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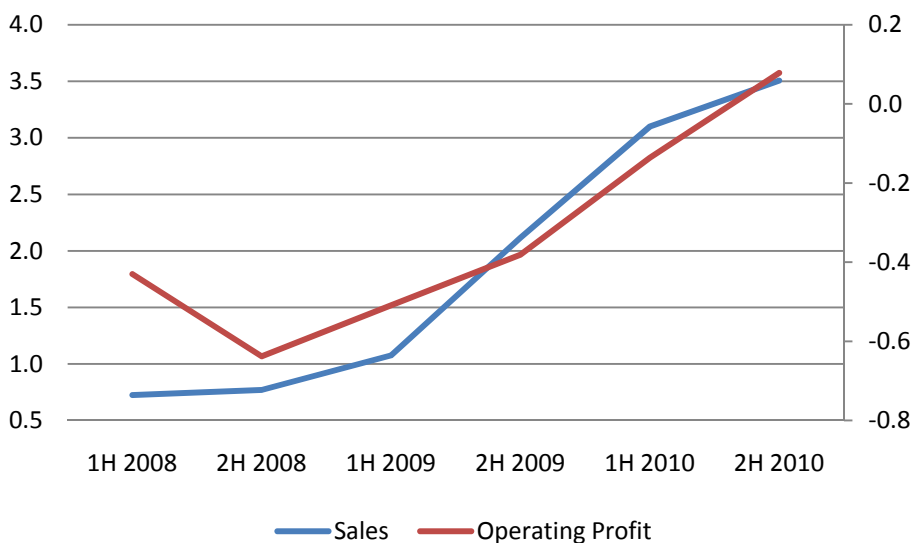
## Pinnacle Telecom Group – Results Exceed Forecasts; Target Price Increased to 0.95p (0.79p)

Pinnacle Telecom Group plc, the acquisitive AIM listed provider of hosted integrated telecommunications solutions, specifically focused upon the huge UK SME market, has today released another set of good results - full year results for the 12 months ended 30 September 2010 that were ahead of our expectations and saw the group achieve profitability at the EBITDA and operating profit levels. These results further demonstrate that the group's strategic repositioning is clearly delivering although the full benefits are probably still at least 12-months away (see *Graph: Half Yearly Trend in Turnover & Operating Profit, £ million* below).

Turnover increased 107% from £3.192 million to £6.609 million and included an initial 8½ months contribution of £1.008 million from Solwise Telephony, a next generation VoIP provider. Gross profit rose 111% from £0.991 million to £2.090 million, with £0.061 million estimated to have been contributed by Solwise Telephony.

Key Data	
EPIC	PINN
Share Price	0.48p
NMS	0.45p-0.50p
Spread	300,000
Total no of Shares	1.87 billion
Market Cap	£8.87 million
12 Month Range	0.27p-0.48p
Market	AIM
Website	<a href="http://www.pinnacletelecomgroup.co.uk">www.pinnacletelecomgroup.co.uk</a>
Sector	Telecommunications
Contact	Alan Bonner, Chief Executive 0845 119 2100

**Graph: Half Yearly Trend in Turnover & Operating Profit, £ million**



Pinnacle reported a full year EBITDA profit of £0.159 million compared with a loss £0.499 million a year earlier as well as a maiden operating profit of £0.79 million, despite the costs and distractions created by its branch rationalisations (closed offices in Edinburgh, Hinckley and Northampton), simplification of its corporate structures, migration of analogue fixed line and ISDN channel customers onto a new BT WLR3 platform. The benefits of these actions will be increasingly felt during the current financial year. Net finance costs increased from £4,309 to £22,492 as a result of further infrastructure investment in the company's high profile (BBC endorsed) voice and data connectivity platform solutions and the acquisition and integration of Solwise. Nevertheless, the reported pre-tax loss sharply contracted from £0.895 million to £0.259 million and was similar reflected in the improvement in the loss per share, which declined from 0.07p to 0.01p.

The group's balance sheet remains strong with net cash of £0.697 million compared with £0.586 million a year earlier, albeit benefiting from a successful end of year capital raise of £0.45 million; the new shares were placed at an 18.64% premium to the closing mid-market price of 0.295p on 21 September 2010. However, it should be noted that the 2010 financial year carried the full costs of the group's restructuring while the benefits will increasingly accrue during the current financial year, which based upon our demanding but conservative expectations should see the group increase its cash balances.

Pinnacle's strategy remains unchanged as delivering to its customers solutions that improve productivity and reduce costs, particularly for multi-location customers with organic growth accelerated through the acquisition of well-priced and timely acquisitions that strengthen the group's technical and service offering.

The current year has started well with the business building upon the strong base established last year and the benefits from the earlier rationalisation increasingly being felt across the group. Nevertheless, we are broadly maintaining our earlier 2011 forecast because the UK's economic recovery remains very fragile. Nevertheless, we are anticipating that growth for the 2012 financial year should demonstrate further strong revenue growth although operational leveraging together with the full impact from the 2010 rationalisation should result in the EBITDA profit jumping from £0.376 million to £0.587 million.

We continue to value Pinnacle on an EV/Sales multiple of 1.53 times, which based on our expectations for the 2012 financial year indicate at target price of 0.95p and with the shares trading at 0.47p we reiterate our recommendation of buy.

## Forecasts

Year to 30th September	Turnover (£000)	EBITDA (£000)	Pre-tax Profit (£000)	Earnings Per Share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2008A	1,495	(839)	(1,067)	(0.09)	NA	0.0	0.0
2009A	3,192	(499)	(895)	(0.07)	NA	0.0	0.0
2010A	6,609	159	(259)	(0.01)	NA	0.0	0.0
2011E	8,600	336	(16)	(0.00)	NA	0.0	0.0
2012E	11,000	587	203	0.01	60.0	0.0	0.0

Source: Company and Growth Equities & Company Research



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