

AUSTRALIAN

RESEARCH



Contents

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Allied Technologies Group (ATZ)



Company Overview

ATZ was formed through the merger of ServicePoint and the Allied Group in April 2004. The combined entity specialises in the design, integration, installation, maintenance and monitoring of secure voice data, video and web-based communications networks for large corporates and government bodies. Customers include Australian Government Departments (Defence and Foreign Affairs & Trade), Centrelink, Telstra and OPTUS and Westpac. Allied comprises of three business units; Infrastructure, Convergent Solutions and Enterprise Management Solutions. In August, Allied announced the acquisition of TUSC, a Melbourne-based IT services company specializing in integration services for enterprise and infrastructure management software applications. TUSC targets the utilities, telco and enterprise end-markets and has a blue-chip customer base including Telstra, TXU Networks, United Water, and South East Water.

Strategy

ATZ's strategy is to grow the group organically and through further merger and acquisition opportunities. Potential targets will be those that expand ATZ's product offering and geographically exposure. Organic growth opportunities exist as a result of the combined group's capacity to deliver a broader range of communications services. The TUSC acquisition provides an expanded geographic footprint (particularly in Victoria and South Australia) and customer base and is expected to provide cross-selling opportunities between Allied's government client base and TUSC's telecommunications and utilities client base. Additionally, a significant proportion of Allied's earnings are currently derived from it's Department of Defence (DOD) and Federal Government contracts. The TUSC acquisition will serve to diversify group revenues and reduce Allied's exposure to government budgetary expenditure.

Key Executives

ATZ has a highly experienced and stable management team. Key personnel are: Ray Doak (MD, Allied founder) 15 years IT&T management experience; Michael Addison (Exec Chairman) 20 years corporate finance experience; Gary Allan (CTO) 30 years of military, govt. and commercial experience in snr management and ICT technology; John Fletcher (CFO) 30 years accounting experience. Andrew Berriman, Rod Barden and Noel More provide additional ICT industry expertise. Daryll Goodall (MD TUSC) 20 years IT industry experience. John Gwyther (TUSC Chairman, founder) will join the ATZ Board.

Business Model

ATZ has a medium risk business model. A large percentage of Allied's revenues derive from repeat business, with a dominant percentage of revenue generated through long-term contracts with the DOD and DFAT. Non-government related work, however is typically shorter-term and non-recurring in nature. TUSC's systems integration services are generally based on medium to long-term contracts and TUSC has a high degree of repeat business. Both business units have material customer concentration and contract risk through DOD (Allied) and Telstra (TUSC) contracts. Both the Allied and TUSC business units have predominantly variable, headcount related cost models.

Catalysts

For FY05, ATZ has forecast NPAT of \$3.2M on revenues of \$50M, the latter based on revenues of \$35M and \$15M from Allied and TUSC business units. While these targets incorporate solid organic growth there is significant potential for ATZ to exceed these targets based on 1) the Allied business starting FY05 with in excess of 50% of budgeted revenues already in hand, and 2) the potential to extract synergies through the TUSC acquisition. Given ATZ's strategy, we also expect further value-accretive acquisitions.

Key investment information

Market Cap (\$M):	\$18.5M
Capital Structure	
Ord shares on issue (M):	52.3M
Options ("in-the-money"):	0.5M
Convertible notes/oth (M):	Nil
Fully diluted capital (M):	52.8M
Price as at 10 Sept 04:	\$0.35
12 month H/L:	\$0.44-\$0.05
Share Turnover (\$M pa):	\$1.6M
Official listing date:	Jan '01

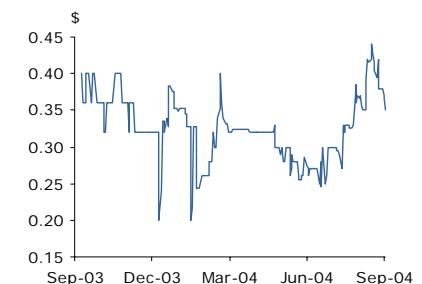
Substantial shareholders (%)

Ray Doak	36.3%
Michael Addison	5.7%

Balance sheet data

Net Cash as at 30 Jun 04 (\$M):	(\$2.0M)
Working capital ratios:	2.4x
Gearing:	21%

Share price performance



Source: IRESS

Company contact

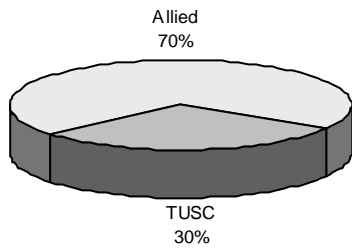


Ray Doak

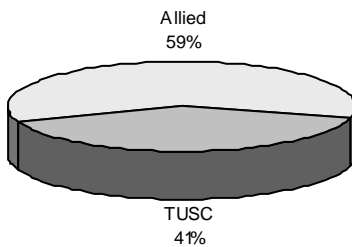
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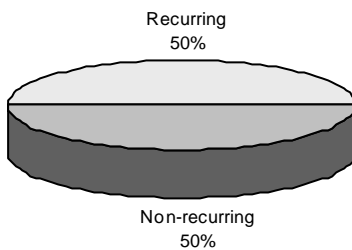
Revenue by Division



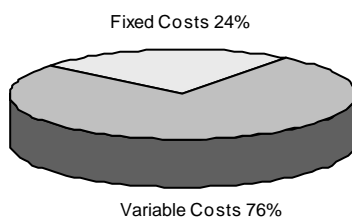
Earnings by Division



Revenue Profile



Operating Leverage



Industry Fundamentals

The Australian network integration market has begun to recover from a difficult few years, which were characterized by a general contraction in volumes and competitive pricing by service providers. While a relatively small industry player, Allied nevertheless partly insulated itself during this downturn through its exposure to the government sector and the strength of its key client relationships. The infrastructure management software segment is a large and growing market given the increasingly complexity and reliance upon networks.

Power of Suppliers

Low - Medium: Both Allied and TUSC rely on qualified IT personnel and 3rd-party product/software vendors. Generally speaking, neither class of supplier exercises significant power with the exception of HP given TUSC's reliance upon certain HP software applications.

New Entrants

Medium: For both Allied and TUSC the importance of existing relationships and client trust are barriers to entry. Key customers are more concerned with quality (given the cost of product/service failure) and will tend to stick with service providers that have proven themselves.

Rivalry

Medium-High: Existing relationship with Australian Government Departments and telcos & utilities provide both Allied and TUSC with a competitive advantage regarding existing customers. However, competition for new customers is strong.

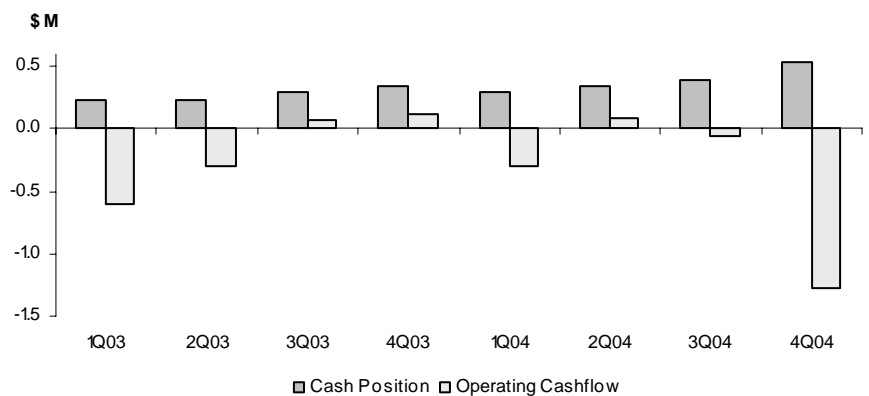
Substitute Products

Medium: ICT service needs are increasingly outsourced. Aside from in-house management of these services, there are no significant substitute products.

Power of Customers

High: Both Allied and TUSC operate in competitive markets. While large corporates and government bodies, who dominate the customer landscape, have intrinsic bargaining power it is rarely exercised given the emphasis on service over pricing.

Quarterly Cashflow & Cash Position





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