

# Rotala – QuickView

8 April 2010

Event

Final results

## Investment summary: Driving growth

Conceived as a consolidator in the small bus operator market, Rotala's progress is clear to see. With 2009 results demonstrating that the group is in a strong position in its chosen markets and trading increasingly profitably, we feel that the benefits of this strategy are being proven. New contract wins show Rotala is gaining market share, more than offsetting the recessionary impact. There appears to be further expansion potential, with a Competition Commission investigation into the local bus market due in 18-24 months. The shares are also trading at a significant discount to its larger peers, which may narrow as such progress is demonstrated.

### Results show progress

2009 was a year without acquisitions and hence the underlying organic performance of the group could be judged. Revenues were up 14% to £40.6m, underlying operating profits rose 43% to £3.5m, PBT rose to £1.9m (2008: £0.35m) and adjusted basic and diluted EPS were 7.06p and 6.71p, respectively (2008: 1.67p and 1.64p). Encouragingly cash flow was up 29% to £5.8m.

### New contracts feeding growth

The group also announced a series of new contracts and extensions, expected to add an extra c £1.9m in annual revenues. This comes on the back of strong performance in this respect in 2008 and 2009, where new business wins added £5.6m and £8m, respectively. We feel that this is a significant indication of the quality of the group's delivery against this part of the strategy.

### Compelling strategy, attractive valuation

Rotala is demonstrating its ability to acquire, integrate and deliver results from its positions of strength in the West Midlands and Bristol/Bath, along with the Heathrow airport contract market. With revenues evenly spread between commercial bus, subsidised bus and contracted private networks, and with all three winning new business, we feel that outlook is positive. With consensus CY10 P/E at a c 45% discount to its larger peers, there is potential valuation upside, in our view.

## Consensus estimates

Year End	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
11/08	34.5	0.3	1.7	0.0	8.5	N/A
11/09	40.6	1.9	7.1	0.0	6.6	N/A
11/10e	47.0	2.7	8.1	0.5	5.8	1.1
11/11e	54.0	3.5	10.5	0.8	4.5	1.7

Price

47p

Market Cap

£16m

### Share price graph



### Share details

Code	ROL
Listing	AIM
Sector	Travel & Leisure
Shares in issue	33m

### Business

Rotala is a company engaged in the provision of commercial bus operations, subsidised bus routes and contracted private bus networks. It primarily operates in the West Midlands, South West and around Heathrow airport.

### Bull

- Number two operator in chosen markets
- New contract growth
- Potential benefit of Competition Commission investigation

### Bear

- Recessionary impact on regions
- Competition from larger operators
- Sensitivity to diesel price

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