



MACQUARIE  
ACN 002 574 923

# Macquarie Private Wealth



## Alesco

### Business Description

Alesco Corporation Limited (ALS, formerly Atkins Carlyle Ltd) is a wholesale distribution company with leading positions in niche markets operating in the following business units: Functional and Decorative Products, Construction & Mining, Water Products and Services and Garage Doors and Openers.

### Strategy Analysis

The strategy is to create value by managing a portfolio of niche industrial product distribution businesses. Acquisitions are made in franchises with strong market shares in growing markets. Financial performance is lifted through restructuring and efficiency measures. The portfolio is reasonably well diversified which helps smooth earnings. Property is the largest exposure, representing around 60% annual earnings. Other key segments are construction, mining, and water products. The heavy weighting to property is likely to be addressed by acquisitions in other areas. Alesco Corporation reported a net loss of \$12.79m for the year ended 31 May 2009. Revenues from ordinary activities were \$1.01bn, down 5.6% from last year. Business was significantly impacted by the difficult economic conditions over the past 12 months which led to a modest decline in revenues and a fall in earnings. Diluted EPS was (13.94) cents compared to 67.06 cents last year. Net operating cash flow was \$77.09m compared to \$84.36m last year. The final dividend declared was 7 cents, taking the full year dividend to 7 cents compared with 67 cents last year. In January, the Alesco Board cancelled the interim dividend. With regards to outlook, CEO Mr Justin Ryan reported that the decisive action the Company took during the 2008/09 financial year will ensure the Company's businesses are better positioned to face the current challenging environment and improve when market conditions recover.

28 July 2010

### Recommendation

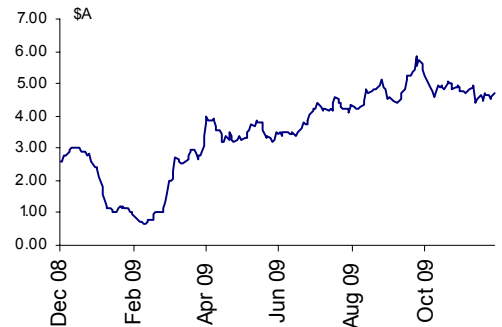
Recommendation: Neutral  
Relative to: Small Ind (ex Fins)

### Investment Fundamentals

ASX code: ALS  
Stock price: \$2.52  
Market cap: \$236m

Y/E	31/05/2010	2011e	2012e	2013e	2014e
Reported e	\$m	15.1	18.6	20.8	23.0
Adjusted e	\$m	25.9	29.5	31.6	33.9
EPS adjusted	¢	27.5	31.1	33.2	35.4
EPS growth	%	10.7	13.2	6.7	6.6
PE	x	9.2	8.1	7.6	7.1
PE relative	x	0.5	0.6	0.7	0.7
DPS	¢	10.0	12.0	13.0	14.0
Yield	%	4.0	4.8	5.2	5.6
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
Functional & Decorative Products	34.6	6.0	2.8	-41.0%	-41.0%
Water Products & Services	22.8	-33.9	-34.5	-15.0%	3.0%
Construction & Mining	21.4	14.5	9.5		
Garage Doors & Openers	21.1	7.6	7.2		
<b>Total</b>	<b>99.9</b>	<b>-5.8</b>	<b>-15.0</b>		
<b>Results by Geography</b>					
Australia	92.0	0.0	0.0		
New Zealand	8.0	0.0	0.0		
<b>Total</b>	<b>100.0</b>				

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