

**SYNERGEX CORPORATION**

**\$0.46; SYX-TSX**  
**52-Week Range: \$1.10-\$0.14**

**Recommendation: Speculative Buy (No Change)**

**Target Price: \$1.10 (Increased from \$0.80)**

**SECOND-QUARTER RESULTS**

Synergex Corporation has reported strong financial results for the 2009 second quarter (ended June 30, 2009), as shown in the following table.

(\$000s)	***** Three Months *****			***** Six Months *****		
	<u>June 30/09</u>	<u>June 30/08</u>	<u>Change</u>	<u>June 30/09</u>	<u>June 30/08</u>	<u>Change</u>
Sales	20,177	28,930	-43.4%	49,777	49,439	0.7%
Gross Profit	7,174	5,558	22.5%	12,471	10,489	15.9%
Gross Margin	35.6%	19.2%	---	25.1%	21.2%	---
EBITDA	2,434	1,190	51.1%	2,357	2,486	-5.5%
EBITDA Margin	12.1%	4.1%	---	4.7%	5.0%	---
Net Income	1,239	134	89.2%	745	353	52.6%
Net Margin	6.1%	0.5%	---	1.5%	0.7%	---

Source: Company Reports

The Company recorded a strong turn-around in Q2/09 from the weaker performance of Q1/09. Net income was strongly “in the black” after the loss incurred in Q1/09.

Sales in Q2/09 were \$20.177 million compared with “normalized sales” of \$28.930 million in the same period of 2008. As set out in our July 15, 2009 Bulletin on Synergex, the Company has calculated “normalized sales” since October 1, 2008 to provide more meaningful sales comparisons. The \$8.753 million (43.4%) decrease was mainly attributable to timing delays in new video game releases in Canada (as a result of the economic slowdown).

There was a strong sales performance in Synergex’s Latin American operations in the quarter, with sales up 55% to \$9.7 million.

Gross Profit in the quarter was up 29% to \$7.174 million, such that the Gross Margin improved considerably in Q2/09, to 35.6% from 19.2%.



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Consolidated operations resulted in Q2/09 EBITDA of \$2.43 million (a near record), compared with \$1.19 million in the same period of 2008.

Net income from continuing operations in Q2/09 was \$1.239 million, or \$0.05 per share, compared with \$0.134 million in the same period last year.

For more details on Synergex's results, see the Company's August 10, 2009 news release, available on SEDAR at [www.sedar.com](http://www.sedar.com).

**COMMENT:** *We are encouraged by the strong sales and earnings gains the Company has achieved, particularly in Latin America. As a result, we are raising our 2009 earnings estimate to \$0.11 per share. However, we expect that investors will adopt a "wait and see" attitude toward the stock in the current equity market environment, and particularly since the bulk of the Company's sales and earnings have historically been generated in the fourth quarter.*

## THE COMPANY

Synergex is a Canadian-based international integrated logistics company providing distribution, freight forwarding and logistics service under its Commercial Gateway business group. The Company is among the largest distributors of video games, game consoles and accessories in Canada.

## RECOMMENDATION

As mentioned above, we are raising our full-year earnings estimate to \$0.11 per share. We are also raising our Target Price to \$1.10 per share, based on a 10 times multiple of the 2009 estimate. Similar larger companies in the industry are trading at an average multiple of 12.5 times estimated 2009 earnings. We continue to rate Synergex shares as a Speculative Buy.

## RATINGS HISTORY

Date	Report Type	Recommendation	Stock Price	Target Price
Aug. 6, 2008	Initiating	Speculative Buy	\$0.70*	\$1.20*
Aug. 28, 2008	Update	No Change	\$0.85*	No Change
Sept. 22, 2008	Bulletin	No Change	\$0.90*	No Change
Mar. 10, 2009	Update	No Change	\$0.20	No Change
Mar. 31, 2009	Bulletin	Withdrawn	\$0.16	Withdrawn
May 1, 2009	Bulletin	No Change	\$0.25	No Change
Jul. 15, 2009	Bulletin	Speculative Buy	\$0.45	\$0.80
Aug. 12, 2009	Perspective	No Change	\$0.46	\$1.10 (Increased)

*\*Adjusted for 1-for-5 consolidation.*

**High-Low Since Initiating:** \$1.10-\$0.14

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**Note:** *eResearch reports on Synergex Corporation are available FREE on our website at [www.eresearch.ca](http://www.eresearch.ca).*

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