



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



DUET Group

Business Description

DUET Group (DUE) is an ASX-listed owner of energy utility assets in Australia and the United States. DUET is managed jointly by AMP Capital Investors Limited and Macquarie Capital Group Limited. DUET Group (Diversified Utility and Energy Trust) consists of two stapled registered managed investment schemes and an Australian public company: Diversified Utility and Energy Trust No 1 (DUET1), Diversified Utility and Energy Trust No 2 (DUET2), Diversified Utility and Energy Trust No 3 (DUET3) and DUET Investment Holdings Limited (DIHL).

Strategy Analysis

DUE focuses on developing a portfolio of regulated and contracted utilities with stable and predictable revenue streams. The company's portfolio is diversified across a number of energy sources and utility sectors, international markets and regulatory jurisdictions. Assets are located within Victoria, Western Australia and Pennsylvania, USA. DUE looks to invest in OECD countries but no major acquisitions are expected in the near-future with tight credit markets and a stretched balance sheet. Current focus is on delivering organic growth commitments including smart electricity meters in Victoria and expansion of the Dampier to Bunbury Pipeline in WA. It is trying to sell Duquesne in the USA. DUET Group reported net loss of \$146.68m for the half-year ended 31 December 2008. The net loss is primarily a result of non cash changes in the fair value of derivatives during the half year. Those items total \$237.3m (net of tax) and have been consolidated or equity accounted into the DUET Group result. Revenue from ordinary activities were \$584.75m, up 20.3% from the same period last year. This increase is primarily from increased revenues at Dampier to Bunbury Natural Gas pipeline for the transmission of gas. Basic and Diluted EPS were (4.19) cents compared to 8.70 cents last year. Net operating cash flow was \$383.11m compared to \$250.42m last year. The interim dividend declared was 14.125 cents compared with 13.50 cents last year.

28 July 2010

Recommendation

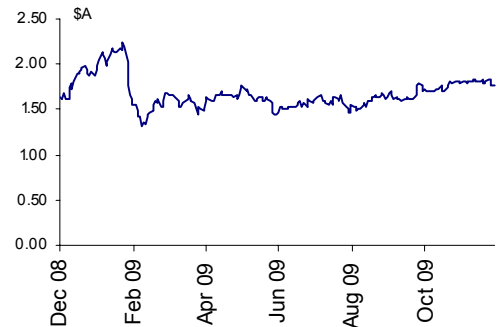
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: DUE
Stock price: \$1.66
Market cap: \$1,445m

Y/E	30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	139.7	134.9	135.2	139.4
Adjusted e	\$m	139.7	134.9	135.2	139.4
EPS adjusted	¢	16.3	15.7	15.7	16.2
EPS growth	%	-18.1	-3.8	0.3	3.1
PE	x	10.2	10.6	10.5	10.2
PE relative	x	0.7	0.9	1.0	1.1
DPS	¢	20.3	20.8	21.3	21.8
Yield	%	12.2	12.5	12.8	13.1
Franking	%	0.0	0.0	0.0	

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
Electricity Distribution	47.4	8.0	40.6	13.0%	-9.0%
Gas Transmission	33.3	5.5	61.8	2.0%	0.0%
Gas Distribution	19.3	6.4	48.9		
Total	100.0	19.9	151.3	Dividend Reinvestment Plan	Yes
				Shareholder Discounts	No
Results by Geography					
Australia	100.0	100.0	100.0		
Total	100.0				

Company contact details:

DUET Group
Level 12, No.1 Martin PI
Sydney NSW 2000
Tel: (02) 8232 4491
www.duet.net.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 The Macquarie Capital Advisers Limited acted as Bookrunner, Sole Lead Manager and Underwriter to the DUET Group Offer as announced on 31 March 2009. Macquarie Capital Advisers Limited fully underwrote the institutional placement and entitlement offer as announced 31 March 2009. The responsible entities of the Diversified Utility and Energy Trusts (DUE:ASX), AMP/CI Macquarie Infrastructure Management No 1 Limited and AMP/CI Macquarie Infrastructure Management No 2 Limited, are 50% owned by the Macquarie Group and 50% by AMP Capital Holdings Limited. The DUE:ASX trusts hold all the ordinary units in POWERS Trust. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from DUET Group.

Disclaimer: This report is prepared for general circulation and does not have regard to the particular circumstances or needs of any specific person who may read it. The information contained herein is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. No part of this report is to be construed as a solicitation to buy or sell any security. We do not accept any liability, whether direct or indirect arising from the use of information contained in this report. International investors are reminded of the risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Any transaction by US persons in any security discussed in this report must be carried out through Macquarie Equities (USA) Inc which has distributed this report in the US. This report is issued in the UK by Macquarie Equities Limited, which is a member of the Securities and Futures Authority. The investments and investment services the subject of this report are not available to private customers in the UK. The material in this publication is copyright and may not be reproduced without consent of the copyright owner.