



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.

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 onboard 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 NPAT up 14.2% to \$189.38m for the year ended 30 June 2009. Revenues from ordinary activities were \$5.86bn, up 7.3% from last year. Diluted EPS was 52.7 cents compared to 47.5 cents last year. Net operating cash flow was \$336.46m compared to \$276.03m last year. The final dividend declared was 16 cents, taking the full year dividend to 29 cents compared with 25.5 cents last year.

28 July 2010

Recommendation

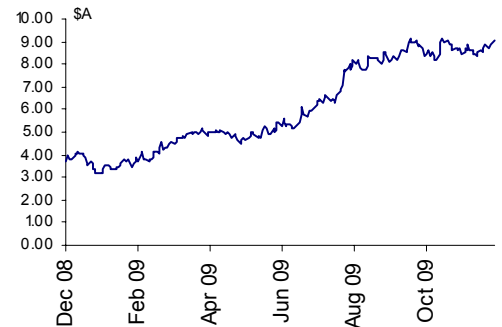
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: DOW
Stock price: \$4.82
Market cap: \$1,622m

Y/E	30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	0.1	217.8	250.0	273.5
Adjusted e	\$m	187.8	206.5	238.7	262.2
EPS adjusted	¢	56.1	60.8	69.6	75.6
EPS growth	%	3.2	8.4	14.5	8.7
PE	x	8.6	7.9	6.9	6.4
PE relative	x	0.6	0.7	0.7	0.7
DPS	¢	29.6	31.0	33.0	35.0
Yield	%	6.1	6.4	6.8	7.3
Franking	%	0.0	25.0	50.0	75.0

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 Services	35.9	14.3	6.2	-22.0%	-8.0%
Works	31.6	10.9	6.1	0.0%	12.0%
Mining	17.4	7.3	5.2		
Rail	15.1	9.9	6.8		
Total	100.0	42.4	24.3		
Results by Geography				Dividend Reinvestment Plan	
Australia	74.7	0.0	0.0	Shareholder	Yes
Pacific	16.7	0.0	0.0	Shareholder	No
South East Asia	5.5	0.0	0.0	Shareholder	
Other	2.4	0.0	0.0	Shareholder	
North East Asia	0.8	0.0	0.0	Shareholder	
Total	100.1			Shareholder	

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