



MACQUARIE  
ACN 002 574 923

# Macquarie Private Wealth



## Bradken

### Business Description

Bradken Limited (BKN) is a supplier of differentiated consumable products to the resources, energy and freight rail industries. BKN's product range includes consumable parts, capital equipment and associated maintenance and refurbishment services.

### Strategy Analysis

Historically, BKN has excelled in differentiating and customising its products through its design, steel casting and fabrication expertise while focusing on the domestic resources and freight rail industries. The company is now undertaking a change in strategic direction - concentrating on mining consumable products and moving to overseas manufacturing facilities. Considerable capital expenditure and management time will be consumed during the next two years undertaking this process. The company will need strong sustained demand from the mining and energy industry to ensure the earnings growth profile remains intact. The company is capital intensive and a high level of ongoing capital expenditure is necessary to ensure processes are low cost. An inevitable slowdown in the mining and energy industries will test the company. But long established customer relationships in the domestic markets should ensure continuing solid sales and earnings. Bradken reported NPAT down 4.1% to \$67.56m for the year ended 30 June 2011. Revenues from ordinary activities were \$1.15bn, up 14.4% from last year. Diluted EPS was 47.1 cents compared to 53.6 cents last year. Net operating cash flow was \$32.38m compared to \$147.43m last year. The final dividend declared was 21 cents, taking the full year dividend to 39.5 cents compared with 34 cents last year. The Company reported it will continue to take advantage of growth in its core resources and energy markets, look for capital expenditure projects to provide organic growth, seek complementary acquisitions and improve margins through capital expenditure and vertical integration initiatives.

27 January 2012

### Recommendation

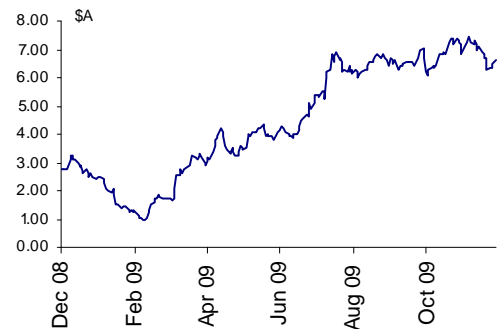
Recommendation: Outperform  
Relative to: All Ind (ex Fins)

### Investment Fundamentals

ASX code: BKN  
Stock price: \$7.93  
Market cap: \$1,321m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	117.6	142.0	156.1	171.5
Adjusted e	\$m	122.4	146.8	160.9	176.3
EPS adjusted	¢	73.2	83.1	88.2	95.3
EPS growth	%	9.1	13.5	6.1	8.0
PE	x	10.8	9.5	9.0	8.3
PE relative	x	0.7	0.9	1.0	1.0
DPS	¢	43.0	45.0	46.0	48.0
Yield	%	5.4	5.7	5.8	6.1
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
Mining Products	38.6	52.0	34.3	-10.0%	57.0%
Engineered Products	27.3	38.9	32.9	3.0%	0.0%
Rail	17.4	34.8	21.8		
All other segments	10.4	38.9	18.3		
Industrial	6.3	30.6	29.8		
<b>Total</b>	<b>100.0</b>	<b>195.2</b>	<b>137.1</b>		
<b>Results by Geography</b>				Dividend Reinvestment Plan	Yes
Australia	56.5	0.0	0.0	Shareholder Discounts	No
US	25.1	0.0	0.0		
Other countries	18.4	0.0	0.0		
UK	0.0	0.0	0.0		
China	0.0	0.0	0.0		
<b>Total</b>	<b>100.0</b>				

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