

Marbletrend Group Limited

Established, newly listed, emerging bathroom/building products company

Shareholder & Investment Market Fact-Note: 23 September 2008

ASX Code: MBD		Share Price: \$0.08		Price range - past year: \$0.08 - \$0.225		
No. Shares: 62.4m		M.cap: \$5m		Gearing: 19%		NTA: 3.9 cents
GICS sector: Industrials (Building products)			Net Assets: \$12.4m		Listed: 14 Dec 2007	
Y/E June	Revenue ¹ \$m	EBITA ² \$m	EPS ³ c	PE x	DPS c	D. Yld %
2006/7 a.	39.5	2.3	Na	Na	Na	Na
2007/8 a.	41.8	3.4	2.2c	3.6x	2.0 ⁴	25% ⁴

1. Revenue is for Marbletrend Pty Ltd. 2. EBITA is annualized for Marbletrend Group (consolidated). 3. Pro-forma EPS for Marbletrend Group (consolidated after minority interest), based on annualized NPAT of approximately \$1.4m and 62.4m shares on issue as at year end. 4. Annualized dividend of 1c paid in July 2008. Another 1c dividend expected to be paid in January 2009.

This brief profile provides, in a factual format, background on the Marbletrend Group (MBD), its strategy, structure, history and outlook. Marbletrend is a growing bathroom products distributor and manufacturer. It listed in late 2007 and the IPO raised \$12m through the issue of 48m shares at \$0.25. The Group has plans to grow both organically and via acquisition in a sector which is fragmented and consolidating in line with the trend toward national large building/plumbing retail groups. It expects to make at least one acquisition in 2008/09. The Group's core 2007/08 results have been adversely affected by the economic downturn in the second half of 2007/08. The current share price of \$0.08 implies a PE of under 4 times 2007/08 (pro-forma) earnings while the current dividend yield is around 25%, fully franked.

Corporate Structure

The listed entity is Marbletrend Group Limited (MBD). MBD has a 70% interest in Marbletrend Holdings Pty Ltd which in turns owns 100% of the operating company Marbletrend Pty Ltd. The 70% interest was acquired effective 1 November 2007. **This means the financial results for the group in 2007/08 incorporate a 70% interest in earnings for the eight months from November 2007 to June 2008.**

The residual 30% interest is held by the original owners and the Managing Director, through the company - John Penman Patterns (JPP). The Group has an option to acquire this interest.

Marbletrend Group Limited has 62.4m shares on issue. Directors hold just under 23% of shares on issue. Director shareholdings are as follows:

- Peter Reilly (Parmelia Pty Ltd); 12.148m shares (19.5%)
- Hamish Giles (various holdings); 1.73m shares (2.8%)
- Michael Evett; 0.31m shares (0.5%)

Industry Overview

Marbletrend manufactures, imports, warehouses and distributes bathroom products. Some key parameters on the industry in which Marbletrend operates are summarised as follows:

- In Australia, in 2006/07, sales revenue in the hardware and building products category amounted to \$26bn, of which Plumbing (kitchen, bathroom and laundry) sales amounted to \$3.8bn and bathroom sales around \$0.9bn;
- The market in which the company operates is extremely fragmented, with the largest 3-4 suppliers (led by GWT) accounting for less than 20% of the market; and
- Due to the growth in strength of the major distribution chains (see below) it is increasingly difficult for smaller suppliers to compete and there is likely to be ongoing consolidation.

Since the last quarter of 2007, there has been a sharp downturn in both building and retail activity which has impacted on all companies supplying these sectors. The severity of the downturn is evident in:

- Building approvals; which were down almost 10% over 2007/08 and down over 15% from the peak in late 2007; and
- Retail trade; the growth of which has also slowed appreciably,

under the weight of higher interest rates and increases in oil, input, transport and labour costs.

The Strategy

Marbletrend was essentially founded in 1979 and listed on the ASX in December 2007. The name 'Marbletrend' essentially derives from the term used to describe the imitation marble (acrylic) showers and baths manufactured by the company and its competitors. Sales are made through retail store chains (not directly to the public) to both building/trade and retail buyers. It is estimated that about just under half of the company's sales are made to each of the building and retail sectors, with a small but growing share of sales to the mining services sector. The major customers include Bunnings, Reece, Tradelink, Plumbing Plus, Plumbtec and Mitre 10. The company's head quarters are in Bayswater, in eastern Melbourne. It has a warehouse in Bayswater as well as in NSW, Queensland and Western Australia. It also has agency arrangements in northern Queensland, NT and other states, namely Tasmania, South Australia

Marbletrend's main differentiators are:

- National distributor – which is especially important to its large national customers;
- Diversity of product range and customers;
- One of the larger suppliers in a fragmented industry and one of the few listed suppliers, the other being GWA international (GWT);
- Experience and tenure of the senior management team. Rob Walton has been with the company for over 18 years; the last six as Managing Director, presiding over a doubling in the size of the company. Iain Penman, a member of the founding family, is Chief Information Officer and has been with the company for over 15 years;
- Proven acquisition skills in its major shareholder and directors, including Peter Reilly, former Managing Director of Ausdoc, Michael Evett, a senior Ausdoc executive and Hamish Giles, Chairman; and
- Low gearing: the gearing (debt/equity) ratio at the end of 2007/08 was 19% while interest cover was over 9 times.

MBD's major products include:

- Shower bases – synthetic marble and acrylic ware
- Shower screens and shower systems/enclosures
- Baths – freestanding and standard drop-in acrylic baths
- Vanity cabinets, vanity tops, vanity basins and vessels
- Sanitaryware/toiletware – mainly vitreous china toilet suites imported from China

In the first two areas, MBD is either the Number 1 or 2 supplier.

MBD is seeking, via its existing supply chain, to:

- Make further inroads with key retailing groups - increase penetration in existing and new product categories;
- Make further inroads into the residential and commercial building market. i.e. the trade;
- Ongoing innovation and design updates given the company operates at the fashion end of the market;
- Maintain quality and supply schedules and provide reliability to its large retail chain customers; and
- Work with individual customers to design unique offerings.

The company was one of the first to establish strategic relationships with Chinese manufacturers and import product from China, since 2000. MBD has exclusive arrangements with five primary suppliers in China which provide it with a competitive advantage in relation to its major Australia competitors. Manufacturing facilities are also maintained in Australia to provide flexibility and ensure just in time delivery.

The company is anticipating growth in three areas:

- A consolidation in the bathroom products industry whereby Marbletrent will look at acquisitions and mergers;
- Expansion into new regions; and
- Expansion into new sectors.

Prospectus & ASX Listing

The reasons for an ASX listing include:

- Sell-down by the vendors; and
- Access to capital to fund acquisitions.

The prospectus dated 8 November 2007 included the following:

- 36-48m shares offered at \$0.25 per share with gross proceeds \$9-12m. \$9m of this was underwritten by Tolhurst Group Ltd, including sub-underwriting to \$2m by Mr Peter Reilly;
- 50.4-62.4m shares on issue following the offer;
- 2007/08 full-year forecasts for the Marbletrent Pty Ltd (subsidiary) of \$41.7m, EBITA of \$3.6m and a net profit after tax of \$2m;
- 2007/08 full-year pro-forma forecast net profit after tax of \$1.4m (approx 70% of Marbletrent Pty Ltd profit of \$2m) and EPS of 2.8-2.9 cents;
- 1 cent, full franked dividend paid in July 2008 with another 1 cent dividend per share to be paid in January 2009; and
- Significant growth opportunities from organic growth and acquisitions and expectations of strong revenue and earnings growth.

The offer was fully subscribed with the maximum \$12m raised. Of this, \$10.3m was used to fund acquisition of approximately 70% of the company from the vendors and the balance was used to meet the costs of the acquisition and capital raising (\$1.06m).

On 27 May 2008, the company announced a 10-12% profit downgrade in EBITA from the prospectus forecast of \$3.6m to \$3.2- \$3.3m and commented that:

- Sales are expected to be roughly in line with the prospectus forecast of \$41.7m;
- EBITA is expected to be lower than forecast at \$3.2m-\$3.3m due to (i) delays in supply of product from China, (ii) increased freight costs, and (iii) increased labour costs;
- The company had observed a slowdown in retail activity, which has the potential to impact on the company in 2008/09;
- Notwithstanding the slowdown in retail sales, there is opportunity to benefit from housing demand. i.e. switch focus from retail to housing;
- Price rises will be inevitable to offset rising fuel and freight costs; and
- The Board is actively pursuing market aggregation opportunities that are EPS accretive.

2007/08 Results

The results for the 12 months to June 2008 were released on 29 August 2008. The actual 2007/08 results for Marbletrent Pty Ltd for the full year, compared to prospectus, are summarised in the table below.

Marbletrent Pty Ltd (subsidiary) Results vs. Forecast

	2007/08		2006/07
	Prospectus forecast	Actual	Actual
Gross Sales	41.72m	41.80m	39.54m
Gross Profit	17.94m	17.29m	15.06m
<i>Gross margin</i>	43%	41%	38%
EBITA	3.645m*	3.02m	2.26m

* Revised down to \$3.2- \$3.3m in the earnings guidance update released on 27 May 2008

The key features of the 2007/08 results include:

Marbletrent Pty Ltd

- Revenue in line with prospectus of \$41.8m and up 6% over 2006/07; and
- EBITA of \$3.02m, 17% below the prospectus forecast and 6% below the revised forecast in May, but up 34% over 2006/07.

Marbletrent Group Limited (consolidated)

- Revenue of \$27.0m (8 months to June 2008);
- Reported net profit after tax before minority interests of \$0.97m;
- Reported net profit after tax after minority interests of \$0.73m and EPS of 1.7c. This is for the 8 months to June 2008, based on average shares on issue of 41.9m; and
- End of year gearing of 19% (net debt of \$2.4m vs. net assets of \$12.4m).

As noted above, EPS for the Group for the last 8 months of the year was 1.7c, based on 41.9m shares.

Outlook

The Board is cautious about the outlook given the ongoing weak conditions in the building and retail sectors. The company has reaffirmed an intention to pay an interim 2008/09 1c dividend in January 2009. Going forward, the timing of any acquisitions and any economic recovery generally will clearly impact on the company's performance.

Acquisitions

The company's objectives include growth by acquisition.

MBD has looked at various companies in 2007/08 but the downturn in markets and its share price has made the process more difficult. In 2008/09, the company expects to make at least one acquisition.

Board & Senior Management

The Board and senior management of MBD are listed in the table below as well as brief profiles of the major director-shareholders and senior management.

Board	Senior Management
Hamish Giles (Executive Chairman) Peter Reilly (Deputy Chairman) Michael Evett (Non Executive Director)	Robert Walton (Managing Director and CEO of Marbletrend Pty Ltd) Iain Penman (Chief information Officer) Wayne Jewell (Financial Controller) Peter Savvides, (National Sales Manager) Paul Taylor (National Operations Manager) Michael Lee (Business Development Manager)

Mr. Hamish Giles, Executive Chairman

Age 48

Founder and director of Salmon Giles Pty Ltd which provides consultancy services in areas including human resource management consulting, industrial relations, accounting and tax planning, remuneration structuring, personal wealth. Mr Giles has qualifications in law and accounting.

Mr Peter Reilly, Deputy Chairman

Age 56

Formerly Managing director of Ausdoc Group Ltd. While at Ausdoc, he was responsible for a number of strategic acquisitions. Mr Reilly has qualifications in business and accounting. Current directorships include Tolhurst Group Ltd and CPI Group Ltd

Mr. Robert Walton, Chief Executive Officer & Managing Director Marbletrend Pty Ltd

Age 42

Has been with Marbletrend for over 20 years. Joined the company when its turnover was under \$2m and was appointed Managing Director in 2002 – over this 6-year period, turnover has more than doubled to over \$41m.

Iain Penman, Chief Information Officer

Age 41

Iain has a Bachelor of Applied Science (IT) degree. He joined the company in 1993 and is responsible for all information systems. He also has a senior role in administration and management of the company. Mr Penman's grandfather John founded the company and the Penman family retains a 30% interest. Iain's father Allan retired in August 2003.

Background on Concentrated Capital

The prospectus for the IPO of the company was titled "Concentrated Capital (Proposing to change its name to Marbletrend Group Limited)." Concentrated Capital (associated with current Marbletrend directors and shareholders, Hamish Giles and Peter Reilly) was an investment company that listed on the Newcastle Stock Exchange (NSX) in October 2002 and operated as a passive investor in the oil and gas industry. The company announced to the NSX in August 2007 that it would acquire 70% of Marbletrend, change its name to Marbletrend Group Limited and list on the ASX in December 2007 following an equity raising.

The carry-over investment assets of Concentrated Capital have essentially been written down to zero value but Directors have advised that some value may be realised over the coming year.

DETAILED HISTORICAL CALENDAR

... PRE ASX LISTING		
1979	...	Marbletrend business founded by Alan Penman. The company's prior history dates back to 1944 as a engineering pattern business established by Iain Penman's grandfather, and Alan Penman's father, John Penman
14 Aug 2007	...	Investment company, Concentrated Capital, listed on the Newcastle Stock Exchange, announces the acquisition of a 70% interest in Marbletrend Pty Ltd., a change of name to Marbletrend Group, a capital raising to fund acquisition and an ASX listing
8 Nov 2007	...	Prospectus lodged with ASX
26 Nov 2007	...	Concentrated Capital delists on NSX before listing on ASX in December
... ASX LISTING		
14 Dec 2007	...	Marbletrend Group lists on ASX at \$0.25 per share
6 Feb 2008	...	Board announces completion of Marbletrend acquisition. Final payment of \$1.7m for a total consideration of \$10.1m
28 Feb 2008	...	Release of 2007/08 half-yearly accounts
21 Apr 2008	...	Mr. Marco Carlei resigns as director
27 May 2008	...	Earnings and Dividend Guidance update. EBITA reduced but confirms dividend of 1c in July 2008 and another 1c payment in January 2009.
21 Jul 2008	...	Record date for payment of 1 cent interim dividend.
30 Jul 2008	...	Payment of interim 1 cent dividend (listed in Dec 07)
29 Aug 2008	...	Release of 2007/08 annual results
... FORTHCOMING		
Nov 2008	...	AGM
Jan 2009	...	Expected payment of dividend of 1c
Feb 2009	...	Release of 2008/09 half-yearly accounts

MBD *FactNote* is an investment market oriented profile product designed and prepared by Value Enhancement Management (VEM), a leading consultancy in investor (and stakeholder) relations.