



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.

06 September 2010

Recommendation

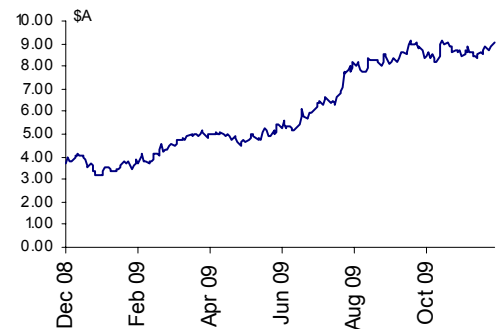
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: DOW
Stock price: \$4.25
Market cap: \$1,438m

Y/E	30/06/2010	2011e	2012e	2013e	2014e
Reported e	\$m	190.8	224.2	249.0	272.2
Adjusted e	\$m	179.4	212.9	237.7	260.8
EPS adjusted	¢	53.0	62.2	68.8	74.6
EPS growth	%	-7.3	17.5	10.5	8.5
PE	x	8.0	6.8	6.2	5.7
PE relative	x	0.6	0.6	0.6	0.6
DPS	¢	29.0	31.0	33.0	35.0
Yield	%	6.8	7.3	7.8	8.2
Franking	%	25.0	50.0	75.0	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 Services	35.9	14.3	6.2	-45.0%	
Works	31.6	10.9	6.1	-7.0%	
Mining	17.4	7.3	5.2	-2.0%	
Rail	15.1	9.9	6.8	10.0%	
Total	100.0	42.4	24.3		
Results by Geography				Dividend Reinvestment Plan	Yes
Australia	74.7	0.0	0.0	Shareholder Discounts	No
Pacific	16.7	0.0	0.0		
South East Asia	5.5	0.0	0.0		
Other	2.4	0.0	0.0		
North East Asia	0.8	0.0	0.0		
Total	100.1				

Company contact details:

Downer EDI Limited
Level 3, 190 George St
Sydney NSW 2000
Tel: (02) 9240 9000

www.downeredi.com.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

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