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CPT Global Limited
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CPT Global Limited's Chairman's Address to the AGM today said that you recently completed a new five year plan. In FY06 you reported revenue of $31 million, EBIT of $3.2 million, NPAT of $2.1 million, EPS of 5.96 cents and DPS of 6.00 cents. What targets have been set by the new five year plan?

MD Gerry Tuddenham
We've set an "aspirational" target of revenue generation at an annual rate of $120 million by the end of June 2011. We've identified the strategic objectives to deliver that outcome and we're confident that our road map will take us there, although the road may not be linear due to the lumpy nature of our international Risk/Reward (success fee) revenues.

Gross profit margins from our international business will continue to be substantially higher, in some cases more than double, than our domestic business. This reflects the nature of our Risk/Reward (success fee) model that has been accepted by our international clients. Profit from international operations is expected to contribute about 50 percent of total profit by 2011.

Offshore revenues are based on sharing the cost savings we achieve for our clients compared with our traditional cost plus and fixed price contracts.

Our regional divisions have each been given revenue and margin targets and specific road maps to achieve those goals.

We'd also like to explore potential new markets in Asia and expand the range of our client-side services.

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What revenue growth rate are you expecting from your international business over the five year plan period?

MD Gerry Tuddenham
We expect stronger percentage growth from our offshore operations as we are coming from a lower base. The FY06 footprint revenue mix was approximately 85 percent domestic and 15 percent international. The rationale for targeting greater offshore growth is that the US accounts for 50 percent and the UK & Europe 25 percent of the world's computing capacity as measured by MIPS (million instructions per second). Australia accounts for less than two percent.

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You have said that FY06 profit growth was constrained by a lag in generating revenue from some international Risk/Reward assignments and that you are now well positioned to deliver revenue and profit growth in the coming year. What's the outlook for earnings in FY07?

MD Gerry Tuddenham
The current year is shaping up for us as the best ever. Market conditions are very strong for several reasons. Globally government legislation requiring higher levels of disclosure and imposing IT standards is driving significant IT change. The expiry of long term vendor/outsourcing contracts has required IT users to refresh their IT requirement and how they are met which can best be assessed by independent "client-side" experts. World wide economic growth is generating the need for improved capacity and performance. There is strong growth in global MIPS and strong demand for services that reduce IT costs.

As the Chairman told the AGM today we are forecasting revenue in excess of $37 million in FY07 which represents growth of 20 percent and includes a 50 percent increase in our high margin international revenue. The increase reflects the benefits of Work in Progress at last balance date which relates to large Risk/Reward contracts entering the stage at which we receive our percentage of realised cost savings. Our latest anchor client, a global finance group, will make its initial earnings contribution in the second half.

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What are the five year plan strategic objectives you identified to deliver your "aspirational" targets?

MD Gerry Tuddenham
While we've successfully established international operations in the Americas and in Europe we need to develop our business more aggressively by deepening our relationship with existing clients by selling them add-on services, and targeting

new clients. We aim to increase the number of anchor clients in the Americas from three to nine. Our European target is to grow from two anchor clients to six.

The establishment of alliances and partnerships with complementary organisations was one of the strategic objectives the Review identified as a priority to extend market reach.

Our recently announced alliances with Macro4 plc and Tori Global are further evidence of our implementing the five year plan strategic objectives. We've already identified prospective anchor clients that these partners can give us an introduction.

Another strategic objective is to translate the credibility we have built by delivering cost savings to our international Mainframe Performance Tuning Risk/Reward clients into deeper relationships that include follow up services under fixed price contracts.

The five year plan identified that the expansion of our team of permanent consultants by training and mentoring is required to provide the resources to meet our growth targets. Our staffing target is to have permanents account for 30 percent of our consultants. Greater exploitation of technical efficiencies, such as data transfer to allow off-site consulting via a VPN (Virtual Private Network), will also expand our resources to service offshore clients remotely with domestic specialists.

Domestically, while we have successfully expanded the client base in our Southern and Federal regions, that's really Victoria and Canberra, we need to aggressively accelerate the market penetration of our Northern region, that's NSW and Queensland, where we have barely tapped very large markets.

We have set specific revenue goals for each of our operating divisions. In Australia, that is the Southern Region, based around our Melbourne headquarters, the Federal Region, incorporating our work with Government Departments and the Northern Region. In each region we've identified a number of target anchor clients and in most cases, named existing clients with the potential be developed into anchors. Domestically our target is to grow to ten anchor clients from the current five.

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What was the catalyst for the new five year plan and what were its findings?

MD Gerry Tuddenham
After five years as a listed entity we needed to reassess and refine our values, directions, goals and strategies. We're now emerging from the consolidation phase into our growth phase and we need a road map to manage that growth. Defining our goals required a review of the market requirements for our current services and formulation of plans to drive the implementation of these strategies in each of our five operating regions.

Overall we're very pleased with the review's findings. It showed that we're recognised as the leading provider of Technical IT services of capacity planning, performance tuning and testing for the Financial and Telecommunications sectors. We found that while revenues were steady between FY01 and FY05 as market rates came off some 10 percent, our business has made major advances. We've achieved a more balanced and diversified client portfolio with significant reduction in dependence on Telstra.

We found that our tools are a key competitive advantage and that these, plus the depth of experience of our consultants, 17 years on average, and their expertise, have proven to be a barrier to potential entrants into our markets. We've established a strong reputation for our independent client-side approach to delivering improved IT productivity which has proven to be another barrier to entry.

Internationally our Technical Services are predominantly spread across Mainframe Performance Tuning and Cost Reduction. We found that expansion of our Mid-frame Performance Tuning and Testing services would increase our accessible overseas market. We intend to grow Management Consulting Services, currently 20 percent of domestic revenues, to contribute 20 percent of total revenues. Cross selling to existing customers is a low cost way to achieve this.

We also identified the need to develop our brand name and awareness.

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Thank you Gerry

For more information about CPT Global, visit www.cptglobal.com or contact Mark Carroll, Chief Financial Officer, on 03 9690 3911

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