



MACQUARIE  
ACN 002 574 923

Macquarie Private Wealth

Snapshot

# Adelaide Brighton

## Business Description

Adelaide Brighton Limited (ABC) is an integrated supplier of cement and lime to the construction, engineering and infrastructure and resource sectors in Australia. The company operates in all mainland states and territories and employs approximately 1,600 people.

## Strategy Analysis

ABC's strategy involves focused vertical integration, expanding lime production and improving operational efficiency and sustainability. Achieving scale through vertical integration has increased profitability of the business due to guaranteed plant throughput, increased volumes and higher margins. Ownership of upstream materials guarantees supply and quality while lowering price and transport costs. The company's lime production is near full capacity in Western Australia but demand continues to expand, justifying ABC's expansion of facilities. More than \$34m will be spent upgrading the Munster plant, which will increase production by 100,000 tonnes per annum. The interchangeability of cement kilns for lime manufacture and import flexibility also ensure continued earnings growth in changing economic conditions. Management focus is on reducing operational costs. Adelaide Brighton reported NPAT down 10.6% to \$61.5m for the half-year ended 30 June 2011. Revenues from ordinary activities were \$507.9m, down 2.2% from the same period last year as demand from the mining sector helped offset weaker residential activity, lower sales of cement to a major customer in WA and the temporary suspension of operations by a major lime customer in the NT. Diluted EPS was 9.6 cents compared to 10.8 cents last year. Net operating cash flow was \$50.0m compared to \$69.9m last year. The interim dividend declared was 7.5 cents compared with 7.5 cents last year. Looking ahead, the company anticipates demand for cement across Australia in 2011 to be similar to 2010 levels. Despite weakness in the housing sector, demand remains robust from the mining sector.

27 January 2012

## Recommendation

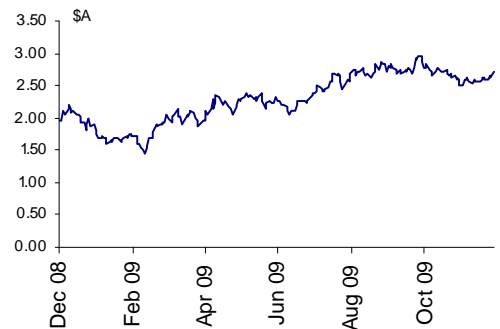
Recommendation: Outperform  
Relative to: All Ind (ex Fins)

## Investment Fundamentals

ASX code: ABC  
Stock price: \$3.06  
Market cap: \$1,947m

	Y/E 31/12/2012	2011e	2012e	2013e	2014e
Reported e	\$m	150.3	168.2	185.7	216.1
Adjusted e	\$m	150.3	168.2	185.7	216.1
EPS adjusted	¢	23.7	26.5	29.2	34.0
EPS growth	%	-1.4	11.9	10.4	16.4
PE	x	12.9	11.6	10.5	9.0
PE relative	x	0.9	1.1	1.1	1.1
DPS	¢	17.0	20.0	21.0	24.0
Yield	%	5.6	6.5	6.9	7.8
Franking	%	100.0	100.0	100.0	100.0

## Share Price



Source: ASX and Company accounts

## Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Cement, Lime and Concrete	84.9	0.0	20.6	-2.0%	29.0%
Concrete Products	10.3	0.0	2.9	8.0%	21.0%
Other	4.8	0.0	-18.3		
<b>Total</b>	<b>100.0</b>	<b>0.0</b>	<b>5.2</b>		
<b>Results by Geography</b>				Dividend Reinvestment Plan	Yes
Australia	100.0	100.0	100.0	Shareholder Discounts	No
<b>Total</b>	<b>100.0</b>				

## Company contact details:

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