MacarthurCook Ltd (MCK)

Trading Update – Value emerging, upgrade to Buy.

1 December 2004

Nick Rehak
nrehak@austock.com.au
613 8601 2004

Opinion Data

Recommendation	**Buy** (from Hold)
Risk rating	**High**
Current share price	**$0.93**
12 month target price	**$1.15**
12 month price range	**$0.95-$0.70**
Market capitalisation	**$18m**

MCK has announced the launch of the MCK Property Securities Fund. Details include:

- **MacarthurCook Property Securities Fund -** MCK is launching a $70m listed property securities fund. MacarthurCook Fund Management Limited will act as responsible entity of the fund.

  The fund will invest in unlisted and listed property trusts, with a forecast distribution yield of 9.3% (85% tax advantaged) year 1 and 9.5% (75% tax advantaged) year 2.

- **Investment View & Valuation -** We believe that value has emerged as a result of the earnings impact of the Property Securities Fund announcement and have subsequently upgraded MCK to a Buy.

  The current share price of $0.93 values the stock at a 7% premium to the emerging company market multiple of ~14x FY'06F earnings. Our forecast numbers factor in low end growth of $30m per annum in the Property Securities Fund and no further trust launches.

  Our price target of $1.15 recognises the likelihood of additional trust launches, including a $30m Healthcare Trust (targeted for establishment in 2005), a $60m Retail Property Trust and a $60m Office Property Trust.

  Whilst the timing and size of future launches is uncertain, every $30m worth of property trusts established by MCK adds ~13c per share to our valuation.

- **Risks -** The key risk to the existing earnings base is the inability to maintain strong investment performance in its established funds.

  The key risks to the potential upside in the share price relates to a) the inability to source quality properties for its industrial property trust and other proposed trusts and b) a potential lack of investor appetite for future trust equity raisings.

Financial Summary

Y/e Jun	2003A	2004A	2005F	2006F
Sales Revenue	na	4.0	6.5	7.4
EBITA	na	0.3	1.1	1.6
NPAT (reported)	na	-1.2	0.3	0.7
NPAT (adjusted)	na	0.4	0.8	1.2
EPS (adjusted)	na	2.5	4.0	6.3
EPS growth	na	na	57%	59%
DPS	na	0.0	0.7	1.7
Dividend Yield (%)	na	0.0	0.8%	1.9%

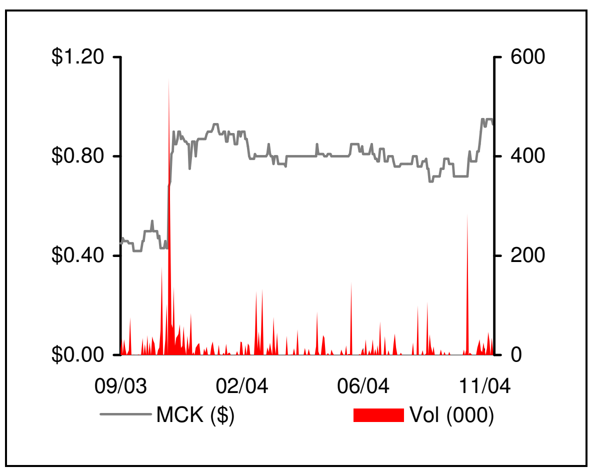
Valuation Summary

Y/e Jun	2003A	2004A	2005F	2006F
PE (x)	na	36.8	23.5	14.8
Enterprise Val ($m)	na	24.5	18.5	18.5
EV / Sales (x)	na	6.1	2.9	2.5
EV / EBITDA (x)	na	70.9	14.4	10.6
EV / EBIT (x)	na	-19.6	27.2	17.1

Ratio Analysis

Y/e Jun	2003A	2004A	2005F	2006F
Net Gearing	na	72%	Net Cash	Net Cash
NTA per Share ($)	na	-0.02	-0.03	-0.03
EBITDA Margin	na	8.6%	19.8%	23.5%
EBIT Margin	na	-31.1%	10.5%	14.6%
Interest Cover (x)	na	Net Interest	4.3	15.2

MCK Share Price / Volume



MacarthurCook

NFPOS	**19 m**	**Price**	**$0.93**	**Date:**	**30-Nov-04**
		Market Cap	**$18 m**	**Model Update**	**30-Nov-04**

PROFIT & LOSS ($m)

Y/E 30 June	2003A	2004A	2005F	2006F
Sales Revenue	na	4.0	6.5	7.4
EBITDA	na	**0.3**	**1.3**	**1.7**
Depreciation	na	-0.1	-0.1	-0.2
Amortisation	na	-1.5	-0.5	-0.5
Interest Expense	na	-0.2	-0.3	-0.1
PBT	na	**-1.5**	**0.4**	**1.0**
Income Tax	na	0.3	-0.1	-0.3
NPAT (reported)	na	-1.2	0.3	0.7
NPAT (adjusted)	na	**0.4**	**0.8**	**1.2**

KEY RATIOS

Y/E 30 June		2003A	2004A	2005F	2006F
EBITDA Margin	%	na	8.6	19.8	23.5
EBIT Margin	%	na	-31.1	10.5	14.6
NPAT Margin	%	na	-29.1	4.5	9.3
ROE	%	na	(15.0)	3.6	8.3
ROA	%	na	-7.4	4.2	7.0
NTA per share	$	na	(0.02)	(0.03)	(0.03)
Eff Tax Rate	%	na	-20%	-30%	-30%
Interest Cover	x	na	na	4.3	15.2
Net Gearing	%	na	72%	Net Cash	Net Cash

BALANCE SHEET ($m)

Y/E 30 June	2003A	2004A	2005F	2006F
Cash	na	0.9	5.9	4.8
Intangibiles	na	8.2	8.5	8.9
PP&E	na	0.3	0.3	0.3
Debtors & Inventory	na	0.7	0.6	0.7
Investments	na	5.9	-	-
Other assets	na	0.8	0.8	0.8
Total Assets	na	16.9	16.1	15.5
Borrowings	na	**6.5**	**5.5**	**4.5**
Trade Creditors	na	1.6	1.6	1.6
Other Liabilities	na	1.1	1.1	1.1
Total Liabilities	na	9.1	8.1	7.1
NET ASSETS	na	**7.8**	**8.0**	**8.3**

VALUATION PARAMETERS

Y/E 30 June		2003A	2004A	2005F	2006F
EPS(adjusted)		na	2.5	4.0	6.3
P/E (adjusted)		na	36.8	23.5	14.8
PER Rel (XOI)	x	na	236%	174%	118%
PER Rel - Industry	x	na	196%	148%	107%
Enterprise Value	$m	na	24	19	19
EV / Sales	x	na	6.1	2.9	2.5
EV / EBITDA	x	na	70.9	14.4	10.6
EV / EBIT	x	na	(19.6)	27.2	17.1
Price / NTA	x	na	(39.3)	(32.7)	(30.5)
DPS	c	na	-	0.7	1.7
Dividend Yield	%	na	-	0.8%	1.9%
Franking	%	na	-	-	-
CFPS	$	na	(0.04)	0.06	0.07
P / CFPS	x	na	(25.1)	16.6	14.1

CASHFLOW STATEMENT ($m)

Y/E 30 June	2003A	2004A	2005F	2006F
Operating EBITDA	na	0.3	1.3	1.7
+ Interest & Tax Paid	na	-0.2	-0.4	-0.4
+ Inc in Working Cap.	na	-0.8	0.2	-0.1
Operating CF	na	**-0.7**	**1.1**	**1.2**
- Maintenance Capex	na	-0.3	0.0	-0.1
Free Cashflow	na	-1.0	1.1	1.1
- Ord & Pref Dividends	na	0.0	-0.1	-0.3
- Expansion Capex	na	-5.2	-0.9	-0.9
- Borrowing Repayment/Other	na	13.1	4.9	-1.0
Net Cashflow	na	**6.8**	**4.9**	**-1.1**

Funds Under Management ($m)

Y/E 30 June	2003A	2004A	2005F	2006F
Mortgage Trust - FUM ($)	na	340.0	380.0	400.0
Property Trusts - FUM ($)				
Industrial	na	65.0	95.0	125.0
Healthcare	na	0.0	0.0	0.0
Retail	na	0.0	0.0	0.0
Office	na	0.0	0.0	0.0
Property Securities Trust - FUM ($)		0.0	70.0	100.0
Mandates - FUM ($)	na	60.0	97.0	97.0
Total FUM ($)	na	465.0	642.0	722.0

DIRECTORS

Richard Haddock	*Chairman*	Phillip Anderson	*Non-Exec Director*
Craig Dunstan	*MD*	Hugh Gurner	*Non-Exec Director*
		Ray De Lucia	*Non-Exec Director*

GROWTH PROFILE (YoY)

Y/E 30 June	2003A	2004A	2005F	2006F
Sales revenue ($m)	na	na	62%	15%
EBITDA ($m)	na	na	272%	36%
EBIT ($m)	na	na	na	60%
NPAT ($m)	na	na	107%	59%
EPS (cps)	na	na	57%	59%
DPS (cps)	na	na	na	137%

AUSTOCK DIRECTORY

John Wheeler	**Managing Director**	613 8601 2037	deal.jdw@austock.com.au

EQUITY RESEARCH TEAM

Ryan Whitelegg	**Director, Head of Research**	613 8601 2045	rwhitelegg@austock.com.au
John Burgess	Consumer Services Analyst	613 8601 2051	jburgess@austock.com.au
Tim Gerrard	Resources Analyst	612 9233 9603	tgerrard@austock.com.au
Hunter Hillcoat	Resources Analyst	612 9233 9604	hhillcoat@austock.com.au
Warren Jeffries	Emerging Companies Analyst	613 8601 2073	wjeffries@austock.com.au
Paul Jensz	Agribusiness & Science Analyst	613 8601 2068	pjensz@austock.com.au
Brooke McNamee	Research Administrator	613 8601 2064	bmcnamee@austock.com.au
Nick Rehak	Emerging Companies Analyst	613 8601 2004	nrehak@austock.com.au
Craig Stranger	Emerging Companies Analyst	613 8601 2010	cstranger@austock.com.au

INSTITUTIONAL SALES

Peter Curtis	**Director, Head of Institutional Sales**	612 9233 9605	pcurtis@austock.com.au
Wensley Carroll	Institutional Research Sales	612 9233 9607	wcarroll@austock.com.au
Roderick Clarkson	Institutional Research Sales	612 9233 9608	rclarkson@austock.com.au
Todd Hadden	Institutional Sales Trading	612 9233 9606	thadden@austock.com.au
Gregory Peacock	Institutional Research Sales	612 9233 9614	gpeacock@austock.com.au
Tony Smith	Institutional Research Sales	613 8601 2041	deal.ts@austock.com.au
Chris Walker	Institutional Research Sales	613 8601 2038	deal.chw@austock.com.au
Peter Ward	Institutional Research Sales	613 8601 2099	deal.pdw@austock.com.au

RETAIL SALES

Craig Sharpe	**Head of Retail Sales**	613 8601 2023	csharpe@austock.com.au
Peter Hollick	Senior Retail Advisor	613 8601 2011	phollick@austock.com.au
Enzo Salvatore	Senior Retail Advisor	613 8601 2014	deal.eas@austock.com.au
John Axsentieff	Client Advisor	613 8601 2042	jaxsentieff@austock.com.au
Marshall Biggins	Options Strategist	613 8601 2047	deal.mjb@austock.com.au
Peter Cuthbertson	Client Advisor	613 8601 2096	pcuthbertson@austock.com.au
Nick Fitzsimmons	Client Advisor	613 8601 2029	nfitzimmons@austock.com.au
Kate Hanrahan	Client Advisor	613 8601 2058	deal.klh@austock.com.au
Peter King	Client Advisor	613 8601 2002	deal.prk@austock.com.au
Elizabeth Lang	Client Advisor	613 8601 2018	elang@austock.com.au
Peter Mason	Client Advisor	613 8601 2015	deal.plm@austock.com.au
Craig Northey	Fixed Interest Advisor	612 9233 9609	cnorthey@austock.com.au
Anna Rintoul	Dealer’s Assistant	613 8601 2022	arintoul@austock.com.au
Darren Sheppard	Client Advisor	613 8601 2035	dsheppard@austock.com.au
Kelly Sneddon	Client Advisor	613 8601 2021	ksneddon@austock.com.au
Simon Taylor	Client Advisor	613 8601 2069	staylor@austock.com.au
Patrick Trindade	Client Advisor	613 8601 2053	ptrindade@austock.com.au

AUSTOCK CORPORATE FINANCE

Jonathan Tooth	**Director, Head of Corporate Finance**	613 8601 2006	jtooth@austock.com.au
Vin Harink	Director	613 8601 2026	vharink@austock.com.au
James Andronis	Director	613 8601 2001	jandronis@austock.com.au
Miron Meydan	Associate Director	613 8601 2077	mmeydan@austock.com.au
Matt Reid	Associate Director	613 8601 2016	mreid@austock.com.au
Steve Wilson	Associate Director	613 8601 2017	swilson@austock.com.au
Natino Malvaso	Corporate Analyst	613 8601 2019	nmalvaso@austock.com.au
Kate Hatton	Corporate Administrator	613 8601 2025	khatton@austock.com.au
Kate Smith	Corporate Assistant	613 8601 2013	corporate@austock.com.au

OFFICE LOCATIONS AND DISCLOSURE

MELBOURNE
Level 1
350 Collins Street
Melbourne VIC 3000
Telephone: 613 8601 2000
Facsimile: 613 9600 1138

SYDNEY
Level 29
20 Bond Street
Sydney NSW 2000
Telephone: 612 9233 9600
Facsimile: 612 9233 2099

Recommendation Criteria

Investment View

Austock's Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Strong Buy	Buy	Hold	Lighten	Sell
20% +	20% - 5%	5% - (5%)	(5%) - (15%)	(15%)+

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

Austock Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure of Economic Interests

The views expressed in this research report accurately reflect the personal views of Nick Rehak about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.

In addition, Nick Rehak certifies that none of the following persons holds an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence the report:

- the author of this report;
- a member of the immediate family of the author of this report ;
- Austock Limited;
- an associate of Austock Limited within the meaning of the Corporations Act.

Disclaimer/Disclosure

This publication has been prepared solely for the information of the particular person to whom it was supplied by Austock Limited ("Austock") AFSL 244410. This publication contains general securities advice. In preparing the advice, Austock has not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. Austock and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. Austock believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by Austock or any of its directors, employees or agents. This publication must not to be distributed to retail investors outside of Australia.

Disclosure of Corporate Involvement

Austock Limited has in the previous 12 months been involved in a publicly-announced transaction involving the payment of a fee to Austock Limited by the corporate issuer described in this report.

Austock Research reports are also available on Bloomberg and www.austock.com.au