

Matrix C & E Ltd (MCE)

1H'11 Result – 87% EPS growth over pcp

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Heath Andrews
handrews@austock.com
+613 8601 2644

Key Points

- EBITDA margins were ahead of our expectations, with potential cost out to improve margins further in the 2H'11.
- The negative operating cashflow was a surprise, but appears to be a one off, as prepayments in hand from customers fell \$30m in the half. Backing this out, operating cashflow was ok.
- The commencement of the Henderson factory in the 2Q'11 should see a stronger 2H, and a solid platform for strong growth in FY'12.
- The oil and gas services sector has undergone a re-rating, MCE still looks value on FY'12 EPS multiples (12.7x's).

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MCE has delivered a solid 1H'11 result, in line with recent guidance and Austock. 1H'11 underlying NPAT was \$19.9m, up an impressive 169% on pcp.

At the time of guidance, the result surprised to the upside, though the share price did run hard. The key positive for us was higher than expected EBITDA margins, with the opportunity for these to expand further as the new factory will reduce labour, transport and wastage costs.

MCE is close to becoming a 10 bagger in a little over 12 months. This performance makes MCE the best performed industrial stock of scale in recent times. This can also be a negative, as many investors believe they have missed it and that it has too much downside risk.

The investment case still exists for MCE in our opinion, but this partly relies on the sentiment that exists in the oil & gas services sector, where high takeover multiples has driven up the price (the most recent takeover was at 16.9x's EBITDA).

MCE has potential for high growth still:

- The Henderson plant has almost double the capacity of Malaga, with space to move the Malaga plant across over time;
- As shown in the appendix, orders for deep-sea floating drill ships are out to the end of FY'13;
- MCE is on the approved vendor list of several purchasers of SURF buoyancy products, a new market for MCE;
- MCE will have an advantage over peers in terms of spare production capacity and state of the art facilities.

The negative is that it is in a cyclical industry, which at this stage appears some time off having the cycle turn.

Investment View

Our DCF based valuation is up marginally to \$9.50/share. We retain our Buy recommendation and note that 12.7x's FY'12F EPS still offers scope for further share price appreciation, but not like it has delivered in the past.

Recommendation

Buy

Previous Recommendation	Buy
Risk Rating	High
Current Share Price	\$8.54
12 Month Price Target	\$9.50
Price Target Methodology	DCF
Total Return (Capital + Yield)	12.2%
DCF Valuation	\$9.50 (from \$9.50)
Market capitalization	\$623m
Liquidity – Daily Value	\$1.4m

EPS Changes & Austock vs. Consensus

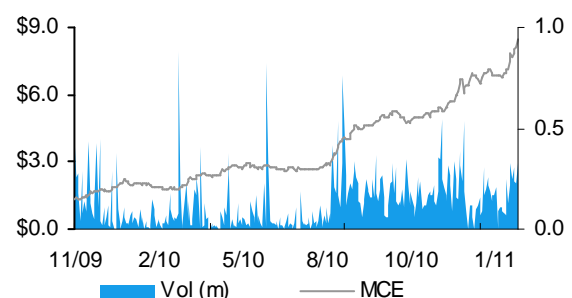
Y/e Jun (\$m)	2011F	2012F	2013F
Previous EPS (cps)	55.5	71.3	81.2
Change in EPS (%)	2%	-5%	-6%
Consensus EPS (cps)	54.8	67.8	72.8
Austock vs. Consensus (%)	4%	-1%	5%

Financial Forecasts & Valuation Metrics

Y/e Jun (\$m)	2010A	2011F	2012F	2013F
Revenue	103	195	237	272
NPAT	18.4	41.2	49.2	55.9
EPS (cps)	29.4	56.8	67.4	76.6
EPS Growth	365%	93%	19%	14%
DPS (c)	4.0	8.0	22.3	25.3
EV / EBITDA (x)	23.0	10.5	8.3	7.2
PER (x)	29.1	15.0	12.7	11.2
Dividend Yield	0.0%	0.9%	2.6%	3.0%
Gearing	-9%	33%	0%	-19%
Interest Cover (x)	98.5	28.9	30.0	86.7

Source: Austock Securities estimates

MCE Share Price and Volume



Source: Austock Securities estimates

Results Summary

Financials

1H'11 NPAT in line with recent guidance

MCE recently guided that PBT would be ~\$26.7m, adjusted PBT was in line at \$28.0m. The underlying NPAT result was \$19.9m, marginally above our \$19.0m expectation and represented 169% growth over pcp.

87% EPS growth

Due to several raisings last year to fund the Henderson factory, EPS growth was not as strong as NPAT growth, but impressive all the same at 87% up on pcp.

Capex spend at Henderson drawing to a close

Capex spend was high at \$26.5m. Whilst further spending will occur at Henderson during the 2H, we forecast that only a further \$7.5m is likely to be spent.

Balance Sheet still ok

Gearing (ND/E) stands at 31% (ok) and FY'11F interest cover is 26x's (very solid). We expect that the Balance Sheet gearing will show improvement from here as capex at Henderson winds down and cashflow recovers.

Operating cashflow was below expectations

The MCE result disappointed on this front, but appears to have been impacted by a one off \$30m impact. Previously MCE charged 20% up front fee for new orders, before the work was undertaken. At FY'10, the amount prepaid (Balance Sheet item) was \$36m. At the 1H'11, this fell to \$6m. Orders are expected to pick up in the 2H'11, which could see some of this reversed, but at the very least, it cannot occur again.

We are comfortable that MCE will report a much improved cashflow result in the 2H'11 and is forecast to generate high free cashflow post completion of the Henderson expansion.

FX Hedging

MCE has sufficient hedging at US\$0.85 for the next 150m of revenue (a large part of FY'12). We factor fx impact into our forecasts and are assuming an FX rate of US\$0.91 for FY'12. The profit improvement MCE will make from hedging is recorded on the balance sheet (not in the P&L).

Dividend 3cps

MCE increased its dividend by 50% to 3cps.

EBITDA margins were the main surprise to the upside, with higher margins likely

EBITDA margins came in above our estimates (mainly due to lower depreciation). With the Henderson plant commencing operations in the near term, the potential for transport and labour efficiencies, margins are likely to track higher in the 2H'11. We factor in an EBITDA margin of 33.9% in the 2H'11 vs. 32.3% in the 1H'11.

Guidance

No full year guidance was provided

Clean result

The result was very clean, with no surprises.

Standout ROE

MCE is forecast to return 43.8% ROE for FY'11.

MCE Earning Analysis

(\$m)	1H'10A	1H'11A	Diff.	FY'10A	FY'11F	Diff.	Comments
Advanced Materials	37.9	82.0	117%	91.8	174.2	90%	
Heavy Engineering	5.4	8.5	57%	10.3	17.0	65%	On track for better revenue
Operating Revenue	43.3	90.5	109%	102.1	191.2	87%	
Advanced Materials	9.2	27.7	201%	23.3	59.5	155%	
Heavy Engineering	1.1	0.3	-73%	1.7	0.6	-66%	Could surprise and do better than forecast
Unallocated	0.0	0.3	-515%	(0.0)	0.0	-100%	
Total EBIT	10.4	28.4	176%	25.0	60.1	140%	
Net Interest	(0.1)	(0.4)	272%	(0.3)	(2.1)	719%	
Tax	(2.8)	(8.2)	192%	(6.4)	(16.8)	163%	29% rate factored in, R&D exists
Underlying NPAT	7.5	19.9	169%	18.4	41.2	124%	
Abnormals	0.0	(0.6)		(0.2)	(0.6)		
Reported NPAT	7.5	19.3	161%	18.2	40.6	124%	Risk is to the upside to this number
Underlying EPS (cps)	14.2	26.6	87%	29.4	56.8	93%	Good by any standards

Source: Austock Securities estimates

Growth Initiatives

Henderson about to come on line

We believe that the Henderson plant will have a production capacity that is almost double that of the existing Malaga site, plus more flexibility in terms of products produced. Over time, as the Malaga factory is phased out, existing plant from Malaga can be incorporated into the Henderson site, the potential for production capacity increases is high.

Malaga factory

The Malaga factory is operating 24hrs/day, 7 days a week. Moving operations to Henderson will see a fall in labour and transport costs, as well as potential to win additional orders that require a short term delivery date.

The Malaga factory will be turned into an Engineering operation, complimenting the existing Engineering operation across the road. This division also supports the Composites division by building the moulds.

SURF buoyancy, getting positioned

The quality of the Henderson facility will not be lost on the potential customers of SURF buoyancy products. It is standard practice to audit the suppliers production facilities. Those with the ability to produce the best quality products and in scale, should secure work.

Cost out potential

Our forecasts are not capturing the full cost out potential that comes from closing several sites and consolidating into 1. We have factored in a small margin increase in the 2H'11, but revert to declining margins in FY'12 and onwards. This potentially offers upside to our long term forecasts and valuation.

Forecast Changes

We have made the following changes to our forecasts:

- Reset the base FY'11F EBITDA margin higher, based on the 1H'11 result (38.0%, from 33.3%);
- Lowered the sales volume in FY'12 & FY'13, until we see further orders awarded (lowered by 8%);
- Increased FY'11 capex from \$30m to \$34m;
- Lowered depreciation charges in FY'11 due to delays in Henderson becoming operational; and
- Recorded the one off fall in working capital as a result of the reduction in progress claims and deposits (\$30m impact).

Our FY'11F underlying NPAT has increased to \$41.2m from \$39.7m (up 3%).

The net impact of slightly higher margins vs. higher near capex is relative neutral to our DCF valuation, adding \$0.15 to our DCF valuation.

Sensitivity analysis shows solid upside if demand increases

We run a sensitivity of MCE of selling as many units as the Henderson plant is capable of producing. We estimate that Henderson is capable of producing double current production, commencing in FY'13. Under this best case scenario, our DCF moves to \$12.60/share.

Takeover Activity Continuing

A flurry of takeovers is fuelling Oil & Gas service providers share price

Takeovers in international Oil & Gas service companies is running hot. In the past 2 weeks, a further 2 deals have occurred (Pride and John Wood – Well Services division). This re-rating of the sector globally is almost certain to underpin the MCE share price in the short term. Relative to other peers, MCE still looks under valued, and has potential for growth stronger than peers. The highest priced takeover to date is at a whopping 16.9x's CY'11F EBITDA.

International peers are more diversified than MCE, so recognising the MCE should trade at a discount is prudent.

Takeover target, but unlikely to occur

MCE would be an attractive take over target given its positioning in the market. However the Begley family have a large holding. Our read is that Aaron Begley would not be ready to sell yet, so we think that if a takeover did occur, it would have to be a very large premium (we rate a takeover as unlikely).

Take over Multiples vs. Matrix						
Target	Price	FY'11	FY'12	FY'11	FY'12	Year
Company	Paid A\$m	EV/EBITDA	EV/EBITDA	PE (x's)	PE (x's)	End
John Wood (division)	2,800	16.9	na	na	na	Dec
Pride	7,300	14.8	8.7	26.6	15.8	Dec
Wellstream	1,295	12.4	9.8	23.8	16.6	Dec
PSN	970	na	na	na	na	Dec
Easternwell *	575	7.6	5.4	14.7	9.9	Jun
MAC Services	651	9.7	7.8	20.0	16.3	Jun
Average		12.3	7.9	21.3	14.7	
Matrix		10.1	8.0	15.0	12.7	Jun

Source: Company reports and Reuters

Investment View

MCE still has catalysts

Post a further stunning run since the 2Q update was provided, we still see further upside, as on forward multiples, MCE still looks undervalued and oil and gas service providers multiples are on the rise. However the massive run that MCE has had, does look like it is not far from slowing for the time being. Potential catalysts are:

- Proof of orders in SURF buoyancy products;
- Details on how regulation changes in the Gulf of Mexico are going to positively impact;
- Securing new riser buoyancy orders (converting some of the \$400m of quotes into orders) and growing the order book; and
- Commencement of production through the Henderson plant.

Key attraction is high growth and ability to win market share

We acknowledge that MCE is in a cyclical industry and we believe that the oil price is key determinant of the outlook for deep-sea exploration. Our view is that for the medium term, the cycle is positive. MCE is building increased production capability, it will have a state of the art factory (a key advantage in our opinion), the ability to reduce costs and gain market share. With these factors in their favour, MCE looks well positioned to continue to outperform for the medium term.

Our DCF valuation is \$9.50/share (from \$9.35) and we retain our Buy recommendation.

Appendix – Newbuild Rig orders

A key concern for investors has been what is the demand profile of new floating rigs for deep-sea oil & gas exploration. With a solid oil price, demand for new rigs has ramped up and visibility now exists until the end of FY'13.

Each riser buoyancy is ~10ft in length. A rig that is operating in depths of 10,000 ft will require ~1000 riser buoyancy units. At ~US\$14k each, an order for each rig is worth ~US\$14m.

With 66 rigs on order, the known market for new riser buoyancy modules over the FY'11 – FY'13 period is ~\$925m. The replacement market of riser buoyancy is ~\$300m pa is on top of this.

Future Deliveries of Newbuild Floaters

Owner	Manager	Rig Name	Design	Water Depth (ft)	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract
Newbuilds:										
1 Aker Drilling	Aker Drilling	Unnamed	---	12,000	\$600	4Q13	Daewoo	Korea	2013	--
2 Aker Drilling	Aker Drilling	Unnamed	---	12,000	\$600	4Q13	Daewoo	Korea	2013	--
3 Atwood Oceanics	Atwood Oceanics	Atwood Osprey	Friede & Goldman Ex-D Milenium	6,000	\$625	1Q11	Jurong	Sing.	2011	Chevron
4 Atwood Oceanics	Atwood Oceanics	Atwood Condor	Friede & Goldman Ex-D Milenium	10,000	\$750	2Q12	Jurong	Sing.	2012	--
5 Atwood Oceanics	Atwood Oceanics	Atwood Advantage	---	12,000	\$600	3Q13	Daewoo	Korea	2013	--
6 CNOOC	COGL	Hai Yang Shi You 981	Friede & Goldman ExD	7,500	\$599	1Q11	Shanghai Waigaoqiao	China	2011	CNOOC
7 COGL	COGL	COGLInnovator	GM-4000	2,460	\$460	3Q11	Yantai Raffles	China	2011	Statoil
8 COGL	COGL	COGLPromoter	GM-4000	2,460	\$460	3Q12	Yantai Raffles	China	2012	Statoil
9 Deiba	Deiba	Deiba III	GustoMGC TDG-2500	7,874	\$611	2Q11	MAC	Abu Dhabi	2011	Petrobras
10 Deiba	Deiba	Deiba IV	GustoMGC TDG-2500	7,874	--	3Q13	COGSO	China	2013	Petrobras
11 Diamond Offshore	Diamond Offshore	Ocean Blackhawk	GustoMGC P10000	12,000	\$590	2Q13	Hyundai Heavy	Korea	2013	--
12 Diamond Offshore	Diamond Offshore	Ocean BlackHornet	GustoMGC P10000	12,000	\$590	4Q13	Hyundai Heavy	Korea	2013	--
13 Dryships	Ocean Rig	Ocean Rig Olympia	Samsung Heavy Industries	10,000	\$790	3Q11	Samsung Heavy	Korea	2011	Vanco
14 Dryships	Ocean Rig	Ocean Rig Mykonos	Samsung Heavy Industries	10,000	\$792	4Q11	Samsung Heavy	Korea	2011	--
15 Dryships	Ocean Rig	Ocean Rig Poseidon	Samsung Heavy Industries	10,000	\$748	2Q11	Samsung Heavy	Korea	2011	--
16 BNSCO	BNSCO	BNSCO 8504	BNSCO 8500	8,500	\$515	3Q11	Keppel FELS	Sing.	2011	--
17 BNSCO	BNSCO	BNSCO 8505	BNSCO 8500	8,500	\$537	1Q12	Keppel FELS	Sing.	2012	--
18 BNSCO	BNSCO	BNSCO 8506	BNSCO 8500	8,500	\$560	3Q12	Keppel FELS	Sing.	2012	--
19 Besco	Besco	ET-VIII	Samsung Heavy Industries	10,000	\$820	1Q12	Samsung Heavy	Korea	2012	Petrobras
20 Gazflot	Gazflot	Polyamaya Zvezda	Moss Maritime CS-50	1,148	\$573	1Q11	Samsung Heavy	Korea	2011	Gazflot
21 Gazflot	Gazflot	Severnoye Gyanie	Moss Maritime CS-50	1,148	\$573	2Q11	Samsung Heavy	Korea	2011	Gazflot
22 Grupo R	IPC	La Muralta IV	GVA 7500-N	10,000	\$709	3Q11	Daewoo	Korea	2011	--
23 MARAOC	Offshore Offshore	Island Innovator	Global Maritime GM-4000	2,460	\$560	2Q12	COGSO	China	2012	--
24 Metrostar	OffJel Drilling	Deepsea Metro I	GustoMGC P10000	10,000	\$668	2Q11	Hyundai Heavy	Korea	2011	--
25 Metrostar	OffJel Drilling	Deepsea Metro II	GustoMGC P10000	10,000	\$668	4Q11	Hyundai Heavy	Korea	2011	--
26 Noble Corp.	Frontier Drilling	Noble Euly I	GustoMGC PRD12,000 (Harsh)	12,000	\$610	2Q11	Keppel FELS	Sing.	2011	Shell
27 Noble Corp.	Frontier Drilling	Noble Euly II	GustoMGC PRD12,000 (Harsh)	12,000	\$632	2Q11	Keppel FELS	Sing.	2011	Shell
28 Noble Corp.	Noble Corp.	Noble Globetrotter I	Hulsman Globetrotter	10,000	\$695	3Q11	Dalian	China	2011	Shell
29 Noble Corp.	Noble Corp.	Noble Globetrotter II	Hulsman Globetrotter	10,000	\$690	4Q13	Dalian	China	2013	Shell
30 Noble Corp.	Noble Corp.	Unnamed	GustoMGC P10000	10,000	\$605	2Q13	Hyundai Heavy	Korea	2013	--
31 Noble Corp.	Noble Corp.	Unnamed	GustoMGC P10000	10,000	\$605	4Q13	Hyundai Heavy	Korea	2013	--
32 Odebrecht	Odebrecht	Norbe VIII	DSME 10000	10,000	\$690	2Q11	Daewoo	Korea	2011	Petrobras
33 Odebrecht	Odebrecht	Norbe IX	DSME 10000	10,000	\$690	2Q11	Daewoo	Korea	2011	Petrobras
34 Odebrecht	Odebrecht	ODN-1	---	10,000	\$579	1Q12	Daewoo	Korea	2012	Petrobras
35 Odebrecht	Odebrecht	ODN-2	---	10,000	\$579	2Q12	Daewoo	Korea	2012	Petrobras
36 Petroserv	Petroserv	Carolina	---	10,000	\$653	1Q12	Daewoo	Korea	2012	Petrobras
37 Petroserv	Petroserv	Unnamed (semi)	GVA 7500-N	10,000	\$526	1Q13	Daewoo	Korea	2012	--
38 Pride International	Pride International	Deep Ocean Mendocino	Samsung Heavy Industries	12,000	\$725	1Q11	Samsung Heavy	Korea	2011	Petrobras
39 Pride International	Pride International	Deep Ocean Molokai	Samsung Heavy Industries	12,000	\$745	4Q11	Samsung Heavy	Korea	2011	--
40 Queiroz Galvao	Queiroz Galvao	Alpha Star	KFELG/MGC DGG 38	9,000	\$385	1Q12	Keppel FELS	Sing.	2012	Petrobras
41 Queiroz Galvao	Queiroz Galvao	Unnamed	---	10,000	--	3Q12	Samsung Heavy	Sing.	2012	Petrobras
42 Queiroz Galvao	Queiroz Galvao	Unnamed	---	10,000	--	3Q12	Samsung Heavy	Sing.	2012	Petrobras
43 Rozneft	Rozneft	Boishaya Medveditsa	---	5,562	\$700	3Q14	Zvezda	Russia	2014	Rozneft
44 Grupo R	IPC	Bicentenario	GVA 7500-N	10,000	\$633	1Q11	Daewoo	Korea	2010	PBMEK
45 Galpem	Galpem	Scarabeo 8	Moss Maritime CS-50 (M) (N)	9,843	\$615	2Q11	Fincantieri	Italy	2011	Eni
46 Galpem	Galpem	Scarabeo 9	D90 DRR DF3	12,000	\$742	1Q11	Yantai Raffles	China	2011	Eni
47 Schahin	Schahin	Amazonia	Friede & Goldman ExD	7,875	\$500	1Q11	Yantai Raffles	China	2011	Petrobras
48 Schahin	Schahin	Unnamed	Samsung Heavy Industries	10,000	\$682	3Q11	Samsung Heavy	Korea	2011	Petrobras
49 Schahin	Schahin	Unnamed	Samsung Heavy Industries	10,000	\$709	1Q12	Samsung Heavy	Korea	2012	Petrobras
50 Seadrill	Seadrill	SeaDragon I	Moss CSSD 6/G	10,000	\$510	1Q11	Jurong	Sing.	2011	PBMEK
51 Seadrill	Seadrill	SeaDragon II	Moss CSSD 6/G	10,000	\$510	2Q11	Jurong	Sing.	2011	--
52 Seadrill	Seadrill	West Capricorn	Friede & Goldman ExD	10,000	\$771	4Q11	Jurong	Sing.	2011	--
53 Seadrill	Seadrill	West Auriga	Samsung 12000	12,000	\$695	1Q13	Samsung Heavy	Far East	2013	--
54 Seadrill	Seadrill	West Veia	Samsung 12000	12,000	\$695	2Q13	Samsung Heavy	Far East	2013	--
55 Sevan	Sevan	Sevan Brasil	Sevan Drilling Sevan 650	7,874	--	1Q12	COGSO	China	2012	Petrobras
56 Songa	Songa	Songa Eclipse	F&G Ex-D	10,000	\$640	3Q11	Jurong	Sing.	2011	--
57 Stena	Stena	Stena DrillMAX ICE	Stena/Samsung (Harsh)	10,000	\$1,150	4Q11	Samsung Heavy	Korea	2011	--
58 Tanker Pacific	Pacific Drilling	Pacific Scirocco	Samsung 12000	10,000	\$650	2Q11	Samsung Heavy	Korea	2011	--
59 Tanker Pacific	Pacific Drilling	Pacific Mistral	Samsung 10000	10,000	\$650	2Q11	Samsung Heavy	Korea	2011	--
60 Tanker Pacific	Pacific Drilling	Pacific Santa Ana	Samsung 12000	10,000	\$650	3Q11	Samsung Heavy	Korea	2011	Chevron
61 Vantage Drilling	Vantage Drilling	Dalian Developer	MPF 1000	10,000	--	3Q12	COGSO	China	2012	--
62 Vantage Drilling	Vantage Drilling	DragonQuest	Daewoo Shipbuilding & Marine	10,000	\$782	3Q11	Daewoo	Korea	2011	Petrobras
63 Vantage Drilling	Vantage Drilling	Cobalt Explorer	Daewoo Shipbuilding & Marine	10,000	\$672	3Q13	Daewoo	Korea	2013	--
64 Pride	Pride	Pride Drsh Tbn5	Samsung 12000	10,000	\$600	3Q13	Samsung Heavy	Far East	2013	--
65 Contractor TBC	Contractor TBC	Unnamed	Driship (Unknown)	10,000	--	3Q13	Daewoo	Korea	2013	--
66 Contractor TBC	Contractor TBC	Unnamed	Semisubmersible (Unknown)	10,000	--	3Q13	Daewoo	Korea	2013	--

Source: ODS Petrodata

COMPANY SUMMARY

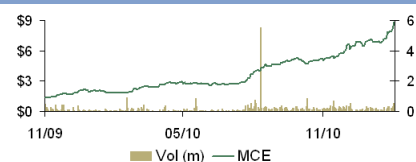
Matrix C & E Ltd

MCE.AX

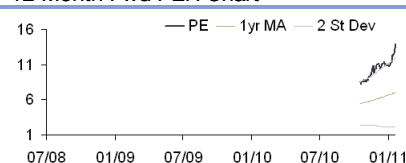
Price Information

Price (\$/share)	8.54
Mkt Cap (\$m)	648
Enterprise Value (\$)	679

Share Price & Volume Chart



12 Month Fwd PER Chart



Business Background

MCE has two divisions, 1. The Composites division supplies buoyancy products to the offshore oil & gas industry. The main market is riser buoyancy, though MCE has a range of products to supply to the production buoyancy market. 2. The Engineering division represents ~5% of revenue. It supplies equipment to the Resources industry and supports Composites above.

Key Drivers

Drivers of the Composites division are: A new facility in Henderson will double existing production capability and reduce costs;

The Malaga plant has seen large production increases over prior years. Oil & gas demand is expected to be robust, particularly in Brazil....

Key Risks

Deep sea oil & gas is high on the cost curve, should the price of oil fall, we expect demand for deep sea products will fall.

Raw material pricing can be cyclical and MCE has little purchasing power. Production expansion is occurring at peers and the current backlog of orders may reduce, applying margin pressure.

VALUATION SUMMARY

DCF Valuation

Risk Free Rate (%)	6.0%
Equity Risk Premium (%)	6.0%
Equity Beta (x)	1.2
Tax Rate (%)	29%
WACC (%)	11.3%
PV of Cash Flows	693
less Net Debt	0
PV of Equity	693
SOI (m)	73
PV of Equity per Share	\$ 9.50

FINANCIAL SUMMARY

Year End - Jun

FY08A FY09A FY10A FY11F FY12F FY13F

KEY METRICS

EPS Growth (%)	-99	122	365	93	19	14
PER (x)	300.0	135.2	29.1	15.0	12.7	11.2
PEG (x)	-3.0	1.1	0.1	0.2	0.7	0.8
P/Free CFPS (x)	665	71	20	156	13	12
Dividend Yield (%)	0.0	0.0	0.0	0.9	2.6	3.0
EV/EBITDA (x)	na	na	23.0	10.5	8.3	7.2
EV/EBIT (x)	480.2	172.2	25.7	11.3	9.0	7.7
ROE (%)	8.2	17.1	45.6	53.4	44.4	38.3
ROA (%)	8.3	8.3	27.2	41.1	40.9	43.4
ROIC (%)	4.2	12.4	33.3	33.7	39.6	42.0

PROFIT & LOSS (AUD \$m)

Revenue	23	54	103	195	237	272
EBITDA	2	6	28	65	78	86
Depreciation & Amortisation	1	2	3	4	6	6
EBIT	1	4	25	60	72	80
Net Interest Expense	0	0	0	-2	-2	-1
Income Tax Expense	0	0	-6	-17	-20	-23
NPAT Reported	1	3	18	41	49	56
Sign. Items & Other	0	0	0	1	0	0
NPAT Adjusted	1	3	18	41	49	56

PER SHARE DATA (cps)

Shares on Issue (m)	25	49	62	72	73	73
EPS Reported	3	6	29	56	67	77
EPS Adjusted	3	6	29	57	67	77
DPS	0	0	0	8	22	25
Free CFPS	1	12	42	5	64	68

BALANCE SHEET (AUD \$m)

Cash	1	1	14	14	16	52
Debtors & Inventory	7	27	51	71	79	89
PP&E	11	19	57	89	87	87
Intangibles	8	8	9	9	9	9
Other Assets	2	8	4	4	4	4
Total Assets	30	64	134	185	195	240
Borrowings	4	6	8	44	15	20
Creditors	8	13	23	32	37	40
Other Liabilities	2	25	44	14	15	15
Total Liabilities	14	44	74	91	67	75
Net Assets	16	21	60	94	127	165

BALANCE SHEETS RATIOS

Gearing - Debt/Equity (%)	14	20	-9	33	0	-19
Interest Cover (x)	7.4	11.7	98.5	28.9	30.0	86.7
Leverage (x)	1.0	0.7	-0.2	0.5	0.0	-0.4
NTA per Share (cps)	29.7	25.1	82.1	118.3	162.6	213.9

CASH FLOW (AUD \$m)

EBITDA	2	6	28	65	78	86
Interest & Tax	0	-1	-1	-19	-22	-24
Working Capital Change	2	6	1	-10	-4	-7
Operating Cash Flow	4	9	26	6	52	55
Maintenance Capex	-4	-3	0	-2	-5	-6
Free Cash Flow	0	6	26	4	47	50
Expansion Capex	0	-7	-41	-34	0	0
Dividends	-1	0	-2	-6	-16	-18
Equity Issues / (Buy Backs)	2	0	27	0	0	0
Proceeds from Borrowings	0	2	3	0	0	0
Other	0	0	0	0	0	0
Net Cash Flow	1	0	12	-36	31	31

DIVISIONAL EBITDA ANALYSIS

Advanced Materials	36.5	91.8	174.2	215.4	249.6	268.1
Heavy Engineering	21.4	10.3	17.0	17.3	17.7	18.0
Operating Revenue	57.9	102.1	191.2	232.7	267.3	286.2
Advanced Materials	2.2	4.5	25.7	63.3	77.0	84.9
Heavy Engineering	0.0	1.0	2.3	1.2	1.0	1.1
Unallocated Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Total EBITDA	2.2	5.5	28.0	64.5	78.1	85.9

Directory

Equities Research Team

Melbourne

Craig Stranger	613 8601 2010	Head, Emerging Companies
Paul Jenz	613 8601 2068	Agribusiness & Energy
Heath Andrews	613 8601 2644	Engineers & Contractors
John Burgess	613 8601 2018	Consumer Services
Andrew Chambers	613 8601 2605	Infrastructure
Andrew Cleland	613 8601 2065	Quantitative
Maribel Quiza	613 8601 2085	Emerging Companies
Andrew Shearer	613 8601 2624	Resources

Sydney

Lawrence Grech	612 9233 9635	Resources
Stefan Hansen	612 9233 9612	Energy
Anna Kassianos	612 9233 9603	Resources
Rohan Sundram	612 9233 9638	Gaming / Small Property
David Barilla	612 9233 9652	Resources

Private Clients

Melbourne

Merrick Abraham	613 8601 2077	Client Adviser
John Axsentieff	613 8601 2042	Senior Client Adviser
Ryan Batros	613 8601 2614	Client Adviser
Damien Brown	613 8601 2636	Client Adviser
Thomas Ha	613 8601 2658	Client Adviser
Kate Hanrahan	613 8601 2058	Client Adviser
Michael Heffeman	613 8601 2053	Senior Client Adviser
Mark Hindle	613 8601 2655	Client Advisor
Xiaoming Huang	613 8601 2088	Client Adviser
Mark O'Brien	613 8601 2002	Client Advisor
Daniel McFarlane	613 8601 2639	Client Adviser
Luke Pavone	613 8601 2071	Client Adviser
Nicholas Perez-Mathews	613 8601 2694	Client Adviser
Stephen Sun	613 8601 2001	Client Adviser
Enzo Salvatore	613 8601 2081	Senior Client Adviser
Patrick Trindade	613 8601 2669	Client Adviser
Patrick Verhoeven	613 8601 1954	Client Advisor

Sydney

Owen Beattie	612 9233 9621	Client Adviser
David Dwyer	612 9233 9643	Client Adviser - Options
Josh Graham	612 9233 9645	Client Adviser - Options
Jason Norval	612 9233 9625	Client Adviser
Mark Schwarz	612 9233 9642	Client Adviser - Options
Peter Semaan	612 9233 9649	Client Adviser
Edward Tao	612 9233 9609	Client Adviser

Institutional Sales

Melbourne

Tony Smith	613 8601 2041	Co-Head of Institutional Sales
Stuart Low	613 8601 2022	Research Sales
Chris Walker	613 8601 2038	Research Sales
Matthew White	613 8601 2641	Sales Trading
Robert Wood	613 8601 2031	Head of Sales Trading

Sydney

Bruce Rolin	612 9233 9651	Co-Head of Institutional Sales
Leo Borovilas	612 9233 9606	Sales Trading
Mark Pashley	612 9233 9641	Sales Trading
Doc Cromme	612 9233 9608	Research/Sales Trading
Gavin Todd	612 9233 9639	Research Sales
James Wilson	612 9233 9607	Research Sales
Chris Chia	612 9233 9605	Asia Research Sales

Corporate Finance

Melbourne

Dale Moroney	613 8601 2035	Managing Director
Harry Kingsley	613 8601 2089	Director
Stephen Nossal	613 8601 2017	Director
Jonathan Tooth	613 8601 2006	Director
Terence Wong	613 8601 2651	Associate
John So	613 8601 2033	Associate
Yehuda Gottlieb	613 8601 2618	Analyst

Sydney

James Green	612 9233 9613	Director
Andrew Champion	612 9233 9647	Director
Paul Levitt	612 9233 9626	Analyst
Grant Wong	612 9233 9656	Analyst

Equity Capital Markets

Robert Thomson	613 8601 2078	Head of ECM
Brooke Picken	613 8601 2025	ECM

OFFICE LOCATIONS AND DISCLOSURE**Melbourne**

Level 12, 15 Williams Street
 Melbourne VIC 3000
 Phone: 613 8601 2000
 Fax: 613 9600 1138

Sydney

Level 9, 56 Pitt Street
 Sydney NSW 2000
 Phone: 612 9233 9600
 Fax: 612 9251 9368

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Buy	Hold	Sell
>20%	20% – 5%	<5%

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