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CENKOS

9th April 2009

Trading update

BUY

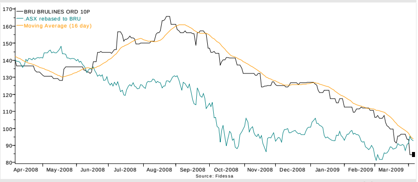
Price:	84p
Price Target	134p
52-week range	84p-175p

Reuter: BRU **Bloomberg:** BRU.LN
Exchange: AIM **Ticker:** BRU

Brulines

Trading robust

Share Price Performance



Source: Fidessa

Performance(%)	1m	3m	12m
Absolute	-20	-33	-40
FTSE All Share	+14	-10	-34

Stock Data

Market cap	£25m
Shares outstanding	28.1m
FTSE All Share	2003

Key Indicators

Net cash (9/07)	£4.3m(E)

Activities

Pub monitoring and data management services

Directors

James Newman (Non Exec. Ch.)
James Dickson (CEO)
Mark Foster (CFO)

Significant Share Holders

Directors	14%
AXA Framlington	14%
ISIS	10%
Octopus	8%
Legal & General	5%
Artemis	4%
M&G	3%
Barclays	3%
Henderson	3%

Brulines has issued a pre-close statement indicating that trading in its core business has 'remained robust'. Profits for FY08/9 are expected to be 'in line' with market expectations and losses at recently acquired Edensure and Vianet have been significantly reduced. The statement indicates that trading with the pub industry has remained resilient but it acknowledges that more effort is being required to generate new business due to the squeeze on capital and the structural changes in the industry. We have adjusted our FY08/9 estimates to £5.0m (£5.2m) to reflect the inclusion of loss making Vianet in our estimates. We are reducing our FY09/10 PTP estimate to £5.3m (prev. £6.1m) to reflect a more prudent outlook for the pace of adoption of the group's technology in the current more challenging trading environment.

Vianet performing better than expected

Vianet was acquired from administrators in December for an undisclosed consideration. We indicated in our last note that there would be some trading losses and exceptional provisions relating to the acquisition but that the scale of these losses was highly uncertain and therefore that we were excluding any impact from our estimates until the position clarified. The trading statement today indicates that Vianet is performing better than management had hoped, helped by new contracts, synergies and increased penetration. We now estimate the adverse PTP impact in FY08/9 was around £0.2m and the cash outflow relating to the acquisition around a £1m. Vianet is now expected to achieve monthly breakeven by the end of H109 and will therefore have minimal impact on 2009/10.

Other subsidiaries at or close to break even

Edensure (intelligent forecourt solutions) has been fully integrated and is now also close to monthly breakeven whilst Coin Metrics (gaming machine remote monitoring) has already achieved breakeven leading the group to increase its stake to 83% (66%). Machine Insite (gaming machine data) has maintained its contribution despite absorbing cost increases and some exceptional costs.

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Forecasts and ratios

Year end March	2007A	2008A	2009E	2010E
Revenue (£m)	16.8	17.1	18.5	21.0
EBITDA (£m)	3.5	4.4	5.2	5.6
Adj. PBT (£m)	3.1	4.3	5.0	5.3
Tax charge (%)	30	30	30	28
Adj. EPS	10.5	12.2	13.1	13.4
Change	-	+16%	+8%	+2%
DPS (paid)	-	5.0	5.5	5.9
EV/EBITDA (x)	4.7	4.8	3.7	3.0
PER (x)	8.0	6.9	6.4	6.3
Yield (%)	-	6.0	6.5	7.0

Source: Cenkos Securities estimates / Report & accounts

Commercial progress with 'i-draught™'

Progress has been made commercialising 'i-draught™' (Brulines next generation beer quality and EPOS variance monitoring system) which has applications in the managed house sector and the wider licensed on trade market of 142,000 outlets. Contracts have been agreed with regional brewers and trials continue in the US.

Strong cash position

We estimate that at the 3/09 year end the group had net cash of around £4.3m helped by the £4.4m fund raising at the end of last year offset by the estimated £1m cost of the Vianet acquisition.

Investment Conclusion

The shares trade on a rating of 6.4x FY3/09. This rating is undemanding for a business that has a dominant market position in its specialist field and has high recurring revenue due to the duration of its contracts and the ongoing real need for its services. Its reliable cash flows and limited requirement for capex give solid support to the 6.5% yield.

Recent statements from the pub sector have been more encouraging with substantial rallies in many pubco share prices. This could be an early indication that trading conditions for the industry are set to improve which in turn would be beneficial for Brulines business.

Scope exists for a rerating, particularly if the group can demonstrate traction for its services in managed outlets and maintain its success in turning around its acquisitions. We are retaining our BUY recommendation and have set a 12-month price target of 134p equating to a 10x forward multiple.