



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



CSR

Business Description

CSR Limited (CSR) is a traditional Australian manufacturing group. The company manufactures and supplies building products in Australia and New Zealand. The group also has an interest in aluminium smelting, and property through advancing industrial landthrough development processes.

Strategy Analysis

CSR operates a moderately diversified portfolio and its business strategies are aimed to maximise any advantages of diversification. The sale of Sucrogen should improve focus. CSR is involved in industries which are cyclical and somewhat capital intensive. There is little pricing power and success is reliant on management, relatively strong market positions and competitive cost structures. The company is focused on meeting community expectations and operating in a sustainable way. Priorities include: driving efficiency and productivity across all businesses, carefully managing capital and investing in organic growth and acquisitions that leverage strengths. The Building Products strategy looks to position the business in order to maximise the benefits from the inevitable housing cycle upswing. CSR reported NPAT of \$34.9m for the half-year ended 30 September 2011 compared to \$63.0m in the same period last year (the prior corresponding year included the Sucrogen and Asian insulation businesses sold on 22 December 2010). Revenues from ordinary activities were \$937.0m, down 4% from the same period last year. Basic and Diluted EPS was 6.9 cents compared to 6.1 cents last year. Net operating cash flow was \$29.7m compared to \$50.6m last year. The interim dividend declared was 6.0 cents compared with 9.0 cents last year. Looking ahead, the group noted the current analysts' consensus range for NPAT (pre-significant items) is \$82m to \$100m for the year ending 31 March 2012 with a median of \$87m. Assuming no further significant deterioration in construction volumes or in A\$ aluminium prices, the group expects that NPAT for continuing operations (pre-significant items) will be at the lower end of this range.

27 January 2012

Recommendation

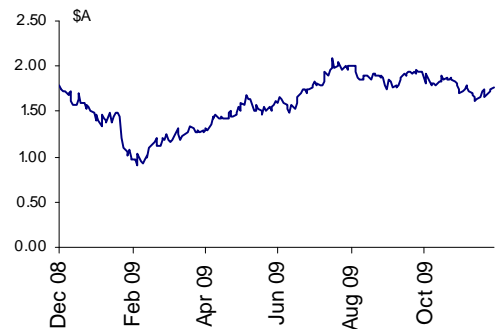
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: CSR
Stock price: \$2.07
Market cap: \$1,047m

	Y/E 31/03/2012	2012e	2013e	2014e	2015e
Reported e	\$m	67.4	121.1	154.2	182.2
Adjusted e	\$m	83.1	121.1	154.2	182.2
EPS adjusted	¢	16.4	23.9	30.5	36.0
EPS growth	%	169.1	45.6	27.4	18.1
PE	x	12.6	8.7	6.8	5.7
PE relative	x	1.0	0.9	0.7	0.6
DPS	¢	11.5	17.0	22.0	25.0
Yield	%	5.6	8.2	10.6	12.1
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
Building Products	43.3	6.1	7.7	-49.0%	-12.0%
Sugar	40.4	6.1	5.8	-20.0%	-1.0%
Aluminium	15.5	20.1	20.2		
Property	0.8	40.0	86.0		
Total	100.0	72.3	119.7		
Results by Geography				Dividend Reinvestment Plan	Yes
Australia	90.0	7.9	9.5	Shareholder Discounts	No
New Zealand	6.6	9.1	6.6		
Asia	3.4	0.0	0.0		
Total	100.0				

Company contact details:

CSR Limited
Trinity 3, 39 Delhi Rd
North Ryde NSW 2113
Tel: +61 2 9235 8000
www.csr.com.au

If you have any queries regarding this Research information or with any aspect of your legalsuper account please call legalsuper on 1800 060 312 (freecall) or email mail@legalsuper.com.au

Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that Macquarie Bank Limited makes a market in the securities in respect of CSR Limited.
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