

Cheap packaging



Merrill Lynch

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Strong 1H08 result

CKL reported 1H08 NPAT of A\$3.2m, up 38% on the pcp and roughly inline with the trading update provided in December 07. The strong earnings result was driven by a solid growth in sales (↑13%) to the beverage, food and pharmaceutical segments as well as operational efficiencies from the recent capex program. The result also highlighted a significant improvement in operating margins and gearing.

Earnings upgraded by 10% in '08, 7% in '09 and 6% in '10

Today's result follows a strong performance in the 2H07 and reinforces our view that the underlying business remains solid and the capital expenditure committed in FY06/07 has set a sound platform for CKL to continue to grow sales and earnings into the future. As a result, we have upgraded our earnings estimates by 10.1% in FY08, 7.1% in FY09 and 6.5% in FY10.

Inexpensive under various valuation metrics

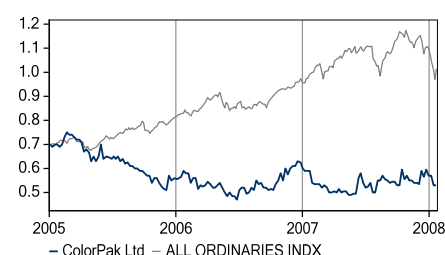
Our DCF for CKL is A\$0.82ps, which represents a 44% prem. to the current price. Whilst the DCF valuation is our preferred methodology, we recognise that CKL also looks attractive on different metrics. Applying a mid-cycle PER multiple of 10.5x (30% disc to mkt) to FY08 EPS of 7.6cps, we derive a valuation of A\$0.80. Importantly, were the stock to reach our target of A\$0.75ps in 12mths, CKL would be trading on a fwd PER of 9.1x, which we do not view as demanding. At current levels, the stock is also offering an attractive dividend yield of 5.7% (fully franked).

Price target of A\$0.75ps offers 37% potential upside - Buy

We retain our Buy recommendation with a price target of A\$0.75ps (10% discount to our DCF). Our positive view on the stock is premised on CKL's solid growth outlook, strong management team, inexpensive valuation and corporate appeal.

Stock Data

Price	A\$0.570
Price Objective	A\$0.750
Date Established	5-Jul-2006
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	A\$0.470-A\$0.620
Mrkt Val / Shares Out (mn)	US\$41 / 80.5
Average Daily Volume	59,206
ML Symbol / Exchange	XBVVF / ASX
Bloomberg / Reuters	CKL AU / CKLAX
ROE (2008E)	11.6%
Net Dbt to Eqty (Jun-2007A)	64.8%
Est. 5-Yr EPS / DPS Growth	5.5% / 11.2%
Free Float	68.0%



Estimates (Jun)

(A\$)	2006A	2007A	2008E	2009E	2010E
Net Profit b/f Abnormals	4.5	5.1	6.1	6.6	7.1
EPS	0.056	0.063	0.076	0.082	0.088
EPS Change (YoY)	-17.1%	12.2%	21.2%	8.0%	7.1%
Dividend / Share	0.028	0.028	0.033	0.038	0.043
Free Cash Flow / Share	(0.034)	(0.014)	0.096	0.069	0.053

Valuation (Jun)

	2006A	2007A	2008E	2009E	2010E
P/E	10.2x	9.1x	7.5x	6.9x	6.5x
Dividend Yield	4.8%	4.8%	5.7%	6.6%	7.5%
EV / EBITDA*	7.3x	6.3x	5.3x	4.9x	4.6x
Free Cash Flow Yield*	-6.4%	-2.7%	18.1%	13.0%	10.0%

* For full definitions of *iQmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 11. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

iQprofileSM Colorpak Ltd.

Key Income Statement Data (Jun)	2006A	2007A	2008E	2009E	2010E
(A\$ Millions)					
Sales	71	72	78	82	87
Operating Expenses	(60)	(59)	(64)	(67)	(71)
EBITDA	11	13	14	15	15
Depreciation & Amortization	(2)	(3)	(3)	(3)	(3)
EBIT	9	10	11	12	12
Net Interest & Other income	(2)	(3)	(3)	(2)	(2)
Associates	NA	NA	NA	NA	NA
Pretax Income	6	7	9	9	10
Tax (expense) / Benefit	(2)	(2)	(3)	(3)	(3)
Net Profit b/f Abnormals	5	5	6	7	7
Non-Recurring Items	0	0	0	0	0
Net Income (Reported)	5	5	6	7	7
Avg F Diluted Shares Outstanding	80	80	80	80	80

Key Cash Flow Statement Data

EBITDA	11	13	14	15	15
Change in Working Capital	(2)	0	0	0	0
Deferred Taxation Charge	(1)	1	1	0	0
Other Adjustments, Net	0	0	0	0	0
Cash Flow from Operations	3	9	10	10	10
Capital Expenditure	(6)	(10)	(2)	(4)	(6)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	0	0	0	0	0
Cash Flow from Investing	(6)	(8)	(2)	(4)	(6)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(2)	(2)	(2)	(3)	(3)
Cash Flow from Financing	2	0	(6)	(6)	(3)
Free Cash Flow	(3)	(1)	8	6	4
Net Debt	32	33	28	25	24
Change in Net Debt	NA	NA	NA	NA	NA

Key Balance Sheet Data

Property, Plant & Equipment	25	28	27	28	31
Other Non-Current Assets	0	0	0	0	0
Trade Receivables	14	13	13	13	14
Cash & Equivalents	0	0	2	2	3
Other Current Assets	1	1	1	1	1
Total Assets	94	97	98	99	104
Long-Term Debt	29	33	29	26	26
Other Non-Current Liabilities	0	0	1	1	1
Short-Term Debt	3	1	1	1	1
Other Current Liabilities	2	2	2	2	2
Total Liabilities	46	46	43	40	41
Total Equity	48	51	55	59	62
Total Equity & Liabilities	93	97	98	99	104

iQmethodSM - Bus Performance*

Return on Capital Employed	7.7%	8.3%	9.2%	9.5%	9.7%
Return on Equity	9.7%	10.2%	11.6%	11.7%	11.7%
Operating Margin	12.4%	13.8%	14.6%	14.4%	14.3%
EBITDA Margin	15.3%	17.6%	18.2%	18.0%	17.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.8x	1.8x	1.6x	1.4x	1.4x
Asset Replacement Ratio	2.7x	3.6x	0.7x	1.3x	1.9x
Tax Rate (Reported)	30.4%	30.0%	30.0%	30.0%	30.0%
Net Debt-to-Equity Ratio	66.9%	64.8%	50.6%	42.6%	38.3%
Interest Cover	4.1x	3.7x	4.4x	5.1x	5.6x

Key Metrics

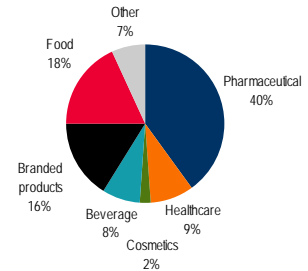
Franking	100%	100%	100%	100%	100%
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* For full definitions of iQmethodSM measures, see page 9.

Company Description

Colorpak is a major participant in the A\$600m folding-carton segment of Australia's paper and board packaging industry. The company's products are heavily exposed to the higher margin pharmaceuticals and healthcare industries. The company is based in Melbourne, Australia.

Chart 1: CKL revenues by segment



Source: CKL FY07 result

Stock Data

Price to Book Value 0.8x

Buy retained post strong 1H08 result

CKL reported 1H08 NPAT of A\$3.2m, up 38% on the pcp and roughly inline with the trading update provided in December 07. This strong earnings result was driven by a solid growth in sales to the beverage, food and pharmaceutical segments as well as operational efficiencies from CKL's recent capex program. The result also highlighted a significant improvement in margins and gearing.

Today's result follows a strong performance in the 2H07 and reinforces our view that the underlying business remains solid and the capital expenditure committed in FY06/07 has set a sound platform for CKL to continue to grow sales and earnings into the future.

Post the 1H08 result, we remain comfortable with our Buy recommendation and price target of A\$0.75ps. Our positive view on the stock is based on (1) solid growth outlook - driven by underlying growth in key markets, continued market share gains and a focus on higher margin segments (eg. pharmaceutical); and (2) inexpensive valuation - the stock is trading on a PER of 7.5x FY08E and 30% below our DCF of A\$0.82ps.

Result at a glance

Below we summarise the key financial highlights from today's result:

Table 1: 1H FY08 result vs pcp

	1H FY07	1H FY08	Chg %
Sales Revenue	34.9	39.5	13.0%
EBITDA	5.9	7.2	22.3%
D&A	-1.3	-1.4	4.4%
EBIT	4.6	5.9	27.5%
Net Interest	-1.3	-1.3	-0.1%
EBT	3.3	4.6	38.3%
Tax Expense	-1.0	-1.4	39.0%
NPAT	2.3	3.2	38.0%
EBITDA Margin	16.9%	18.3%	1.4%
EBIT Margin	13.1%	14.8%	1.7%
EPS (A\$ cents)	2.9	4.0	38.0%
DPS (A\$ cents)	1.00	1.25	25.0%

Source: CKL, Merrill Lynch

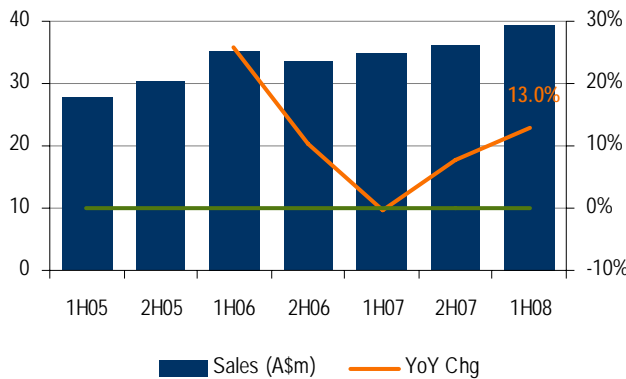
- NPAT:** CKL reported a net profit of A\$3.2m, up 38% on the pcp and 10% ahead of our forecasts of A\$2.9m. The result was driven by higher volume sales and manufacturing efficiencies, which led to some margin expansion.
- Revenue drivers:** Sales rose 13% on the pcp and came above our growth forecast of 10.2%. Increased revenues were due to strong trading conditions across the pharmaceutical, food and beverage segments and the introduction of new products to larger customers.
- Cost drivers:** CKL's cost base rose 11% on the pcp, driven by higher staff (up 15%), occupancy (13%) and other operating costs, including electricity (up 24%). This was partly minimised by operational efficiencies, which resulted in raw material costs (~48% of costs) rising only 6%.
- Operating cash flow:** The only disappointment from today's result was OCF, which was relatively flat (up 2%) despite a 26% rise in operating earnings (NPAT+D&A). This was due to a build up in working capital (inventories), which we expected to be converted into cash in the 2H08. On a more positive note, FCF totaled A\$3.2m - a major improvement vs the pcp (-A\$3.5m).
- Capex:** Net capex came at A\$0.9m, inline with previous guidance. CKL does not expect capital expenditure for the full year to exceed A\$2m, which implies capex below 70% of depreciation.
- Gearing (D/D+E):** CKL has used some excess cash to pay down debt, reducing gearing from 40% to 37% in the past 6 months. The company is targeting gearing near or below 35% by the end of FY08.
- Interim dividend:** CKL declared a fully franked interim div of 1.25cps, up 25% vs pcp. The record date is 7 Mar 08, and the div will be paid on 2 Apr 08.
- Outlook:** No specific guidance provided, but given its performance year to date, CKL remains confident that it can post double digit earnings growth for the full year. We are forecasting NPAT FY08 of A\$6.1m, up 21% on the pcp.

Highlights

- **Double-digit sales growth on strong trading conditions**

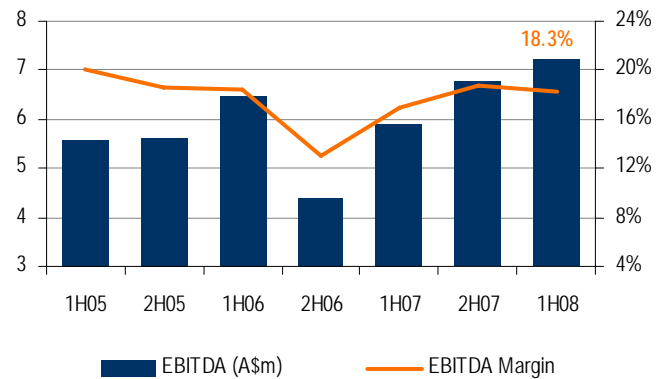
Sales rose 13% vs pcp and 9.4% vs 2H07, driven primarily by improved trading conditions in the food and beverage sectors as well as continuous volume growth in the higher margin pharmaceutical segment. The top-line also benefited from additional sales flowing from CKL's recent capex program, particularly from the Regents Park operation in NSW. We expect CKL to continue to extract revenue benefits from this capital investment in the second half of the financial year.

Chart 2: Sales rose 13% in 1H08 driven by strong trading conditions



Source: CKL, Merrill Lynch estimates

Chart 3: EBITDA margin above 18%

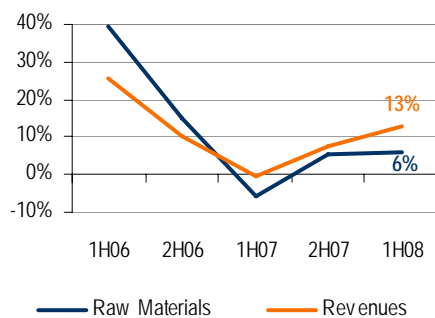


Source: CKL, Merrill Lynch estimates

- **EBITDA margin expanded to 18.3%**

Operating margins expanded from 16.9% in the 1H07 to 18.3% in the 1H08. This material improvement in margins is due to increased sales to pharmaceutical customers and production efficiencies from the new Sydney factory. In our view, this is a respectable outcome given that staff and occupancy costs rose materially in the past 6 months. We believe that electricity expenses also increased considerably as CKL had to renew its contracts in July 07, when electricity prices were peaking. Under this new supply arrangement, we expect CKL to be paying prices 70-80% above the original contract.

Chart 4: Revenues vs RM costs - YoY change



Source: CKL, Merrill Lynch estimates

While we expect margins to remain near current levels (18-19%) in the foreseeable future, we think it's unlikely that CKL will be able to achieve higher margins (>21%) as customers may start complaining (= pushing for lower prices).

- **Manufacturing efficiencies reducing raw material costs**

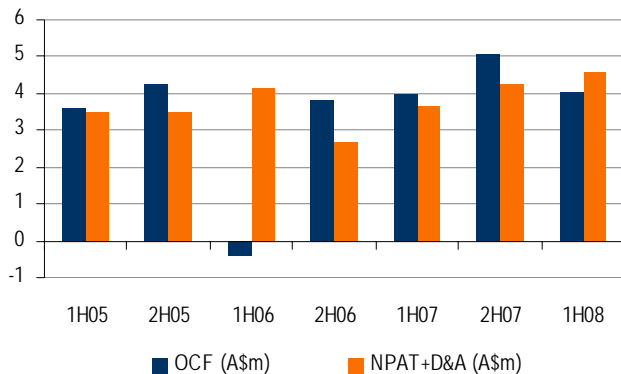
Raw materials make up ~48% of CKL's cost base. The key raw material is cartonboard, which is sourced from local manufacturers or imported through local paper merchants. In the past 6 months, RM costs have grown at a slower pace than revenues – this is due to CKL's operational efficiencies from the Regents Park factory. As can be seen on chart 4, revenues increased 13% in the 1H08 while RM costs rose only 6%. Unsurprisingly, raw material costs as a % of revenues have declined from 42% in 1H07 to 40% in the 1H08.

OCF below expectations, but working capital build up likely to be reversed in the 2H

The only (small) disappointment in an otherwise strong result was operating cashflow, which was relatively flat (up only 2% vs pcp) despite a 26% rise in operating earnings (NPAT+D&A). This was due to a build up in working capital (mainly inventories) associated with the beverage packaging business.

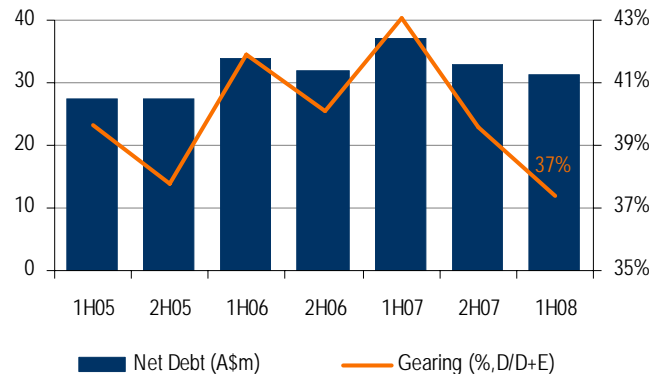
As can be seen below, in 5 of the past 7 halves OCF has substantially outperformed operating earnings (NPAT+D&A), which is a testament to CKL's strong focus on working capital management and its ability to convert earnings into cash. For this reason we are giving the Company the benefit of the doubt and are expecting most of this WC build up to be converted into cash in the 2H08.

Chart 5: Cash realisation - OCF vs NPAT+D&A



Source: CKL, Merrill Lynch estimates

Chart 6: Gearing down from 43% to 37% in the past 12 months



Source: CKL, Merrill Lynch estimates

On a more positive note, free cash flow totaled A\$3.2m, a significant improvement compared to the pcp (-A\$3.5m).

Debt retirement pushes gearing below 40%

CKL's gearing (debt / debt + equity) fell from 43% in the 1H07 to 37% in the 1H08. Due to CKL's size and concentrated earnings stream, we are encouraged to see gearing falling below 40%. Given the low capex burden forecast for the next 6 months, we expect CKL to continue to pay down debt and reduce gearing below 35%. Under this likely scenario, we will see the interest cover ratio rising from 3.7x in FY07 to 4.5x in FY08.

Outlook

No guidance provided, but outlook looks positive

No specific guidance was provided. However, given its performance year to date, CKL remains confident that it can post double digit earnings growth for the full year. We are forecasting NPAT FY08 of A\$6.1m, up 21% on the pcp.

Bolt-on acquisitions on the cards

CKL continues to evaluate opportunities to consolidate its position as the 3rd largest folding carton company in Australia. We believe the likely opportunities for CKL are private companies at the smaller end of the market that have complementary operations, strong management and modern machinery. Depending on the size of the acquisition, CKL may look to raise equity to fund any acquisition.

Earnings changes

Post the result, we have upgraded our earnings estimates by 10.1% in FY08, 7.1% in FY09 and 6.5% in FY10. Upgrades are primarily due to improved operating margins and lower interest expense associated with debt retirement.

Table 2: Earnings changes

Year end June		FY08E	FY09E	FY10E
Sales Revenue				
Was	A\$m	77.0	81.4	85.9
Is	A\$m	77.0	81.3	85.7
Change	%	0.0%	-0.1%	-0.3%
EBITDA				
Was	A\$m	13.2	13.6	14.2
Is	A\$m	14.2	14.8	15.3
Change	%	7.9%	8.5%	8.0%
EBIT				
Was	A\$m	10.5	11.0	11.5
Is	A\$m	11.3	11.7	12.3
Change	%	7.3%	6.5%	6.1%
NPAT				
Was	A\$m	5.6	6.2	6.7
Is	A\$m	6.1	6.6	7.1
Change	%	10.1%	7.1%	6.5%
Normalised EPS				
Was	cps	6.9	7.7	8.3
Is	cps	7.6	8.2	8.8
Change	%	10.1%	7.1%	6.5%

Source: Merrill Lynch estimates

Valuation changes

DCF valuation

Our DCF for CKL has increased from A\$0.76ps to A\$0.82ps, with an improvement in earnings being partly offset by slightly higher capex requirements for FY09 and FY10 and a higher discount rate. Our DCF is based on a WACC of 11.2% and a terminal growth rate of 2.5%. Whilst we consider the DCF valuation to be the most appropriate methodology to value this company, we recognise that the stock also looks attractive on different metrics such as PER.

PER valuation

We apply a through-the-cycle multiple for the stock of 10.5x, a 30% discount to the market multiple of 15.5x. In our view such discount is reasonable, given CKL's inherent liquidity/size issues and the cyclical industry it operates in.

Applying this 10.5x multiple to FY08 EPS of 7.6cps, we derive a valuation for the stock of A\$0.80ps. Importantly, were the stock to reach our price target of A\$0.75ps in 12 months time, CKL would be trading on a forward PER of 9.1x, which we do not view as demanding.

Buy recommendation maintained

Post the 1H08 result, we remain comfortable with our Buy recommendation. Our positive stance on the stock is premised on CKL's solid growth outlook, strong management team, attractive dividend yield (5.7% fully franked), inexpensive valuation (stock trading at a 30% discount to DCF) and corporate appeal.

Table 3: CKL DCF valuation

PV of CFs	A\$m	30.3
PV of terminal value	A\$m	55.9
Enterprise Value	A\$m	86.2
Net Debt	A\$m	31.2
Equity Value	A\$m	55.0
Fully diluted ordinary shares	Million	80.5
Equity Value per share	A\$ps	0.68
Franking credits (assign value 40%)	A\$ps	0.13
DCF	A\$ps	0.82

Source: Merrill Lynch estimates

Table 4: CKL PER valuation

	FY07A	FY08E	FY09E
Through-the-cycle PER Multiple	10.5x	10.5x	10.5x
EPS (diluted)	6.3	7.6	8.2
Value per ordinary share	\$0.66	\$0.80	\$0.86

Source: Merrill Lynch estimates

Financials

Table 5: Statement of Financial Performance

Year ending June (A\$m)	2006A	2007A	2008E	2009E	2010E
Trading revenue	68.6	71.0	77.0	81.3	85.7
- change	17.7%	3.6%	8.4%	5.6%	5.3%
EBITDA	10.8	12.7	14.2	14.8	15.3
- change	-3.3%	16.8%	12.0%	4.2%	3.7%
Depreciation	-2.3	-2.9	-2.9	-3.1	-3.1
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	8.5	9.8	11.3	11.7	12.3
- change	-10.8%	14.9%	14.9%	3.9%	4.7%
Net interest	-2.1	-2.6	-2.5	-2.3	-2.1
EBT	6.5	7.2	8.7	9.5	10.1
Tax expense	-2.0	-2.2	-2.6	-2.8	-3.0
OEI	0.0	0.0	0.0	0.0	0.0
NPAT att. to s/hers	4.5	5.1	6.1	6.6	7.1
- change	-15.4%	12.2%	21.2%	8.0%	7.1%
Net significant items	0.0	0.0	0.0	0.0	0.0
Reported NPAT	4.5	5.1	6.1	6.6	7.1
EPS change	-17.1%	12.2%	21.2%	8.0%	7.1%

Source: CKL, Merrill Lynch estimates

Table 6: Ratios

Year ending June (A\$m)	2006A	2007A	2008E	2009E	2010E
Profitability Ratios					
EBIT margin	12.4%	13.8%	14.6%	14.4%	14.3%
NPAT margin	6.6%	7.1%	7.9%	8.1%	8.3%
Effective tax rate	30.4%	30.0%	30.0%	30.0%	30.0%
NOPLAT pre goodwill	5.9	6.9	7.9	8.2	8.6
Invested Capital	87.1	91.5	91.6	92.4	96.2
ROIC (after tax)	6.8%	7.5%	8.6%	8.9%	8.9%
ROIC - WACC	-4.4%	-3.7%	-2.6%	-2.4%	-2.3%
ROE	9.7%	10.2%	11.6%	11.7%	11.7%
ROA	9.6%	10.3%	11.6%	11.9%	12.1%
Gearing / Cashflow Ratios					
Debt / Equity	67%	65%	54%	45%	43%
Debt / Debt+Equity	40%	40%	35%	31%	30%
Debt / EBITDA	3.0x	2.6x	2.1x	1.8x	1.7x
CFO / Debt	11%	27%	33%	36%	38%
EBITDA / Interest	5.2x	4.8x	5.6x	6.4x	7.0x
EBIT / Interest	4.1x	3.7x	4.4x	5.1x	5.6x
Dividend cover	2.0x	2.3x	2.3x	2.2x	2.1x
Gearing (ND/ND+E)	40%	39%	34%	30%	28%
Free cashflow yield	-6.4%	-2.7%	18.1%	13.0%	10.0%
Multiples					
EV/EBITDA	7.3x	6.3x	5.3x	4.9x	4.6x
EV/EBIT	9.1x	8.0x	6.5x	6.1x	5.7x

Source: CKL, Merrill Lynch estimates

Table 7: Statement of Financial Position

Year ending June (A\$m)	2006A	2007A	2008E	2009E	2010E
Cash	0.0	0.3	1.9	1.6	2.6
Receivables	13.8	13.2	13.0	13.4	14.1
Inventories	7.2	8.1	8.5	8.7	9.1
Other	1.1	0.8	0.6	0.6	0.6
Current Assets	22.0	22.4	23.9	24.3	26.4
Receivables	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equipment	25.1	28.4	27.5	28.4	31.1
Intangibles	46.1	46.1	46.1	46.1	46.1
Other	0.3	0.0	0.0	0.0	0.0
Non-Current Assets	71.5	74.5	73.6	74.6	77.3
Total Assets	93.5	96.8	97.5	98.9	103.6
Accounts Payable	10.8	9.2	8.9	9.4	10.3
Borrowings	3.1	0.6	0.5	0.5	0.5
Provisions	1.8	1.8	1.8	1.8	1.8
Other	0.0	0.3	0.6	0.6	0.6
Current Liabilities	15.8	11.8	11.8	12.4	13.2
Accounts Payable	0.0	0.0	0.0	0.0	0.0
Borrowings	28.9	32.8	29.1	26.1	26.1
Provisions	1.0	0.9	1.1	1.1	1.1
Other	0.0	0.5	0.8	0.8	0.8
Non-Current Liabilities	29.8	34.1	30.9	27.9	27.9
Total Liabilities	45.6	45.9	42.7	40.3	41.2
Net Assets	47.9	50.9	54.8	58.6	62.5
Share Capital	38.9	38.9	38.9	38.9	38.9
Reserves	0.0	0.3	0.4	0.4	0.4
Retained Profits	9.0	11.8	15.6	19.4	23.2
Shareholders' Equity	47.9	50.9	54.8	58.6	62.5
Outside Equity Interests	0.0	0.0	0.0	0.0	0.0
Total Shareholders' Equity	47.9	50.9	54.8	58.6	62.5

Source: CKL, Merrill Lynch estimates

Table 8: Statement of Cashflows

Year ending June (A\$m)	2006A	2007A	2008E	2009E	2010E
EBITDA	10.8	12.7	14.2	14.8	15.3
Working capital	-2.1	0.1	0.0	-0.1	-0.1
Net interest paid	-2.2	-2.6	-2.4	-2.3	-2.1
Tax paid	-3.1	-1.1	-2.0	-2.8	-3.0
Other	0.0	0.0	0.0	0.0	0.0
Operating cashflow	3.4	9.1	9.9	9.6	10.1
Capex	-6.1	-10.2	-2.2	-4.0	-5.8
Sale of Assets	0.2	2.4	0.0	0.0	0.0
Net investments	0.0	0.0	0.0	0.0	0.0
Acquisitions/Divestments	0.0	0.0	0.0	0.0	0.0
Investing cashflow	-5.9	-7.9	-2.1	-4.0	-5.8
Free cashflow (OCF-Capex)	-2.7	-1.2	7.7	5.5	4.3
Equity raisings	0.0	0.0	0.0	0.0	0.0
Dividends paid	-2.0	-2.2	-2.4	-2.8	-3.2
Net borrowings	4.5	2.2	-3.8	-3.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing cashflow	2.4	0.0	-6.2	-5.8	-3.2
Effect of exchange rate	0.0	0.0	0.0	0.0	0.0
Net change in cash	-0.1	1.2	1.5	-0.3	1.0

Source: CKL, Merrill Lynch estimates

Price objective basis & risk

Colorkpak Ltd (XBVVF)

Our price objective for CKL of A\$0.75/share, which represents a 10% discount to our DCF valuation of A\$0.82/share. Were the stock to reach our price target in 12 months time it would be trading on a forward PER of 9.1x which we do not view as demanding.

The risks to our recommendation are product substitution, competition, rising raw material costs, management instability and customer attrition.

Analyst Certification

I, Mario Maia, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

*iQmethod*SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

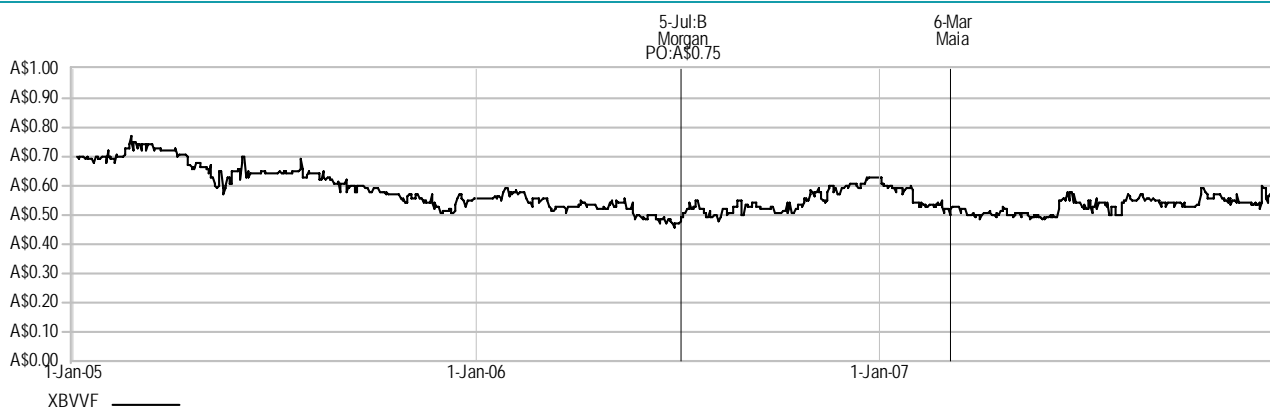
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Important Disclosures

XBVVF Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of December 31, 2007 or such later date as indicated.

Investment Rating Distribution: Packaging Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2	28.57%	Buy	0	0.00%
Neutral	3	42.86%	Neutral	1	33.33%
Sell	2	28.57%	Sell	0	0.00%

Investment Rating Distribution: Global Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1714	46.25%	Buy	445	29.10%
Neutral	1653	44.60%	Neutral	454	30.55%
Sell	339	9.15%	Sell	67	21.82%

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