



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's 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. This strategy aims to tap latent demand for products within a broader international market. Billabong International reported NPAT down 18.4% to \$119.14m for the year ended 30 June 2011. Reported NPAT was significantly adversely impacted by the unfavourable effect of the appreciation of the AUD, in particular against the Euro and the USD relative to the pcp. Revenues from ordinary activities were \$1.69bn, up 13.5% from last year. Diluted EPS was 47.0 cents compared to 57.8 cents last year. Net operating cash flow was \$24.34m compared to \$187.25m last year. The final dividend declared was 13 cents, taking the full year dividend to 29 cents compared with 36 cents last year. The group anticipates strong underlying growth in EBITDA in the 2011-12 financial year as the benefits of vertical margins, cost rationalisation and synergies from acquired assets flow through the business.

27 January 2012

Recommendation

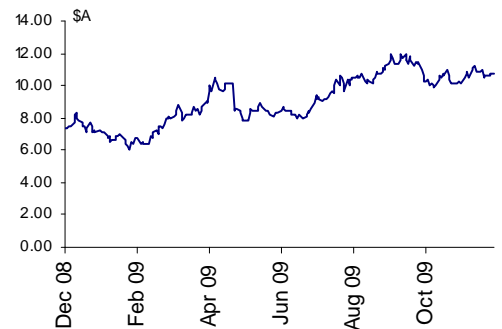
Recommendation: Outperform
Relative to: Small Ind (ex Fins)

Investment Fundamentals

ASX code: BBG
Stock price: \$1.89
Market cap: \$481m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	63.9	69.4	77.0	225.6
Adjusted e	\$m	63.9	69.4	77.0	225.6
EPS adjusted	¢	24.9	27.1	30.1	88.4
EPS growth	%	-46.5	8.7	11.0	193.9
PE	x	7.6	7.0	6.3	2.1
PE relative	x	0.5	0.6	0.7	0.3
DPS	¢	0.0	16.3	18.0	54.0
Yield	%		8.6	9.6	28.6
Franking	%	0.0	50.0	50.0	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	3 year
Surf, Skate & Snow	100.0	100.0	100.0	-75.0%	-32.0%
Apparel and accessories				-31.0%	-11.0%
Total	100.0	100.0	100.0		
Results by Geography				Dividend Reinvestment Plan	
Americas	50.1	7.2	9.5	Shareholder	Yes
Australasia	29.8	2.9	11.0	Discounts	No
Europe	20.0	18.4	16.1		
Rest of the World	0.1	0.0	100.0		
Total	100.0				

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