



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Centennial Coal

Business Description

Centennial Coal Company Limited (CEY) is a producer of thermal and coking coal in Australia, with customers located both locally and overseas. Annual production runs at around 15Mt. Domestic production is mainly sold to power stations for electricity generation, however some coal is sold to building materials and industrial companies. International buyers include power stations and steel mills in Japan, Korea, India, and Europe.

Strategy Analysis

CEY's vision is to be the leading independent coal producer in Australia, supplying a range of coal types to domestic and export markets. Its mission is to maximise shareholder value by acquiring, developing and operating a portfolio of coal resources. This includes resilience through economic cycles and being a reliable supplier to a diverse customer base. CEY aims to provide above average returns, secure employment for employees and benefit local communities. Centennial Coal Company reported NPAT down 82.2% to \$42.7m for the half-year ended 31 December 2008. The result is after allowing for an unrealised FX hedging loss of \$8m (after tax). Revenue from ordinary activities were \$439.2m, up 24.7% from the same period last year. Diluted EPS was 11.4 cents compared to 69 cents last year. Net operating cash flow was \$75.3m compared to \$33.1m last year. The interim dividend declared was 7 cents fully franked compared with 4 cents last year.

28 July 2010

Recommendation

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

Investment Fundamentals

ASX code: CEY
Stock price: \$6.02
Market cap: \$2,370m

Y/E	30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	50.6	131.6	222.6	219.1
Adjusted e	\$m	51.5	131.6	222.6	219.1
EPS adjusted	¢	12.7	31.9	53.2	51.3
EPS growth	%	-37.5	150.2	66.8	-3.6
PE	x	47.3	18.9	11.3	11.7
PE relative	x	3.3	1.7	1.1	1.3
DPS	¢	8.0	16.0	27.0	26.0
Yield	%	1.3	2.7	4.5	4.3
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	105.0%
Coal Mining	100.0	100.0	100.0	3 year	45.0%
Total	100.0	100.0	100.0	5 year	17.0%
				10 year	35.0%
Results by Geography				Dividend Reinvestment Plan	Yes
Australia	100.0	100.0	100.0	Shareholder Discounts	No
Total	100.0				

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