Skaffold®

INVESTMENT. SIMPLIFIED.

A smarter way to invest in shares

Managing your share portfolio needn't be confusing, time consuming, or require a finance degree.

Indeed, investing in a business listed on the stock market is no different to acquiring 50% of your local newsagency. Both represent part-ownership of a business. Every business begins with an idea, at least one shareholder, cash and a business model. Staff are employed and in some cases, dividends are paid.

The story of a company, regardless of whether the business is owned by one shareholder or many – its history of earnings, dividends, equity, debt, cash flow and capital growth – is told the same way.

That's one of the golden rules of sensible investing: approach businesses listed on the share market the same way you would a private business.

In 2011 a new way of researching companies and selecting shares was released in Australia. It's called Skaffold and is designed to tell the story of a business.

Skaffold is a state-of-the-art online stock-research application that interprets key historical financials and broker forecasts into image-rich visuals. Every stock is rated, from A1 to C5. It's entirely automated and updated daily using information sourced from top-tier financial institutions.

Skaffold was designed to save time on research and simplify share-market investing.

With Skaffold, you can see the story of every ASX-listed business and easily answer the key share-evaluation questions. Understanding the business, its performance and future growth prospects allows you to invest in the very best businesses and avoid those with doubtful fundamentals that may be potentially wealth destroying.

So with that in mind, here's how to evaluate companies using Skaffold.

1. The business of the company

What is the business of the company? Does the company operate in a sector exposed to future economic growth, or is the business model susceptible to fluctuating economic conditions?

2. Earnings and Dividends

Have earnings been rising and are they expected to continue rising in a northeasterly direction? Avoid companies whose earnings are stagnant or declining. You should also question if the company can afford to pay a dividend and how that dividend is funded. Sydney Airport Holdings (SYD) may pay a dividend, but did you know it's funded by debt? Investigate how companies fund dividends and avoid those incapable of generating organic growth.

3. Debt and profitability

We are all familiar with the real-world consequences of debt. If mismanaged, debt can be disastrous. Borrowing to fund a new venture, or adventure, adds risk. In business, the use of debt directly impacts the bottom line – debt costs money and requires ongoing servicing.

Do the companies in your portfolio rely too heavily on debt to fund their business activities? How have their businesses and shares performed over the past few years? Are you satisfied with your returns?

Skaffold calculates the ratio Return on Equity (ROE) to describe a business' profitability. ROE compares how many dollars of equity were required to produce the company's profit. If a company has $100m of equity and produces a profit of $5m, the resulting return on equity is 5%. If another company produced a profit of $25m on $100m of equity capital, return on equity is substantially higher at 25%. Which business would you prefer to own?

How have the companies in your portfolio used their equity and are they profitable? Attractive businesses are able to increase profits each year without the need to raise additional capital or take on debt.

These companies produce increasing profitable returns on their equity without increasing risk.

4. Cash flow

Every business operates to generate cash. The amount of cash generated in a given period is known as cash flow.

Think about it this way. At the start of the year your business had $50,000 in its bank account. At the end of its financial year, after receiving revenues from sales, paying staff, taxes and all other operating expenses, you have generated an additional $100,000 in cash. Great!

Now the bad news... in order to generate that cash you had to buy additional equipment for $200,000. Your shareholders also insisted on a dividend that equated to $50,000. So despite your operating cash flow of $100,000, your net cash flow for the year is a gap of $150,000. That gap will need to be funded, either by taking on debt or asking shareholders to contribute additional equity. If this situation continues it will soon lead to difficulties.

Have the companies in your portfolio been spending more money than they've earned? Have they raised capital, taken on debt or paid dividends they couldn't afford? Poor and worsening financials can result in falling share prices.

Buy, sell or hold?

Once you understand the business, its economics and future growth prospects, the final step is to estimate the value to determine an appropriate price to pay for its shares.

Paying too much for a top-quality company can destroy wealth just as quickly as investing in one with excessive debt. Over time, share prices tend to converge with value. Buying shares in a company for $20 when the underlying value is $10 can be dangerous.

Ideally you want to buy shares when some of the existing shareholders are willing to sell them to you for much less than they are worth, and sell shares when other members of the investing public are happy to pay you much more than their underlying value.

A smarter way to invest in shares

Skaffold has put together a special report, including the Skaffold Score, future valuations and Skaffold Verdict, on a great quality Australian company whose estimated value and earnings per share is forecast to grow over the next couple of years, Breville Group Limited (ASX:BRG).

IMPORTANT: This report represents data as at 18 September 2012. Data is subject to change. Recent changes in the businesses mentioned may impact the results of data in this report.

The stock market according to Skaffold.com

	Number of companies	As % of total market
Companies in Skaffold	1872	-
Skaffold Score: A1	46	2%
Skaffold Score: A2	91	5%
Forecast EPS growth	378	20%
Forecast dividend	329	18%
Net Debt / Equity < 40%	1455	78%
ROE > 25%	125	7%
Net cash	669	36%
Value for money	146	8%

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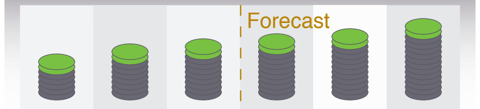
Breville Group Limited (ASX:BRG)

Breville Group Limited (ASX:BRG) is engaged in the innovation, development, marketing and distribution of small electrical appliances and homewares in the consumer products industry. The company operates in Australia, Canada, New Zealand, Hong Kong and the US. Its consumer electrical brands include Breville, Kambrook, Ronson and Goldair.

Sector	Services
Industry Group	Retail (Speciality)
Market Capitalisation	$684.301m
Skaffold Score	A1

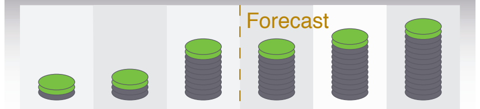
Earnings Per Share



2010	2011	2012	2013	2014	2015
$0.18	$0.25	$0.36	$0.40	$0.45	$0.50

BRG's Earnings Per Share have increased 6.72% per annum, from $0.20 to $0.36 since 2003. Skaffold forecasts BRG's earnings will increase 13.1% over the next twelve months.

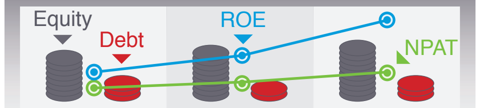
Dividends Per Share



2010	2011	2012	2013	2014	2015
$0.11	$0.17	$0.24	$0.27	$0.31	$0.34

BRG's Dividends Per Share have increased 10.22% per annum, from $0.10 to $0.24 since 2003. BRG is forecast to pay $0.27 in dividends in 2013, a forecast yield of 5.19%.

Debt & Profitability



2010	2011	2012
16.61%	20.72%	27.83%

Since 2003 BRG's profits (NPAT) have increased by 8.41% p.a, from $22.395m to $46.333m. To generate this $23.938m increase in profit, shareholders have put in equity of $27.674m and left in earnings of $7.875m. BRG's has reduced its debt from $49.066m to $6.076m. Return on Equity (ROE) is the best measure of business performance, and BRG has averaged 16.46% since 2003. Recently, BRG generated a Return on Equity of 27.83%.

Cash Flow

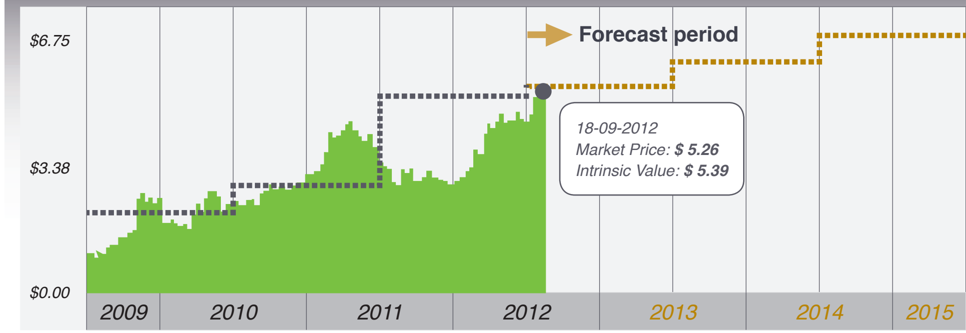
2010	2011	2012
Surplus	Surplus	Surplus

Since 2003 BRG has generated $302.488m in cash flow from operations, invested -$98.233m, paid dividends of -$107.706m and paid out other financing cash flows and foreign exchange effects of -$5.752m. The total of these business activities, when compared to cash flow, produces a Funding Surplus (green line) of $90.797m. A Funding Surplus indicates BRG does not currently rely on external sources of capital to fund its business activities.

Skaffold Score

Quality Score			Performance Score		
2010	2011	2012	2010	2011	2012
A	A	A	2	2	1

Skaffold Line



Skaffold Verdict

Quality	Performance	Value Prospects	Safety Margin
A	1	10.3% 11.5%	2%
BRG is currently rated A (compelling) for quality.	BRG is currently rated 1 (excellent) for business performance.	BRG's intrinsic value is forecast to increase 11.5% p.a. from $5.39 to $6.70 over the next two years.	BRG's Market Price of $5.26 offers a 2% Safety Margin (discount) to its intrinsic value of $5.39.

About Skaffold

www.skaffold.com team@skaffold.com 1300 SKAFFOLD

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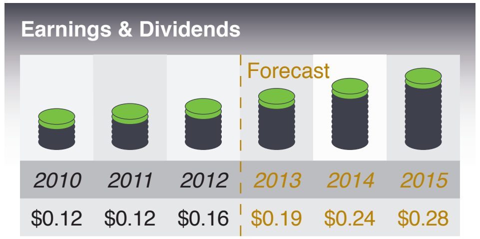
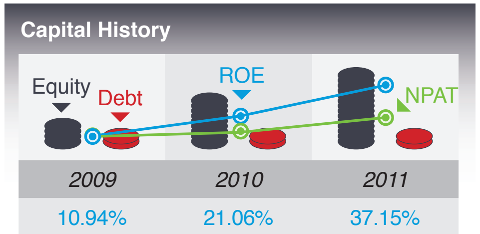
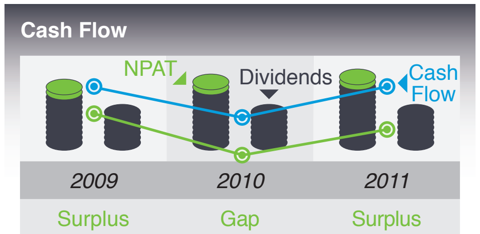


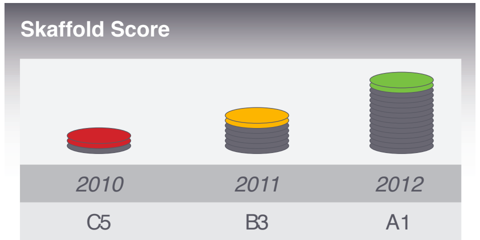
View up to ten years of historic Earnings and Dividends Per Share and where available, three years of forecasts. Instantly see if a company's earnings and dividends have been rising, and if growth is forecast over the next few years.



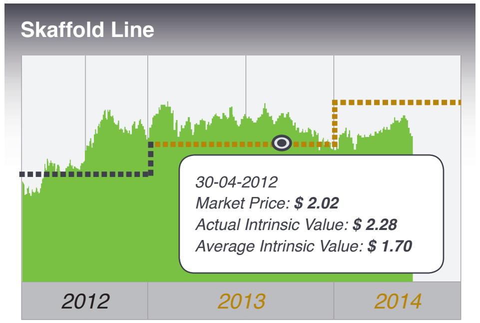
Capital History displays a company's relationship with its owners and lenders to help you understand its history of equity, debt and performance. Are profits rising? Are you comfortable with the level of debt? What about return on equity? A table provides even more granular information.



Skaffold's Funding Surplus / (Gap), the green line, reveals how the cash generated has been utilised and whether the company has required external funding to finance its activities. Skaffold makes it easy to evaluate these vital aspects of a company's performance.



The Skaffold Score rates the quality and performance of every company. It rates a company's consistency of earnings, debt levels and the quality of cash flow, from A1 to C5. Instantly see if a company meets your criteria and is worth further investigation.



A key component in evaluating a company and deciding when to purchase it is to estimate its intrinsic value. Every Skaffold Line chart, for every ASX-listed company, displays up to three years of future valuations and ten years of historical valuations so you can identify historically good-performing companies forecast to offer future growth.

Join online at www.skaffold.com

Call the team on 1300 SKAFFOLD

Send your cheque to GPO Box 3324 Sydney NSW 2001.

Data accurate as at 18 September 2012.