Cooks Global Foods

NZ$10m equity financing

Refocused and soundly financed

Food & beverages

Cooks Global Foods (CGF) has refocused its strategy to deliver expansion in the major economies of China and the US, as well as continuing growth in its existing territories of the UK, Ireland and the rest of the world, mainly the Middle East. Not only through the current share placing but also because of the business structure in China and the US, expansion is soundly financed. Our valuation indicates substantial upside to the placing price.

Year end	Revenue (NZ$m)	PBT* (NZ$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/16	6.2	(2.6)	(0.7)	0.0	N/A	N/A
03/17	5.3	(3.0)	(0.7)	0.0	N/A	N/A
03/18e	7.5	(1.0)	(0.2)	0.0	N/A	N/A
03/19e	12.3	1.6	0.2	0.0	38.3	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

A focused expansion strategy

Cooks Global Foods has recast its strategy to focus on economically buoyant markets in China and the US, while building on successful trading in the UK, Ireland and the rest of the world, mainly the Middle East. It has well-established partners for its Chinese joint venture and plans majority-owned entities in the US that will make the most of market-experienced operators there. Its strategy therefore maximises funding opportunities while minimising geographical market risk.

Efficiently funded for growth

A substantial fund-raising project guaranteed to raise NZ$10m of equity before expenses, with NZ$5.3m of that already concluded and the remainder underwritten, means that the balance sheet is now efficiently structured for growth. In addition, the shared structure of the major expansion project in China brings financing as well as commercial partnership, and US expansion is intended to be self-funding.

We forecast profit turnaround in FY19

We forecast revenue to increase by c 40% in FY18, with pre-tax losses reducing sharply on their way to profitability before tax in FY19. We forecast net cash of NZ$1.3m at March 2018.

Valuation: Significant upside to the placing price

Based on our DCF valuation methodology, which reflects CGF's early stage in its current roll-out strategy, as well as extending our forecast for the company's growth, we value the shares at NZ$0.26/share (previously NZ$0.145/share). Based on our estimates, the placing price of NZ$0.0775 implies a discount rate (WACC) of 22.5%, which we believe is excessive given the cost of finance adjusted for risk. We expect the premium of CGF's earnings multiples against its peer group to decrease.

2 August 2017

Price	**NZ$0.08**
Market cap	**NZ$38m**

Net debt (NZ$m) as at 31 March 2017	7.1
Shares in issue (before SPP)	484.6m
Free float	15-20%
Code	CGF
Primary exchange	NZX
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(2.5)	13.0	(2.5)
Rel (local)	(4.3)	8.6	(3.4)
52-week high/low		NZ$0.1	NZ$0.1

Business description

Cooks Global Foods owns the global rights to the Esquires Coffee House brand with 98 stores in the UK, Ireland, China, Canada, Indonesia and the Middle East under franchises and company ownership.

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Investment summary

Company description: Aiming to lead in organic and fairtrade

CGF's vision is to be the world's leading organic and fairtrade coffee retailer through its Esquires brand. Its current strategy is focused on growth in the specific geographical regions of China and the US, as well as existing operations in the UK, Ireland and the rest of the world, mainly the Middle East. Management targets growth from 98 stores in FY17 to 140 in FY18, and our forecast is for this to increase to 214 the following year. The current NZ$10m fund-raise provides adequate funds for that expansion and further growth.

Financials: Forecasting turnaround in FY19

In FY17 Esquires' constant currency network sales (ie the total sales of the franchised system and owned stores) increased by 13% to NZ$39.4m, but as a result of currency headwinds, continuing revenue fell by 13.2%, with a reported loss after tax from continuing operations of NZ$3.6m. The balance sheet ended heavily indebted with net debt of NZ$7.1m. However, before year end the NZ$10m capital raise had already been announced.

Our forecasts indicate CGF is on track to profitability by FY19, assuming the success of the new US and Chinese ventures as well as planned growth in existing regions. Pre-tax losses of NZ$1.1m in FY18 should turn to a PBT of NZ$1.6m in FY19. We forecast net cash of NZ$1.3m at March 2018.

Sensitivities: Execution and consumer risk in world markets

We see the main sensitivities as:

- **Execution of diverse international strategy**: achievement of strategy depends on success in a number of business models simultaneously in different international regions.
- **Consumer market risk in different markets**: the consumer's willingness and ability to spend on discretionary products is outside the company's control and may vary in different areas.
- **Consumer preference in different markets**: consumers may not adopt CGF's distinctive offer equally in each geography, although a portfolio hedge effect applies.
- **Competition:** in each market, CGF faces many competitors.
- **Exchange rates**: increasingly CGF's revenues are in currencies that are not only different but distant from its NZ dollar reporting currency.
- **Share liquidity and control**: the results of the share purchase plan (SPP) are not yet known but two significant investors currently own over 50% of the share capital.

Valuation: Medium-term growth discounted in share price

Given CGF's early stage in its current roll-out strategy, we use a DCF valuation methodology. We retain our previous 12% discount rate reflecting execution risk, including new business models in international territories. Reflecting the forecast base of share capital and net cash following the current placing, our DCF valuation is NZ$0.26/share (previously NZ$0.145/share). Based on our estimates, the placing price of NZ$0.0775 implies a discount rate (WACC) of 22.5%. CGF's shares trade at a substantial premium to the equivalent year two consensus multiples for its peer group. However, we project CGF to be on a steep growth curve and as a result we are of the view that this gap is likely to close.

Company description: Organic and fairtrade coffee

CGF is principally a coffee franchise business with 98 Esquires stores in operation across 10 countries and rights to operate in a total of 14. Its vision is to be the world's leading organic and fairtrade coffee retailer through its Esquires brand. Under its recast strategy, it plans to grow by expanding the scope of its retail operations as well as the supply chain. It targets to have 660 stores across existing and new regions by FY20. Management aims to achieve this by growing its mainly franchised operations in selected countries, earning both sales royalties and the profit on product sales to the franchisees, and working with commercial partners. CGF is also considering acquisitions in selected markets.

CGF listed in October 2008, as Cooks Food Group, with initial plans to build a portfolio of food manufacturers. In August 2013, it acquired the global franchise rights, except for Australia, New Zealand and Canada (the latter was added in April 2014) to the Esquires Coffee House franchise, as well as the master franchises in the UK, Ireland, and the Middle East. The Chinese master franchise was acquired in December 2014. It has since sold its small food manufacturing company, Progressive Processors, a supplier of kiwifruit juice products and fresh asparagus.

In March 2017 CGF confirmed a NZ$10m capital raising enabling a capital structure that will allow the company to achieve its immediate growth plan. Following this move, in April 2017, CGF announced a strategic reorganisation to refocus the company on its artisan organic and fairtrade coffee operations, and further incentivise its regional partners to drive growth. Management believes that these initiatives, combined with the fund-raise, have the potential to significantly accelerate the growth of the coffee operations while reducing demands on financial resources.

Strategy: To become the leading organic, fairtrade coffee retailer

CGF's vision is to be the world's leading organic and fairtrade coffee retailer through its Esquires brand. There are three elements to its core growth strategy:

1. growing the Esquires brand in its existing markets;
2. growing the Esquires brand in strategically important new markets; and
3. growing a competitive supply chain.

Growing the Esquires brand in its existing markets

CGF plans significant growth in existing territories. The number of stores in the UK and Ireland, where it operates direct franchises is set to grow from 40 to 59 in FY17, with similar growth planned for the following year. In the Middle East, where it operates through country master franchises, CGF has identified significant potential to improve its business and plans to open a further six stores this year.

Growing the Esquires brand in strategically important new markets

Chinese joint venture: CGF has established a joint venture with a Chinese-based investment entity to own the master franchise for the Esquires Coffee brand in China, Hong Kong, Macau and Taiwan. In exchange for a 30% stake in the new entity, Cooks has contributed its existing Chinese assets, valued on the balance sheet at NZ$4.4m. The new entity (which will be reported on an equity basis within operating profit) will benefit from strong cash backing and local partners who understand the consumer dynamics in this fast-growing coffee market. The overarching aim is to accelerate store growth with the introduced funds, using the New Zealand heritage as the key brand differentiator. The agreement, which closely follows a model that major fast food franchisors such as McDonald's have implemented over recent years, should deliver a share of profits in Greater China while substantially reducing the demands on CGF's working capital.

US: Having conducted research to clarify exact positioning within the overall market, CGF plans to build a self-funding operation in South Eastern US based on majority-owned (we assume 60%) companies. The concept envisages regional hubs, each headed by a major store and roastery, which will act as a base for a total of 50 stores, most of which will be franchised. The base will provide barista training and central functions to the franchise group. This model should ultimately lead to 204 stores over the next five years. Our assumption is that the four initial stores will be completed by the FY18 year-end, followed by 40 in FY19, and then 80 in FY20.

Other: CGF signed a master franchise agreement in Pakistan for 40 stores in 10 years, the first of which is set to open in 2017. It also signed a multi-site franchise agreement for new stores in Portugal, with further discussions taking place with other parties for master franchises. We have not specifically modelled the potential roll-out in these territories, but the opportunity is large.

Growing a competitive supply chain

CGF has invested in new product initiatives for its production company Scarborough Fair that will accelerate sales in the coming year and enhance the business's financial performance. It has also introduced a retail range of fresh coffee, Grounded, with the view of taking sustainability to the next level. The relatively new Crux Products subsidiary has formed a long-term development strategy, and is currently in advanced discussions with several suppliers to expand beyond the current wine, water, beer and squash range.

Esquires Coffee: A core business with authentic values

Esquires is CGF's core business. Its differentiated brand values are:

- organic and 100% fairtrade,
- artisan and authentic,
- reflects New Zealand's culture and heritage,
- natural and environmentally responsible,
- sustainable and ethically sourced, and
- local personality and community focused.

CGF owns the international intellectual property and master franchising rights to the Esquires Coffee brand (excluding Australia and New Zealand). In the UK, Ireland, Canada and China it directly operates and franchises Esquires Coffee stores, while in Bahrain, Egypt, Jordan, Kuwait, Syria, Saudi Arabia, Indonesia, the UAE and Pakistan it has master franchise agreements.

CGF also operates an in-house design company, Design Environments, to ensure Esquires' organic, fairtrade, natural, environmentally responsible, artisan and authentic core values are embedded in all Esquires stores.

Management

The board and management team are experienced in building both coffee brands and consumer-based businesses. The board is headed by Executive Chairman Keith Jackson, who is a former CEO of NZ chicken manufacturer Tegel Foods, and is responsible for founding CGF. Mr Jackson has also spearheaded the Chinese relationships, which will recapitalise the group for significant expansion in both existing and new territories. Of the other board members, Peihuan Wang is chairman and general manager of Jiajiayue Holding Group (formerly known as Shandong Jiajiayue Investment Holdings Co), a 30.6% stakeholder in CGF (based on the post-capital raising structure but before the underwritten shares are issued). Hui Zhe is in charge of development and operational businesses for YMCI, a 20.8% shareholder (also post fund-raise). Andrew Kerslake has experience in banking, shipping and logistics. Mike Hutcheson co-founded leading adverting agencies Colenso BBDO and Hutcheson Knowles Marinkovich, and concluded his advertising career as MD of Saatchi and Saatchi.

Craig Brown, CFO, is a broadly experienced financial manager with experience in a diverse range of industries. The executive board comprises a team of appropriately experienced managers.

The global coffee market

The branded coffee market has been one of the highest growing retail sectors since the global financial crisis, and across most countries has outpaced growth in broader retail spending. According to the National Coffee Association USA, the percentage of Americans drinking coffee daily in 2017 was 62%, up from 57% the previous year, with younger consumers leading the charge. In stark contrast, the average mainland Chinese person drinks about three cups of coffee per year. China's massive population is therefore a largely untapped market. According to market estimates, Chinese coffee consumption may continue to expand at a pace of 15-20% annually. CGF plans to capitalise on this with the Chinese joint venture, and in terms of the US operation, it hopes to reap the rewards of continued high consumption levels and demand for branded coffee, despite the existing competitive landscape represented by other western brands.

The global coffee market is currently growing at around 2% pa in volume terms:

Exhibit 1: World coffee consumption

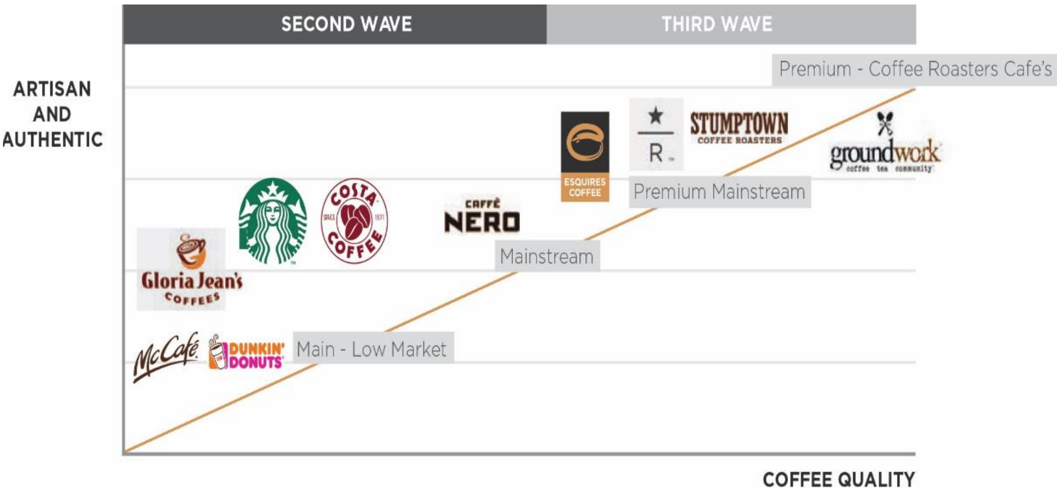
Thousand 60kg bags	2012/13	2015/16	CAGR
Exporting countries			
Brazil	20,330	20,500	0.3%
Indonesia	3,900	4,500	4.9%
Ethiopia	3,400	3,700	2.9%
Philippines	2,325	3,000	8.9%
Mexico	2,354	2,354	0.0%
Vietnam	1,825	2,300	8.0%
India	2,000	2,250	4.0%
Colombia	1,441	1,672	5.1%
Venezuela	1,650	1,650	0.0%
Thailand	1,130	1,300	4.8%
Others	4,960	5,037	0.5%
Total – exporters	**45,315**	**48,263**	**2.1%**
Importing countries			
EU	41,662	42,887	1.0%
US	23,268	25,341	2.9%
Japan	7,353	7,790	1.9%
Russian Federation	3,521	4,303	6.9%
Canada	3,510	3,535	0.2%
Algeria	2,123	2,154	0.5%
South Korea	1,748	1,980	4.2%
Australia	1,564	1,770	4.2%
Saudi Arabia	1,256	1,643	9.4%
Turkey	821	1,106	10.4%
Ukraine	1,313	1,069	-6.6%
Switzerland	1,054	1,069	0.5%
Others	12,469	12,803	0.9%
Total – importers	**101,662**	**107,450**	**1.9%**
Total	**146,977**	**155,713**	**1.9%**

Source: International Coffee Organisation

Exhibit 1 highlights the extent to which the EU and US dominate global demand for coffee. In contrast China does not feature in the two dozen top coffee consumers, which, considering its population and continuing economic growth profile, demonstrates the potential scope of this market, particularly as other smaller Far Eastern countries such as Japan and South Korea have already demonstrated adoption of the product.

Esquires Coffee has an emphasis on organic, fairtrade and high-quality coffee, and as a result aspires to position itself as a premium mainstream brand.

Exhibit 2: Esquires target global coffee market positioning



Source: CGF

Capital raising

In March 2017 CGF announced that existing shareholders and CGF's executive chairman Keith Jackson had agreed to provide NZ$10m in new funding to accelerate the growth of the Esquires Coffee store chain and provide working capital.

The capital raising, all of which is at a price of 7.75 NZ cents per share, comprises:

- Jiajiayue Holding Group Ltd (formerly known as Shandong Jiajiayue Investment Holdings Co) (JJY) contributing NZ$3.5m of new capital (this takes JJY from a 24.8% to a 30.6% interest);
- Yunnan Metropolitan Construction Investment Group co Limited (YMCI) increasing its interest from 18.6% to 20.8% of the share capital for a subscription of NZ$1.8m;
- Keith Jackson underwriting a maximum of NZ$4.7m of new capital to be issued under a share purchase plan for existing shareholders. The share purchase plan is due to close on 4 August 2017; however, since it is underwritten we assume in this note that all the shares will be issued.

Of the NZ$10m total, NZ$3.5m is to be applied in capitalising existing loans to CGF with the rest being received in cash. The holding percentages of JJY and YMCI will decrease, once underwritten shares are issued, to 27.2% and 18.5% respectively

In addition, CGF intends to buy back 20m of its shares. Following this event, the percentages of JJY and YMCI are expected to increase to 28.2% and 19.2% respectively.

Sensitivities

We see the main sensitivities as:

- **Execution of diverse international strategy**: at this stage in its development, achievement of CGF's strategy depends on success in a number of business models simultaneously in different international regions; for example, an operating franchise model in the UK and Ireland, subsidiary owned operating companies in the US and a commercial joint venture in China.

- **Consumer market risk in different markets**: the consumer's willingness and ability to spend on discretionary products is outside the company's control and may vary in different areas. For instance, in the UK, consumer expenditure has now fallen for three quarters in a row. However, a spread of geographies should produce a hedge effect, in that no one geography is dominant.
- **Consumer preference in different markets**: it is not a foregone conclusion that consumers will adopt CGF's distinctive offer equally in each geography. However, once more a portfolio hedge effect applies.
- **Competition**: in each market, CGF faces many competitors, some having been entrenched for some time and others being local brands that have grown quickly. The US and the UK are already developed markets, although the Esquires organic and fairtrade offer is a differentiated one. The market in China is much more diverse and development is at different stages in different regions; however, international brands such as Starbucks and Costa are gaining share.
- **Exchange rates**: increasingly CGF's revenues are in currencies that are not only different but distant from its NZ dollar reporting currency. Although plans to develop via co-investors in the US and China should bring some hedging to the balance sheet, earnings are likely to be vulnerable to external exchange rate fluctuations. This was particularly seen in FY17 when 33% of store revenue was in the UK. In the future, development of operations in other geographies should create some hedging, though not against independent movements of the NZ dollar.
- **Share liquidity and control**: The results of the SPP are not yet known, but two significant investors currently own over 50% of the share capital.

Financials

Preliminary results for FY17

At preliminary results in June, CGF identified discontinued operations, being mainly the Chinese operation that will be reflected in financial statements as an equity-accounted joint venture, and the Progressive Processors supply business, which was sold to management, and restated its FY16 results to account for the discontinued operations. Our P&L model includes only continuing operations.

Esquires Coffee's constant currency network sales increased by 13% to NZ$39.4m, as the store numbers grew from 86 to 98. However, as a result of currency headwinds, particularly the post-Brexit effect on sterling, continuing revenue fell by 13.2%. Despite growth in UK and Ireland local currency revenue of 22.2% and 15.1%, respectively, these gains were largely neutralised on conversion to the base reporting currency. Both regions therefore recorded an operating loss for the year, albeit reduced year-on-year. Pre-tax loss for continuing operations at a reported NZ$3.5m was at a similar level to that of FY16, despite the negative NZ$1.1m impact of exchange rate movements.

The balance sheet was heavily affected by fair value write downs totalling NZ$4.5m, mainly reflecting the expected sale into the Chinese joint venture, with NZ$4.4m of assets held for sale to it at year end included in this. The sale of the Progressive Processors supply business to management, amounting to NZ$0.45m has also been written down. The balance sheet ended heavily indebted with a net cash outflow of NZ$4.7m and a closing net debt figure of NZ$7.1m. However, before year end the NZ$10m capital raise had already been announced.

Forecasts under the new strategy

Considering the Chinese joint venture as well as the self-funded project in the US, our forecasts indicate CGF is on track to becoming profitable by FY19. Revenue growth is forecast for all regions as the total number of stores increases from 98 to 140 in FY18, and then to 214 in FY19. Trading profit from the majority-owned US venture acts as a primary catalyst in turning CGF profitable in FY19, and growth thereafter is set to remain substantial. The 30% investment in the Chinese venture should result in significant operating efficiencies with a net positive contribution to CGF particularly in FY19e. This will be equity-accounted within operating profit and provide scope for meaningful growth in subsequent years in this large market.

We forecast losses before tax to narrow by 61% to NZ$1.03m in FY18. This is set to turn to a PBT of NZ$1.6m in FY19, which results in normalised EPS of 0.20c. We must of course note that our forecasts are contingent on a number of assumptions, and the success of the new US and Chinese ventures are integral to our model, as are the associated levels of execution risk – see Sensitivities section above.

Our forecasts indicate that CGF will have a net positive cash flow of NZ$8.4m in FY18 after the fund-raise. Following the fund-raise, CGF will be in a far better position to resource identified growth prospects.

Both as a result of the capital raising and the Chinese joint venture structure, the balance sheet should see a substantial restructuring. Net assets of $0.2m in FY17 become NZ$8.9m in FY18, with the capitalisation of $3.4m in short-term debt and issue of shares to Chinese investors contributing substantially.

Valuation

Given CGF's early stage in its current roll-out strategy, we use a DCF valuation methodology, and we also refer to a broad peer group. We retain our previous 12% discount rate, since, although historical balance sheet risk has been addressed, future earnings are subject to significant execution risk, including new business models in international territories. We extend our FY19 revenue forecast for one further year of pronounced growth, to 64%, before fading the growth rate progressively down to our terminal assumption of 2%. Similarly, we anticipate EBITDA margin rising to 40% in FY20 as a result mainly of the significant expected growth in the Chinese joint venture, but we do not increase that margin further in our DCF model.

Reflecting the forecast base of share capital and net cash following the current placing, our DCF valuation is NZ$0.26/share (previously NZ$0.145/share). Our valuation parameters are as follows:

Exhibit 3: DCF valuation

DCF valuation		Valuation parameters	
NPV of free cash flow for forecast period (FY18-27e) (NZ$m)	54.0	Risk free rate	2.0%
Terminal value (NZ$m)	86.5	Market risk premium	6.0%
NPV to capital (NZ$m)	140.5	Beta	1.6
Net cash after adjusting for fund-raising (NZ$m)	2.4	WACC	12.0%
NPV to equity (NZ$m)	142.9	Cost of equity	12.0%
Value per share (NZ$)	0.262	Terminal growth rate	2.0%

Source: Edison Investment Research

We also present a scenario analysis to indicate the valuation effect of different terminal growth rates and WACCs. As Exhibit 4 shows, a higher discount rate would result in a lower valuation. Based on our estimates, the current share price of NZ$0.08 implies a discount rate (WACC) of 22.5%.

Exhibit 4: Valuation sensitivity (NZ$) to terminal growth rate and WACC

		WACC				
		11.0%	11.5%	12.0%	12.5%	13.0%
Terminal growth rate	0.0%	0.270	0.252	0.236	0.221	0.207
	0.5%	0.278	0.259	0.241	0.226	0.211
	1.0%	0.286	0.266	0.248	0.231	0.216
	1.5%	0.295	0.274	0.254	0.237	0.221
	2.0%	0.305	0.282	0.262	0.244	0.227
	2.5%	0.316	0.292	0.270	0.251	0.233
	3.0%	0.329	0.303	0.279	0.259	0.240
	3.5%	0.344	0.315	0.290	0.267	0.248
	4.0%	0.360	0.329	0.301	0.277	0.256

Source: Edison Investment Research

Peer comparison

Exhibit 5: Peer comparison (using 12-month forward consensus forecasts)

	Country	Fiscal year end	Market cap – local (m)	Market cap (US$m)	Yr 1 P/E (x)	Yr 2 P/E (x)	Yr1 EV/EBITDA(x)	Yr2 EV/EBITDA (x)
Starbucks Corp	US	09/2016	82,394	82,394	26.7	23.2	14.9	13.2
Dunkin' Brands Group	US	12/2016	4,522	4,522	18.6	16.6	13.3	12.2
Restaurant Brands Intl	US	12/2016	22,239	22,239	26.9	21.2	16.1	15.1
Retail Food Group	Australia	06/2016	876	701	13.4	12.3	9.8	9.0
Café de Coral Holdings	Hong Kong	03/2017	16,110	2,065	22.5	17.3	11.7	10.1
Whitbread	UK	02/2017	7,744	10,222	14.8	13.5	9.2	8.4
Minor International	Thailand	12/2016	174,098	5,223	25.9	22.8	18.5	17.0
Gourmet Master Co	Taiwan	12/2016	41,207	1,360	24.0	19.5	10.3	8.5
President Chain Store	Taiwan	12/2016	262,192	865	26.8	23.8	14.1	12.8
Mean					**22.2**	**18.9**	**13.1**	**11.8**
Cooks Global Foods	**NZ**	**03/2017**	**38**	**50**	**N/A**	**38.3**	**N/A**	**16.8**

Source: Bloomberg. Note: Prices as at 1 August 2017

Cooks Global Foods operates in a dynamic space in the consumer foods industry. Its peer group of listed coffee houses is trading on a mean year 1 P/E of 22.2x and EV/EBITDA of 13.1x. CGF is not profitable in its first year of forecast trading, but on our year 2 forecast it trades on a P/E of 38.3x and EV/EBITDA of 16.8x. These represent a substantial premium to the equivalent year 2 consensus multiples for the peer group. However, CGF is projected at this time to be on a steep growth curve and as a result we are of the view that this gap is likely to close.

Exhibit 6: Financial summary

Year-end March	NZ$000s	2015	2016	2017	2018e	2019e
		IFRS	IFRS	IFRS	IFRS	IFRS
		March	March	March	March	March
PROFIT & LOSS (continuing only from FY16)			**Restated**			
Revenue		8,931	6,152	5,340	7,523	12,337
Cost of Sales		(2,856)	(1,366)	(1,250)	(1,397)	(1,906)
Gross Profit		6,075	4,786	4,090	6,126	10,431
EBITDA		(2,812)	(2,339)	(2,442)	(659)	2,109
Operating Profit (before amort. and except.)		(3,587)	(2,551)	(2,608)	(887)	1,745
Intangible Amortisation		(82)	0	1	0	0
Exceptionals		793	0	0	0	0
Other		0	(748)	(503)	0	0
Operating Profit		(2,794)	(3,299)	(3,110)	(887)	1,745
Net Interest		54	(9)	(426)	(140)	(170)
Profit Before Tax (norm)		(3,533)	(2,560)	(3,034)	(1,027)	1,575
Profit Before Tax (FRS 3)		(4,408)	(3,308)	(3,536)	(1,027)	1,575
Tax		0	0	(16)	0	(441)
Minority Interest		0	0	0	0	(21)
Profit After Tax (norm)		(3,533)	(2,560)	(3,033)	(1,027)	1,112
Profit After Tax (FRS 3)		(4,408)	(3,308)	(3,552)	(1,027)	1,112
Average Number of Shares Outstanding (m)		285.1	353.0	412.7	493.0	545.6
EPS - normalised (c)		(1.24)	(0.73)	(0.73)	(0.21)	0.20
EPS - normalised fully diluted (c)		(1.27)	(0.73)	(0.73)	(0.21)	0.20
EPS - IFRS (c)		(1.55)	(0.94)	(0.86)	(0.21)	0.20
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		68.0	77.8	76.6	81.4	84.6
EBITDA Margin (%)		-31.5	-38.0	-45.7	-8.8	17.1
Operating Margin (before GW and except.) (%)		-40.2	-41.5	-48.8	-11.8	14.1
BALANCE SHEET						
Fixed Assets		11,399	11,180	3,306	8,796	13,508
Intangible Assets		10,265	9,575	3,035	3,035	3,035
Tangible Assets		1,105	1,476	256	333	3,980
Investments/Other		29	129	15	5,427	6,492
Current Assets		9,174	9,801	8,318	7,307	7,542
Stocks		1,013	828	227	320	524
Debtors		1,255	4,635	2,579	3,633	5,958
Cash		4,710	1,032	182	2,830	535
Other		2,196	3,306	5,330	524	524
Current Liabilities		(11,368)	(10,043)	(9,928)	(5,734)	(9,988)
Creditors		(3,437)	(6,569)	(4,167)	(5,734)	(9,188)
Short term borrowings		(7,931)	(3,474)	(5,761)	0	(800)
Long Term Liabilities		(810)	(1,291)	(1,499)	(1,499)	(1,499)
Long term borrowings		0	0	(1,499)	(1,499)	(1,499)
Other long term liabilities		(810)	(1,291)	0	0	0
Net Assets		8,395	9,647	197	8,870	9,563
CASH FLOW						
Operating Cash Flow		(1,999)	(6,131)	(4,645)	(846)	1,528
Net Interest		(174)	(237)	(426)	(140)	(170)
Tax		0	0	0	0	(441)
Capex (net of disposals)		(260)	(291)	1,220	(306)	(4,011)
Acquisitions/disposals		(2,210)	(300)	(1,768)	0	0
Financing		7,851	2,906	983	9,700	0
Dividends		0	0	0	0	0
Net Cash Flow		3,208	(4,053)	(4,636)	8,409	(3,094)
Opening net (debt)/cash		(293)	(3,221)	(2,442)	(7,078)	1,331
HP finance leases initiated		0	0	0	0	0
Other		(280)	3,274	0	0	0
Closing net (debt)/cash		(3,221)	(2,442)	(7,078)	1,331	(1,764)

Source: CGF accounts, Edison Investment Research

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