



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Billabong International

Business Description

Billabong International Limited (BBG), established in 1973, produces surfwear and sports apparel and accessories for the surf, skate and snowboard markets. BBG now has a presence in more than 60 countries. The Billabong brand is targeted to both active participants in surf and extreme sports and people who desire to be identified with its image. BBG supports the promotion of the Billabong brand through the sponsorship of athletes and events.

Strategy Analysis

BBG strategy is to differentiate its products through quality, novel designs and branding. Management aims to initially build up a core niche brand then slowly differentiate products to appeal to a broader market without diluting this core. This strategy has been successful in moving designs away from men's surfwear to the broader general apparel market. Management is duplicating this strategy with its less mature skate brand. With the total demand for lifestyle branded product building management is taking the opportunity to expand its presence by opening retail stores in areas not serviced by the market. This strategy aims to tap latent demand for products within a broader international market. Billabong International reported NPAT down 13.3% to \$152.84m for the year ended 30 June 2009. Reported profit after tax was adversely impacted in particular by a deterioration in trading conditions at a consumer level in the United States partly offset by the favourable impact of the depreciation in the AUD against the USD and the Euro. Revenue from ordinary activities were \$1.67bn, up 23.6% from last year. Diluted EPS was 68.7 cents compared to 81.2 cents last year. Net operating cash flow was \$175.69m compared to \$153.21m last year. The final dividend declared was 18 cents, taking the full year dividend to 45 cents compared with 55.5 cents last year.

28 July 2010

Recommendation

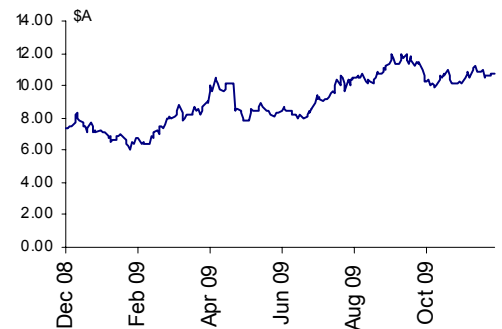
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: BBG
Stock price: \$9.14
Market cap: \$2,314m

Y/E	30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	152.4	169.1	174.3	192.0
Adjusted e	\$m	152.4	169.1	174.3	192.0
EPS adjusted	¢	59.9	66.4	68.5	75.5
EPS growth	%	-16.8	10.9	3.1	10.2
PE	x	15.3	13.8	13.3	12.1
PE relative	x	1.1	1.2	1.3	1.3
DPS	¢	37.8	41.8	45.8	49.8
Yield	%	4.1	4.6	5.0	5.4
Franking	%	45.0	45.0	45.0	45.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	2.0%
Apparel & Accessories	100.0	100.0	100.0	3 year	-12.0%
Total	100.0	100.0	100.0	5 year	-4.0%
				10 year	0.0%
Results by Geography				Dividend Reinvestment Plan	Yes
Americas	50.0	-2.5	-2.8	Shareholder Discounts	No
Australasia	26.7	12.2	46.7		
Europe	23.2	6.6	4.8		
Rest of the World	0.1	0.0	100.0		
Total	100.0				

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