

3 February 2009

Maxima Holdings

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
05/07	31.8	5.7	24.8	5.2	4.2	5.0
05/08	46.7	8.8	25.3	5.6	4.1	5.4
05/09e	58.5	8.3	25.0	5.6	4.1	5.4
05/10e	58.5	8.8	26.1	5.8	4.0	5.6

Note: * PBT and EPS (fully diluted) are normalised, excluding intangible amortisation.

Investment summary: Resilient position

Interim results showed a solid H1 performance considering the onset of recession. Management has created a business with naturally defensive properties that should be equipped to cope with tougher times, grasp market share opportunities and be well positioned for any strategic moves in the eventual recovery.

Interim results meet expectations

Underlying pre-tax profits of £3.7m H109 (£3.6m H108) on revenues of £28.3m H109 (£21.1m H108) reflect largely acquisitive growth. Figures do not include a £0.3m exceptional rationalisation charge. There was still a healthy level of new client wins: 14 (19) and 26 (16) in Solutions and Managed Services, respectively. A maintained dividend at 2.0p reflects the strength of the business despite the cautious market outlook for the remainder of the year. Net debt stands at £17.3m.

Market outlook gets tougher

We think it is likely that IT spending overall in the UK will be at best static in 2009 given the historic relationship to GDP and the likely exaggeration caused by deferred investment decisions in the short term. Within the overall market, Maxima's high bias to managed service (maintenance and service revenues) rather than new IT spend, and its diverse customer spread and broad platform give it natural defensive qualities.

Sensitivities: Opportunities, but delays and price pressure

With a bigger footprint and only a small share of most customers' total IT budget, Maxima reports more opportunities despite the signs of slowdown in the sector. The caveat is that the opportunities are taking much longer to grasp (delays in investment decisions) and that they may be at more competitive margins in the short term.

Forecasts and valuation

We have cut 2009 PBT forecasts by 12% to £8.3m (or £8.8m before exceptionals) to reflect further market slowdown. Despite Maxima's defensive qualities it is hard to see a short-term recovery in valuations until the IT market stabilises. While the attraction of Maxima's acquisitive growth model may be temporarily suspended, it could be in a strong position to deliver value from strategic deals as the market bottoms.

Price 102p
Market Cap £26m

Share price graph



Share details

Code MXM
Listing AIM
Sector Software & Computer Services
Shares in issue 25.4m

Price

52 week High 197.5p Low 99.0p

Balance sheet as at 30 November 2008

Debt/Equity (%) 48
NAV per share (p) 140
Net borrowings (£m) 17.3

Business

Maxima is a holding company aiming to consolidate businesses in the Software & IT services sector.

Valuation

	2008	2009e	2010e
P/E relative	29%	52%	44%
P/CF	2.8	3.4	3.1
EV/Sales	0.7	0.7	0.6
ROE	18%	17%	17%

Geography based on revenues

	UK	Europe	US	Other
	83%	13%	4%	0%

Analyst

Mark Dichlian 020 3077 5700
mdichlian@edisoninvestmentresearch.co.uk

Investment summary: An appropriate strategy

Company description: IT service company consolidator

Maxima has established critical mass and a broad footprint across the IT service sector by acquisitive growth in the last four years. The business is split into two parts: Maxima Solutions is a traditional installer of a range of world leading and own software systems; and Maxima Managed Services provides a range of managed services to customers with pre-installed operating systems, databases and other applications. We believe Maxima's full service offering business model is more suited than many of its peers to tougher times, given its high level of recurring revenues and low reliance on new customer business.

Interim results show the business holding up well

Underlying pre-tax profits of £3.7m H109 (£3.6m H108) on revenues of £28.3m H109 (£21.1m H108) reflect largely acquisitive growth. Figures do not include a £0.3m exceptional rationalisation charge. There was still a healthy level of new client wins: 14 (19) and 26 (16) in Solutions and Managed Services, respectively. A static dividend at 2.0p reflects the cautious market outlook in the remainder of the year. Net debt stands at £17.3m.

Valuation: Repairing the rating with business fundamentals

Maxima's valuation, like the rest of the IT service sector, is depressed in the anticipation of falling levels of investment demand. With valuations at c 4x in the sector, there is a case that ratings at least have bottomed. The share price threat lies in the impact of earnings risk, given we have just completed our second downgrade in as many months. Maxima remains relatively attractive compared to peers due to its defensive earnings mix, however the attraction of the acquisitive growth driver is diminished in the short term while it pays to prudently repay debt. As we reach the end of the downturn, however, we can see Maxima could be well placed to add significant value through potential strategic deals.

Sensitivities: Market share gains versus margin pressure

The main sensitivity is the impact of a slowing UK economy. While we think Maxima is as well placed as any to win more business from its existing clients selling on both cost and service arguments, the competitive nature of declining demand means margin pressure is likely to continue in 2009.

Maxima's track record of high customer retention rates, high levels of recurring revenues, diverse customer base and broad technology platform give it some natural defensive qualities.

Exhibit 1: Divisional performance

Note: * Add back of exceptionals and share-based amortisation to tally with group definition.

Year to 31 May	2008			2009e		
	H1	H2	Year	H1	H2 e	Year e
Sales						
Solutions	9,798	12,917	22,715	11,890	11,935	23,825
Managed Services	11,277	12,665	23,942	16,393	18,282	34,675
Group Sales	21,075	25,582	46,657	28,283	30,217	58,500
Profits						
Solutions	2,119	2,588	4,707	1,867	1,945	3,812
Managed Services	1,806	2,885	4,691	2,098	3,320	5,418
Other *	64	216	280	353	217	570
Group operating profit	3,989	5,689	9,678	4,318	5,482	9,800

Source: Maxima, Edison Investment Research

Interim results analysis

The interim results showed a solid first half performance. Revenues met expectations, though there were the first signs of margin pressure from the impact of the slowing UK economy.

Key figures

Revenues in H109 were in line with our expectations and rose 34% to £28.3m (H108: £21.1m) with the Eclectic and DXI Acquisitions, made last January and June, contributing the major part of the growth. Maxima reported that the business delivered like for like organic growth in H1, however we believe this was at a low level due to toughening markets. Recurring revenues from support and managed service contracts recovered again to 54% of revenues (FY08: 52%), reflecting the change in mix of the business with DXI added.

Underlying operating profit was not quite as strong as we hoped; operating profit rose 8% to £4.3m (H108: 4.0m), and the business was hit with £0.3m of exceptional charges resulting from efficiency drives to rationalise offices and some administration personnel and reorganise following the integration of DXI into existing operations. Utilisation rates among fee-earning staff remained strong at 81% (H108: 76%). Any positive effect on margins from efficiency was, however, offset by a weaker mix due to the DXI acquisition (acquired with a 10% margin), a general tightening due to the recession and investment in new divisional management. Acquisitions made up all the incremental growth. However, Maxima estimates that the ongoing business also delivered 7% organic operating profit growth in H1 to replace the lost Network Rail contract.

Fully diluted earnings per share increased by 7% to 10.9p (H108: 10.2p), though after exceptional costs earnings were essentially flat.

Overall the group won 40 new customers and the retention rate of existing customers remained stable at the same level as previous years at 97%.

Financial performance

Maxima ended the first half with net debt of £17.3m (£9.3m at June 2008); this increase had been expected due to the net £8.5m purchase price of DXI. There was a modest cash inflow from the business as normal in H1.

Expectations for the full year downgraded

The issue for Maxima is not losing existing customers, as the group's exceptionally high retention rate and recurring revenues demonstrate, but the timing of winning new business and the impact that competitive pressure will have on performance.

Quite clearly 2009 will be a tough year (see Market Outlook section), with, we believe, at best flat IT spending in the UK. Maxima has a number of defensive qualities (see Sensitivities section), not least its bias towards managed services, to help offset a downturn. In December, we cut all growth out of next year's forecast (2009/10), nevertheless in the face of the deteriorating UK economy, we are cutting back forecasts for the second half of the current year. We now assume a 2-3% decline in underlying revenues (excluding acquisitions) for 2009. This is a 6% downgrade in revenues.

Operating margins remain in line with our previous forecast of 17%, which was down from last year's 20.7%, in large part due to mix, but also reflects a general tightening in margins due to the recession.

Exhibit 2: Changes to forecasts

	2009 New	2009 Old	2010 New	2010 Old
Sales	58.5	62.0	58.5	62.5
PBT	8.8	9.5	8.8	9.9
PBT (including exceptionals)	8.3	9.5	8.8	9.9
EPS	25.0	26.3	26.1	27.5
DPS	5.6	6.0	5.8	6.5

Source: Edison Investment Research

Divisional performance**Managed Services**

Managed Services delivered a 46% increase in revenues to £16.4m with a four-month contribution from DXI. Operating profits also rose from £1.8m to £2.1m and margins were diluted by the lower DXI margins. Although operating margins are now at a lower level we would expect to see less pressure in the division due to the high recurring revenues and service based business model.

The division won 26 new clients, a big step up from a year earlier, reflecting the much bigger footprint of the division.

Solutions

Maxima Solutions delivered sales of £11.9m (£9.8m) with the increase largely attributable to a first half contribution from Eclectic. Operating profits fell from £2.1m to £1.9m with margins dropping from 21.6% to 15.7%. The scale of this decline does not represent an accurate picture of the business for several reasons:

- **Share of central overhead** – The comparison was distorted by the extra share of the central overhead from the significant DXI acquisition (in the other division), which is spread across the whole group.
- **Change in Mix** – Margin comparison with the previous year was also affected by the Eclectic acquisition, which at least initially has much lower margins than the group average.
- **Investment in Microsoft Dynamics AX** – Maxima has been very successful in winning a host of new customers (c 30) for the product and brought seven of these live in H1. With the licence fees in and development cost largely expensed, customers are now 'going live', and the more profitable support revenue should follow.

It is, however, realistic to assume operating margins remain at the lower level in the short term given the increased competitive pressures in the market.

Business activity was still healthy in H1; the division won 14 new clients, nearly the same level as a year earlier, as well as substantial repeat business in the own brand products.

Market outlook for the IT services sector

In the past the analysis from industry experts like Ovum, Regent Associates and Kew Associates has proved to be a good guide to overall market growth. However, with a turning point in the industry and the economy, we place much less trust in the analysis now. Indeed Maxima makes this same point in its market review. Ovum’s forecasts from its January 2009 Market trends survey are shown below:

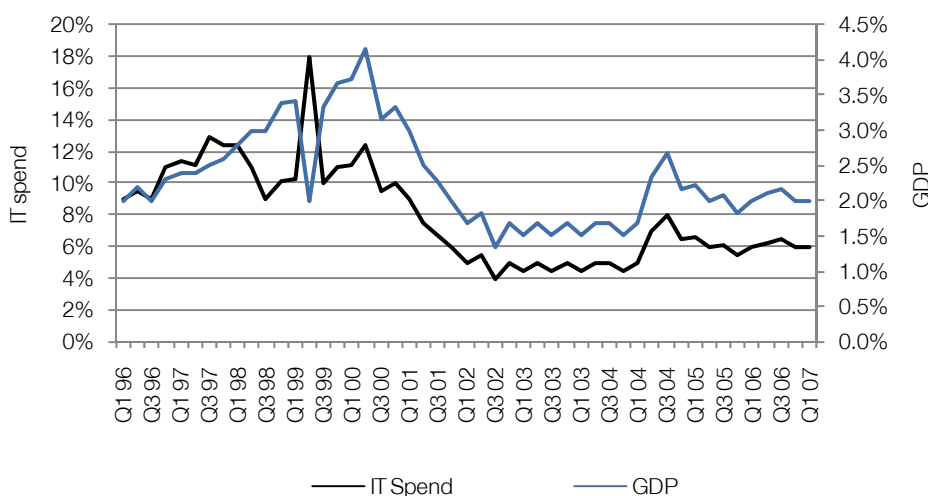
Exhibit 3: Industry forecasts

	It Project Services	Software	Information Management	Business Applications	Systems Infrastructure
2009e	2.9%	4.0%	5.5%	3.5%	4.0%
2008	3.8%	4.9%			

Source: Ovum

Applying the principle that Ovum erred on the optimistic side by 1-2% points last year, we believe IT project services growth is likely to be pretty flat with only modest growth in Software. In fact analysis by Kew Associates shows that the trend of IT spend (recorded by users) closely follows GDP growth in the UK. In the bubble years at the end of the last decade, IT spend averaged 10% against GDP growth of 2.0-2.5%, but since 2002 there has been a pretty stable IT spend growth of 5% running 2-3 percentage points above GDP every year.

Exhibit 4: Relationship between GDP and IT spending growth



Source: Kew Associates

Looking at 2009 forecasts for the UK of negative GDP of 2.8% again implies IT spend is likely to be fairly static.

There are three other factors to take into account:

- **Delayed IT investment decisions** – There is a tendency for corporate UK to simply delay IT spend and temporarily extend replacement intervals to conserve cash; this would mean a sharper spike down in IT spend for a single year rather like the opposite of the Y2K boom.

- **First signs of margin pressure** – Increasing competition and pressure on margins are much more likely in the reselling market. Fortunately Maxima's service-based model should see less pressure.
- **Greater managed service content** – In mitigation, the amount of more resilient managed service business within the industry as a proportion of the total is much greater than in previous downturns.

Regent Associates' analysis of M&A activity shows both a sharp fall in activity in 2008 and a drop in valuation. It expects activity to fall further in 2009 and this seems likely as businesses concentrate on preserving or improving cash positions due to the shortage of new funding.

For Maxima this does mean that a key element of its growth strategy may need to be suspended temporarily. Its key market for acquisitive action is the private market and it reports that valuation expectations have not dropped as sharply as the quoted sector and so potential targets often have unrealistic expectations. Perhaps, however, the focus will shift to consolidation in the quoted sector. With valuations in the sector averaging 5x, merger or acquisition of quoted peers makes more sense on paper, however history suggests that squaring the vested interests of competing shareholders and management teams has never been easy.

Sensitivities

Volume outlook

IT spend by customers splits into maintenance, which is largely essential and remains solid during downturns, and new capital spend, which is not only discretionary but seen as actively risky in downturns. Maxima has a high recurring revenue spend at 56% of sales and has relatively little exposure to new customer installations. It is experiencing a lengthening in sales cycles with delays in decision making due to the economic outlook pushing back revenues.

Margin pressure

Lack of growth in new IT spend and pressures on most customers' budgets will undoubtedly add to the margin pressures the sector has begun to see in 2008. Undifferentiated product areas are likely to suffer the most (new SAP Business One perhaps). Maxima's high service content gives it some insulation though.

Defensive qualities

Maxima continued to demonstrate unchanged high customer retention rates in H1 and over 50% recurring revenues. Large parts of its business are inherently stable with managed service contracts that provide essential IT support unlikely to be terminated quickly and supply of legacy software, where there are few other vendors. Maxima remains unique in the quoted UK sector with such a wide range of industry coverage and broad technology platform. Its increased size also brings it a much wider customer base with the top 10 customers accounting for 26% of sales and the top 50-60 customers making up half of group revenues. Potential contract termination would not have the same effect as it did in 2008.

Market share gain opportunities higher

Maxima has less than 0.5% market share of the UK IT service sector, yet it is one of the larger players serving the small/mid market, and has a strong reputation for high levels of service. Interestingly it only satisfies a small percentage of most of its customers' IT requirements and should be able to capitalise on cross selling more products in to customers if it can offer a cost and service incentive. Maxima actually reported a rise in the gross pipeline value of potential opportunities in H1. It has no full service competitors at the small end of the market that could match this customer offering. (We assume the multinationals like BT or Cap Gemini cannot efficiently serve customers in Maxima's size range.)

Acquisitive growth opportunities currently lower

We expect the pace of acquisitive growth to slow dramatically this year. Firstly the availability of realistically priced private acquisitions is lower. This is likely to improve as the recession leads to more distressed sales and divestments, but for the moment valuations of private businesses have not fallen to the same extent as the quoted sector. The opportunity for Maxima to make economic purchases is not there and it has completed the first leg of the strategic footprint. Rationalisation of the quoted sector is possible and looks logical but is perhaps likely to occur on a longer timescale. Secondly after taking on debt to fund DXI, it seems prudent to reduce gearing in the short term to satisfy investors' regard for prudence. We note Maxima has supportive banking arrangements and could make a strategic acquisition. In the current environment there may be opportunities to rescue struggling businesses and Maxima's management has proven turnaround skills and a group structure in to which additional teams or customer bases can easily be fitted. However, we think this is less likely in the short term unless the economics are irresistible.

The table below shows the group's acquisitive history to date. Paying about 8x operating profit (the historic average for acquisitions) looks less viable now, especially as about half of acquisition funding has historically come from share issues.

Exhibit 5: Acquisition history

* Estimated; # Net of acquired cash balances.

Acquisitions	Date	Division	Price # (£m)	Sales (£m)	EBIT (£m)	P/sales (x)	P/EBIT (x)
Ringwood	Aug-05	Solutions	2.9	3.2	0.0	0.4	100.0
Hanston	Sep-05	Managed Services	8.2	3.5	0.7	2.3	11.9
Seabrook	Jan-06	Solutions	0.5	0.6	0.1	0.5	5.3
QED	May-06	Managed Services	4.3	3.2	1.1	1.3	4.0
Cognition	Oct-06	Solutions	4.1	4.7	1.0	0.9	4.1
Intertech	Nov-06	Managed Services	3.7	3.0	0.0	1.2	11.5
Seven Three	Mar-07	Solutions	1.1	1.0	0.1	1.1	8.5
3net	May-07	Managed services	14.0	6.1	1.6	2.3	8.8
Centric	Jul-07	Managed Services	4.9	2.0	0.6	2.5	9.0
Eclectic	Dec 07	Solutions	3.0	4.3*	0.3*	0.7	10.0
DXI	Aug 08	Managed Services	8.5	14.1	1.3	0.6	6.8
						1.2	8.2

Source: Maxima, Edison Investment Research

Valuation

A mixed message from the peer group

With the market outlook changing rapidly and a high degree of uncertainty over forecasts, valuation comparisons give no more than an approximate guide in the short term. Investors' attraction to stocks in this sector is likely to depend on two things:

- (1) An appreciation of the degree of resilience of earnings to a decline in IT spend, ie how well spread the customer base is, how dependant on new capital expenditure or service it is and how financially strong the business is.
- (2) A growth story. Does the business have a credible growth story other than 'market recovery'?

We think Maxima will be able to differentiate itself in both these categories as the recession bites, though obviously in the short term the acquisitive growth angle looks diminished.

Sector valuations show an average 2009 P/E of only 4x, reflecting a persistent lack of confidence in forward earnings estimates. Excluding acquisitions, company sales growth forecasts have been trimmed back to reflect a fairly flat year. While this is getting more realistic, we still fear that the impact on margins, ie the operational gearing, from lost volume has been underestimated, which suggests there is further earnings risk.

Exhibit 6: Peer group comparison

Enterprise software services	Year end	Price (p)	Mkt Cap. (£m)	Sales growth (%)	Fiscal 2009			Calendar 2009		
					Sales (£m)	PTP (£m)	EPS (p)	P/E (x)	EV/Sales	Yield (%)
Maxima	May	102	25.4	25%	58.5	8.3	25.0	4.0	0.58	3.9%
Smaller companies										
K3	Dec	65	15.5	4%	40.8	7.4	21.8	3.0	0.77	1.0%
Microgen	Dec	42	36.5	2%	34.2	6.4	5.1	8.2	0.56	3.4%
Morse	June	7	9.4	-6%	239.0	9.1	5.1	1.4	0.08	2.3%
Sanderson	Sept	16	6.9	7%	29.5	3.5	6.8	2.4	0.60	4.9%
Touchstone	Mar	24	3.1	-4%	30.0	0.9	5.0	3.8	0.07	1.8%
Peer group Average								3.8	0.44	2.9%

Source: Edison Investment Research, Bloomberg; Prices as at 2 February 2009.

The strategic outlook

Since our first note in November 2005, we have been tracking the group's strategy target of becoming a £50-100m revenue company within five years of listing. Despite the slowdown, this objective is now pretty much reached: Maxima has a broad footprint and a revenue base of c £60m sales.

We noted above that the steady stream of small acquisitions that has helped deliver the Maxima growth story in the past five years is going to be harder to achieve in the short term. Potentially the way to realise value then for the business is to build a £100m revenue business that has a strategic value (ie a significant UK and Ireland footprint and a long-standing loyal customer base). In this way the business can be valued as a strategic asset to a bigger player rather than just one of the

smaller players in a fragmented sector. Surviving this recession in a strong position could leave Maxima ready to grasp a strategic opportunity.

Financials

Revenue and profit assumptions

Our earnings expectations are based on the following assumptions for the business.

Acquisitions of DXI (11 months' contribution) and Eclectic (seven months) add revenues of c £13.0m in 2009 with a further £0.5-1.0m in 2010 to complete the full year contribution from DXI. Underlying revenues decline by 2-3% in 2009.

Exceptional costs of £0.3m in H1 relate to closures of offices and some reduction in administration personnel. We expect a further modest charge in H2 resulting in a £0.5m charge for the year. Our headline forecasts show pre-tax profit after these charges, which we include as an ongoing part of the business.

Cash flow projections

Maxima is normally strongly cash generative in the second half of the year and we expect this trend to continue. In H1, we calculate that Maxima generated £0.4m (£1.0m H108) free cash flow (after dividends and before acquisitions). With the lower profitability and the likelihood that reductions in debtor days will be not be possible in the current climate, we expect free cash flow of £2.4m for 2009 as a whole reducing net debt to £14.5m – not as much as previously hoped.

Maxima has term facilities with Barclays and does not need to refinance until 2013. We note that with current cash flow projections and no acquisitions, debt would be repaid by then anyway. This facility also allows for extension of facilities for acquisitions. It generally has between one to six months' forward cover on interest rates so this has delayed the impact of falling rates, however the benefits will start coming through in H2 and fully in 2010 when we expect interest charges to drop from £1.0m to £0.6m.

Exhibit 7: Company fact sheet

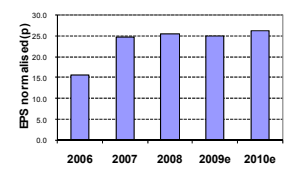
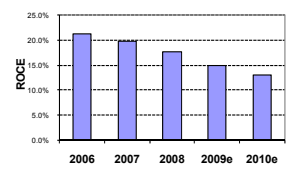
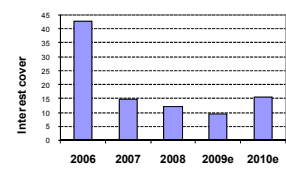
Operations		Performance																		
<p>Maxima has eight UK offices and one in Ireland and one in India with c 450 staff servicing over 1,000 clients. In the past two years, it has bought five businesses to broaden its product and service offering and has integrated these businesses under the Maxima brand.</p>																				
Maxima Managed Services																				
<p>This division provides services to customers with pre-installed business software. It provides a range of fully managed or on-demand support and consultancy services. Support for operating systems (Windows, Linux and Unix) and databases (Oracle, Microsoft, IBM and Computer Associates) make up the core of the business and networking and security infrastructure (Nortel and Cisco). The acquisitions of Centric and now DXI provide communication technology and 24/7 helpdesk offerings. The Oracle-based application management business supports over 100 clients' databases, middleware and applications software and has 40 support contracts across a broad base of industries. It has 10 major Computer Associates mainframe clients, and about 100 Citrix-based platform clients.</p> <p><i>Main competitors: Compel, Edenbrook, PDG.</i></p>		<table border="1"> <caption>Maxima Managed Services Performance (2006-2010e)</caption> <thead> <tr> <th>Year</th> <th>Sales (£m)</th> <th>Operating Margin (%)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>~5</td> <td>~25</td> </tr> <tr> <td>2007</td> <td>~10</td> <td>~18</td> </tr> <tr> <td>2008</td> <td>~18</td> <td>~20</td> </tr> <tr> <td>2009e</td> <td>~25</td> <td>~18</td> </tr> <tr> <td>2010e</td> <td>~25</td> <td>~18</td> </tr> </tbody> </table>	Year	Sales (£m)	Operating Margin (%)	2006	~5	~25	2007	~10	~18	2008	~18	~20	2009e	~25	~18	2010e	~25	~18
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Maxima Solutions																				
<p>Maxima Solutions delivers and supports a growing range of IT products. The division embraces the Information Management and Business Solutions practices of the group. In Business Solutions, its core expertise is in Enterprise Resource Planning (ERP) systems, where it specialises in the implementation and support of Microsoft Dynamics AX, SAP's Business One, QAD's MFG/PRO and its own proprietary systems. Its 'own-brand' solutions – I-CON360, IBS and Intellect – are mainly for mid-sized industrial clients, while the SAP offering encompasses the whole SME market. Maxima became an accredited SAP partner in 2003 and is now one of the largest of SAP's certified resellers in the UK. It started its relationship with Microsoft in 2007 and is now one of the top 10 UK sellers. It is the sole UK and Irish distribution partner for the QAD enterprise software solution MFG/PRO, a supply-chain management system. QAD is a leading ERP vendor specialising in the manufacturing sector.</p> <p>The division also has a range of product and sector expertises: Microsoft CRM (customer relationship management) applications and its own proprietary document management systems. Portals and information and ticketing systems for kiosks are also strong niches. As well as its strength in the manufacturing sector, document handling brings exposure to financial services and public sector customers.</p> <p>With a balance of older legacy systems as well as newer platforms, the division relies heavily on repeat business from its installed customer base. Hence, operations are all strongly cash-generative.</p> <p><i>Main competitors across different areas: Sapphire, Codestone, INVU.</i></p>		<table border="1"> <caption>Maxima Solutions Performance (2006-2010e)</caption> <thead> <tr> <th>Year</th> <th>Sales (£m)</th> <th>Operating Margin (%)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>~12</td> <td>~18</td> </tr> <tr> <td>2007</td> <td>~15</td> <td>~20</td> </tr> <tr> <td>2008e</td> <td>~18</td> <td>~20</td> </tr> <tr> <td>2009e</td> <td>~20</td> <td>~18</td> </tr> <tr> <td>2010e</td> <td>~20</td> <td>~18</td> </tr> </tbody> </table>	Year	Sales (£m)	Operating Margin (%)	2006	~12	~18	2007	~15	~20	2008e	~18	~20	2009e	~20	~18	2010e	~20	~18
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Divisional breakdown	Geographic breakdown	Customer breakdown																		
<p>Based on 2009e sales</p>	<p>Based on 2009e sales</p>	<p>Based on 2009e sales</p>																		

Source: Edison Investment Research

Exhibit 8: Financials

Year end 31 May	£'000s	2005	2006 IFRS	2007 IFRS	2008 IFRS	2009e IFRS	2010e IFRS
PROFIT & LOSS							
Revenue		14,118	19,132	31,767	46,657	58,500	58,500
Cost of Sales		(3,929)	(4,142)	(7,838)	(13,240)	(18,135)	(17,550)
Gross Profit		10,189	14,990	23,929	33,417	40,365	40,950
EBITDA		2,321	3,299	6,498	10,012	9,950	10,050
Operating Profit (before GW after restr.)		2,191	3,119	6,165	9,535	9,300	9,400
Intangible amortisation		(373)	(414)	(1,560)	(3,547)	(3,870)	(3,850)
Exceptionals (other than restr.)		0	0	0	0	0	0
Other		0	0	0	0	0	0
Operating Profit		1,818	2,705	4,605	5,988	5,430	5,550
Net Interest		25	(73)	(423)	(780)	(1,000)	(600)
Profit Before Tax (norm)		2,216	3,046	5,742	8,755	8,300	8,900
Profit Before Tax (FRS 3)		1,843	2,632	4,182	5,208	4,430	4,950
Tax		(665)	(536)	(822)	(1,463)	(850)	(1,200)
Profit After Tax (norm)		1,551	2,320	4,445	6,396	6,357	6,638
Profit After Tax (FRS 3)		1,178	2,096	3,360	3,745	3,580	3,750
Average Number of Shares Outstanding (m)		11.9	14.6	17.5	24.9	25.1	25.1
EPS - normalised fully diluted (p)		12.0	15.6	24.8	25.3	25.0	26.1
EPS - FRS 3 (p)		9.9	14.4	19.2	15.1	14.3	15.0
Dividend per share		1.5	4.0	5.2	5.6	5.6	5.8
Gross Margin (%)		72.2%	78.4%	75.3%	71.6%	69.0%	70.0%
EBITDA Margin (%)		16.4%	17.2%	20.5%	21.5%	17.0%	17.2%
Operating Margin (before GW and except.) (%)		15.5%	16.3%	19.4%	20.4%	15.9%	16.1%
BALANCE SHEET							
Fixed Assets		15,023	19,141	46,167	52,971	61,700	68,600
Intangible Assets		14,704	18,585	45,224	51,947	60,170	67,220
Tangible Assets		319	556	943	1,024	1,530	1,380
Investment in associates		0	0	0	0	0	0
Current Assets		7,011	9,415	14,120	17,511	16,204	18,301
Stocks		14	54	106	312	380	305
Debtors		2,467	4,499	8,900	10,521	12,100	10,800
Cash		2,925	3,029	2,861	4,202	1,000	4,200
Current Liabilities		(8,519)	(15,578)	(16,800)	(19,415)	(22,603)	(30,001)
Creditors		(8,519)	(11,878)	(16,100)	(18,661)	(21,603)	(29,201)
Short term borrowings		0	(3,700)	(700)	(754)	(1,000)	(800)
Long Term Liabilities		0	(3,564)	(12,085)	(15,561)	(18,200)	(17,500)
Long term borrowings		0	(2,450)	(8,766)	(11,946)	(14,500)	(13,900)
Other long term liabilities		0	(1,114)	(3,319)	(3,615)	(3,700)	(3,600)
Net Assets		13,515	9,414	31,402	35,506	37,100	39,400
CASH FLOW							
Operating Cash Flow		4,111	2,187	4,510	9,215	7,450	8,150
Net Interest		(20)	17	(423)	(644)	(1,000)	(600)
Tax		(665)	(193)	(2,203)	(1,861)	(1,500)	(1,200)
Capex		(30)	(170)	(278)	(816)	(1,200)	(1,000)
Acquisitions/disposals		0	(12,232)	(15,209)	(6,131)	(8,500)	0
Financing		0	4,814	10,853	(309)	98	0
Dividends		0	(469)	(734)	(1,347)	(1,350)	(1,350)
Net Cash Flow		3,396	(6,046)	(3,484)	(1,893)	(6,002)	4,000
Opening net debt/(cash)		471	(2,925)	3,121	6,605	8,498	14,500
HP finance leases initiated		0	0	0	0	0	0
Other		0	0	0	0	0	0
Closing net debt/(cash)		(2,925)	3,121	6,605	8,498	14,500	10,500

Source: Company accounts, Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	○
			Pensions	○
			Currency	○
			Stock overhang	◐
			Interest rates	◐
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details		
EPS CAGR 06-10e	10.8	ROCE 09e	15.0	Gearing 09e	39.1	Address: Cotswold Court, Lansdown Road, Cheltenham, Gloucestershire, GL50 2JA	
EPS CAGR 08-10e	1.0	Avg ROCE 06-10e	17.3	Interest cover 09e	9.3		
EBITDA CAGR 06-10e	25.0	ROE 09e	17.1	CA/CL 09e	0.7	Phone	01242 211 211
EBITDA CAGR 08-10e	0.1	Gross margin 09e	69.0	Stock turn 09e	2.4	Fax	01242 236 107
Sales CAGR 06-10e	25.0	Operating margin 09e	15.9	Debtor days 09e	75.5	www.maxima.co.uk	
Sales CAGR 08-10e	7.8	Gr mgn / Op mgn 09e	4.3	Creditor days 09e	115		

Principal shareholders	%	Management team
K F Harrison	14.8	CEO: Kelvin Harrison
Unicorn AIM VCT	7.3	Kelvin joined Weir Systems as CE in 1999 to turn the loss-making company around. Having successfully achieved this he merged the business with Minerva to create Azur in June 2001, becoming CEO. This was the foundation of Maxima. Previously he was CEO of Vega Group and Symbionics Group. He was non-executive director of Axon plc.
Octopus Asset Mgmt Nominees	7.1	
Herald Investment Management	6.5	
Hargreave Hale	5.3	
Liontrust	5.2	
Resolution Investment Services	4.6	CFO: John Taylor
Invesco Perpetual	4.4	John Taylor was previously finance director of a division of Alfred McAlpine PLC, which provided outsourced facilities management, IT consultancy and managed services. John is a Scottish Chartered Accountant who qualified with Deloitte and then worked for seven years for Bank of Scotland in structured finance. He also has a degree in law.
Forthcoming announcements/catalysts	Date *	COO: Boris Huard
Final results	August 2009	Boris joined Maxima in October 2007 from Logica CMG where he was sector director for banking. Boris has spent 10 years in sales and general management roles in IT consultant companies.
<i>Note: * = estimated</i>		

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Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
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