

Caltex Australia

Business Description

Caltex Australia Limited (CTX) is the market leader in the strategic petroleum refining and distribution industry in Australia. It operates two major refineries at Kurnell in Sydney and Lytton in Brisbane. It is investing to ensure market leadership is maintained. The breadth of the marketing business enables CTX to take advantage of the improving fundamentals of the industry. The Marketing operation promotes and sells Caltex products through a national network of approximately 2,000 Caltex, Caltex Woolworths and Ampol branded service stations and branded resellers. Marketing also sells directly to a large number of commercial customers.

Strategy Analysis

CTX strategy is based on lifting refinery utilisation rates so it can take full advantage of the shortage of refining capacity in Australia. Refiner margins can be volatile but high refinery utilisation rates and strong marketing activities are important in driving operating cash flow and earnings. This allows for the reduction of debt levels and improving the return on equity and to shareholders. The alliance with Woolworths underpins volume growth. Caltex Australia reported NPAT down 95% to \$34.26m for the year ended 31 December 2008. Revenue from ordinary activities were \$23.65bn, up 24% from last year. Basic and Diluted EPS were 12.7 cents compared to 239.4 cents last year. Net operating cash flow was \$380.21m compared to \$595.4m last year. The final dividend declared was 36 nil, taking the full year dividend to 36 cents compared with 80 cents last year.

28 July 2010

Recommendation

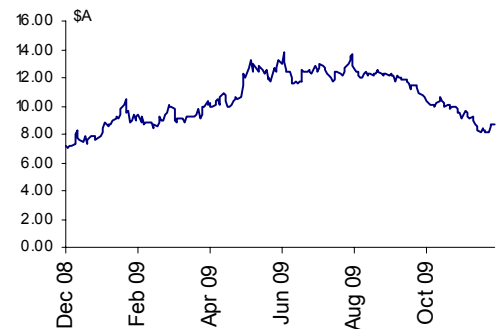
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: CTX
Stock price: \$10.33
Market cap: \$2,789m

	Y/E 31/12/2010	2010e	2011e	2012e	2013e
Reported e	\$m	240.4	293.5	387.7	423.7
Adjusted e	\$m	254.0	291.7	385.8	421.8
EPS adjusted	¢	94.1	108.0	142.9	156.2
EPS growth	%	-21.6	14.8	32.3	9.3
PE	x	11.0	9.6	7.2	6.6
PE relative	x	0.8	0.9	0.7	0.7
DPS	¢	46.7	53.6	70.9	77.5
Yield	%	4.5	5.2	6.9	7.5
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance				Annual Shareholders' Return	
Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	1 year	3 year
Marketing	85.4	0.0	3.1	-18.0%	-23.0%
Refining & Supply	14.6	0.0	2.2	-7.0%	16.0%
Total	100.0	0.0	5.3		
Results by Geography				Dividend Reinvestment Plan	No
Australia	100.0	100.0	100.0	Shareholder Discounts	No
Total	100.0				

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