

Is there still Value in the Market? – Part II – Smaller Companies

23 October 2009

Following our review of some major 'Value' companies on 20 October, we look at others under \$1 billion market capitalisation to see if there is still value in the market at the mid-cap and smaller end.

While we previously selected major companies with an estimated current year P/E below 15.5 times and a yield of 5% or more, matching or exceeding the banks, a discount is typically expected for mid-cap and smaller companies. We have thus set the criteria as an estimated current year P/E below 14.0x and a yield of 5% or more. That is not to say that other companies are not attractive. Many of our Preferred Stocks may have either a higher P/E or a lower yield or fail on both counts but have other positive attributes for investors, as do others across the market. But these are useful measures of value, especially at a time like this when uncertainties still remain.

The table shows 26 stocks under \$1bn with estimated current year P/E under 14.0 times and expected yield over 5%:

Preferred	ASX Code	Company Name	Share Price \$	Market Cap \$m	NPAT			Earnings Per Share			Price Earnings Ratio			Dividend			Dividend Yield			Franklin %	ROE %
					Last \$m	FY1 \$m	FY2 \$m	Last cps	FY1 cps	FY2 cps	Last x	FY1 x	FY2 x	Last cps	FY1 cps	FY2 cps	Last %	FY1 %	FY2 %		
		<b>INDUSTRIALS UNDER \$1bn Market Capitalisation</b>																			
		<b>Capital Goods</b>																			
	CDD	Cardno	\$5.08	427	34	36	39	43.8	43.1	46.5	11.6	11.8	10.9	28.0	28.0	30.0	5.5%	5.5%	5.9%	100%	12.8%
	HIL	Hills Industries	\$2.10	503	28	37	40	14.6	15.4	16.6	14.4	13.6	12.7	10.0	10.5	11.0	4.8%	5.0%	5.2%	100%	7.0%
#	<b>NOD</b>	<b>Nomad Building Solutions</b>	\$0.82	115	20	19	24	14.8	13.8	17.3	5.5	5.9	4.7	4.5	6.0	8.5	5.5%	7.3%	10.4%	100%	16.4%
		<b>Commercial Services &amp; Supplies</b>																			
	CAB	Cabcharge	\$5.74	688	61	65	69	51.0	56.5	56.9	11.3	10.2	10.1	34.0	36.0	38.0	5.9%	6.3%	6.6%	100%	21.9%
	FWD	Fleetwood Corp.	\$7.88	419	36	33	35	68.5	65.2	69.3	11.5	12.1	11.4	66.0	68.0	70.0	8.4%	8.6%	8.9%	100%	25.1%
	PGA	Photon Group	\$1.95	348	28	39	46	25.3	24.0	25.9	7.7	8.1	7.5	11.4	11.7	12.5	5.8%	6.0%	6.4%	100%	8.1%
		<b>Consumer Durables &amp; Apparel</b>																			
#	<b>GUD</b>	<b>GUD Holdings</b>	\$9.41	567	35	40	43	60.0	65.0	71.4	15.7	14.5	13.2	60.0	60.0	64.0	6.4%	6.4%	6.8%	100%	26.5%
		<b>Consumer Services</b>																			
	AHD	Amalgamated Holdings	\$5.83	734	75	80		57.6	61.0		10.1	9.6		32.0	30.0		5.5%	5.1%		100%	12.5%
		<b>Diversified Financials</b>																			
#	<b>IMF</b>	<b>IMF (Australia)</b>	\$1.76	217	21	23	27	17.1	18.8	22.0	10.3	9.4	8.0	15.0	16.5	19.5	8.5%	9.4%	11.1%	100%	32.5%
	MOC	Mortgage Choice	\$1.37	166	11	14	13	9.5	12.0	11.0	14.4	11.4	12.5	12.8	10.8	10.4	9.3%	7.8%	7.6%	100%	37.6%
		<b>Food Beverage &amp; Tobacco</b>																			
	PFL	Patties Foods	\$0.94	126	12	13	15	8.5	9.6	10.6	11.0	9.7	8.8	4.5	5.0	6.0	4.8%	5.3%	6.4%	100%	10.6%
	RIC	Ridley Corporation Limited	\$1.09	339	-40	29	30	-10.6	9.3	9.8	-	11.7	11.1	7.0	7.0	7.2	6.4%	6.4%	6.6%	0%	-11.6%
		<b>Insurance</b>																			
	TWR	Tower	\$1.37	350	34	36	38	16.9	18.5	15.3	8.1	7.4	8.9	6.4	7.6	8.5	4.7%	5.6%	6.2%	100%	13.9%
		<b>Materials - Industrial</b>																			
	NPX	Nuplex Industries	\$1.95	370	22	32	37	37.0	17.0	19.3	5.3	11.5	10.1	6.8	10.5	11.6	3.5%	5.4%	5.9%	92%	5.4%
		<b>Pharmaceuticals &amp; Biotechnology</b>																			
	IDT	IDT Australia	\$1.60	69	6	6	7	14.9	13.9	16.4	10.7	11.5	9.8	10.5	10.0	12.0	6.6%	6.3%	7.5%	100%	18.8%
		<b>Real Estate</b>																			
	BWP	Bunnings Warehouse Prop Tr	\$1.74	706	41	50	55	12.9	12.0	12.9	13.4	14.5	13.4	11.6	12.0	12.9	6.7%	6.9%	7.4%	0%	5.5%
	CHC	Charter Hall	\$0.65	477	20	45		4.4	6.1		14.8	10.7		5.0	5.0		7.7%	7.7%		0%	4.1%
#	<b>LEP</b>	<b>ALE Property Group</b>	\$2.20	332	34	35	29	38.6	24.0	19.1	5.7	9.2	11.5	30.0	24.0	19.3	13.6%	10.9%	8.8%	100% TD	10.1%
	MCW	Macquarie Countrywide	\$0.69	1,020	325	108	111	23.1	7.2	7.2	3.0	9.5	9.5	7.0	6.0	6.0	10.2%	8.8%	8.8%	0%	29.0%
		<b>Software &amp; Services</b>																			
#	<b>DTL</b>	<b>Data#3 Limited</b>	\$7.91	121	10	11	12	63.8	71.4	80.0	12.4	11.1	9.9	50.0	56.0	62.5	6.3%	7.1%	7.9%	100%	42.1%
	UXC	UXC	\$0.89	203	19	24	26	8.7	8.8	9.5	10.2	10.1	9.3	3.5	6.2	6.7	4.0%	7.0%	7.6%	100%	9.9%
		<b>Telecommunication Services</b>																			
#	<b>MTU</b>	<b>M2 Telecomm. Group</b>	\$1.42	153	8	16	23	9.4	14.0	21.0	15.1	10.1	6.7	5.5	9.5	14.5	3.9%	6.7%	10.2%	100%	26.7%
		<b>Transportation</b>																			
	AIX	Aust. Infrastructure	\$1.78	981	101	96	90	26.3	16.7	15.4	6.7	10.6	11.5	13.0	10.0	10.0	7.3%	5.6%	5.6%	61%	8.3%
	WWA	Wridgways Australia	\$2.74	85	7	7	7	20.8	21.0	22.2	13.2	13.0	12.3	17.0	17.0	17.0	6.2%	6.2%	6.2%	100%	38.8%
		<b>Utilities</b>																			
#	<b>HDF</b>	<b>Hastings Diversified Fund</b>	\$1.03	496	25	33	45	11.7	9.5	9.1	8.8	10.8	11.3	28.0	12.0	12.0	27.3%	11.7%	11.7%	70% TD	
	TSI	Transfield Services Infrastruct	\$1.02	283	22	20	21	8.3	7.5	7.9	12.3	13.6	12.9	12.0	12.0	12.0	11.8%	11.8%	11.8%	0%	36.8%

Note: TD = Tax Deferred

Note: Intersuisse Estimates are shown for the last reported year ('Last'), the current year ('FY1') and the following year ('FY2')  
The year-end is 30 June except: TWR Sep '08, HDF Dec '08  
The # in the Preferred column and stocks shown in bold highlight those on our current Intersuisse Preferred Stocks list.

We conclude that there is certainly still Value in the market, among smaller as well as some larger companies!  
The above table shows a wide selection across sectors, and features seven of our preferred smaller stocks.  
Discuss with your Intersuisse Adviser the suitability of these or others of our Preferred Stocks for your own investment at this time.

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