



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Adelaide Brighton

Business Description

Adelaide Brighton Limited (ABC) is a leading 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 1,300 people.

Strategy Analysis

ABC has a continued focus on building a vertically integrated business with limited downstream positions in ready mixed concrete, sand and aggregates as well as concrete masonry products. Ownership of upstream materials guarantees supply and reduces the cost of searching for suppliers, quality control checks and transport costs. The lime market in Western Australia has begun its next phase of growth, with planning and investment to ensure raw materials availability, plant capacity and the management of the supply chain to be key factors in future growth over this period. The interchangeability of cement kilns for lime manufacture and cement import flexibility are unique attributes that should enable the maintenance of uninterrupted demand to the resources sector. Through an operational improvement program, the company plans to improve the output from the core producing plants. Specific kiln and mill capacity improvement projects are underway and will continue over the next three years. It is expected that the continued increase in global clinker pricing and high shipping rates will give further scope for the recovery of input cost pressures in Australia. These cost pressures specifically relate to fuel, electricity, labour and raw materials. Adelaide Brighton reported NPAT down 8% to \$43.9m for the half-year ended 30 June 2009. Revenue from ordinary activities was \$463.2m, down 2.9% from the same period last year. Basic and Diluted EPS were 7.6 cents compared to 8.8 cents last year. Net operating cash flow was \$59.2m compared to \$54m last year. The interim dividend declared was 5.5 cents fully franked compared with 6.5 cents last year.

28 July 2010

Recommendation

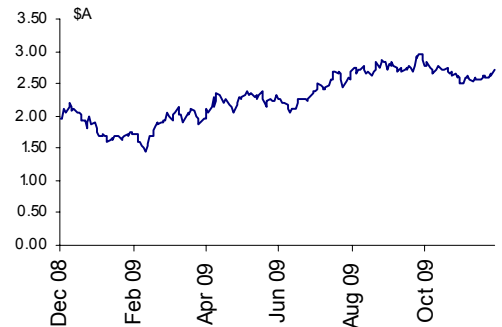
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: ABC
Stock price: \$3.17
Market cap: \$2,013m

	Y/E 31/12/2010	2010e	2011e	2012e	2013e
Reported e	\$m	142.0	161.9	174.9	190.4
Adjusted e	\$m	142.0	161.9	174.9	190.4
EPS adjusted	¢	22.4	25.5	27.5	30.0
EPS growth	%	9.8	13.9	8.0	8.9
PE	x	14.2	12.4	11.5	10.6
PE relative	x	0.7	1.0	1.1	1.1
DPS	¢	15.5	16.5	18.0	20.0
Yield	%	4.9	5.2	5.7	6.3
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	83.9	26.1	19.0	34.0%	4.0%
Concrete Products	11.4	1.8	3.3	16.0%	30.0%
All other segments	4.7	-0.5	-7.8		
Total	100.0	27.4	14.5		
Results by Geography					
Australia	100.0	100.0	100.0	Dividend Reinvestment Plan	Yes
Total	100.0			Shareholder Discounts	No

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