

CSF Group

CX6 restructuring

CSF has announced that the major customer behind the planned build of CX6 has significantly up-scaled their plan for the build in Johor, Malaysia. This should increase the volume of project work for CSF but the need for re-design, new planning permission etc means that revenues on the project will move out of FY13 (year-end March). The net result is that our FY13 EPS forecast falls from 5.2p to 1.4p. Importantly, our data centre rental forecasts are unchanged and the Group is on-track with discussions to fill CX5 B. We still have CSF generating cash in FY13, finishing the year with over £17m of net cash.

- Upgrade in size of CX6.** The data centre had been specified to 70,000 sq ft for a major existing customer. A proposal with preliminary designs had been submitted and CSF had been awaiting a formal award of the project. The project offers sizeable consultancy project fees and potentially ongoing maintenance fees (but no recurring rental income). The customer has now decided they wish to increase the size of the data centre to 120,000 sq ft. This is clearly positive in terms of volume of work for CSF and the overall demand backdrop for DC space in the region. However, the additional design and planning work requirements means a delay in the fit-out revenues for CSF. Similarly, it had been hoped that CX Singapore (a planned 100,000 sq ft JV CSF is negotiating with a Singaporean property developer and a major Asian conglomerate) could be pulled forward to utilise consultants in FY13 but again the scale of the opportunity under discussion is changing.
- Forecasts.** Importantly, there are no changes to the higher value core Data Centre Rental EBITDA in FY13 or FY14. There are a number of on-going discussions with potential customers for CX5 block B (c£6m of additional EBITDA fully-let). However, we have significantly cut our fit-out Design & Development (D&D) revenues. Our Fit-out sales assumption in FY13 falls from MYR133m to MYR30m and Consultancy sales from MYR12m to MYR2m. The net result is our FY13 Adjusted EPS forecast falls to 1.4p (5.2p). We now forecast net cash increases from £10.6m to £17.4m (previously £26.1m) including the recently collected £17m from the completed sale and lease-back of CX5. Our FY13 dividend estimate remains unchanged. While it is not covered by earnings it is over 5x covered by our cash forecast. We have made more modest reductions to our FY14 D&D forecasts until we know the exact timing of major project work (EPS falls from 6.4p to 5.2p). The set-back in earnings is disappointing but the Group has world class data centre assets, backed by long-term agreements with blue-chip tenants. We believe the DC assets and rental stream is worth 60p+ a share in the context of global sector M&A.

Forecasts and Ratios

Yr end March(£m)	2011A	2012A	2013e	2014e
Revenue	23.3	42.4	28.3	47.5
EBITDA	10.4	12.7	3.6	10.5
PBT Adj	10.3	12.0	2.4	10.2
EPS Adj	6.2	6.0	1.4	5.2
P/E	7.2	7.4	31.6	8.5
DPS	1.90	2.00	2.00	2.00
Net Cash (£m)	16.1	10.6	17.4	22.5

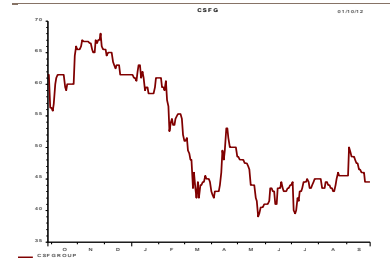
Source: Cenkos Securities

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BUY

Price at COB 1 October 2012 44p
 52-week range 39-68p
 Ticker: CSFG

Share Price Performance



Source: Thomson Datastream

Performance (%)	1m	3m	12m
Absolute	-2.2	1.1	-20.9
Relative to FTALLSH	-4.0	-3.5	-30.7

Stock Data

Market cap (£m)	71
Shares outstanding (m)	160

Key Indicators

Net debt/equity(%)	n/a
EBIT margin (%)	10.7%

Activities

CSF is a leading designer and manager of Data Centres in Malaysia and across S.E.Asia

Directors

Dato Ting	Chairman
Adrian Yong	CEO
Lee, King Loon	CFO

Significant Share Holders

Directors	47%
Legal and General	13%
Standard Life	4%

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Financials

Table 1: Divisional forecasts

	2010	2011	2012	2013e	2014e
Revenue					
Data Centre Rental	7.9	12.1	15.2	20.1	23.4
Maintenance	1.7	1.7	1.7	1.9	2.0
Design and Development	4.8	9.4	25.6	6.4	22.0
Divisional EBITDA					
Data Centre Rental	2.3	2.5	4.0	4.0	5.5
Maintenance	0.8	0.5	0.5	0.7	0.7
Design and Development	0.9	3.9	8.8	0.4	6.0
Margin					
Data Centre Rental	29%	21%	27%	20%	24%
Maintenance	48%	28%	33%	35%	35%
Design and Development	20%	42%	34%	6%	27%

Source: Cenkos Securities

Table 2: P&L

Year end 31 March	2011	2012	2013e	2014e
PROFIT & LOSS				
Revenue	23.3	42.4	28.3	47.5
EBITDA	10.4	12.7	3.6	10.5
Depreciation	(.3)	(0.6)	(0.5)	(0.5)
Adjusted Operating Profit	10.1	12.1	3.0	10.0
Exceptionals	0.1	(0.5)	(0.2)	(0.2)
Share based payments	(0.2)	(0.3)	(0.3)	(0.3)
Associate / Equity income	0.0	(0.4)	(1.2)	(0.6)
Operating Profit Rptd	10.0	10.9	1.4	9.0
Net Interest	0.3	0.3	0.5	0.8
Other	(0.1)	0.1	0.0	0.0
Profit Before Tax Reported	10.2	11.2	1.9	9.7
<i>Exceptionals</i>	<i>(0.1)</i>	<i>0.5</i>	<i>0.2</i>	<i>0.2</i>
<i>Share based payments</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
Profit Before Tax Adj	10.3	12.0	2.4	10.2
Tax	(0.4)	(2.3)	(0.9)	(2.9)
Profit After Tax (adj)	9.9	9.7	1.5	7.2
Profit After Tax (Rptd)	9.8	8.9	1.0	6.8
Average Number of Shares Outstanding (m)	160.0	160.0	160.0	160.2
EPS - Underlying/Adjusted (p)	6.2	6.0	1.4	5.2
EPS - Underlying /Tax Adjusted (assumes 30% rate)		5.6	1.5	5.1
EPS - Rptd (p)	6.1	5.6	0.6	4.2
Dividend per share (p)	1.90	2.00	2.00	2.00

Source: Cenkos Securities

Table 3: Cashflow

	2011	2012	2013e	2014e
Operating Cash Flow	(2.8)	4.5	7.0	7.8
Net Interest	0.5	0.2	0.5	0.8
Tax	0.0	(2.1)	(0.8)	(2.6)
Capex	(3.6)	(1.3)	(3.2)	(1.8)
Acquisitions/disposals	10.6	0.0	(0.3)	0.0
Financing	0.0	0.0	0.0	0.0
Development partner loans	(12.1)	(3.6)	7.0	4.4
Dividends	0.0	(3.0)	(3.3)	(3.5)
Other	0.0	(0.1)	0.0	0.0
Net Cash Flow	(7.4)	(5.5)	6.9	5.0
Opening net cash / (debt)		16.1	10.6	17.4
Closing net cash / (debt)	16.1	10.6	17.4	22.5

Source: Cenkos Securities

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CSF Group PLC – 2, 6, 8, 9, 10, 11

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