MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Alumina Limited

Business Description

Alumina Limited (AWC) is involved in bauxite mining, alumina refining and smelting of aluminium. Alumina's primary asset is its 40% interest in Alcoa World Alumina and Chemicals (AWAC). AWAC mainly produces smelter grade alumina feedstock (for the production of aluminium) and aluminium from 2 smelters in Australia.

Strategy Analysis

AWAC's growth policy focuses on its alumina business via a low-cost and low-risk brownfield expansion. AWC's strategy is to maintain and manage its 40% equity stake in AWAC for the benefit of its shareholders.Alumina reported NPAT down 61.5% to $168m for the year ended 31 December 2008. Revenue from ordinary activities were $3.9m. Diluted EPS was 12.9 cents compared to 35.7 cents last year. Net operating cash flow was $280.1m compared to $388.9m last year. The final dividend declared was nil, taking the full year dividend to 12 cents compared with 12 cents last year. This decision not to declare additional dividends in respect of 2008 has been taken to conserve cash and is consistent with other cash conservation measures. The recent weakening in the aluminium price has resulted in curtailment of higher cost production, and the prospect of continuing low global demand in 2009 is expected to result in further worldwide global alumina and aluminium curtailments while the aluminium market remains in surplus. Following the 3% decline in aluminium demand over 2008, demand is forecast to decline by a further 2% in 2009. The decline in demand has resulted in increased inventory stock piles.

28 July 2010

Recommendation

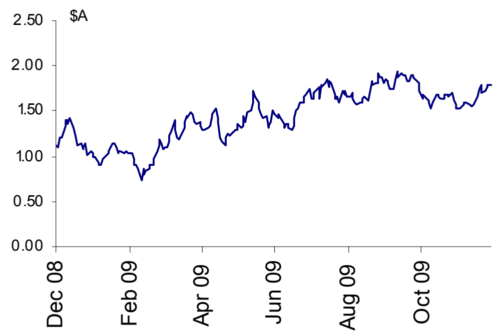
Recommendation:	Outperform
Relative to:	All Ind (ex Fins)

Investment Fundamentals

ASX code:	AWC
Stock price:	$1.59
Market cap:	$3,880m

Y\E 31/12/2010		2010e	2011e	2012e	2013e
Reported e	$m	117.2	181.1	316.2	348.5
Adjusted e	$m	127.1	181.1	316.2	348.5
EPS adjusted	¢	5.2	7.4	13.0	14.3
EPS growth	%	-1222.6	42.5	74.6	10.2
PE	x	30.5	21.4	12.3	11.1
PE relative	x	2.1	1.9	1.2	1.2
DPS	¢	5.0	5.0	10.0	14.3
Yield	%	3.1	3.1	6.3	9.0
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 (%)
Alumina/Aluminium	100.0	100.0	100.0
Total	**100.0**	**100.0**	**100.0**
Results by Geography			
Other	100.0	0.0	0.0
Australia	100.0	0.0	0.0
Total	**200.0**		

Annual Shareholders' Return

1 year	-5.0%
3 year	-33.0%
5 year	-17.0%
10 year	-4.0%
Dividend Reinvestment Plan	No
Shareholder Discounts	No

Company contact details:

Alumina Limited
Level 12, IBM Centre, 60 City Rd
Southbank VIC 3006
Tel: (03) 8699 2600
www.aluminalimited.com

If you have any queries regarding this Research information or with any aspect of your legalsuper account please call legalsuper on 1800 060 312 (freecall) or email mail@legalsuper.com.au