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Markets weaker on slowing global growth

EXTRACT

Contents

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Manaccomm Corporation Limited (MNL)



Sector	Industry Group	Industry	Sub Industry
Consumer Discretionary	Retailing	Internet & Catalog Retail	Catalog Retail

Company Overview

Manaccomm (MNL) is a profitable and dividend-paying IT company with a unique online lottery division and a strong software publishing and distribution division active in both the retail and enterprise software markets. The first division has unique contracts until 2013 with Tattersalls and NSW Lotteries to retail lotteries such as Powerball and OzLotto via www.ozlotteries.com. The distribution and software publishing arm distributes products such as Trend Micro Internet Security and Star Projects.

Strategy

MNL's strategy is to capitalise on its unique contracts for online lotteries and its relationship with leading retailers and software developers to continue its organic growth. With three successful acquisitions behind it, MNL is currently seeking additional acquisitions to complement its existing businesses. The IT industry is highly fragmented, with many successful businesses unable to grow as private companies and seeking to be acquired by larger public companies to continue their growth.

Aegis Comments as at October 2008

Outlook: MNL has successfully met its upgraded FY08 revenue and NPAT guidance. The company has commenced dividend payments and resolved to pay dividends representing not less than 20% of NPAT going forward. The company is using its solid cashflows and a measured increase in borrowings to take advantage of acquisition opportunities brought about by the weakening economy. MNL expects to generate reliable cash flows, which should underpin future dividends and acquisitive growth.

Catalysts: The stock has performed well during the recent stock market sell-off. Key catalysts for a re-rating would include: 1) continually meeting or exceeding stated guidance and dividend targets; 2) seamlessly bedding down recently acquired businesses; 3) further opportunistic and well-priced acquisitions; 4) successful renewal of supply contracts with key product suppliers; and 5) a continuation of the long-term relationship with Tattersalls.

Risks: Online security; however, considerable effort is made to ensure payments are secure and online fraud is avoided. The weakening of consumer spending may create a drag on sales in the software division. A loss of key product supply or reseller contracts or failure to renew agreements with Tattersalls (current agreement in place until 2013) would be viewed negatively. Integration risk exists and will persist as the company adopts a strategy of acquisitive growth.

Earnings Summary

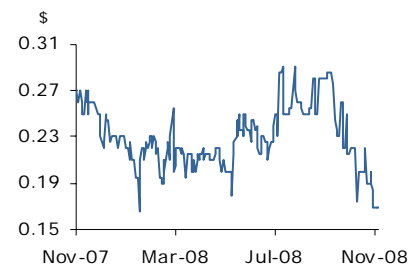
Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2008A	2.7	2.7	6.4	n/a	2.7	0.2	0.2	1.0	5.9	0	58.4

¹ NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

Key investment information

Price:	\$0.17
Price as at:	05-Nov-08
Market Cap (\$M):	7.3
Equiv. Shares (M):	43.00
% All Ords:	0.00
12Mth Range (\$):	0.17 - 0.29
Shares Traded (\$M pa):	1.7
Listed since:	Sept 1999
Index:	n/a

Share price performance



Company contact



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Financial Stability

Balance Sheet (Y/E Jun)

Net debt (cash) (\$M)	08A (4.2)
Total assets (\$M)	19.2
Net debt/equity (%)	(35.4)
Net interest cover (x)	16.4
NTA per share (\$)	0.08
Current ratio (x)	1.6

As at 30-Jun-08

Net debt (cash) (\$M)	(4.2)
Net debt (cash) / shr (\$)	(0.10)
Net debt (cash) / MktCap (%)	(57.4)

Substantial Shareholders

IIMAC Pty Ltd controlled by Ian Mackay	19.2%
Vesteon - controlled by Mike Veverka	19.0%

Board

D Barwick (Chairman)
I Mackay (Deputy Chairman)
M Veverka (CEO, Executive Director)

Manaccomm Board of Directors



08A Industries Of Operation

The lottery division sells Australian lottery tickets online from www.ozlotteries.com. MNL competes in the online retailing space and has established an alliance with Ninemsn for a larger slice of the online market. The distribution and software publishing business competes in both the retail market in Australia and enterprise software markets in the USA. Key partners include Harvey Norman in Australia and Epicor in the USA. MNL owns the IP to Star Projects, which is sold through the USA.

Differentiating Factors

MNL has unique contracts with Tattersalls and NSW Lotteries until 2013. The website www.ozlotteries.com has an established player database, which is growing via alliances with ninemsn.com.au and Yahoo!7. The distribution business has a close relationship with Harvey Norman and has been voted software supplier of the year for two years running. This division also owns the IP to Star Projects, which has a successful eight-year history in the US Enterprise software market.

Recent Announcements

28 October 2008: MNL announced it has signed a contract to acquire enterprise software solutions business Star System Solutions (Star) for \$3.45M. The acquisition will strengthen MNL's enterprise software division and move the company further up the supply chain from reseller to IP owner. Star has an 8-year track record with average EBIT of just over \$1M over the last 4 years, while around 50% of Star's revenue is recurring in nature. Funding for the acquisition is structured to minimise debt and sales risk.

18 September 2008: MNL announced the acquisition of software distributor, Intellitron, for an undisclosed sum. Intellitron was based in Brisbane and operated nationally, with a heavy focus on Queensland sales. It closed its doors earlier this month. The acquisition will permit MNL to expand its product offering to Intellitron's resellers.

26 August 2008: MNL announced a record FY08 NPAT of \$2.73M, which has exceeded the stated guidance range. If the \$766K tax adjustment is backed out, NPAT fell in the middle of the company's guidance range. Revenue was also strong at \$37.8M. The company confirmed that a fully franked, maiden dividend of 1.0cps will be paid. This represents a seemingly sustainable payout ratio of around 16% of NPAT.

Capital Structure

MNL has a straightforward capital structure consisting of ordinary equity and some debt/overdraft facilities. There are 43M FPO and 3M options on issue. The company has announced its intention to pay a dividend of at least 20% of NPAT going forward.



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