



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Crane Group Holdings

Business Description

Crane Group (CRG) is a leading Australasian distributor of non-ferrous metals, manufacturer of pipeline systems (Iplex) and distributor of plumbing supplies (Tradelink).

Strategy Analysis

CRG's strategy has focused on organic growth and expansion by acquisition, whether strategic or 'bolt-on'. The acquisition of Milnes in 2003 by pipeline business Iplex was a strategic acquisition cementing its position in the PVC sector and hindering a potential significant competitor from establishing an Australian base operation. Subsequently CRG bought the WA based Kingston Bridge Engineering manufacturer of large bore polyethylene pipe and fittings. CRG will use its strong position on the East Coast to significantly increase the reach of this business. The pipeline businesses have significant upside leverage to the current boom in infrastructure investment. CRG divested the majority of its metal manufacturing businesses as they became increasingly less able to compete against low cost-imports. The company's immediate challenge is to increase margins in the plumbing supplies business where profitability has been significantly below the industry average. This is being achieved through significant rationalisation of suppliers, other supply chain improvements, an increased focus on home brands and improved levels of customer service. Crane Group reported NPAT down 28.4% to \$43.6m for the year ended 30 June 2009. Revenue from ordinary activities was \$2.12bn, down 9.9% from last year. Diluted EPS was 62.8 cents compared to 92.4 cents last year. Net operating cash flow was \$63.05m compared to \$90.94m last year. The final dividend declared was 28 cents, taking the full year dividend to 63 cents compared with 71 cents last year.

28 July 2010

Recommendation

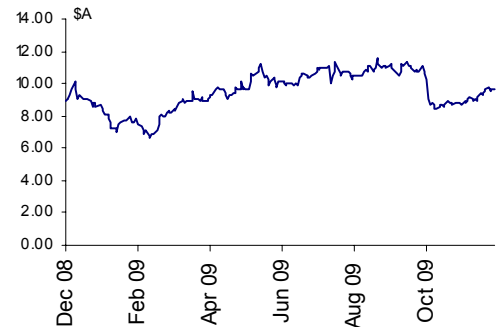
Recommendation: Neutral
Relative to: Small Ind (ex Fins)

Investment Fundamentals

ASX code: CRG
Stock price: \$8.65
Market cap: \$677m

Y/E	30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	33.4	44.1	60.5	64.4
Adjusted e	\$m	35.5	44.1	60.5	64.4
EPS adjusted	¢	45.7	56.0	75.7	79.0
EPS growth	%	-44.3	22.7	35.1	4.3
PE	x	18.9	15.4	11.4	11.0
PE relative	x	1.0	1.2	1.1	1.1
DPS	¢	36.0	42.0	57.0	60.0
Yield	%	4.2	4.9	6.6	6.9
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
Trade Distribution - Tradelink	40.3	9.3	3.3	-17.0%	-17.0%
Pipelines	30.0	9.6	8.1	5.0%	7.0%
Trade Distribution - CDNZ	15.3	-0.1	0.0		
Metals Distribution	9.8	1.8	0.8		
Crane Copper Tube	4.7	3.7	1.1		
Total	100.1	24.3	13.3		
Results by Geography					
Australasia	100.0	100.0	100.0		
Total	100.0				

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