



MACQUARIE  
ACN 002 574 923

# Macquarie Private Wealth



## Boart Longyear

### Business Description

Boart Longyear Limited (BLY) is an integrated drilling services and drilling products provider, producing, manufacturing and operating equipment for the minerals industry, with a presence in the Environmental & Infrastructure and Energy industries. BLY operates in the Asia Pacific region, Canada, the United States, South America and Europe.

### Strategy Analysis

Organic growth is leveraged to the commodities growth cycle which we think remains strong over the medium term. The manufacturing division recently closed four facilities in Europe and South Africa with production moved to China and Poland. This should improve manufacturing margins over the medium term as scale benefits materialise. Acquisitions are the key growth driver, particularly in emerging markets over the short-medium term. Long term success depends on successful diversification away from minerals exploration and into other growth areas such as environmental and infrastructure drilling. Boart Longyear reported NPAT up 93.2% to US\$156.72m for the year ended 31 December 2008. Revenue from ordinary activities were US\$1.84bn, up 16.7% from last year. Basic and Diluted EPS were 10.4 US cents compared to 5.4 US cents last year. Net operating cash flow was US\$142.87m compared to US\$157.78m last year. The final dividend declared was nil, taking the full year dividend to 2.3 US cents compared with 1.5 US cents last year.

06 September 2010

### Recommendation

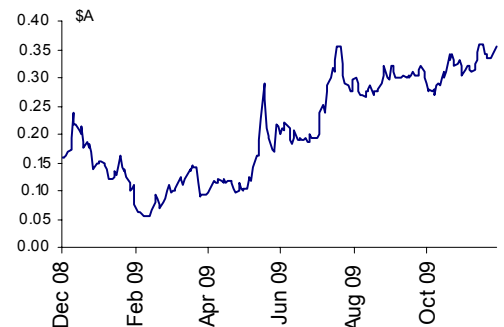
Recommendation: Outperform  
Relative to: All Ind (ex Fins)

### Investment Fundamentals

ASX code: BLY  
Stock price: \$3.17  
Market cap: \$1,462m

Y/E	31/12/2010	2010e	2011e	2012e	2013e	
Reported e	\$m	88.6	129.4	194.3	246.3	
Adjusted e	\$m	88.6	129.4	194.3	246.3	
EPS adjusted	¢	19.2	28.1	42.1	53.4	
EPS growth	%	-215	431.6	46.1	50.2	26.7
PE	x	16.5	11.3	7.5	5.9	
PE relative	x	1.3	1.0	0.7	0.6	
DPS	¢	5.7	8.4	12.6	16.0	
Yield	%	1.8	2.7	4.0	5.1	
Franking	%	35.0	35.0	35.0	35.0	

### 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
Global Drilling Services	75.4	9.3	9.8	-0.2%	-44.0%
Global Products	24.6	7.2	6.7	0.0%	0.0%
<b>Total</b>	<b>100.0</b>	<b>16.5</b>	<b>16.5</b>		
Results by Geography				Dividend Reinvestment	
North America	47.3	0.0	0.0	Plan	No
Asia Pacific	28.2	0.0	0.0	Shareholder	
Latin America	11.5	0.0	0.0	Discounts	No
Africa	8.4	0.0	0.0		
Europe	4.6	0.0	0.0		
<b>Total</b>	<b>100.0</b>				

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**Disclosure:** In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that The Macquarie Group acted as Joint Lead Manager, Joint Underwriter and Joint Bookrunner to Boart Longyear Limited in respect of its placement and entitlement offer as announced 17 August 2009. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from Boart Longyear Limited.

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