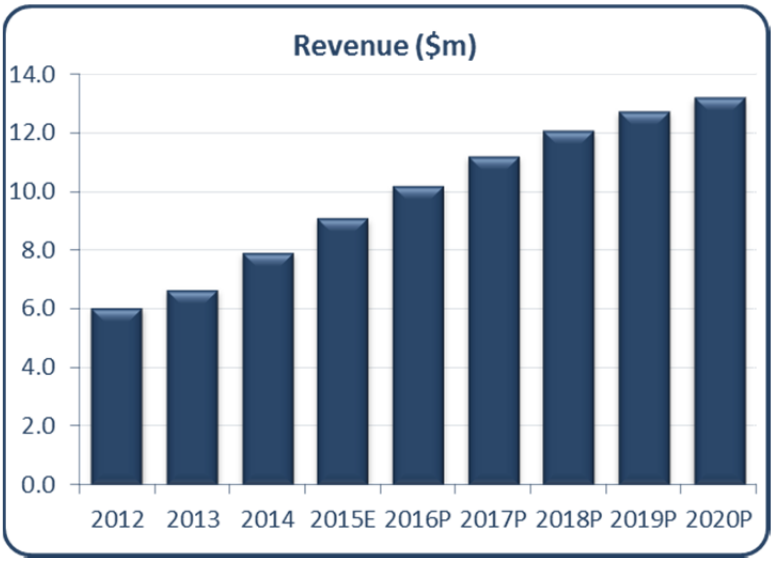
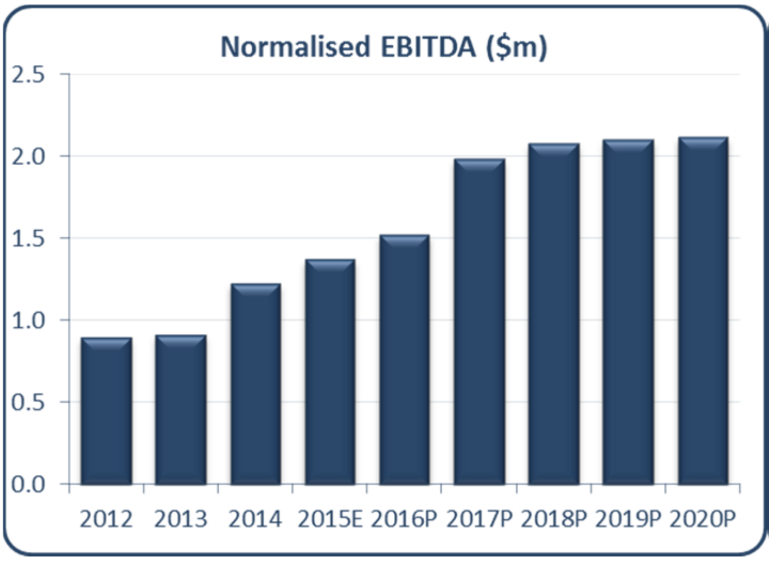
Report Date: November 2015	PBP 2015 Research Report	Recommendation: "Accumulate"

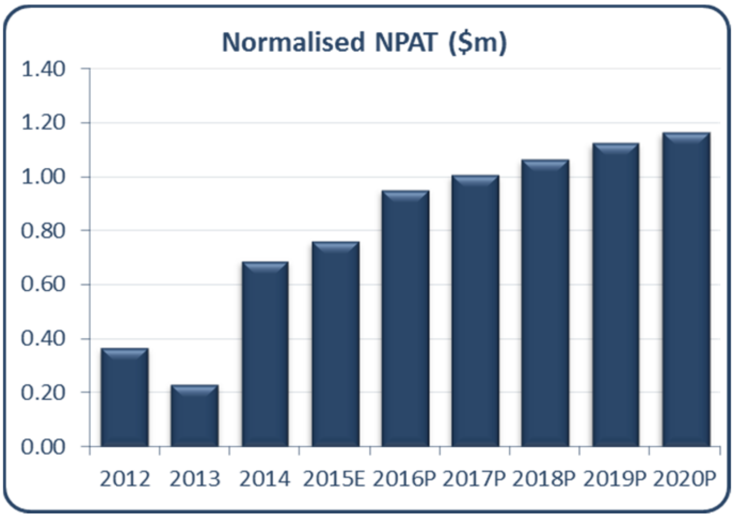
Key Details	
Financial Year End	31 Dec
Valuation	$1.09
Last Trade Price	$1.02
Pros FY2015 PE	8.6x
Pros FY2015 EV/EBITDA	4.8x
Historical Dividend Yield	2.0%
Market Capitalisation	$6.12m
52 Week High	$1.02
52 Week Low	$1.00
Best Bid	$1.02
Best Offer	$1.25

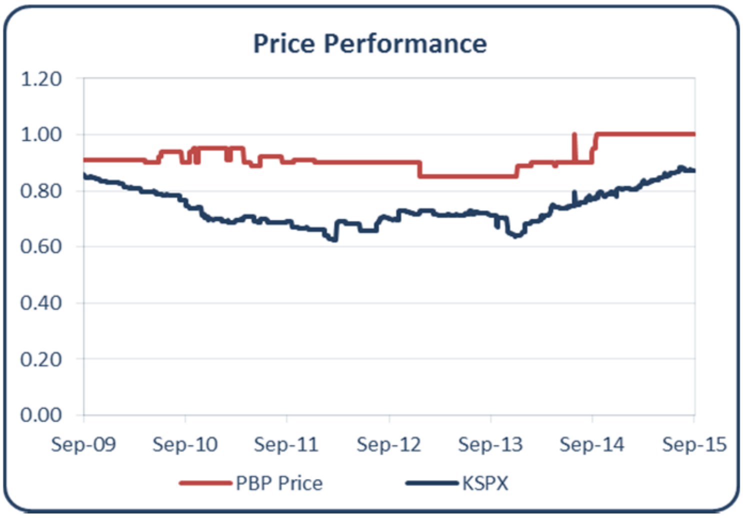
Highlights

- Total revenue for the year ended 31 December 2014 increased to $7.92m, up 18.9% on FY2013 while NPAT was recorded at $0.69m, down 24.9% over the last financial year.
- FY2013 results include a revaluation gain of $0.68m. Adjusting for this, the underlying NPAT for FY2014 was an increase of 197.2% on FY2013.
- For the financial year ending 31 December 2015, we project revenue to increase 14.8% year-on-year to $9.09m, with NPAT increasing 10.3% to $0.76m.
- Our DCF valuation of $1.09 implies a prospective PE of 8.6x, and EV/EBITDA of 4.8x.
- However, our analysis suggests that the valuation could increase to as much as $1.80 if PBP secured key export contracts currently being negotiated.









BACKGROUND

Pleass Global Ltd (SPSE code: "PBP") formerly trading as Pleass Beverages and Packaging, was established in 1996 by husband and wife team, Warwick and Catherine Pleass.

In 2006, the founding shareholders divested 30% of their shareholding to the Kontiki consortium comprising Kontiki Growth Fund, Kontiki Fund and Kontiki Capital Partners Fund. In 2008, the Company opened its doors to the public with an Initial Public Offering (IPO), which closed oversubscribed by 10%, and listing on the South Pacific Stock Exchange (SPSE).

The two main business segments are Packaging and Water.

Packaging accounts for about 43% of PBP's sales and includes food and beverage packaging, sanitation and health care goods and disposables for beverages, tableware and packaging. The company markets PVC wrap, plastic food trays and takeaway containers, plastic, paper and wooden tableware, cups, napkins, cutlery, bags, place-mats, tray liners, wipes, doilies and drinking straws. Cleaning products are a recent addition to their range.

The company also distributes paper, paperboard and plastic in general use portion and standard containers, boxes, carry-trays and cup-trays, cake and bakery containers and products, gloves, hats, coats, smocks, aprons, aluminium foil sheets, rolls and containers. Cutlery and wet wipe packs and sachets of sugar, salt and pepper a well as custom prints on marketed products are also offered.

In the water segment, considerable growth has been noted since production started in 1999 and water currently accounts for around 56% of PBP's sales. In 2008, the company branched into single-use smaller package sizes of natural artesian water, bottled and sold under the *AquaSafe* brand. In 2009 the company acquired 420 acres of land in Namosi with the aim of bottling artesian water at source and expanding production for both the domestic and export markets. The new up-market brand, *VaiWai Natural Artesian Water,* was launched in 2013.

The Namosi land has been developed into what it is known as Kila World. This will include a 300 acre residential subdivision called Kila Estates. The remaining 120 acres has been set aside for Kila Eco Adventure Park, Kila Organics Farm and the water factory that will house the company's head office and operations.

In November 2012, the Kila Adventure Park and Kila Organics Farm were officially opened. The Park offers activities such as the Giant Swing, High and Low rope courses, Flying Fox, Dangle Duo and Leap of Faith. It also includes jungle paths, waterfalls, picnic bures and a botanical garden.

The construction of the water factory and associated improvements are well underway. The factory is expected to be completed in 2016.

PBP is certified as exceeding the Australian Bottled Water Institute code of practice and has four known brands; Aquasafe, VaiWai, Party Time and Kila World.

BUSINESS ANALYSIS

Performance: PBP's financial results for the fiscal year ended 30 December 2014 show water sales increased by 29.3% from $3.22m to $4.17m while packaging revenue increased by 9.8% from $3.35m to $3.68m compared with FY2013. COGS and SGA also increased, by 16.7% and 16.0% respectively.

The reported EBITDA was $1.23m, 23.3% down on FY2013. FY2013 results include a one-off revaluation gain of $0.68m from the Company's investment properties. Factoring this out, the company recorded growth in EBITDA of 34.2% and underlying NPAT was $0.69m, up 197.2% on the previous year.

Most of the growth in FY2014 was driven by the water segment with export growth the major contributor. The VaiWai Natural Artesian Water brand, which was developed for the export market and launched in 2013, has been performing quite strongly since its launch.

Overall, the results were encouraging considering the tough business environment in FY2014.

PBP paid $0.18m or $0.03 per share in dividends for the FY2014, up $0.01 from the previous year. The dividend payment reflected the improvement in underlying profitability.

For the half year to June 2015, PBP recorded mixed results. Revenue was recorded at $4.11m, up 13.8% in the corresponding previous period while EBITDA and NPAT declined by 8.0% and 10.2% respectively. The company secured some contracts at higher cost of production, sacrificing some otherwise short term profits.
The following table summarises PBP's half year results to June 2015.

	Half year results 2014	Half year results 2015
Revenue	3,609,456	4,108,343
Growth		*13.8%*
EBT	412,881	371,290
EBT margin	*11.4%*	*9.0%*
NPAT	371,593	333,671
NPAT margin	*10.3%*	*8.1%*

More recently, PBP signalled to the market its improved performance as at October 2015 compared with the corresponding period last year. Unaudited EBT stood at $0.78m, up 16% on the same period. The improvement was brought about by strong sales growth and new machinery which reduced cost of production and at the same time increased productivity. Consequently, PBP has declared a 2 cents dividend for the 2015 year.

Outlook:

On the revenue front, PBP is confident that the water segment will continue to grow strongly as plans are well underway to expand the natural artesian water product line and tap into the global market through exports. The new factory building in Namosi, which is expected to be completed in 2016, will allow the Company to bottle at source, expand production and increase both domestic and export sales.

Although costs are likely to increase in the initial stages, the benefits are expected to outweigh these costs. Water sales are projected to grow by 20.0% in FY2015 and 17.0% in FY2016. Most of this growth is expected to come from exports.

The Packaging business is showing some signs of maturing; however management continues to see opportunities for growth by expansion of its product range and targeting new relationships in key industries such as tourism. Packaging sales is projected to increase by around 9.0% to $4.0m in FY2015 and by 6.0% to $4.2m in FY2016.

Furthermore, PBP has plans to rezone, subdivide and develop the rest of the land in Namosi for sale or lease.

Considering all these developments, we estimate that PBP's total revenue will increase by 14.8% in FY2015 to $9.09m. NPAT is estimated to be $0.76m in FY2015, up 10.3%.

The following table summarises PBP's past results, along with forecasts for 2015 to 2020.

Year end: 31 December	2012	2013	2014	2015E	2016P	2017P	2018P	2019P	2020P
Total Revenue ($m)	6.05	6.66	7.92	9.09	10.18	11.21	12.06	12.73	13.19
EBITDA ($m)	0.90	0.91	1.23	1.37	1.52	1.98	2.08	2.10	2.12
Net Profit ($m)	0.37	0.23	0.69	0.76	0.95	1.01	1.06	1.12	1.16
Earnings per share	0.06	0.04	0.11	0.13	0.16	0.17	0.18	0.19	0.19
EPS growth	21.8%	(36.6%)	197.2%	10.3%	25.3%	5.7%	5.7%	5.6%	3.5%
EV/EBITDA	6.37	3.85	6.52	8.53	8.09	5.82	5.15	4.66	4.16
P/E	13.96	23.05	8.72	8.06	6.44	6.09	5.76	5.45	5.27
P/B	1.38	1.15	1.15	1.06	0.93	0.83	0.75	0.67	0.61
Net Profit Margin	6.0%	3.5%	8.7%	8.4%	9.3%	9.0%	8.8%	8.8%	8.8%
Operating Revenue/Assets	1.01	1.02	0.85	0.67	0.67	0.71	0.74	0.75	0.75
Assets/Equity	1.64	1.57	1.80	2.37	2.33	2.14	2.00	1.88	1.77
ROE	9.9%	5.0%	13.2%	13.1%	14.5%	13.6%	12.9%	12.3%	11.6%
Dividend per share ($)	$0.02	$0.02	$0.02	$0.03	$0.03	$0.03	$0.04	$0.04	$0.04
Dividend Yield	2.4%	2.2%	2.0%	2.9%	2.9%	2.9%	3.9%	3.9%	3.9%
Net Debt/equity	0.17	0.18	0.38	0.97	0.94	0.73	0.56	0.40	0.27

VALUATION AND ASSUMPTIONS

Valuation:

We calculated PBP's equity value at **$1.09** per share based on our discounted cash flow (DCF) model.

At the last trade price of $1.02, PBP is trading at 7.3% discount to our current valuation and therefore our rating of the stock is **"ACCUMULATE".**

Assumptions:

Our valuation is based on the following assumptions:

- Total revenue growth of 14.8% in FY2015, 12.0% in FY2016 and eventually reducing to 3.6% in FY2020.

- COGS have been forecasted to be average 41.8% of sales for the forecast years.
- SG&A expenses have been forecasted to increase by 16.7% in FY2015, 11.2% in FY2016 and eventually reducing to a growth of 3.7% in FY2020.
- Receivables turnover is expected to be 55 days going forward.
- We have assumed a modest level of leverage in the long term. Increasing leverage could lead to a higher valuation for the company.
- CAPEX is estimated at $4.81m in FY2015, $1.45m in FY2016 and staying at around 5.1% of average assets.
- A weighted average cost of capital of 11.4% has been used.
- PBP is trading on a PE of 8.6x and 6.9x for FY2015 and FY2016 respectively.

Impact of export growth: PBP's future profitability is likely to hinge strongly on export growth, and the Company is focused on becoming a significant player in the region and further abroad. The new factory in Namosi will provide PBP with much higher production capacity and a platform to grow exports strongly. In line with this, we understand that PBP is currently negotiating key export contracts and that the signs are promising.

In our projections and valuation, we have not reflected large export contracts that are being negotiated. Based on management's projections of new export sales, which appear achievable, we believe PBP' valuation could be as high as $1.80.

RISKS AND DISCLOSURES

- Political/country risk concerns may cause the market to discount our estimate of PBP's intrinsic value.
- PBP's business could be adversely affected if the economy was battered by political or economic shocks.
- PBP's business could be adversely affected if it lost key members of its management team.
- Political instability and/or changes in regulatory or tax rules may affect sales and profit margins.
- Kontiki Capital's related entities currently own around 4% of the shares in PBP.

For further information or to place an order please contact one of our licensed broker or investment adviser representatives below or call us on (679) 3307284 Fax (679) 3307241.

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Explanation of the Kontiki recommendation system

- **Strong Buy** likely to generate total returns of 25% or more over a rolling 12 month period.
- **Buy** likely to achieve total returns of 15% to 25% over a rolling 12 month period.
- **Accumulate** likely to achieve total returns of 5% to 15% over a rolling 12 month period.
- **Hold** recognises a prospect of total returns of plus or minus 5% over a rolling 12 month period.
- **Sell** reflects our expectation of permanent damage to capital for holders of this stock.