

# Atlantic Global

UK | AIM | ATL | ATL LN

8 April 2008

## Preliminary Results

Recovery continuing

Yr to Dec £m	2005A	2006A	2007A	2008E	2009E
Sales	2.1	2.0	2.3	2.5	2.7
EBITDA	-0.5	-0.1	0.2	0.4	0.6
adj. EPS (p)	-2.0	0.2	1.0	1.6	2.1
EV/EBITDA (x)	n.a.	n.a.	6.8	2.8	5.0
P/E (x)	n.a.	59.5	13.4	8.2	6.5
Div. Yld (%)	5.6	0.0	2.2	2.6	3.0

Recommendation **BUY**

Price **14p**  
Target **25p**

Market Cap: £3m  
EV: £1m  
Shares issued: 23m  
Daily ave. volume: <1m

### Profit in line with expectations

Atlantic Global this morning reported PBT of £0.3m and EPS of 1.0p, in line with our expectations; albeit on sales of £2.3m, slightly lighter than our forecast for £2.5m. The higher than expected margin resulted from both the sales mix being skewed to higher margin revenue and better than anticipated cost control.

### Balance sheet very strong, £2m in cash

Atlantic Global announced that it had a net cash balance of £2m at the end of March; two thirds of the market cap. is thus underpinned by cash. This represents a large cash surplus and we see the announcement of a share buy back as a positive step to create shareholder value in view of the low valuation. Presumably, if the company has identified the need to return capital to shareholders there must also be a longer term possibility of an aggressive ramp up in the dividend. The 0.3p DPS for 2007 leaves the stock on a yield of 2.2% for 2007 but it has as recently as 2005 paid a dividend of more than double that level (0.75p).

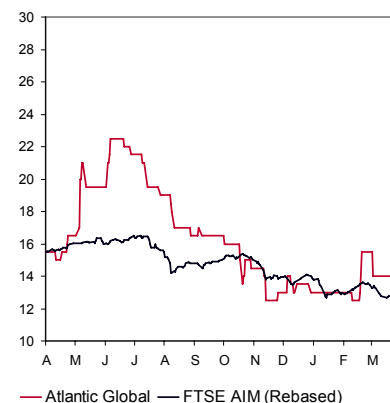
### Expect 65% earnings growth in 2008

We have often pointed out that the nature of the Atlantic Global business introduces a strong level of operational gearing. It has £0.7m of recurring maintenance revenue and this together with its service revenue broadly covers the cost base. This leaves the bottom line heavily dependent on licence income, which thus carries a very high incremental margin. Hence, from the 2007 level, relatively small increases in licence turnover will leverage into strong growth in the bottom line. We anticipate sales of £2.5m and PBT of £0.5m in 2008, representing 65% earnings growth.

### Cheap on ex cash P/e of 3.5x 2008.

Stripping out the cash the stock thus trades on a P/e of 3.5x our 2008 forecasts and a yield of 2.6%. This is very cheap particularly in light of our forecast for 65% earnings growth. With a share buy back to underpin the stock, we are buyers.

### Stock Performance



Performance	1m	3m	12m
Absolute %	-13	4	-13
Relative* %	-8	15	5

Source: Datastream

\*Rel to FTSE AIM

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