ABN·AMRO

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PaperlinX

Two steps forward

A successful renegotiation of its debt covenants is good news but the sale of Australian Paper is even better news, finally putting the group on a firm financial footing. This should, in our view, see the share price materially narrow the discount to valuation that it has been trading on.

Change of recommendation

Buy (from Hold)

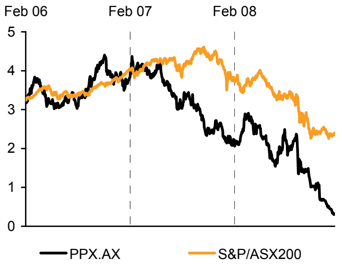
Target price
A$0.80 (from A$0.40)

Price
A$0.32

Short term (0-60 days)
n/a

Price performance

	(1M)	(3M)	(12M)
Price (A$)	0.58	1.28	2.12
Absolute (%)	-44.8	-75.1	-84.9
Rel market (%)	-43.3	-74.1	-76.5
Rel sector (%)	-47.7	-77.8	-76.6



Market capitalisation
A$193.15m (US$125.61m)

Average (12M) daily turnover
A$4.65m (US$3.99m)

RIC: PPX.AX, PPX AU
Priced at close of business 16 Feb 2009.
Source: Bloomberg

Key forecasts

	FY07A	FY08A	FY09F	FY10F	FY11F
EBITDA (A$m)	286.5	254.3	263.4	141.5 ▼	179.2 ▼
Reported net profit (A$m)	80.20	72.30	-533 ▼	44.50	71.00 ▼
Normalised net profit (A$m)[1]	73.60	45.50	40.20	17.80	44.30 ▼
Normalised EPS (c)[1]	16.40	10.10	7.21	2.92	7.26 ▼
Normalised EPS growth (%)	12.50	-38.6	-28.6	-59.5	148.6
Dividend per share (c)	11.00	6.50	0.00	0.00	4.00 ▼
Dividend yield (%)	34.40	20.30	0.00	0.00	12.50
Normalised PE (x)	1.95	3.17	4.44	11.00	4.41
EV/EBITDA (x)	2.81	3.81	1.57	3.04	2.23
Price/net oper. CF (x)	0.50	1.28	-14.8 ▼	2.81 ▲	1.38 ▲
ROIC (%)	4.76	4.74	3.98	3.18	5.42

Use of ▲ ▼ indicates that the line item has changed by at least 5%. year to Jun, fully diluted
1. Pre non-recurring items and post preference dividends
Accounting standard: IFRS
Source: Company data, ABN AMRO forecasts

Sale of Australian Paper (AP) should release hidden value in offshore operations
The sale of AP to Nippon Paper for A$690m (A$600m cash, A$90m assumed finance lease liability, with a further A$100m subject to 2010-12 performance hurdles), although slightly tarnished by the retention of the heavily lossmaking Tasmanian Mills with their environmental liabilities, could prove to be a vital circuit breaker for the group. It would otherwise have continued to find itself caught between a rock (debt refinancing burden) and a hard place (weak trading outlook). This and the debt covenant waivers agreed today should see the shares substantially narrow the discount to valuation on which they have been trading because of the balance sheet threats. We increase our price target from 40c to 80c to reflect this and upgrade our recommendation from Hold to Buy.

Balance sheet concerns set to be a thing of the past
Sale proceeds were bang in line with expectations, we had assumed a sale would generate A$600m-800m. While this was well below book value (with the loss on sale expected to be A$600m) and running net debt (as at Dec 09) higher than expected (FX effects, seasonal working capital outflows), the proceeds substantially enhance the group's financial position. Our FY09 forecast net debt halves from A$1,053m to A$496.3m (inc hybrid) with gearing (ND/ND+E) falling to 28%. Interest cover in FY10F rises from only 2x to 4.2x and the challenging debt financing schedule (with US$206m due in Dec 09) is no longer an issue, in our view.

Forecasts adjusted for sale, conditions should not present a problem
We have adjusted our forecasts for the sale, assuming an end-June09 completion. The impact on FY10 is broadly neutral with the benefits of reducing the high-cost debt that PPX is carrying broadly offset by our assumptions of ongoing (but lower) losses in Tasmania and a higher group tax charge. It looks c10% dilutive in FY11 given the recovery we had been assuming at AP (pulp mill rebuild savings of A$40-50m pa) and the higher tax rate.

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Important disclosures can be found in the Disclosures Appendix.

Forecasts adjusted for disposal

Table 1 : Forecast revisions

Yr to June ($m)	FY09F			FY10F			FY11F		
	Old	New	% chge	Old	New	% chge	Old	New	% chge
NPAT (post hybrid)	40.2	40.2	0.0%	18.3	17.8	-2.7%	50.7	44.3	-12.7%
EPS (post hybrid)	7.2	7.2	0.0%	3.0	2.9	-2.7%	8.3	7.3	-12.5%
DPS	0.0	0.0	0.0%	0.0	0.0	0.0%	5.0	4.0	-20.0%

Source: ABN AMRO forecasts

Although further finetuning will almost certainly be required, we have adjusted our numbers for the sale of the bulk of Australian Paper which PaperlinX announced today. Our main assumptions are as follows:

- **Timing**: We have assumed the transaction is completed by the end of June 2009. The first impact is therefore in FY10.
- **Tax charge**: The sale of the bulk of the Australian business, which paid very little tax, is likely to mean the blended group tax rate rises. We have assumed that it increases from 28% to 33% for all forecast years. This serves to offset some of the benefits of the interest savings, particularly in FY11, when growth had been expected to benefit from the stronger contribution from AP (full benefits of pulp expansion of A$40m-50m pa plus stronger underlying trading).
- **Tasmania:** these mills lost around A$30m in FY08. Although we estimate they are currently running at around a breakeven rate (more favourable FX rate, lower pulp costs, cost savings) we have assumed they deliver a loss of around A$5m in FY10. They are old, inefficient and sub-scale mills and, notwithsatnding the benefits of receiving pulp at cost (from Maryvale) as part of the deal, any impact on selling prices from the weak demand environment could undermine profitability one again.

Table 2 : Balance sheet changes

Yr to June A$m	Dec 08F	FY10F	
		Old	New
Net debt	1,062.0	602.0	236.9
Hybrid	277.0	277.0	277.0
Total	1,339.0	879.0	513.9
Equity	2,160.0	2,168.2	1,567.7
ND/E	62%	41%	33%
ND/ND+E	42%	32%	28%
Int cover (x)	1.5	2.0	4.3

Note: Dec08Fis PPX provisional numbers , int cover is ABN AMRO estimate
Source: ABN AMRO forecasts

Hidden value should be revealed

A sum-of-the-parts valuation should get more prominence, in our view, following the sale of Australian Paper. This graphically highlights the valuation gap that has been evident for some time but which has lacked a catalyst and has been completely overshadowed by fears about the group's long-term financial outlook. This is not only because it would crystallise the value of a substantial group asset but because it would also keep the spotlight firmly on the group's well-positioned merchanting businesses.

Both Stora Enso and MAP have sold their merchanting businesses in the relatively recent past on EV to sales multiples of 0.32 in the case of Stora and 0.27 in the case of MAP. We have used this as a base for the valuation of PPX's European merchanting business, although one could argue that it should command a higher premium as a result of its premium position in the UK, which enjoys higher-than-average margins and where PPX has a market share of around 50%.

We have converted our local currency European and US forecasts using current spot exchange rates. We have also used our very cautious profit forecasts for FY10, the time we expect the cycle to hit its low point. This is arguably conservative but its is worth bearing in mind that in the post-2000 tech bubble downcycle Buhrmann Paper Merchants saw its margins halve (from 4.5% in 1H00 to 1.9% in 3Q02), while Bunzl's (PPX's first major acquisition in the UK) dropped 6.8% in 1H99 to 3.4% in 2H01.

Table 3 : Post AP sale SOTP

	Value A$m	Value LC	FY10F EBIT	EV/sales X	EBIT Multiple X
Merchanting – Europe (€m)	931.6	475.1	43.0	0.19	11.0
Merchanting – Nth Am (US$m)	277.7	180.5	19.0	0.17	9.5
Merchanting – Other (A$m)	154.7	154.7	15.4	0.22	10.0
Merchanting – Total	1364.0				
Corporate	-250.0		-25.0		10.0
Net debt	-452.5				
Total	661.5				
Shares	603.6				
NAV per share	**1.10**				

Note: FX rates used are US$0.65/A$ and €0.51/A$
Source: ABN AMRO

Disposal as good as could be expected

The sale of Australian Paper should be welcomed by the market. The asset has long been considered to be a drag on returns given its highly capital intensive and high-cost characteristics.

This was a bit unfair, in our view, as it was really the two mills in Tasmania and Shoalhaven in NSW that obscured a far stronger performance from the major asset at Maryvale than has generally been understood. However, it is clearly exposed to global and regional structural trends in the paper industry, is highly vulnerable to movements in exchange rates and, strategically, does not really fit with the group's primary focus on being an independent paper merchant.

What is being sold

PaperlinX is selling the bulk of Australian Paper, namely the Maryvale integrated paper mill in Victoria, the Shoalhaven mill in NSW and PPM, the office paper distribution businesses, which PaperlinX had moved into AP and the group's paper trading business, which had been accounted for as part of the Distribution business. We assumed that it generated EBIT of around A$2m pa.

Table 4 : Financials of assets sold to Nippon Paper

A$M	FY08	FY07
Revenue	**914.0**	**950.0**
EBIT	30.0	26.0
Assets	1,459.0	

Source: Company data

What is not being sold, however, is also important. Australian Paper also includes two mills in Tasmania, which are being retained by PaperlinX. Not only have these been heavily loss-making – we estimate they lost around A$30m in FY09 – they also have substantial potential environmental remediation costs. No provisions were set up for these at the time of the spin-out of the business from Amcor and they have never been officially quantified. We have assumed they could be anywhere between A$100m and A$200m.

This remains a major issue when considering their future as it acts as an impediment to their sale and to restructuring, as remediation requirements would kick in the event they stopped production.

Table 5 : Australian Paper capacity matrix

Mill Capacity	Capacity (000t)	Grade	Net capacity by product	
Maryvale (Vic)			Printing & Writing	
No.1	70	Sack kraft	UWF	127
No.2	30	Bag paper	Office	200
No.3	80	UWF	Coated	123
No.4	240	Linerboard	Speciality	30
No.5	180	Copy paper	Total	480
Total	600			
Burnie (Tas)			Packaging	
B4	50	Woodfree base	Sack	70
B10	80	Woodfree base	Bag papers	30
Total	130		Linerboard	240
Wesley Vale (Tas)			Total	340
WV11	65	Film coated offset		
WV12	70	CWF		
Total	135			
Shoalhaven (NSW)				
S3	16	Speciality		
TOTAL	881			
Less internal	61			
Total	**820**		**Total**	**820**

Note: Bunrie and Wesley Vale are being retained by PaperlinX

Source: Company data

Sale proceeds in line

There are four main elements to the sale of Australian Paper:

- **Cash:** There is the cash consideration of A$600m, which will be paid on completion, which we expect to be by the FY end. A 10% deposit (held in escrow) payable on signing.
- **Liability:** Nippon Paper will assume the A$90m finance lease liability, which was entered into in 1H09.
- **Deferred-cash consideration**: There is up to A$100m of possible earn-out payments. This will be determined by EBITDA hurdles between 2010 and 2012. We have not included this in our forecasts at this point
- **Non-cash consideration:** The transaction will include a number of ongoing commercial arrangements between PaperlinX and Nippon Paper. Two of the most important of these are an agreement that the Tasmanian mills being retained by PaperlinX will purchase their pulp requirements from Maryvale at cost and that PaperlinX merchants will remain exclusive distributors for a number of Australian Paper products.

Sale conditions should not be an issue

We do not expect the conditions of sale to present any issues. The most important of these are:

- **FIRB:** as most of the Australian paper manufacturing industry is already foreign controlled this should not be a problem, in our view.
- **Banks and note holders**: the waivers that Paperlinx announced this morning would almost certainly have been done in the knowledge that the group was close to a major asset sale.
- **Environmental report**: These can at times create an issue but given the recent investment at Maryvale and the lengthy due diligence we would not anticipate anything unexpected that could derail the transaction.

Table 6 : Trading record and forecasts

Yr to June	2008A			2009F			2010F	2011F
A$m	**1H**	**2H**	**YR**	**1HF**	**2HF**	**YR**	**YR**	**YR**
Turnover								
Communication Paper	363.0	352.4	715.4	250.0	470.8	720.8	60.0	65.0
Packaging	119.0	138.6	257.6	120.0	139.2	259.2	0.0	0.0
Total Australian Paper	482.0	491.0	973.0	370.0	610.0	980.0	60.0	65.0
Merchanting/Paper Trading								
Australia/NZ	466.2	433.8	900.0	455.0	445.1	900.1	873.1	899.4
North America	651.1	624.0	1,275.1	717.0	822.1	1,539.2	1,537.0	1,517.4
Europe	2,308.0	2,265.1	4,573.1	2,251.2	2,528.1	4,779.3	4,401.5	4,279.4
Asia	51.9	53.1	105.0	58.3	68.3	126.5	119.0	111.7
Total Merchanting	3,456.5	3,359.4	6,816.0	3,460.8	3,884.3	7,345.0	6,930.7	6,807.9
Corporate/Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	3,938.6	3,850.4	7,789.0	3,830.8	4,494.2	8,325.0	6,990.7	6,872.9
intercompany sales	(156.0)	(148.0)	(304.0)	(156.0)	(148.0)	(302.0)	(302.0)	(302.0)
Total	3,782.6	3,702.4	7,485.0	3,674.8	4,346.2	8,023.0	6,688.7	6,570.9
Other Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	3,782.6	3,702.4	7,485.0	3,674.8	4,346.2	8,023.0	6,688.7	6,570.9
% change	-4.2%	-12.4%	-4.5%	-2.8%	17.4%	7.2%	-16.6%	-1.8%
EBITDA	135.7	118.5	254.3	106.3	157.1	263.4	141.5	179.2
Depreciation	-50.0	-43.9	-93.9	-55.0	-55.0	-110.0	-55.0	-57.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	85.7	74.6	160.4	51.3	102.1	153.4	86.5	122.2
Operating Profit								
Communication Paper	-3.1	-8.9	-12.0	-5.0	20.0	15.0	-5.0	-3.0
Packaging	7.0	3.1	10.1	4.0	4.0	8.0	0.0	0.0
Total Australian Paper	3.9	-5.8	-1.9	-1.0	24.0	23.0	-5.0	-3.0
Merchanting/Paper Trading								
Australia/NZ	7.2	6.8	14.0	6.5	6.5	13.0	10.0	13.0
North America	22.1	10.3	32.4	15.4	12.1	27.5	25.6	33.3
Europe	63.9	75.1	139.0	43.9	68.5	112.4	75.5	97.0
Asia	3.5	3.5	7.0	2.6	4.9	7.5	5.4	6.9
Total Merchanting	96.6	95.7	192.4	68.3	92.1	160.4	116.5	150.2
Corporate/Other	(14.8)	(15.3)	(30.1)	(16.0)	(14.0)	(30.0)	(25.0)	(25.0)
Total	85.7	74.6	160.4	51.3	102.1	153.4	86.5	122.2
Net Interest	(31.5)	(28.5)	(60.0)	(34.0)	(26.0)	(60.0)	(20.0)	(17.0)
Abnormals	0.0	0.0	0.0	0.0	-600.0	-600.0	0.0	0.0
Pre tax profits	54.2	46.1	100.4	17.3	-523.9	-506.6	66.5	105.2
Pre tax profits (adj)	54.2	46.1	100.4	17.3	76.1	93.4	66.5	105.2
Tax (adj)	(18.9)	(9.2)	(28.1)	(4.9)	(21.6)	(26.4)	(21.9)	(34.2)
Rate	35%	20%	28%	28%	28%	28%	33%	33%
Hybrid distribution	(12.9)	(13.8)	(26.7)	(13.0)	(13.7)	(26.7)	(26.7)	(26.7)
Net Profit Reported	**35.3**	**36.9**	**72.2**	**12.5**	**-545.5**	**-533.0**	**44.5**	**71.0**
Net Proft (adj)	**22.4**	**23.1**	**45.5**	**-0.5**	**40.7**	**40.2**	**17.8**	**44.3**

Source: ABN AMRO

Target price and risks

Our DCF valuation has been cut from A$1.35 to A$1.24 following the forecast adjustments. We have lifted our price target from A$0.40 from A$0.80 as the share price looks certain to materially erode the discount to valuation on which it has traded because of the balance sheet uncertainty. We have retained a 35% discount to valuation to account for the trading risks given the weak market outlook.

Negative risks to our target price relate to the rate of price recovery in Europe, a material drop in paper consumption rates, adverse fluctuations in the AUD, and the failure of planned asset sales to be completed. The main positive risk to our target price is a faster-than-expected recovery in paper demand.

PPX – financial summary

Year to 30 Jun (A$m)	AIFRS	AIFRS	AIFRS	AIFRS
Income statement	**2008A**	**2009F**	**2010F**	**2011F**
Divisional sales	7485.0	8023.0	6688.7	6570.9
Total revenue	7485.0	8023.0	6688.7	6570.9
EBITDA	254.3	263.4	141.5	179.2
Associate income	0.0	0.0	0.0	0.0
Depreciation	-93.9	-110.0	-55.0	-57.0
EBITA	160.4	153.4	86.5	122.2
Amortisation/impairment	0.0	0.0	0.0	0.0
EBIT	160.4	153.4	86.5	122.2
EBIT(incl associate profit)	160.4	153.4	86.5	122.2
Net interest expense	-60.0	-60.0	-20.0	-17.0
Pre-tax profit	100.4	93.4	66.5	105.2
Income tax expense	-28.1	-26.4	-21.9	-34.2
After-tax profit	72.3	67.0	44.5	71.0
Minority interests	0.0	0.0	0.0	0.0
Hybrid distribution	-26.7	-26.7	-26.7	-26.7
NPAT	45.5	40.2	17.8	44.3
Significant items	0.0	-600.0	0.0	0.0
NPAT post abnormals	45.5	-559.8	17.8	44.3

Divisional sales revenue	2008A	2009F	2010F	2011F
Communication paper	715.4	720.8	60.0	65.0
Packaging	257.6	259.2	0.0	0.0
Merchanting - Aus/NZ	900.0	900.1	873.1	899.4
Merchanting - Europe	4573.1	4779.3	4401.5	4279.4
Merchanting - North America	1275.1	1539.2	1537.0	1517.4
Merchanting - Asia	105.0	126.5	119.0	111.7
Other	-304.0	-302.0	-302.0	-302.0
Total revenue	7522.2	8023.0	6688.7	6570.9
Divisional EBIT	**2008A**	**2009F**	**2010F**	**2011F**
Comunication paper	-12.0	15.0	-5.0	-3.0
Packaging	10.1	8.0	0.0	0.0
Merchanting - Aus/NZ	14.0	13.0	10.0	13.0
Merchanting - Europe	139.0	112.4	75.5	97.0
Merchanting - North America	32.4	27.5	25.6	33.3
Merchanting - Asia	7.0	7.5	5.4	6.9
Other	-30.1	-30.0	-25.0	-25.0
Total EBIT	160.4	153.4	86.5	122.2

Cash flow statement	2008A	2009F	2010F	2011F
EBITDA	254.3	263.4	141.5	179.2
Change in working capital	-86.0	-80.0	20.0	63.0
Net interest (pd)/rec	-81.7	-69.0	-20.0	-17.0
Taxes paid	-38.8	-26.4	-21.9	-34.2
Other oper cash items	65.2	-100.0	-50.0	-50.0
Cash flow from ops (1)	113.0	-12.0	69.6	141.0
Capex (2)	-326.0	-250.0	-60.0	-60.0
Disposals/(acquisitions)	37.5	710.0	0.0	0.0
Other investing cash flow	0.0	0.0	0.0	0.0
Cash flow from invest (3)	-288.5	460.0	-60.0	-60.0
Incr/(decr) in equity	0.0	185.0	0.0	0.0
Incr/(decr) in debt	0.0	-224.9	-224.9	-224.9
Ordinary dividend paid	-28.8	0.0	0.0	-24.4
Preferred dividends (4)	0.0	0.0	0.0	0.0
Other financing cash flow	40.6	47.0	47.0	47.0
Cash flow from fin (5)	11.8	7.1	-177.9	-202.3
Forex and disc ops (6)	0.0	0.0	0.0	0.0
Inc/(decr) cash (1+3+5+6)	-163.7	455.0	-168.3	-121.3
Equity FCF (1+2+4)	-213.0	-262.0	9.6	81.0
Balance sheet	**2008A**	**2009F**	**2010F**	**2011F**
Cash & deposits	240.7	240.7	240.7	240.7
Trade debtors	1522.8	1348.6	1257.6	1230.2
Inventory	822.0	898.6	735.8	722.8
Investments	13.6	13.6	13.6	13.6
Goodwill	409.0	409.0	409.0	409.0
Fixed assets	1155.3	652.8	657.8	660.8
Other assets	214.3	281.1	331.1	381.1
Total assets	4377.7	3844.3	3645.6	3658.2
Short-term borrowings	293.1	154.0	154.0	154.0
Trade payables	1182.6	1580.2	1346.5	1369.1
Long-term borrowings	723.6	306.4	323.6	293.7
Provisions	97.1	97.1	97.1	97.1
Other liabilities	156.7	156.7	156.7	156.7
Total liabilities	2453.1	2294.5	2077.9	2070.6
Hybrid equity	276.5	276.5	276.5	276.5
Share capital	1713.4	1898.4	1898.4	1898.4
Other reserves	-46.4	-46.4	-46.4	-46.4
Retained earnings	-19.0	-578.8	-560.9	-541.1
Other equity	276.5	276.5	276.5	276.5
Total equity	1924.5	1549.7	1567.6	1587.4
Minority interest	0.1	0.1	0.1	0.1
Total shareholders' equity	1924.6	1549.8	1567.7	1587.5
Total liabilities & SE	4377.7	3844.3	3645.6	3658.2

Closing price (A$)		0.32	Price target (A$)		0.80
Valuation metrics					
Preferred methodology	DCF		Val'n (A$)	$	1.24
DCF valuation inputs					
Rf		5.25%	10-year rate		5.25%
Rm-Rf		6.00%	Margin		0.5%
Beta		1.26	Kd		5.75%
CAPM (Rf+Beta(Rm-Rf))		12.8%	Ke		12.8%
E/EV*Ke+D/EV*Kd(1-t)			NPV cash flow (A$m)		898.4
Equity (E/EV)		60.0%	Minority interest (A$m)		0.1
Debt (D/EV)		40.0%	Net debt (A$m)		219.8
Interest rate		5.75%	Investments (A$m)		13.6
Tax rate (t)		30.0%	Equity market value (A$m)		692.1
WACC		9.3%	Diluted no. of shares (m)		558.1
			DCF valuation (A$)		**1.24**

Multiples	2008A	2009F	2010F	2011F
Enterprise value (A$m)	972.2	415.9	433.1	403.2
EV/Sales (x)	0.1	0.1	0.1	0.1
EV/EBITDA (x)	3.8	1.6	3.1	2.3
EV/EBIT (x)	6.1	2.7	5.0	3.3
PE (pre-goodwill) (x)	3.2	4.5	11.1	4.5
PEG (pre-goodwill) (x)	0.6	0.9	2.2	0.9

At target price	2008A	2009F	2010F	2011F
EV/EBITDA (x)	5.0	2.7	5.1	3.8
PE (pre-goodwill) (x)	7.9	11.1	27.4	11.0

Comparable company data (x)		2009F	2010F	2011F
Amcor	EV/EBITDA	6.0	5.7	5.4
Year to 30 Jun	EV/EBIT	9.6	9.2	8.6
	PE	11.4	10.6	9.6
	PEG	1.9	1.8	1.6
Gunns	EV/EBITDA	5.4	5.2	4.8
Year to 30 Jun	EV/EBIT	6.4	6.1	5.7
	PE	7.1	7.1	6.5
	PEG	0.9	0.9	0.8

Per share data	2008A	2009F	2010F	2011F
No. shares	447.6	603.6	610.0	610.0
EPS (cps)	16.0	-95.5	7.3	11.6
EPS (normalised) (c)	10.1	7.2	2.9	7.3
Dividend per share (c)	6.5	0.0	0.0	4.0
Dividend payout ratio (%)	63.9	0.0	0.0	55.1
Dividend yield (%)	20.0	0.0	0.0	12.3

Growth ratios	2008A	2009F	2010F	2011F
Sales growth	-4.5%	7.2%	-16.6%	-1.8%
Operating cost growth	-4.3%	7.3%	-15.6%	-2.4%
EBITDA growth	-11.2%	3.6%	-46.3%	26.7%
EBITA growth	-13.5%	-4.4%	-43.6%	41.3%
Divisional EBIT growth				
Comunication paper	3164.4%	-225.0%	-133.3%	-40.0%
Packaging	-4.7%	-20.8%	-100.0%	n.m.
Merchanting - Aus/NZ	57.3%	-7.2%	-23.1%	30.0%
Merchanting - Europe	-0.6%	-19.1%	-32.9%	28.5%
Merchanting - North America	-37.1%	-15.2%	-6.9%	30.3%
Merchanting - Asia	42.0%	7.1%	-27.8%	27.1%
Other	0.7%	-0.4%	-16.7%	0.0%
Total EBIT	-13.5%	-4.4%	-43.6%	41.3%
EBIT growth	-13.5%	-4.4%	-43.6%	41.3%
NPAT growth	-38.2%	-11.6%	-55.7%	148.6%
Pre-goodwill NPAT growth	-38.2%	-11.6%	-55.7%	148.6%
Pre-goodwill EPS growth	-38.6%	-28.6%	-59.5%	148.6%
Normalised EPS growth	-38.6%	-28.6%	-59.5%	148.6%

Operating performance	2008A	2009F	2010F	2011F
Asset turnover (%)	42.4	48.8	44.7	45.0
EBITDA margin (%)	3.4	3.3	2.1	2.7
EBIT margin (%)	2.1	1.9	1.3	1.9
Net profit margin (%)	0.6	0.5	0.3	0.7
Return on net assets (%)	8.3	9.9	5.5	7.7
Net debt (A$m)	776.0	219.8	236.9	207.0
Net debt/equity (%)	40.3	14.2	15.1	13.0
Net interest/EBIT cover (x)	2.7	2.6	4.3	7.2
ROIC (%)	4.7	4.0	3.2	5.4

Internal liquidity	2008A	2009F	2010F	2011F
Current ratio (x)	1.7	1.4	1.4	1.4
Receivables turnover (x)	4.8	5.6	5.1	5.3
Payables turnover (x)	5.9	5.6	4.5	4.7

Source: ABN AMRO forecasts, Company data