



MACQUARIE  
ACN 002 574 923

Macquarie Private Wealth

Snapshot

# Arrow Energy

## Business Description

Arrow Energy Limited (AOE) is involved in the undertaking of gas exploration, development and production activities in Australia and Asia. The company has positioned itself as a major participant in Queensland's coal seam gas (CSG) provinces. Overseas interests are in Vietnam, China, Indonesia and India.

## Strategy Analysis

AOE's strategy is to maximise shareholder value by becoming a global coal seam gas company. AOE seek to grow upstream production and reserves as well as improve margins through downstream exposure. This has been implemented through AOE's investment in LNG Limited and the associated gas supply agreement for the proposed LNG facility in Gladstone as well as through building a portfolio of gas fired power stations. AOE is also building an overseas business where it is targeting 80 petajoules (PJ) per annum of production and 2,500 PJ of proved and probable reserves by 2015. Another key strategy is to maintain a healthy financial position. In June 2008, AOE announced an alliance with Royal Dutch Shell who took a 30% interest in the Australian tenements and a 10% interest in their international operations. This provided an immediate cash injection as well as access to international experience and resources. Arrow Energy reported NPAT of \$366.85m for the year ended 30 June 2009, an 885% increase compared to the pcp. The company's strong NPAT performance was underpinned by its transaction with Royal Dutch Shell which saw them pay \$565m during the year for a 30% stake of Arrow's interest in all of its Australian upstream tenements and 10% interest in Arrow International. Revenues from ordinary activities were \$112.31m, up 29.2% from last year. Diluted EPS was 51.0 cents compared to 5.5 cents last year. Net operating cash flow was \$10.13m compared to \$34.23m last year. No dividend was declared.

28 July 2010

## Recommendation

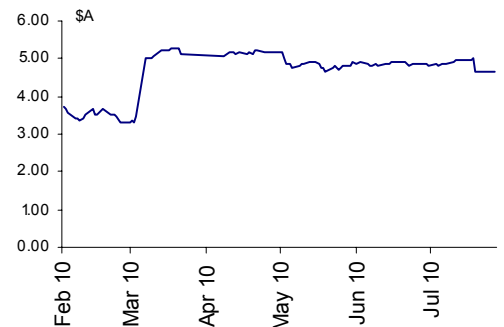
Recommendation: Neutral  
Relative to: All Ind (ex Fins)

## Investment Fundamentals

ASX code: AOE  
Stock price: \$4.68  
Market cap: \$3,436m

Y/E	30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	65.4	-6.8	-1.6	38.0
Adjusted e	\$m	-15.8	-6.8	-1.6	-3.0
EPS adjusted	¢	-2.2	-0.9	-0.2	-0.3
EPS growth	%	184.0	-58.9	-76.7	67.3
PE	x	-215.8	-525.6	-2258.2	-1350.0
PE relative	x	-15.2	-46.8	-222.7	-144.4
DPS	¢	0.0	0.0	0.0	
Yield	%				
Franking	%	0.0	0.0	0.0	

## Share Price



Source: ASX and Company accounts

## Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	9.0%
Electricity	52.6	-2.1	-21.1	3 year	17.0%
Coal seam gas	47.4	0.9	24.3	5 year	59.0%
<b>Total</b>	<b>100.0</b>	<b>-1.2</b>	<b>3.2</b>	10 year	0.0%
				Dividend Reinvestment Plan	No
				Shareholder Discounts	No
Results by Geography					
Australia	100.0	0.0	0.0		
Overseas	0.0	0.0	0.0		
<b>Total</b>	<b>100.0</b>				

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