



MACQUARIE  
ACN 002 574 923

# Macquarie Private Wealth



## Envestra

### Business Description

Envestra Limited (ENV) is the largest distributor of natural gas in Australia, with networks in South Australia, Victoria, Queensland, NSW, and the Northern Territory. ENV listed in August 1997 as a spinoff of Origin Energy's (ORG) SA, QLD and NT gas distribution networks. Envestra securities are stapled securities, comprising a share and a loan note. Revenues are derived from haulage and services through its networks.

### Strategy Analysis

Envestra's strategy is to expand its current networks and build and acquire new networks. In Queensland, there was a substantial increase in new customer connections resulting from the introduction of an energy policy by the Government which requires the installation of gas hot water heaters wherever natural gas is available. Government carbon reduction policies will likely push costs up but any impost on the company will ultimately be recovered from consumers through a combination of the regulatory Access Arrangements and the haulage agreements the company has with retailers and directly with large businesses. Envestra reported NPAT of \$26.1m for the half-year ended 31 December 2008. Revenue from ordinary activities were \$209.1m, up 11.8% from the same period last year. Basic and Diluted EPS were 2.91 cents compared to 20.03 cents last year. Net operating cash flow was \$79.5m compared to \$71.3m last year. The interim dividend declared was 4.5 cents compared with 3.80 cents last year.

08 September 2010

### Recommendation

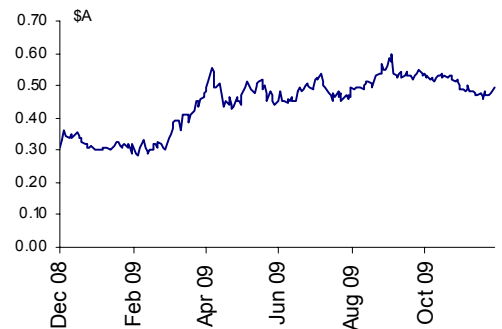
Recommendation: Neutral  
Relative to: Small Ind (ex Fins)

### Investment Fundamentals

ASX code: ENV  
Stock price: \$0.54  
Market cap: \$742m

	Y/E 30/06/2010	2011e	2012e	2013e	2014e
Reported e	\$m	39.9	42.7	42.0	41.7
Adjusted e	\$m	39.9	42.7	42.0	41.7
EPS adjusted	¢	2.8	2.9	2.8	2.7
EPS growth	%	4.9	3.3	-4.8	-4.2
PE	x	19.0	18.4	19.3	20.2
PE relative	x	1.2	1.6	2.0	2.1
DPS	¢	5.5	5.5	5.5	5.5
Yield	%	10.3	10.3	10.3	10.3
Franking	%	0.0	0.0	0.0	

### Share Price



Source: ASX and Company accounts

Segment Performance				Annual Shareholders' Return	
Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	1 year	8.0%
Provision of Natural Gas	100.0	100.0	100.0	3 year	-6.0%
Haulage Services				5 year	-1.0%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	10 year	9.0%
Results by Geography				Dividend Reinvestment Plan	Yes
Australia	100.0	7.9	53.5	Shareholder Discounts	No
<b>Total</b>	<b>100.0</b>				

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