

## 9 April 2009

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**Support Services**

Price	84.5p
Price target	145.0p

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**James Dawson**

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**Brulines (BRU.L)**

Buy (n/c)

**Flexibility is Key**

Despite well documented tough trading conditions within the pub sector, the operational control function provided by Brulines continues to drive demand. That said the group is accommodating customer needs for profitability and cash generation by adjusting its internal pricing plans. Brulines continues to offer considerable upside and hence we retain our recommendation of BUY.

Support Services  
FTSE AIM All-Share

Price	84.5p
Price target	145.0p
12 high/low	166.0p / 84.5p
Market cap.	£21m
Enterprise value	£20m
Free float	75%
Avg. daily volume	21k
Shares in issue	24.3m
Net cash/equity	39.5%
Company code	BRUL

Next news	FY09 results - 9-Jun-09
Confidence in estimates	High
Expected movement in estimates	◀▶

Adviser	No
Broker	No
NOMAD	No

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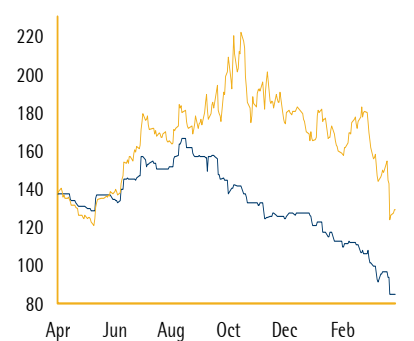
## Brulines

## Flexibility is Key

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- Event: Trading Update** – Brulines has today released a trading update for the full year to the end of Mar-09. Management expect results to be in line with current expectations, which we have a PBT £5.0m and EPS of 14.47p. The Nucleus acquisition of Jan-08 is now fully integrated and has realised synergies. Edensure is now operating at breakeven, whilst Vianet is likely to report a slightly lower loss than anticipated initially. The US investigative strategy continues with a conservative investment stance. We are particularly keen to hear about amounts of funds expended on this project and more importantly the initial indications for expansion. The group expects to report results on 9 June.
- Reaction: Implications for profit phasing** – The level of focus by the pub groups on internal profitability and cash conversion has meant that Brulines has had to adapt its pricing policy. As a result, the group has created a rental model for the beer monitoring system, as an alternative, to the upfront capital purchase model. This has enabled the more cash challenged pub operators to continue with their expansion programmes, but effectively defer part of the payment to a later point.
- Impact: FY10 forecasts trimmed back but still undervalued** – The rental model will provide certain pub groups will financial flexibility and so the anticipation is that a few more customers may opt for such a payment programme. The implication of such as strategy is that Brulines would concede some profits earlier, to reap more later and hence we have trimmed back our PBT forecasts for FY10 by £300k to £5.4m. As a result, we have cut our price target back to 145p (191p) to reflect the potential implication on earnings on customers opting for the rental model during more challenging trading conditions. However, the group continues to offer earnings growth on a particularly low multiple and hence we maintain our BUY recommendation.

## Share price performance (1 year)



	1m	3m	12m
– Price	-20.3	-31.0	-38.3
– Rel all share	-28.6	-22.2	-5.7

Source: Thomson Datastream

## Key financial data (£m) - IFRS

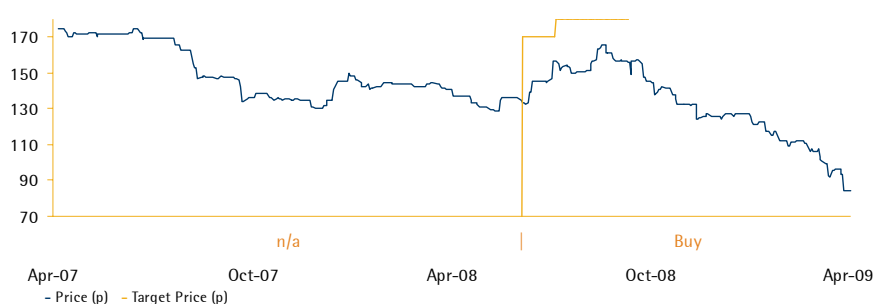
Year to March	2007A	2008A	2009E	2010E	2011E
Sales	16.8	17.1	19.6	22.3	23.5
PBT normalised	3.1	4.2	5.0	5.4	5.9
EPS normalised (p)	10.33	11.48	14.47	16.05	17.58
DPS paid (p)	0.00	4.45	5.10	5.25	5.60
PER (x)	8.2	7.4	5.8	5.3	4.8
EV/EBITDA (x)	3.2	3.1	2.8	2.2	1.6
FCF yield (%)	12.6	1.9	13.1	20.0	21.9
Dividend yield (%)	0.0	5.3	6.0	6.2	6.6

# Important Disclosures

## Recommendation and target price history

On April 2007 Charles Stanley Securities introduced new research production and distribution systems and a new research database. A new ratings system was adopted and 12 month price targets were introduced for all companies researched by its analysts. Previously, detailed records of stock recommendations were not maintained and histories prior to April 2007 are only reproduced where the information can be accurately established.

### Share performance - Brulines (BRU.L)



### Charles Stanley Securities rating distribution

Total Coverage	Number	Percent	Banking Relationships	Number	Percent
Buy	103	53.65	Buy	26	61.90
Add	19	9.90	Add	4	9.52
Hold	61	31.77	Hold	12	28.57
Reduce	4	2.08	Reduce	0	0.00
Sell	5	2.60	Sell	0	0.00

### Charles Stanley Securities rating definitions - 12 month time scale

Buy	+20% < expected absolute change
Add	+10% < expected absolute change < +20%
Hold	-10% < expected absolute change < +10%
Reduce	-20% < expected absolute change < -10%
Sell	expected absolute change < -20%

Prior to April 2007 Charles Stanley Securities operated a six tier recommendation structure on the basis of absolute returns over a 12 month period as follows: Strong Buy over +25%; Buy +15% to +25%; Accumulate +5% to +15%; Hold -5% to +5%; Reduce -15% to -5%; and Sell below -15%.

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