveness claims; lower dosages; quick and sustained pain relief; transportable and low cost base.

MVP Spacer has secured 10% market share in Aust/NZ with easier breathing valve, independent testing, nifty storage and lower cost base.

Preserve cash. Over the past six years Medical Developments (MVP) has honed its two competitive points of care treatments from its Australian base for global growth. The $3m of development costs and $5m of Penthrox Trial cost were offset by $8m operating cash flow.

View: We initiate with a Hold recommendation due to modest 14% discount to long term valuation. We are comfortable if MVP misses Dec'14 EU Penthrox approval, as it should be obtained during 2015 due to long term successful use in Australia and rigorous development and trials by MVP.

Milestones:

End Dec'14 or later in CY'15– Decision on approval for use of Penthrox in EU from Medicines and Healthcare Products Regulatory Agency (MHRA)

June'15 – Significant USA and EU sales growth with new large distributors

CY'15 – EU distribution agreements for Penthrox (note: Galen paid $675k up front for UK distribution in Sept'14)

Risks:

Delay to EU Penthrox approval by MHRA

Aggressive competitor pricing in EU and US spacer markets

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Recommendation	Hold
Previous Recommendation	Initiation Report
Risk Rating	High
Current Share Price	$1.15
12 Month Price Target	$1.34
Price Target Methodology	DCF
Total Return (Capital + Yield)	18%
DCF Valuation	$1.34
Market capitalisation	$66 m
Liquidity – Daily Value	$0.02 m

EPS Changes & PAC Partners vs. Consensus (PAC + 1)

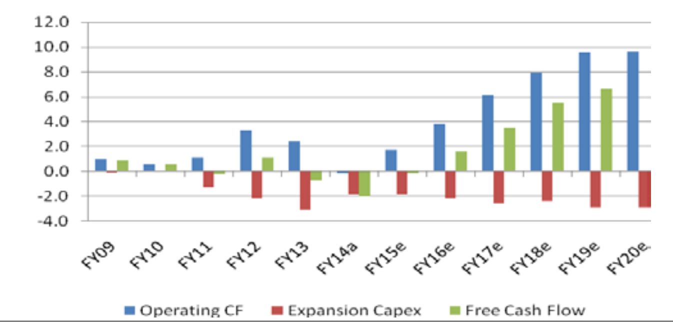
Y/e ($m)	FY15F	FY16F	FY17F
Consensus EPS (cps)	2.4	4.8	8.7
vs. Consensus <PAC+1> (%)	17%	2%	-11%

Financial Forecasts & Valuation Metrics

Y/e ($m)	FY14 A	FY15 F	FY16 F	FY17 F
Revenue	9.3	12.3	15.2	21.5
NPAT	0.9	1.6	2.9	4.5
EPS (cps)	1.5	2.8	4.9	7.8
EPS Growth	-63%	83%	79%	59%
DPS (c)	0.0	0.7	1.2	2.0
EV / EBITDA (x)	62.8	24.8	14.3	8.8
PER (x)	76.2	41.6	23.3	14.7
Dividend Yield	0%	0.6%	1.1%	1.7%
Gearing	35.1%	33.2%	21.9%	4.5%
Interest Cover (x)	5.8	22.4a	85.8	na

Source: PAC Partners estimates

History and future of free cash flow



Source: Company reports and PAC Partners estimates

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Summary Swot

Strengths	Weaknesses
• Two differentiated inhalation solutions • Low cost with easy scalability • Nimble innovation tried and trusted in Australian market	• Small financial resources vs. incumbents • Have overpromised in the past (2014 one-offs) • A long way from major markets (fosters innovation and jv's)
Opportunities	**Threats**
• Emergency pain relief incumbents have dismissed MVP • Grow global share to ~10% (equivalent to Aussie share) • Global distributors of Penthrox can accelerate sales	• Regulatory bodies can delay Penthrox approval • Large customers can halt/delay orders (affecting cash flow) • Large peers can lower prices with Spacers

Board and Executives

Directors	Comment
• David Williams	• 52% shareholder. Investment banker
• Allan McCallum	• 0.9% shareholder. Agribusiness professional. Tassal Chair.
• Dr Henry Oxer	• 0.4% shareholder. Trauma and ambulance professional
• Max Johnston	• Medtech professional (ex J&J) with global distribution
• Leon Hoare	• Medtech professional (Smith & Nephew)
Executives	**Comment**
• John Sharman - CEO	• 1.3% shareholder. Joined in 2010. Medtech professional.
• Mark Edwards – CFO/Company Secretary	• Joined 2014. Chartered accountant. Emerging companies.

Both devices are inhaled and have some synergies with air flow design and manufacture...

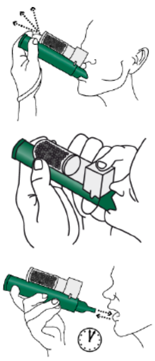
...but distribution channels are different (which assists multiple shots on goal)

Penthrox

Patient exhales into Inhaler. The exhaled vapour passes through the AC Chamber to absorb any exhaled methoxyflurane.

If stronger analgesia is required, patient can cover dilution hole with finger during inhalation

Patient should be instructed to inhale intermittently to achieve adequate analgesia. Continuous administration will reduce time of analgesia. Patients should be administered minimum dose.



Source: MVP Product Information Sheet

Spacer

Source: www.medicaldev.com

Executive Summary and Risks

Vision: Leader in Emergency Medicine

Objectives: Have multiple shots on goal and preserve cash flow with differentiated product

MDV started in 1972 as a manufacturer and distributor of Penthrox (trauma pain relief) and added Spacers (for enhanced inhalation of medicines) in 1985. Each device is a hand held plastic inhalation aid. Penthrox delivers methoxyflurane <made by MVP> in a single use whistle sold to medical professionals or trained first aiders. Spacers are sold over the counter for more effective Asthma/Chronic obstructive pulmonary disease (COPD) medicine made by third parties with Spacers.

Key Actions:

Swam against global tide and kept Penthrox pain relief alive...

...and added inhalation device (Spacer)

- MVP kept “Green Whistle” (“Penthrox”) trauma pain relief alive for Australian ambulance and surf life saving use when the Rest of World thought it was too hard.
- MVP improved Penthrox with lower dosages, wider applications, education, and lower cost manufacture.
- MVP modified Spacers for more effective inhalation of medicines (eg asthma) with lower cost production.

Milestones

Dec’14 EU Penthrox decision is key...

...and CY’15 dist’n

- While MVP waits for EU approval of Penthrox in Dec’14 or during CY’15,
- There are plenty of global growth avenues with approved Spacers and distribution for Penthrox which should have quarterly updates through CY’15

Risks:

Regulatory approval is no certainty...and MVP up against large competitors

- Delay to EU Penthrox approval or restriction to patient group
- Aggressive competitor pricing in EU and US Spacer markets with incumbents dwarfing MVP capacity and lacking regular updates of equipment

View

We believe MVP will enter EU and US markets steadily over the next six years and moves to ~1.5% market share with both Penthrox and Spacers (or 3-4% with one product). This results in a long term Discounted Cash Flow valuation of $1.34/share.

We initiate with a Hold recommendation due to modest 14% discount to long term valuation, and are comfortable if MVP misses Dec’14 EU Penthrox approval, as it should be obtained during 2015 due to long term successful use in Australia and rigorous development and trials by MVP.

The 10% discounts in DCF valuation for both penthrox regulatory risk and low share trading liquidity may come off in parallel with quicker UK Penthrox approval.

Chart: MVP share price vs. Peers and ASX200

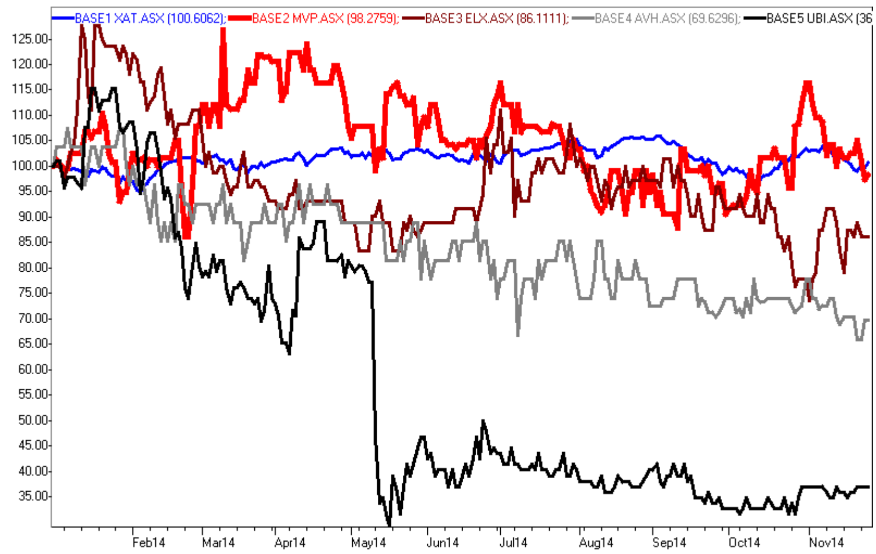
MVP has performed in line with ASX200. 2015 and 2016 growth forecasts overcame 27% “one off” fall in sales in 2014

Some Medtech peers have underperformed:

UBI – point of care diagnostic company lowered target market share

AVH – 20% company sales are spacers with lower sales in 2014 (80% regenerative skin repair)

ELX performed in line with MPV until slow down in eye disease equipment news flow



Source: Iress

Multiple Shots on Goal

1974 Penthrox's ROW ban was a trigger for change

1972 was an optimistic growth phase for Penthrox

Medical Developments International started in 1972 as the only Australian manufacturer of Penthrane (now called Penthrox). Penthrox is inhaled via a whistle dispenser for short term pain relief in emergency situations.

ROW ban in 1974 was a harsh lesson...

Medical Developments management was taught a harsh lesson in 1974 when the use of Penthrox across the rest of world was banned.

...and led to multiple shots on goal

Medical Developments' owners came up with a three pronged approach:

1. Become leader for safe use and production of Penthrox (see Advantages over Gold Standard section)
2. Stay focused on cash flow (see Preserve Cash Flow section)
3. Develop multiple shots on goal

Added Respiratory Medical Devices (Spacers)

Spacers added in 1985

After exploring many options for acquisition, Medical Developments International added Respiratory Medical Devices in 1985, with Spacers being the main product.

Spacers are used to inhale respiratory drugs (eg: Ventilin for asthma) more effectively without side effects of mouth and throat ulcers.

Used Australia as testing ground before taking to the Global stage

2003 ASX allowed move to global stage

Between 1985 and 2002, Medical Developments developed its two emergency treatment products from its Australian base for the local market. ASX listing in 2003 gave MVP the funding to take both products to global markets.

Originally Spacers were supposed to be a small cash generator that was sold to fund Penthrox growth, but Spacers have proven its business case versus incumbents and MVP is prepared to fund growth into North America and Europe with distribution partners.

We assume 1% and 2% global market share for Penthrox and Spacer...MVP aiming for 5-10%

A few incumbents control 80-90% of both markets

MVP is a very confident management team that aims for 5-10% market share with both products against incumbents which control 90% (Emergency Pain Relief – Nitrous Oxide and Morphine) and 80% (Spacers for Emergency Respiratory – Treadle and Philips).

Differentiation and low cost should deliver sustainable niche

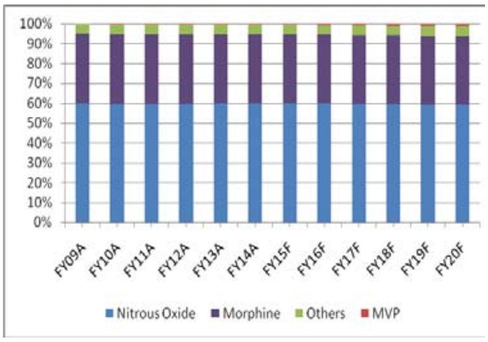
Our analysis shows 1% Penthrox and 2% Spacer niche global market shares are achievable because of MPV's strong differentiation and low cost base in Australia and success we have seen with similar strategies in medtech (Resmed, RMD.AX) and point of care solutions.

~45m pain relief Ambo events in 2014

~55m sold globally in 2014.

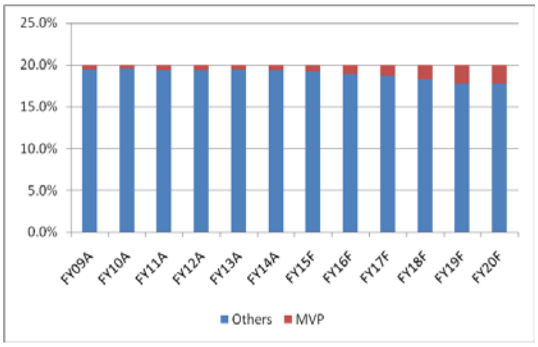
MVP should take market share away from both large incumbents and other niche products

Ambulance Pain Relief – Market Share



Source: PAC Partners estimates.

Spacer – Market Share (Treadle/Philips @ 80%)



Source: PAC Partners estimates.

MVP – Forecast Revenue and EBITDA ($m)

MVP delivered 36% EBITDA margin in the past, We assume 40% in the medium term

	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Trauma Pain Relief	1.5	1.4	1.9	2.9	3.0	2.4	3.2	4.4	6.0	6.9	7.9	8.7
Inhalation Spacer	0.7	0.8	1.2	1.3	1.4	0.1	1.0	1.8	2.8	4.7	5.5	5.7

Source: PAC Partners estimates

Advantages over Gold Standard

Penthrox

Disputed US banning of Penthrox in 1974 led to domino effect...

Penthrox was a gold standard for trauma pain treatment from 1968 to 1974, and then banned outside Australia/NZ due to danger from very high doses to kidneys. There were many disputed claims from manufacturers of irresponsible use and other factors affecting the patients, but the FDA banned the use and most of the world followed.

...Australia resisted due to low doses, ease of use remotely, fast action and side effects of alternatives

Australian sole producer of the active ingredient (methyloxyflurane), Medical Developments, lobbied Australian Government to retain use of Penthrox because it was:

- *Safe at lower doses* (MDV argued that methyloxyflurane was safer that nitrous oxide which builds up in patients body over time. Others argue that methyloxyflurane builds up in patient body over time, but MVP has done trials that contradict this assertion.)
- *Very useful for remote use* in ambulances, surf life saving and defence forces because the "Green Whistle" is small and very easy to use by trained first aiders. The patient can easily regulate the rate of drug intake by breathing rate and amount of diluting air flow.
- *Methyloxyflurane acts much faster than alternative* (few minutes vs. 5-10 minutes) and has a sustained impact when drug is not being administered
- *Morphine can be addictive and is abused by non-pain patients.* (There have been reports of methyloxyflurane abuse as well, but not as wide spread in Australia – the only market with large amounts of both.)

No problems over last 30 years...

Both Australian and New Zealand Governments placed strict monitoring procedures on the use of Penthrox and there have been no substantial adverse effects reported over the past 30 years.

...with MVP at 10% of Aust. trauma market

MVP has maintained market share in Australia at 10% of trauma market with: enhanced clinical trial data to support safety and effectiveness claims; smaller and innovative dosages; and lower cost.

Global regulators have waited for clinical trials...

Medical literature is long on risks associated with all emergency pain relief options (Nitrous Oxide, Morphine and Methyloxyflurane), but appears to accept status quo of Nitrous Oxide and Morphine because significant clinical work has not been done with Methyloxyflurane.

...and MVP has done the key 300 patient EU trial itself

MVP built up enough critical mass (cash and evidence) in 2010 and started a definitive EU clinical trial with 300 patients, and gave the data to MHRA in 2013 and has fielded questions over the past year. No more re-work has been required, and, of course around 300k doses are being used in Australian trauma pain relief each year with no reported ill-effects.

Spacer

MVP has secured 10% Spacer market share in Aust/NZ

Spacer market is dominated by two multinationals (Treadle & Philips/Respironics) with over 70% market share. MVP has secured 10% market share in local markets (Australia & New Zealand) with easier breathing valve, independent testing, nifty storage and lower construction costs.

We have verified MVP at least as good as peers

With this device we have been able to test it with family and friends to confirm MVP's claims that it is at least as good as other spaces, and has advantages as per MVP's claims.

Manufacturing

Innovation and cost advantage are critical

MVP stays nimble and low cost with supply chain feedback to multiple design centres (inc. Australia's Government Science group CSIRO) and then coming together at Melbourne manufacturing base.

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...but distribution channels are different (which assists multiple shots on goal)

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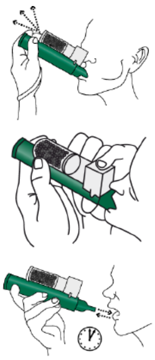


Source: MVP Product Information Sheet

Spacer

Source: www.medicaldev.com

Preserve Cash

Started and continued with a focus on cash flow

Raised $8.7m in 2003 and paid $7.5m in dividends

MDV raised $8.7m in 2003 for a $14.2m Initial Public Offering and has not raised capital since. The Board has focused on careful capital management and staff incentives. MVP has bought back approximately $1m shares between 2008-2010 (with most reissued to staff as compensation/incentive) and paid out $7.5m in dividends.

Major shareholder is Chairman and together with CEO has calculated risk approach

David Williams, MDV's Chairman and major MVP shareholder (52%), is an Investment banker with expertise in Agribusiness and Technology sectors. We have spent time with David and John Sharman (CEO since 2010) and believe they have developed a simple and proven formula for driving value from preserving cash flow and taking calculated risks with proactive management and back-up plans.

Taken two products to global market

Last six years has seen an $8m global push...

Over the past six years MVP has honed its two competitive point of care treatments from its Australian base so that they can compete on the global stage.

We roughly estimate that:

- $2m of development costs were used across Spacer, and
- $6m was spent on Penthrox development and which culminated in the 300 EU patient clinical trial which delivered data to MHRA in 2013.

...funded by OCF

These costs were offset by $8m operating cash flow.

Modest gearing

Gearing...

As MVP proved consistent operating cash flow, $3.7m of debt was taken on. This leaves MVP moderately geared at 35%.

...and dividends have been balanced...

MVP turned off dividends in 2014 in order to retain acceptable interest cover during the ramp up in development costs while there were some one-off impacts to Spacer sales.

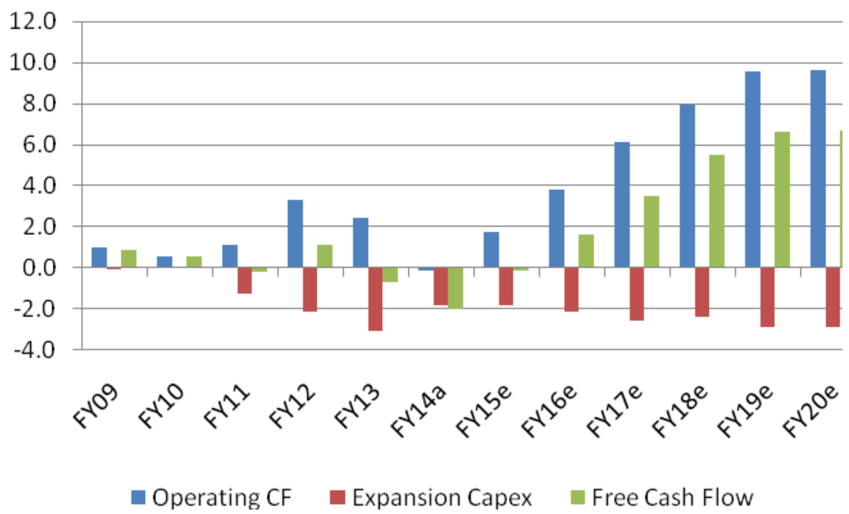
...with restart to dividends in 2H'15

MVP aims to restart dividends in 2H'15 and we have a slow start with 0.7cps (vs. 3cps per half in the past).

Free Cash Flow in past and future

The usual biotech hockey stick is flatter with MVP...

...as MVP has made cash flow since 2009



Source: Company reports and PAC Partners estimates

Medical Developments

NFPOS	**58 m**	**Price**	**$ 1.15**
		Market Cap	**$66 m**

PROFIT & LOSS ($m)

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Revenue	**8.7**	**8.3**	**10.2**	**11.3**	**11.7**	**9.3**	**12.3**	**16.2**	**21.5**	**26.3**	**32.4**	**33.6**
EBITDA	1.3	1.6	2.5	4.1	3.4	1.1	2.8	4.7	7.2	9.8	11.9	12.8
Depreciation & Amortisatio	0.1	0.1	0.1	0.2	0.2	0.3	0.5	0.7	1.0	1.5	1.8	2.3
EBIT	**1.3**	**1.5**	**2.4**	**3.8**	**3.2**	**0.8**	**2.3**	**4.0**	**6.2**	**8.3**	**10.0**	**10.5**
Net Interest	0.0	-0.2	0.1	0.2	0.0	-0.1	-0.1	0.0	0.1	0.3	0.5	0.7
Income tax	-0.4	-0.4	-0.8	-1.1	-0.9	0.2	-0.6	-1.1	-1.7	-2.4	-2.9	-3.0
NPAT underlying	0.9	0.9	1.7	2.9	2.3	0.9	1.6	2.9	4.5	6.2	7.6	8.2
Equity Accounting Profits												
Less non-controlling Intere	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT underlying - attril	**0.9**	**0.9**	**1.7**	**2.9**	**2.3**	**0.9**	**1.6**	**2.9**	**4.5**	**6.2**	**7.6**	**8.2**
Abnormal items	-0.1	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT Reported.	0.8	0.9	1.7	2.7	2.3	0.9	1.6	2.9	4.5	6.2	7.6	8.2

BALANCE SHEET ($m)

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Cash	0.3	1.8	3.5	3.5	0.8	1.7	1.1	2.0	4.4	8.4	13.1	17.8
PP&E	0.9	0.6	0.7	0.7	1.0	1.1	1.6	2.1	2.4	2.2	1.9	1.1
Debtors & Inventory	3.1	2.5	2.6	3.1	3.7	3.3	3.8	4.7	6.0	7.1	8.7	8.8
Intangibles	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.0	6.6	6.3	6.0	5.7
Other assets	1.8	1.9	2.5	4.5	7.4	8.8	10.0	10.1	8.5	9.4	10.7	13.3
Total Assets	**13.4**	**14.2**	**16.7**	**19.1**	**20.3**	**22.2**	**23.9**	**25.8**	**28.0**	**33.5**	**40.4**	**46.8**
Borrowings	0.0	0.0	0.0	0.0	1.4	3.7	3.7	2.7	0.7	0.7	0.7	0.7
Trade Creditors	0.9	0.8	1.2	1.6	1.6	1.1	1.8	2.1	2.5	2.8	3.5	3.6
Other Liabilities	0.7	0.7	1.0	1.4	1.4	2.0	1.5	1.8	2.3	2.8	3.4	3.5
Total Liabilities	**1.6**	**1.5**	**2.3**	**3.0**	**4.5**	**6.7**	**6.9**	**6.6**	**5.5**	**6.3**	**7.5**	**7.7**
NET ASSETS	**11.8**	**12.7**	**14.5**	**16.2**	**15.7**	**15.4**	**17.0**	**19.2**	**22.6**	**27.2**	**32.9**	**39.1**
OEI and Pref Shares	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Shareholder Equity	**11.8**	**11.7**	**12.5**	**13.2**	**11.7**	**10.4**	**11.0**	**12.2**	**14.6**	**18.2**	**22.9**	**28.1**

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Operating EBITDA	1.3	1.6	2.5	4.1	3.4	1.1	2.8	4.7	7.2	9.8	11.9	12.8
Interest & Tax	(0.4)	(0.6)	(0.8)	(1.1)	(0.9)	0.4	(0.8)	(1.2)	(1.8)	(2.4)	(3.0)	(3.0)
Working Cap.	0.0	(0.5)	(0.7)	0.3	(0.1)	(1.7)	(0.3)	1.4	2.8	0.6	0.7	(0.0)
Operating CF	**0.9**	**0.5**	**1.1**	**3.3**	**2.4**	**(0.2)**	**1.7**	**4.8**	**8.2**	**8.0**	**9.6**	**9.7**
Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expansion Capex	(0.1)	0.0	(1.3)	(2.2)	(3.1)	(1.9)	(1.9)	(2.2)	(2.6)	(2.5)	(3.0)	(3.0)
Acquistions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow (FCF)	**0.8**	**0.5**	**(0.2)**	**1.1**	**(0.7)**	**(2.1)**	**(0.2)**	**2.6**	**5.5**	**5.6**	**6.6**	**6.7**
Ord Dividends	0.0	0.0	(1.5)	(3.2)	(2.8)	0.0	(0.4)	(0.7)	(1.1)	(1.6)	(1.9)	(2.0)
Equity, (Debt Paydown)	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	(1.0)	(2.0)	0.0	0.0	0.0
Net Cashflow	**0.0**	**0.5**	**(1.8)**	**(2.2)**	**(3.6)**	**(2.1)**	**(0.6)**	**0.9**	**2.4**	**4.0**	**4.7**	**4.7**

DIRECTORS	Shares (m)	EXECUTIVES	Shares (m)
David Williams (Chairman)	30.4	John Sharman (MD)	0.6
Allan McCallum	0.5		
Dr Harry Oxer	0.2		
Max Johnston	0.0		
Leon Hoare	0.0	Total	31.7

DIVISIONAL SUMMARY (A$m)

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Revenue												
PHARMACEUTICALS	5.4	4.9	6.3	6.6	6.3	5.3	7.0	9.3	12.3	16.2	21.4	22.2
MEDICAL DEVICES	3.0	3.0	3.6	4.3	5.1	3.5	4.7	6.4	8.6	9.5	10.4	10.7
VETERINARY	0.3	0.4	0.3	0.4	0.3	0.5	0.5	0.5	0.6	0.6	0.6	0.6
CORPORATE	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**8.7**	**8.3**	**10.2**	**11.3**	**11.7**	**9.3**	**12.3**	**16.2**	**21.5**	**26.3**	**32.4**	**33.6**
EBITDA												
PHARMACEUTICALS	1.5	1.4	1.9	2.9	3.0	2.4	3.2	4.4	6.0	6.9	7.9	8.7
MEDICAL DEVICES	0.7	0.8	1.2	1.3	1.4	0.1	1.0	1.8	2.8	4.7	5.5	5.7
VETERINARY	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
CORPORATE	-1.1	-1.0	-0.8	-0.4	-1.4	-1.5	-1.6	-1.6	-1.7	-1.8	-1.9	-1.9
Total	**1.2**	**1.3**	**2.5**	**3.9**	**3.2**	**1.1**	**2.7**	**4.7**	**7.2**	**10.0**	**11.7**	**12.6**

Date: 28-Nov-14
Model Updated: 28-Nov-14

KEY RATIOS

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
EBITDA Margin (%)	15.2%	19.5%	24.7%	36.0%	29.0%	11.7%	22.6%	28.2%	35.1%	39.5%	39.5%	41.3%
NPAT Margin (%)	9.3%	10.6%	17.1%	23.9%	19.7%	9.3%	14.8%	18.5%	23.2%	25.5%	25.0%	25.6%
ROE (%) y/e	7.4%	7.8%	14.0%	22.1%	19.8%	8.3%	14.5%	23.5%	31.1%	34.2%	33.1%	29.1%
ROI (%) y/e	10.8%	15.3%	26.8%	39.5%	25.5%	6.2%	17.0%	31.3%	57.0%	79.3%	95.9%	96.2%
NTA per share ($)	0.10	0.12	0.16	0.20	0.22	0.26	0.29	0.33	0.37	0.47	0.60	0.71
Eff Tax Rate (%)	-29.4%	-30.1%	-30.1%	-27.2%	-27.6%	36.7%	-27.9%	-28.2%	-27.8%	-27.9%	-27.9%	-26.9%
Interest Cover (x)	104.4	7.2	(23.2)	(22.2)	(77.1)	5.8	22.4	85.8	(55.9)	(26.8)	(20.0)	(15.2)
Net Gearing (%)	0.0%	0.0%	0.0%	0.0%	12.3%	35.1%	33.2%	21.9%	4.5%	3.6%	2.9%	2.4%

VALUATION PARAMETERS

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
EPS Adj (cps)	1.6	1.8	3.4	5.4	4.1	1.5	2.8	4.9	7.8	10.8	13.2	14.1
PE Adj (x)			**33.9**	**21.1**	**28.1**	**76.2**	**41.6**	**23.3**	**14.7**	**10.6**	**8.7**	**8.1**
Enterprise Value ($m)	66.1	64.6	62.8	62.9	67.1	68.4	69.0	67.1	62.7	58.7	53.9	49.2
EV / EBITDA (x)	49.9	40.0	25.0	15.5	19.7	62.8	24.8	14.3	8.8	6.0	4.5	3.9
EV / EBIT (x)	52.8	42.4	26.3	16.5	21.2	88.7	29.7	16.7	10.2	7.0	5.4	4.7
Price / NTA			7.1	5.6	5.2	4.5	4.0	3.5	3.1	2.4	1.9	1.6
DPS (cps)	0.0	0.0	3.0	6.0	5.0	0.0	0.7	1.2	2.0	2.7	3.3	3.5
Dividend Yield (%)	0.0%	0.0%	2.6%	5.2%	4.3%	0.0%	0.6%	1.1%	1.7%	2.3%	2.9%	3.1%
Franking (%)	0%	0%	100%	100%	100%	0%						
Free Cash / Share (c)	1.4	0.9	-0.4	1.8	-1.2	-3.6	-0.3	4.5	9.6	9.6	11.5	11.7
Price / FCF PS (x)		122.9	-310.2	63.1	-92.1	-32.2	-357.8	25.3	12.0	12.0	10.0	9.9

DCF VALUATION & SENSITIVITY

PV of Cashflows 2015 to 2020	6.96	Risk Free Rate	4.5%
		Equity Risk Premium	6.0%
PV of Term Year Cashflow	72	Equity Beta	0.8
		Cost of Equity	9.4%
		After Tax WACC	9.1%
Less OEI at FY'14 y/e	0		
(Net Debt) or Cash	(2)	Terminal Growth	3.5%
PV of Equity	77		
PV of Equity per share	$ 1.34		

MAJOR SHAREHOLDERS

	%		%
David Williams	52.6%		
		Top 20	**65%**

GROWTH PROFILE (YoY)

Y/end June	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Sales ($m)		-5%	30%	19%	-1%	-27%	36%	26%	28%	27%	23%	5%
EBITDA inc EAT ($m)		22%	56%	62%	-17%	-68%	155%	69%	53%	37%	21%	8%
EBIT ($m)		22%	57%	60%	-17%	-76%	201%	73%	53%	35%	20%	4%
NPAT ($m)				67%	-20%	-62%	83%	79%	59%	38%	22%	8%
EPS (cps)				60%	-25%	-63%	83%	79%	59%	38%	22%	8%
DPS (cps)				100%	-17%	-100%	n/a	79%	59%	38%	22%	8%

Contact Information

Head Office: Level 12, 15 William St Melbourne VIC 3000 Australia. Tel: +61 3 8633 9831

PAC Partners – Executive Team

CRAIG STRANGER	PAUL JENSZ	ANDREW SHEARER	SEAN KENNEDY	BROOKE PICKEN
Managing Director	*Director, Senior Industrial Analyst*	*Senior Resources Analyst*	*Corporate Finance*	*Equity Capital Markets*
+613 8633 9832	+613 8633 9864	+613 8633 9862	+613 8633 9836	+613 8633 9831
cstranger@pacpartners.com.au	pjensz@pacpartners.com.au	ashearer@pacpartners.com.au	skennedy@pacpartners.com.au	bpicken@pacpartners.com.au

PhillipCapital – Institutional Sales Team

JAMES WILSON	MARK PASHLEY
Head of Institutional Dealing	*Head of Trading*
+61 2 9233 9607	+61 2 9233 9641
jwilson@phillipcapital.com.au	mpashley@phillipcapital.com.au

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PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

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