



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



Alumina

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. AWAC employs over 7,000 people.

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 up 53% to US\$67.7m for the half-year ended 30 June 2011. Underlying earnings increased to US\$77.7m from US\$22.2m in 2010. Revenues from ordinary activities were US\$0.1m. Basic and Diluted EPS was 2.8 US cents compared to 1.8 US cents last year. Net operating cash flow was US\$147.1m compared to US\$79.0m last year. The interim dividend declared was 3.0 US cents compared with 2.0 US cents last year. Looking ahead, the company is in a solid position, with low levels of gearing, and a well managed balance sheet. The company expects market conditions to favour its large, low cost assets and substantial bauxite footprint.

27 January 2012

Recommendation

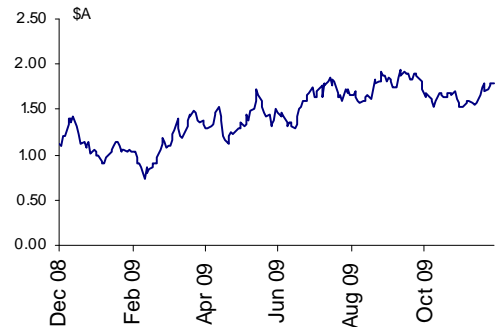
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: AWC
Stock price: \$1.30
Market cap: \$3,172m

Y/E	31/12/2012	2011e	2012e	2013e	2014e
Reported e	\$m	102.8	82.5	193.9	300.8
Adjusted e	\$m	104.1	82.5	193.9	300.8
EPS adjusted	¢	4.3	3.4	7.9	12.3
EPS growth	%	135.1	-20.7	134.9	55.2
PE	x	30.5	38.4	16.4	10.5
PE relative	x	2.5	3.8	1.8	1.1
DPS	¢	3.9	6.3	6.8	12.3
Yield	%	3.0	4.9	5.2	9.5
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
Bauxite, Alumina & Aluminium	100.0	100.0	100.0	-43.0%	11.0%
Total	100.0	100.0	100.0	-22.0%	-8.0%
Dividend Reinvestment Plan					
Shareholder					
Discounts					
Total					

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