



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



Downer EDI

Business Description

Downer EDI (DOW) consists of a group of companies that specialise in the engineering, construction, telecommunications, mining and resource sectors in the Asia Pacific region. Divisions include Australia, New Zealand, Asia, Mining and Rail.

Strategy Analysis

The macro environment remains favourable, supported by high infrastructure spending from state governments, particularly in NSW and QLD where DOW has a strong presence. Organic growth is pursued through extending the maturity profile of the order book and increasing the level of repeat work. Bolt on acquisitions bring on board staff and experience in niche areas. Confidence seems to have been restored after several years of mismanagement. Exposure is diversified across the four main business divisions, each functioning autonomously. Downer EDI reported a net loss of \$27.84m for the year ended 30 June 2011. Revenues from ordinary activities were \$6.63bn, up 14.4% from last year. Basic and Diluted EPS was (10.5) cents compared to (2.4) cents last year. Net operating cash flow was \$185.63m compared to \$204.27m last year. No dividend was declared. The company has work-in-hand of around \$20.0bn, is strongly aligned to the resources and energy sectors and is well placed to capitalise on the pipeline of opportunities driven by those markets. Subject general market conditions, the company expects to deliver EBIT of around \$340.0m for the 2012 financial year and NPAT of around \$180.0m.

27 January 2012

Recommendation

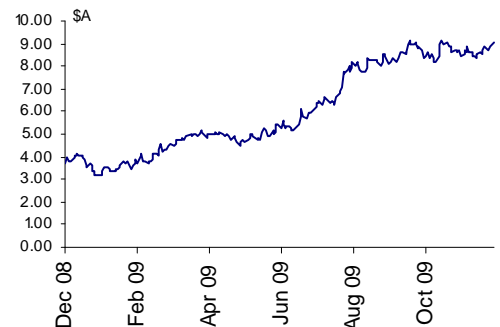
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: DOW
Stock price: \$3.70
Market cap: \$1,588m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	184.6	193.5	218.9	230.3
Adjusted e	\$m	173.2	182.2	207.6	219.0
EPS adjusted	¢	40.4	42.2	47.6	49.6
EPS growth	%	-4.5	4.6	12.8	4.2
PE	x	9.2	8.8	7.8	7.5
PE relative	x	0.8	0.9	0.8	0.8
DPS	¢	10.0	21.0	26.0	30.0
Yield	%	2.7	5.7	7.0	8.1
Franking	%	50.0	75.0	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
Engineering and Consulting Works	34.1	8.2	3.2	3.0%	7.0%
Mining	30.7	5.7	2.7	7.0%	-6.0%
Rail	20.9	11.8	8.6	6.0%	
Total	100.0	35.2	22.4		
Results by Geography					
Australia	81.8	0.0	0.0		
Pacific	13.2	0.0	0.0		
South East Asia	3.7	0.0	0.0		
Other	1.2	0.0	0.0		
North East Asia	0.1	0.0	0.0		
Total	100.0				

Company contact details:

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