



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



AWE

Business Description

AWE Limited (AWE, formerly Australian Worldwide Exploration Limited) is engaged in exploration, development and production of oil, gas and condensate primarily in Australia and New Zealand. AWE concentrate on exploration and appraisal-type assets, in regions of proven prospectivity and where there is a high chance of commercial success.

Strategy Analysis

AWE's focus is on oil and gas exploration and appraisal-type assets, in regions of proven prospectivity and where there is a high chance of commercial success. This focus includes currently marginal fields, whose worth may be improved by alternative and innovative appraisal and development approaches. A key component of value creation is to develop discoveries adjacent to installed infrastructure. AWE reported a net loss of \$117.56m for the year ended 30 June 2011. A net oil and gas asset impairment charge of \$14.8m impacted the results for the year. This impairment is mainly in relation to the Cliff Head oil field and is primarily due to a reassessment of long term operating costs over the life of the field. Revenues from ordinary activities were \$306.07m, down 14% from last year. Basic and Diluted EPS was (22.53) cents compared to (5.55) cents last year. Net operating cash flow was \$139.85m compared to \$86.71m last year. No dividend was declared. The company's balance sheet remains strong, with \$117.0m of cash as at 30 June 2011. The company also has 2P Reserves of 66.1m BOE in a portfolio of production assets and retains a \$150.0m corporate debt facility, which remains undrawn at the end of June 2011.

27 January 2012

Recommendation

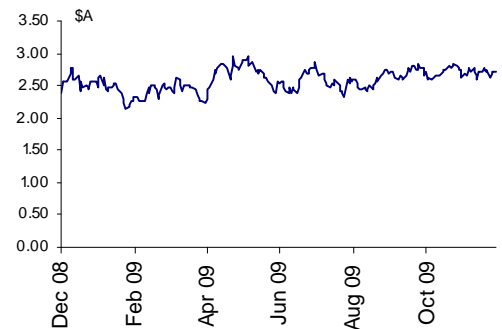
Recommendation: Outperform
Relative to: Small Ind (ex Fins)

Investment Fundamentals

ASX code: AWE
Stock price: \$1.55
Market cap: \$806m

	Y/E 30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	81.1	83.8	95.1	98.9
Adjusted e	\$m	72.1	83.8	95.1	98.9
EPS adjusted	¢	13.8	16.0	18.2	18.9
EPS growth	%	458.3	16.1	13.6	4.0
PE	x	11.2	9.6	8.5	8.2
PE relative	x	0.8	0.9	0.9	1.0
DPS	¢	5.0	0.0	0.0	
Yield	%	3.2			
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	3 year
Oil & Gas Exploration	100.0	100.0	100.0	-9.0%	-15.0%
Total	100.0	100.0	100.0	5 year	-7.0%
				10 year	9.0%
Results by Geography				Dividend Reinvestment	
Australia	63.6	0.0	-3.1	Plan	No
New Zealand	34.5	0.0	36.2	Shareholder	
United States	1.9	0.0	27.4	Discounts	No
Other	0.0	0.0	-28.3		
Total	100.0				

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Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that Macquarie Securities (Australia) Limited acted as market broker to ARC Energy Limited, a wholly owned subsidiary of AWE Limited, for the on market take over bid for Adelphi Energy Limited as announced 17 May 2010.

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