Morningstar™ Equities Research Daily Roundup

22 April 2013

Today's Research

ASX Code	Company Name	Previous Recommendation	New Recommendation	Reason
IGO	Independence Group	Accumulate	▼ Hold	$
MAH	Macmahon Holdings	Reduce	▲ Hold	$
OZL	OZ Minerals	Buy	▼ Accumulate	$
WOR	WorleyParsons	Hold	▲ Accumulate	$
FBU	Fletcher Building	Reduce	Reduce	
FBU-NZ	Fletcher Building	Reduce	Reduce	

Research Highlights

Independence Group IGO | 3.29

Downgrade due to price change.

Recommendation: Hold

Macmahon Holdings MAH | 0.175

Upgrade due to price change.

Recommendation: Hold

OZ Minerals OZL | 4.81

Downgrade due to price change.

Recommendation: Accumulate

WorleyParsons WOR | 22.66

Upgrade due to price change.

Recommendation: Accumulate

Fletcher Building FBU | 6.92

Big and diverse but low barriers to entry keep the competition coming

Recommendation: Reduce

Event

Fletcher Building's current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements.

CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses with their own independent back office functions, and NZD 800 million is spent on third-party supplies across the group each year. It is odd Fletcher has not utilised its scale, both to run more cost efficiently but also take advantage of cross selling opportunities.

Last week's decision to restructure the Crane group is another step in that direction. The Iplex pipelines and Crane tubes businesses will report to the Infrastructure division, bringing all pipe and tube businesses together.

Impact

We have increased our fair value estimate for Fletcher Building from AUD 5.00 to AUD 5.50 per share. Average revenue growth of 4.5% over the next five years, previously 3%, includes double digit growth in 2014 and 2015, buoyed by the Christchurch rebuild and improvement in housing starts. Group EBIT margins were a disappointing 6.3% in fiscal 2012, but we see this improving to around 8% by fiscal 2015 on the back of volume growth and efficiency improvements. Both Australian and New Zealand markets have short-term tailwinds which will fill the void left by soft housing activity.

We do not believe Fletcher Building has been able to build sustainable competitive advantages across its portfolio of construction materials and building products businesses and maintain our no moat rating. Despite strong market share positions, products that are commoditylike in nature result in a lack of product differentiation, meaning low switching costs or barriers to entry, and ultimately modest returns on invested capital.

Fletcher Building FBU-NZ | 8.41

Big and diverse but low barriers to entry keep the competition coming

Recommendation: Reduce

Event

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Impact

Research Highlights

We have increased our fair value estimate for Fletcher Building from NZD 6.50 to NZD 7.00 per share. Average revenue growth of 4.5% over the next five years, previously 3%, includes double digit growth in 2014 and 2015, buoyed by the Christchurch rebuild and improvement in housing starts. Group EBIT margins were a disappointing 6.3% in fiscal 2012, but we see this improving to around 8% by fiscal 2015 on the back of volume growth and efficiency improvements. Both Australian and New Zealand markets have short-term tailwinds which will fill the void left by soft housing activity.

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17:21 AAC Australian Agricultural Company Provides Darwin Abattoir Construction Update

Australian Agricultural Company announced the completion of stage one civil works for its proposed $85m Darwin Abattoir. The company plans to fund the construction off its own balance sheet. Construction is on track to begin operation around the end of the 2013 calendar year.

17:00 PRR Prima BioMed Reports Negative Cash Flow of $2.86m for the 31 March 2013 Quarter

Prima BioMed reported negative cash flow of $2.86m for the quarter ended 31 March 2013. Operating cash flow for the period was $(2.86m). Investing cash flow was $(1,000). Financing cash flow was nil. Cash in hand at the end of the quarter was $25.18m.

16:55 KAR Karoon Gas Australia Provides Proteus-1 Progress Report No 3

Karoon Gas Australia advised that as at 0600 WST on 19 April 2013, Proteus-1 was drilling ahead in the 12-1/2" hole section at a depth of 4166mRT. Since the last update the 12-1/2" hole section has been drilled from 2913m to its current depth. The Transocean Legend semi-submersible rig is drilling the exploration well, which is operated by ConocoPhillips. ConocoPhillips is the operator of the jointly held WA-314-P, WA-315-P and WA-398-P Browse Basin permits containing the previously announced Greater Poseidon gas discoveries. The company holds 40% of the permit WA-315-P and WA-398-P, and 90% of permit WA-314-P. Proteus-1 is the third well in the exploration program. Proteus-1 is located in permit WA-398-P on a large tilted fault block approximately 14km south-east of the Poseidon-1 discovery well.

14:34 SBM St Barbara Completes Sale of Southern Cross Operations

St Barbara advised that it has completed the sale of the Southern Cross Operations to Hanking Gold Mining, a subsidiary of China Hanking Holdings. Southern Cross Operations ceased mining and processing operations during the December 2012 quarter, and had subsequently been placed onto care and maintenance. Final consideration for the sale is $18.0m cash as well as the assumption by the Purchaser of rehabilitation obligations applying to the tenements being sold. The final consideration is lower than the sale price of $22.5m originally announced on 9 January 2013, due to the renegotiation of certain third party interests, a third party exercising its pre-emptive right to acquire specific Southern Cross assets and normal settlement adjustments associated with a transaction of this nature. Full consideration for the sale has been received in cash.

15:02 DML Discovery Metals Reports Negative Cash Flow of US$31.37m for the 31 March 2013 Quarter

Discovery Metals reported negative cash flow of US$31.37m for the quarter ended 31 March 2013. Operating cash flow for the period was US$(19.37m). Payments for exploration and evaluation were US$(1.72m). Investing cash flow was nil. Financing cash flow was US$(12.0m). Cash in hand at the end of the quarter was US$16.93m. At the Boseto copper project during the quarter, a 53% increase in copper and a 62% increase in silver production was recorded quarter-on-quarter. 4,183t Cu and 185,756oz Ag in concentrate was produced during the quarter, the best quarterly metal production to date.

13:50 PAN Panoramic Resources Announces Lake Grace and Griffins Find Farm-Out

Panoramic Resources announced that it has farmed out the Lake Grace and Griffins Find exploration projects to Auzex Exploration. The company acquired the Lake Grace and Griffins Find projects as part of its off-market takeover of Magma Metals in 2012. The tenement package is situated in the south west of WA, around the regional community of Lake Grace. The project area is located south of Auzex's existing Tampia gold project. Auzex will sole fund $2.4m expenditure over 18 months to earn a 60% interest in Lake Grace and Griffins Find. All conditions precedent have been met and the Farm-in and JV

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Agreement has been executed. Auzex can withdrawal at any time during the 18-month farm-in period provided it has contributed not less than $200,000. A JV will be established after Aurex has earned its interest.

12:40 DLS Drillsearch Energy Announces Bauer Oil Export Pipeline Completion

Drillsearch Energy reported that Beach Energy, operator of the PEL 91 JV, has advised that the commissioning of the Bauer-to-Lycium Crude Oil Pipeline is commencing during the week starting Monday, 22 April 2013. The PEL 91 JV is comprised of the company (60%) and Beach Energy (40%). The initial installed capacity of the oil export pipeline is 10,000 barrels of oil per day. Ramp up to full operation of field production facilities and pipeline oil exports is expected to reach approximately 10,000 barrels of gross oil per day by the first week of May 2013. With the commissioning of the pipeline, the company's net oil production is expected to increase to approximately 6,000 barrels per day and will be substantially protected from weather-related interruptions.

13:38 KRM Kingsrose Mining Reports Negative Cash Flow of $6.37m for the 31 March 2013 Quarter

Kingsrose Mining reported negative cash flow of $6.37m for the quarter ended 31 March 2013. Operating cash flow for the period was $(5.97m). Payments for exploration and evaluation were $(763,000). Investing cash flow was $(226,000). Financing cash flow was $(178,000). Cash in hand at the end of the quarter was $2.55m.

13:27 KRM Kingsrose Mining Provides March 2013 Quarterly Activities Report

Kingsrose Mining provided its March 2013 quarterly activities report, reporting that the company's focus during the quarter was on the commencement of various development activities at Talang Santo following the approval by the Indonesian Mines Department to commence these activities. Production levels at the Way Linggo mine decreased as a result of the decision to suspend remnant mining and pillar recovery and instead focus activities on development of the 4 level area and in proximity to historical exploration drilling that returned high-grade silver results. The Way Linggo gold project produced 1,395oz of gold and 15,226oz of silver for the quarter.

11:03 KAR Karoon Gas Australia Provides Bilby-1 Progress Report No 2

Karoon Gas Australia advised that as at 0600 hours BRST on 19 April 2013, the Bilby-1 exploration well was drilling ahead in 17-1/2" hole at 1626mRT. Since the last report, the well was drilled to 1190mRT where 20" casing was installed and safety equipment was satisfactorily tested. The well then commenced drilling ahead in 17-1/2" hole. Bilby-1 is located within Block S-M-1166 and has multiple targets at several geological levels, including the Santonian, Campanian and Eocene. The well is expected to continue into May 2013 with results being released as they become available.

11:15 HIL Hills Holdings Provides Chairman's Address to Shareholders

Hills Holdings provided its chairman's address to the company's 19 April 2013 general meeting. The chairman reported that the purpose of the meeting was to provided an update on: the company's financial performance in the first half of this financial year; progress on the restructure and transformation of the company, and savings generated by this process; the company's vision and new strategic direction; and the planned innovation and future investment in the company. The company's revenue for the half year was $551.3m. EBIT, and before cash generating unit impairment, restructuring and closure costs and other associated impairments for the half was $15.7m. The corresponding NPAT number was $8.2m. These EBIT and NPAT figures are non-IFRS numbers which the company uses internally to assess the operating performance of the business.

10:08 SGT Singapore Telecommunications Announces Optus Wins Suretek Contract

Singapore Telecommunications advised that Optus Business has announced a five-year, $60m contract with Suretek, for the

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delivery of fixed network and high-speed mobile services. The deal will also support Suretek in the delivery of new capabilities and an improved customer experience in the Asia-Pacific region. Suretek is a specialist provider of security solutions including wireless alarm communications, remote video-monitoring and redundancy solutions. As part of the agreement, Suretek has moved its Securedial/Securecall 1345 Service for alarm transmissions onto the Optus network, with further plans to transition these services to a full wireless model with Optus for greater manageability. The deal will also see Suretek's inbound voice, as well as fixed and wireless data services, switched over to Optus from its current service provider.

09:42 STO Santos Provides March 2013 Quarterly Activities Report

Santos provided its March 2013 quarterly activities report, reporting first quarter production of 12.1 million barrels of oil equivalent (mmboe), 2% lower than the first quarter of 2012. Gas production of 52.8 PJ (9.1 mmboe) was in line with the corresponding period, with higher Otway Basin production offset by lower production from the Cooper Basin due to major planned shutdowns. The average gas price of $5.43/GJ for the quarter was a record and 4% higher than the corresponding quarter, driven by higher Eastern Australian and Asian gas prices. Also during the quarter, the Fletcher Finucane oil project, offshore WA, progressed well with first oil expected ahead of schedule by mid-2013; the PNG LNG is over 80% complete and on track for first LNG in 2014; and the GLNG is over 50% complete and on track for first LNG in 2015.

09:32 DML Discovery Metals Trading Halted, Pending Company Announcement

The securities of Discovery Metals will be placed in trading halt session state, at the request of the company, until the earlier of the commencement of normal trading on Tuesday, 23 April 2013 or when the announcement is released to the market.

09:31 CFE Cape Lambert Resources Announces Sale of Leichhardt Project

Cape Lambert Resources advised that as a result of delays, the company has executed a new agreement for the sale of the Leichhardt copper project in Qld. Consideration is $14.75m, of which $1.0m has been received by way of a non-refundable deposit. A further $1.0m non-refundable deposit is payable on 25 April 2013. Completion of the transaction is expected to occur on or before 31 May 2013. In addition to the consideration from the sale, the company will have $5.6m in environmental and cash bonds returned. On completion of the transaction, the company will have approximately $40.0m in available cash.

09:37 SEA Sundance Energy Australia Announces Acquisition of Strategic Land Holding

Sundance Energy Australia announced that it has executed a legally binding agreement to purchase the Sugarloaf Property, located approximately 35km north of the township of Cleve on SA's Eyre Peninsula. The Sugarloaf Property, which lies within the company's Carappee Hill tenement EL 4861, contains the bulk of the Sugarloaf graphite deposit which has an identified Exploration Target of 40-70Mt at 10-12% C. The Sugarloaf Property consists of 568ha of land with 503ha arable and used for winter cropping. The company intends to appoint farm managers who will continue to operate the land on that basis. The purchase of the Sugarloaf Property represents another step toward the company's plans to further develop its graphite projects on the Eyre Peninsula. Settlement is scheduled to take place on 31 May 2013.

12:55 RMS Ramelius Resources Provides March 2013 Quarterly Activities Report

Ramelius Resources provided its March 2013 quarterly activities report, reporting group quarterly production of 20,514 fine ounces of gold at a cash cost of $1,076 per ounce for the quarter. Mt Magnet production in WA increased to 14,553 fine ounces of gold at a cash cost of $1,396 per ounce, with record production of 5,831 ounces in the month of March. \u1 Milling of Wattle Dam and remnant ore at Burbanks produced 5,961 fine ounces of gold at a cash cost of $296 per ounce. The company also reported that mining commenced at the high grade Western Queen project in WA, with first ore to be delivered

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to Mt Magnet in the September quarter 2013; and a mining proposal for the high grade Coogee deposit in WA was lodged with the DMP during the quarter after securing all other relevant licences.

09:18 LYC Lynas Corporation Reports Negative Cash Flow of $32.45m for the 31 March 2013 Quarter

Lynas Corporation reported negative cash flow of $32.45m for the quarter ended 31 March 2013. Operating cash flow for the period was $(15.84m). Payments for exploration and evaluation were nil. Investing cash flow was $(10.45m). Financing cash flow was $(6.16m). Cash in hand at the end of the quarter was $193.75m.

09:10 SYD Sydney Airport Announces Traffic Performance for March 2013

Sydney Airport advised that total passenger traffic for March 2013 is estimated to have increased 3.5% on the pcp, with domestic traffic estimated to be up 2.3% on the pcp and international traffic (excluding domestic on-carriage) up 6.0% on the pcp. For international traffic, the major nationality markets that grew included Australia (+4%), Singapore (+50%), Malaysia (+46%), Hong Kong (+33%), China (+19%), USA (+14%), India (+10%), Germany (+9%), New Zealand (+6%), the Philippines (+6%) and the UK (+5%). Indonesia (-24%) and Japan (-8%) were the major nationality markets that declined. The launch of the Qantas and Emirates partnership occurred on 31 March, marking the commencement of code share flights and the move to the new Dubai hub.

09:12 LYC Lynas Corporation Provides March 2013 Quarterly Activities Report

Lynas Corporation provided its March 2013 quarterly activities report, reporting that during the quarter the company achieved first production of separated Rare Earths products for customers and commenced a process of customer product qualification. The Lynas Advanced Materials Plant (LAMP) has now produced the full suite of Rare Earths products and the plant is ramping up towards achieving targeted Phase 1 nominal capacity of 11,000 tonnes per annum REO by the end of Q2 2013. Construction of the Phase 2 expansion of the production capacity of the LAMP to 22,000 tonnes per annum REO was near completion at the end of the quarter. Construction of the Phase 2 expansion of the production capacity in WA was completed during the quarter.

08:52 CDA Codan Responds to ASX Price Query, No New Information

Codan responded to an ASX share price query stating that it is not aware of any information which, if known, could be an explanation for the recent trading in its securities. The company confirmed that it is in compliance with the ASX listing rules.

08:50 PRU Perseus Mining Provides March 2013 Quarterly Activities Report

Perseus Mining provided its March 2013 quarterly activities report, reporting that gold production of 57,179oz during the quarter at the Edikan gold mine in Ghana was 12% above production in the December 2012 quarter and 9% above the previous best quarterly production of 52,669oz. A total of 3,688,301bcm of ore and waste was mined during the quarter, nearly 9% less than in the December 2012 quarter, including 326,615t of oxide ore at 0.7g/t gold and 1,296,779t of transition and primary ore at 1.4g/t gold. The company also reported that it is well prepared to start development of the Sissingue gold mine when fiscal stability arrangements with the Ivorian Government are finalised; and 40,882m of drilling was completed during the quarter, including 7,944m in Ghana and 32,938m in Cote d'Ivoire.

08:36 BTU Bathurst Resources Announces Appeal on Interim Decision

Bathurst Resources advised that The Royal Forest and Bird Protection Society of New Zealand Incorporated has lodged an appeal on alleged points of law to the High Court against the interim legal decision of the Environment Court on 28 March 2013

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over: the amount of coal to be mined; the biodiversity offset and compensation offered; and conditions relating to the exclusion of mining in an area known as the Barren Valley. The company will be seeking a hearing date as soon as possible. A further announcement will be made when that date has been advised.

Dividends Declared and Payable

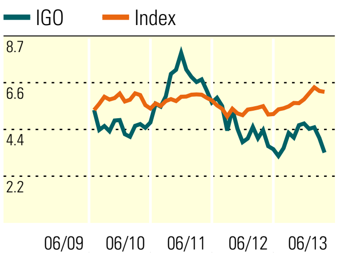
ASX Code	Company Name	Ex Dividend Date	Dividend Pay Date	Amount	Franking%
NABHA	NAT.INC.SEC. STAPLED	23 Apr, 13	15 May, 13	101.67	
SST	Steamships Trading Company	23 Apr, 13	14 May, 13	0.00	0.00
TRU	Trust Company	29 Apr, 13	17 May, 13	18.00	100.00
AQNHA	FRN 01-APR-19	01 May, 13	15 May, 13	187.02	
TAHHA	BOND 01-MAY-14	01 May, 13	15 May, 13	175.00	
XVGZA	5.75% LN 15-NOV-16	01 May, 13	15 May, 13	287.50	
XVGZE	5.5% LN 15-NOV-18	01 May, 13	15 May, 13	2,750.00	
AJJ	Asian American Medical Group	02 May, 13	22 May, 13	0.10	0.00
BOQ	Bank of Queensland	02 May, 13	27 May, 13	28.00	100.00
XVGZC	5.50% LN 17-NOV-26	03 May, 13	17 May, 13	2,750.00	
API	Australian Pharmaceutical Industries	06 May, 13	07 Jun, 13	1.50	100.00
HGG	Henderson Group	06 May, 13	31 May, 13	7.86	0.00
LEPHC	FRN UNSEC 20-AUG-14	06 May, 13	20 May, 13	169.22	
WAT	Waterco	06 May, 13	14 Jun, 13	3.00	100.00
GSBI21	GSB 5.75% 15-MAY-21	08 May, 13	15 May, 13	288.00	
KNH	Koon Holdings	08 May, 13	30 May, 13	0.00	0.00
PET	Peters Macgregor Investments	08 May, 13	15 May, 13	9.00	55.56
TWD	Tamawood	08 May, 13	05 Jun, 13	8.00	100.00
XCLWH	6.50% LN 15-MAY-13	08 May, 13	15 May, 13	325.00	
XCLWM	5.75% LN 15-MAY-21	08 May, 13	15 May, 13	287.50	
ANZ	ANZ Bank	09 May, 13	01 Jul, 13	0.00	0.00
BENHB	PERP.FLOATING CAP.NT	09 May, 13	30 May, 13	95.58	
SBKHB	UNSEC.PERP.CAP NOTE	09 May, 13	30 May, 13	89.49	
UOS	United Overseas Australia	09 May, 13	31 May, 13	2.00	0.00
WBCHA	UNSEC.FRN 23-AUG-22	09 May, 13	23 May, 13	139.68	
ALF	Australian Leaders Fund	10 May, 13	23 May, 13	6.00	100.00
WOWHC	FRN II 24-NOV-36	10 May, 13	24 May, 13	150.16	
BUG	Buderim Ginger	13 May, 13	31 May, 13	3.00	0.00
FNP	Freedom Nutritional Products	13 May, 13	31 May, 13	1.00	100.00
GSIO15	GSI4.0%INDEX 20AUG15	13 May, 13	20 May, 13	167.03	
GSIO20	GSI4.0%INDEX 20AUG20	13 May, 13	20 May, 13	154.56	
NXBHD	FRN NEXUS4 23-JUN-15	13 May, 13	25 May, 13	0.00	
PAN	Panoramic Resources	13 May, 13	31 May, 13	1.00	100.00
XCLWD	4.0% LN 20-AUG-15	13 May, 13	20 May, 13	100.00	
XCLWE	4.0% LN 20-AUG-20	13 May, 13	20 May, 13	100.00	
XQLQG	2.75% LN 20-AUG-30	13 May, 13	20 May, 13	68.75	
GSIC22	GSI1.25%INDEX21FEB22	14 May, 13	21 May, 13	32.00	
XCLWAB	1.25% LN 21-FEB-22	14 May, 13	21 May, 13	31.25	
XQLQL	5.75% LN 21-NOV-14	14 May, 13	21 May, 13	287.50	
LKOG	10% CN 30-NOV-14	17 May, 13	31 May, 13	50.00	

Independence Group NL IGO

Snapshot

Business Risk	Very-High
Price Risk	High
Moat Rating	None
Fair Value $	4.00
Market Cap $Mil	766
Morningstar Style Box	
Last Price $	3.29
52 Week High/Low $	5.05/2.91
Yield Fcst Yr 1 %	0.3
Shares Issued Mil	233
Sector	GICS - Materials

Price vs. Market



	06/11	06/12	06/13e	06/14e
NPAT ($Mil)	26.7	4.4	33.6	53.8
EPS ¢	18.7	2.0	14.3	22.9
EPS Chg %	-26.0	-89.3	612.9	60.0
DPS ¢	7.0	3.0	1.0	6.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	1.1	0.7	0.3	1.8
P/E x	34.5	222.8	23.0	14.3

Source: Morningstar analyst estimates.

Business Description

Independence Group NL (IGO) is a mining and exploration company focusing primarily on mineral exploration and nickel, copper and zinc mining in Australia. IGO operates mainly in four segments, being Long Nickel Mine, Jaguar/Bentley, Development Projects (Tropicana Gold and Stockman Projects), and other regional exploration.

Analyst Recommendation: **Hold** — 19 Apr 2013

▼**3.29** Last Price

Buy | Accumulate | **Hold** | Reduce | Sell

$ 2.00 3.20 5.00 7.00

Investment Rating by Mathew Hodge 04 March 2013

Independence Group produces almost 10,000 tonnes of nickel a year from its Long mine near Kambalda in Western Australia. Cash costs are near the industry average but margins suffer from nickel price weakness following Chinese nickel pig iron production expansion. Life is relatively short at around five years based on reserves and eight on resources but the mine has a history of extensions though exploration. Attributable production of 140-150,000 ounces a year from the 30% owned, 7.9 million ounce Tropicana gold resource is likely from late 2013. The troubled acquisition of Jabiru Metals in 2011 brings exposure to copper and zinc via the Jaguar mine in Western Australia and the Stockman project in Victoria. The balance sheet is sound with AUD 88 million net cash at the end of 2012 but will deplete with development of Tropicana. A AUD 170 million debt facility was secured in 2013 and provides flexibility. Suitable only for investors with a high risk tolerance seeking exploration and development upside.

Research Archive

Date	Price $	Recommendation	Event
19 Apr 2013	3.29	Hold	$
Price move through trigger level			
18 Apr 2013	3.11	Accumulate	$
Price move through trigger level			
04 Mar 2013	4.47	Hold	
Earnings to Grow but Largely Priced In			
06 Feb 2013	4.66	Hold	
Improving off a low base			

$ = Price Move = Research Report

Financials

Financials	06/10	06/11	06/12	06/13e	06/14e
Sales Revenue ($Mil)	111.1	154.6	208.3	245.5	307.6
EBITDA Margin %	42.9	33.1	16.6	30.5	35.7
EBIT ($Mil)	34.9	23.8	-4.6	50.3	75.8
EBIT Margin %	31.4	15.4	-2.2	20.5	24.7
Adjusted NPAT ($Mil)	28.7	26.7	4.4	33.6	53.8
Reported NPAT ($Mil)	28.7	5.5	-283.6	33.6	53.8
Earnings Per Share ¢	25.3	18.7	2.0	14.3	22.9
Avg no. of Shares ($Mil)	113.7	142.6	218.7	234.2	234.5
Book Value Per Share ¢	188.8	570.7	372.2	359.8	382.4
Net Operating Cashflow ($Mil)	64.0	65.1	43.4	92.7	101.5
Capex ($Mil)	-42.0	-88.0	-166.1	-217.2	-58.9
Free Cash Flow ($Mil)	-11.1	-270.9	222.8	-103.4	40.0

Consensus out of 6 analysts

	12A	13E	14E
EPS ¢	40.0	13.0	29.0
DPS ¢	3.0	2.0	8.0
Dividend Yield %	0.9	0.7	2.4

Key Dates

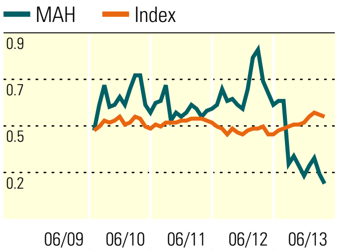
Fiscal Year End	30 Jun	AGM	21 Nov 2012
Listing Date	17 Jan 2002	DRIP	None

Macmahon Holdings Limited MAH

Snapshot

Business Risk	High
Price Risk	High
Moat Rating	None
Fair Value $	.15
Market Cap $Mil	221
Morningstar Style Box	
Last Price $	0.18
52 Week High/Low $	0.78/0.17
Yield Fcst Yr 1 %	0.0
Shares Issued Mil	1,262
Sector	GICS - Capital Goods

Price vs. Market



	06/11	06/12	06/13e	06/14e
NPAT ($Mil)	38.7	56.1	-19.9	45.1
EPS ¢	5.2	7.4	-1.6	3.6
EPS Chg %	1.6	44.4	-121.2	–
DPS ¢	0.0	4.0	0.0	1.0
Franked %	0.0	100.0	100.0	75.0
Div Yld %	0.0	6.2	0.0	5.7
P/E x	11.0	8.6	-11.1	4.9

Source: Morningstar analyst estimates.

Business Description

Macmahon Holdings Limited (MAH) is a construction and contract mining company with major projects located in Australasia, Asia and Africa. MAH's core business includes diversified construction and mining services which span the marine, transport, water, rail and resource sectors.

Analyst Recommendation: **Hold** 19 Apr 2013

0.17 Last Price

Buy	Accumulate	**Hold**	Reduce	Sell

$ 0.05 0.10 0.20 0.25

Investment Rating by Ross MacMillan 08 March 2013

Macmahon (Macmahon) provides mining services in Australia, Asia and Africa. Macmahon's construction business was sold to Leighton Holdings in February 2013. The mining services business undertakes surface and underground mining and is strongly leveraged to the resources boom, with exposure to iron ore, coal, limestone, diamonds and copper. The company has strongly benefited from robust domestic mining activity but struggles with project management ability. An equity raising in January 2013 has ensured a stronger balance sheet. But the mining services industry is highly cyclical, volatile and competitive, which can adversely impact earnings. This is a no-moat business. The company remains 19% owned by Leighton Holdings (Leighton).

Research Archive

Date	Price $	Recommendation	Event
19 Apr 2013	0.17	Hold	$
Price move through trigger level			
22 Mar 2013	0.22	Reduce	$
Price move through trigger level			
08 Mar 2013	0.28	Sell	
The new new Macmahon			
27 Feb 2013	0.34	Sell	
Dedicated full service mining contractor			

$ = Price Move = Research Report

Financials	06/10	06/11	06/12	06/13e	06/14e
Sales Revenue ($Mil)	896.4	1,089.4	1,661.5	1,110.5	1,283.1
EBITDA Margin %	7.2	11.9	7.9	2.1	10.6
EBIT ($Mil)	20.9	72.7	52.8	-24.4	80.8
EBIT Margin %	2.3	6.7	3.2	-2.2	6.3
Adjusted NPAT ($Mil)	37.9	38.7	56.1	-19.9	45.1
Reported NPAT ($Mil)	37.9	0.8	56.1	-90.9	45.1
Earnings Per Share ¢	5.1	5.2	7.4	-1.6	3.6
Avg no. of Shares ($Mil)	745.9	749.4	752.6	1,261.7	1,261.7
Book Value Per Share ¢	45.0	43.1	47.4	32.8	36.3
Net Operating Cashflow ($Mil)	116.5	130.1	87.3	-7.2	66.0
Capex ($Mil)	-51.7	-82.1	-186.4	-198.9	-177.8
Free Cash Flow ($Mil)	51.3	81.0	-24.0	-178.3	-99.3

Consensus out of 6 analysts	12A	13E	14E
EPS ¢	7.0	1.0	4.0
DPS ¢	4.0	0.0	1.0
Dividend Yield %	22.9	0.6	6.7

Key Dates

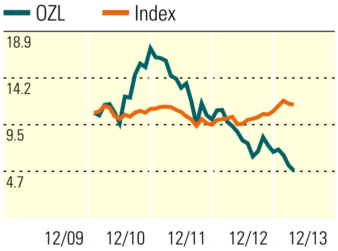
Fiscal Year End	30 Jun	AGM	09 Nov 2012
Listing Date	01 Dec 1983	DRIP	Active

OZ Minerals Limited OZL

Snapshot

Business Risk	High
Price Risk	High
Moat Rating	None
Fair Value $	8.00
Market Cap $Mil	1,460
Morningstar Style Box	
Last Price $	4.81
52 Week High/Low $	9.75/4.63
Yield Fcst Yr 1 %	4.2
Shares Issued Mil	303
Sector	GICS - Materials

Price vs. Market



	12/11	12/12	12/13e	12/14e
NPAT ($Mil)	322.7	152.0	92.3	107.0
EPS ¢	100.5	49.5	30.3	35.1
EPS Chg %	-18.1	-50.7	-38.9	16.0
DPS ¢	60.0	30.0	20.0	20.0
Franked %	0.0	0.0	100.0	100.0
Div Yld %	4.5	3.5	4.2	4.2
P/E x	13.3	17.2	15.9	13.7

Source: Morningstar analyst estimates.

Business Description

OZ Minerals Limited (OZL) is involved in the production of copper and gold from the Prominent Hill mine and development of the Carrapateena copper-gold project located in South Australia. In addition to its operations in Australia, OZL has interests in exploration activities in the Americas, while selling its products to customers in Australia, Asia and Europe.

Analyst Recommendation: **Accumulate** 19 Apr 2013

▼**4.81** Last Price

Buy	**Accumulate**	Hold	Reduce	Sell
$	4.80	6.80	9.20	12.40

Investment Rating by Mathew Hodge 13 February 2013

OZ Minerals´ sole operating mine is Prominent Hill in South Australia producing about 100,000 tonnes of copper and 100-150,000 ounces of gold annually. Copper cash costs in 2012 of USD 1.10-1.20 per pound after substantial gold credits are near the industry average. Life is relatively short at just under 10 years but exploration could extend life via higher cost and smaller scale underground mining. Acquisition of the Carrapateenaproject in May 2011 brought potential for a second mine of similar size. If Prominent Hill's life can be extended, as is likely, then Carrapateena will provide a significant uplift in copper and gold output from late in the decade. Single commodity and mine risk mean OZ Minerals is not for conservative investors. Relatively short life means the company has no moat though development of Carrapateena may improve that statistic.

Research Archive

Date	Price $	Recommendation	Event
19 Apr 2013	4.81	Accumulate	$
Price move through trigger level			
18 Apr 2013	4.64	Buy	$
Price move through trigger level			
08 Apr 2013	4.87	Accumulate	$
Price move through trigger level			
04 Apr 2013	4.65	Buy	$
Price move through trigger level			

$ = Price Move = Research Report

Financials

Financials	12/10	12/11	12/12	12/13e	12/14e
Sales Revenue ($Mil)	1,129.2	1,122.5	1,013.2	944.4	1,020.1
EBITDA Margin %	51.9	52.1	33.5	30.6	31.1
EBIT ($Mil)	433.2	420.3	180.1	109.5	126.2
EBIT Margin %	38.4	37.4	17.8	11.6	12.4
Adjusted NPAT ($Mil)	398.2	322.7	152.0	92.3	107.0
Reported NPAT ($Mil)	209.5	274.5	152.0	92.3	107.0
Earnings Per Share ¢	122.8	100.5	49.5	30.3	35.1
Avg no. of Shares ($Mil)	324.3	321.0	306.9	304.7	304.7
Book Value Per Share ¢	1,014.8	870.5	907.9	914.7	929.9
Net Operating Cashflow ($Mil)	616.1	647.1	318.8	290.3	340.4
Capex ($Mil)	-65.3	-115.5	-353.9	-150.0	-50.0
Free Cash Flow ($Mil)	-18.8	69.9	-146.6	131.7	276.9

Consensus out of 6 analysts	12A	13E	14E
EPS ¢	43.0	35.0	70.0
DPS ¢	30.0	18.0	24.0
Dividend Yield %	6.2	3.7	5.0

Key Dates

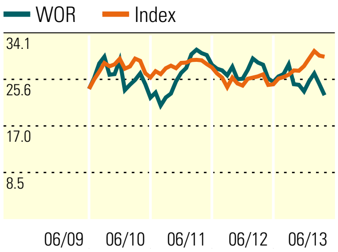
Fiscal Year End	31 Dec	AGM	28 May 2012
Listing Date	01 Jan 1972	DRIP	Suspended

WorleyParsons Limited WOR

Snapshot

Business Risk	High
Price Risk	High
Moat Rating	Narrow
Fair Value $	26.00
Market Cap $Mil	5,509
Morningstar Style Box	
Last Price $	22.66
52 Week High/Low $	29.07/21.74
Yield Fcst Yr 1 %	4.3
Shares Issued Mil	243
Sector	GICS - Energy

Price vs. Market



	06/11	06/12	06/13e	06/14e
NPAT ($Mil)	298.5	345.6	371.3	431.3
EPS ¢	120.6	139.4	149.8	174.0
EPS Chg %	2.7	15.6	7.4	16.2
DPS ¢	86.0	91.0	98.0	110.0
Franked %	57.0	69.2	65.0	60.0
Div Yld %	3.3	3.3	4.3	4.9
P/E x	21.6	19.6	15.1	13.0

Source: Morningstar analyst estimates.

Business Description

WorleyParsons Limited (WOR) provides professional services to the oil & gas, power, minerals & metals and infrastructure & environment industries, including feasibility studies, design, project services, upgrade services and maintenance services. WOR service capability covers the entire asset lifecycle: from identifying the opportunity to the operating phase.

Analyst Recommendation: **Accumulate** — 19 Apr 2013

22.66 Last Price

Buy	**Accumulate**	Hold	Reduce	Sell
$ 17.50	22.50	27.50	34.00	

Investment Rating by Peter Rae 13 February 2013

WOR is well managed with a strong professional reputation and has strong international growth options. The group is strongly cash generative with limited capex requirements and modest gearing, allowing a growing dividend stream over time. Risks include the potential for project delays or complications exacerbated by instability in some areas worked, the difficulty in assessing the order book, and exposure to any further strengthening of the A$. This stock is suitable for longer-term growth investors willing to accept above average risk.

Research Archive

Date	Price $	Recommendation	Event
19 Apr 2013	22.66	Accumulate	$
Price move through trigger level			
13 Feb 2013	25.37	Hold	Research Report
Still looking for growth, but at a slower pace			
06 Feb 2013	25.14	Hold	Research Report
Flat first half expected but favourable energy market conditions to drive fiscal 2013			
08 Jan 2013	24.21	Hold	$
Price move through trigger level			

$ = Price Move = Research Report

Financials

Financials	06/10	06/11	06/12	06/13e	06/14e
Sales Revenue ($Mil)	5,064.6	5,611.4	7,393.8	8,555.0	9,570.0
EBITDA Margin %	9.2	9.6	8.2	7.6	7.5
EBIT ($Mil)	373.0	442.7	502.7	547.7	633.7
EBIT Margin %	7.4	7.9	6.8	6.4	6.6
Adjusted NPAT ($Mil)	291.1	298.5	345.6	371.3	431.3
Reported NPAT ($Mil)	291.1	364.2	353.2	371.3	431.3
Earnings Per Share ¢	117.5	120.6	139.4	149.8	174.0
Avg no. of Shares ($Mil)	247.8	247.5	247.8	247.8	247.8
Book Value Per Share ¢	738.6	744.1	789.8	841.6	905.7
Net Operating Cashflow ($Mil)	0.0	0.0	0.0	462.1	456.0
Capex ($Mil)	-54.5	-43.0	-59.0	-64.9	-69.8
Free Cash Flow ($Mil)	159.8	283.1	371.7	301.3	381.3

Consensus out of 6 analysts

	12A	13E	14E
EPS ¢	139.0	152.0	175.0
DPS ¢	91.0	95.0	108.0
Dividend Yield %	4.0	4.2	4.8

Key Dates

Fiscal Year End	30 Jun	AGM	23 Oct 2012
Listing Date	28 Nov 2002	DRIP	None

Fletcher Building Limited FBU

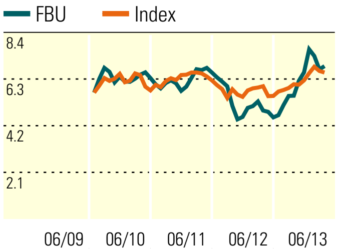
Big and diverse but low barriers to entry keep the competition coming

Analyst Recommendation: **Reduce** 19 April 2013

Snapshot

Business Risk	High
Price Risk	High
Moat Rating	None
Fair Value $	5.50
Market Cap $Mil	4,748
Morningstar Style Box	
Last Price $	6.92
52 Week High/Low $	7.68/4.34
Shares Issued Mil	686
Sector	GICS - Materials

Price vs. Market



	06/11	06/12	06/13e	06/14e
NPAT ($Mil)	276.3	247.0	247.4	324.7
EPS ¢	42.9	36.3	36.3	47.7
EPS Chg %	11.6	-15.5	0.2	31.2
DPS ¢	25.3	26.5	27.9	29.5
Franked %	50.0	50.0	50.0	50.0
Div Yld %	4.0	5.0	4.0	4.3
P/E x	14.8	14.5	19.1	14.6

Source: Morningstar analyst estimates.

Business Description

Fletcher Building Limited (FBU) delivers building products, construction materials and services across Australasia, Asia, the Americas, Europe, the Middle East and the South Pacific. Its main divisions are building products, concrete, construction, crane, distribution, laminates & panels and steels.

▼**6.92** Last Price

Buy	Accumulate	Hold	**Reduce**	Sell

$ 3.30 4.70 6.50 8.50

Investment Rating

Fletcher is a NZ-based manufacturer and distributor of building products as well as being involved in residential and commercial construction projects. It enjoys a dominant position in a number of products and markets in which it operates, but competition from imports remains fierce. Australia and New Zealand account for the bulk of earnings. Formica has to some extent dampened the firm´s competitive advantage and adversely impacted FBU´s return ratios. The Christchurch rebuild provides large earnings opportunities. Growth will moderate over the next five years but not crash, with support from on-going infrastructure and social construction and a recovery in the residential sector. Fletcher is working towards better logistic and sourcing synergies.

Event

► Fletcher Building's current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements.

► CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses with their own independent back office functions, and NZD 800 million is spent on third-party supplies across the group each year. It is odd Fletcher has not utilised its scale, both to run more cost efficiently but also take advantage of cross selling opportunities.

► Last week's decision to restructure the Crane group is another step in that direction. The Iplex pipelines and Crane tubes businesses will report to the Infrastructure division, bringing all pipe and tube businesses together.

Impact

► We have increased our fair value estimate for Fletcher Building from AUD 5.00 to AUD 5.50 per share. Average revenue growth of 4.5% over the next five years, previously 3%, includes double digit growth in 2014 and 2015, buoyed by the Christchurch rebuild and improvement in housing starts. Group EBIT margins were a disappointing 6.3% in fiscal 2012, but we see this improving to around 8% by fiscal 2015 on the back of volume growth and efficiency improvements. Both Australian and New Zealand markets have short-term tailwinds which will fill the void left by soft housing activity.

► We do not believe Fletcher Building has been able to build sustainable competitive advantages across its portfolio of construction materials and building products businesses and maintain our no moat rating. Despite strong market share positions, products that are commoditylike in nature result in a lack of product differentiation, meaning low switching costs or barriers to entry, and ultimately modest returns on invested capital.

Recommendation Impact

No Change

Fletcher Building Limited FBU

Nathan Zaia
Morningstar Analyst

Analyst Note

Fletcher Building's current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements. CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses with their own independent back office functions, and NZD 800 million is spent on third-party supplies across the group each year. It is odd Fletcher has not utilisied its scale, both to run more cost efficiently but also take advantage of cross selling opportunities. Last week's decision to restructure the Crane group is another step in that direction. The Iplex pipelines and Crane tubes businesses will report to the Infrastructure division, bringing all pipe and tube businesses together.

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The New Zealand Treasury's latest estimate of the Christchurch rebuild is NZD 30 billion; this includes NZD 14 billion on housing, NZD 13 billion commercial and social projects and NZD 3 billion on infrastructure. We expect spending to peak over the next two to three years, with construction commencing after the completion of a time consuming site cleanup and preparation. Priority will be given to the residential and infrastructure segments such as roads and bridges. We expect the rebuild to stretch beyond the 10 year plan, but even with the completion of Christchurch rebuild related expenditure, we don't expect an abrupt slump in activity but rather a moderate decline. The World Economic Forum Global Competitiveness Report in 2009 highlighted New Zealand's underinvestment in infrastructure as a key hindrance to economic performance. The government is focused on improving that position across communications technology, roads, ports, rail and electricity supply.

Australia is being helped by buoyant resource and civil infrastructure activity in Australia, underpinning earnings in building construction materials - quarry products and pipes. Following the completion of large LNG projects, we expect earnings to soften in fiscal 2016. This will particularly impact Crane group's pipe and Rocla's concrete pipe businesses. But a pickup in residential activity and engineering construction outside of oil and gas and mining will provide an offset and remain supportive in the longer-term. Population growth and urban sprawl will strain existing infrastructure, requiring greater investment by governments. We estimate the housing sector accounts for over half Australian revenues given the exposures through insulation, plumbing supplies and laminates. We expect housing to remain relatively subdued until an improvement in approvals flows to the construction phase in fiscal 2014. Accommodative fundamentals of low unemployment, population growth and a housing shortfall will be tempered by housing affordability, ongoing land supply issues, consumer confidence and the ongoing deleveraging process.

We do not believe Fletcher Building has been able to build sustainable competitive advantages across its portfolio of construction materials and building products businesses and maintain our no moat rating. Despite strong market share positions, products that are commoditylike in nature result in a lack of product differentiation, meaning low switching costs or barriers to entry, and ultimately modest returns on invested capital. The competitive position does vary across segments. We see sustainable competitive advantages in cement, aggregates, concrete and concrete pipes. Barriers to entry in cement and aggregates largely reflect low value/weight characteristics. Cement plants benefit from being located near raw material sources and aggregates from favorable geographic location to end markets; government permits are also required. Concrete

Fletcher Building Limited FBU

Nathan Zaia
Morningstar Analyst

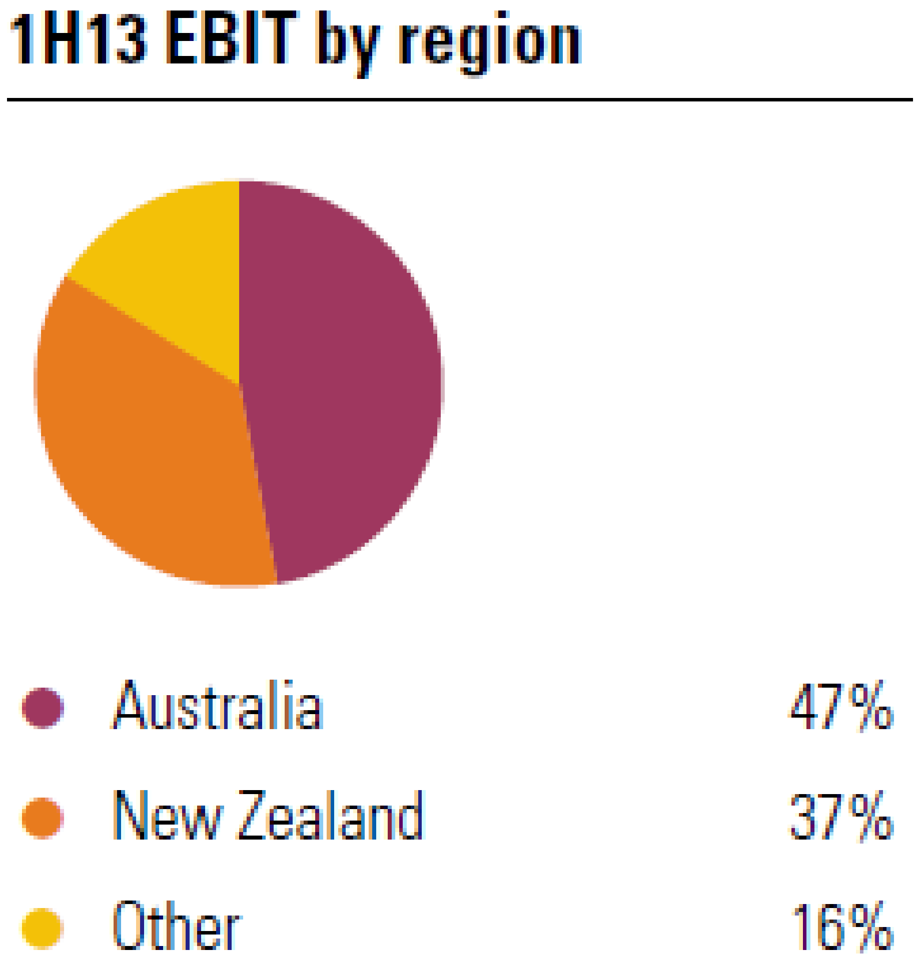
pipes benefit from internally sourcing materials. The cement and concrete industry is expected to remain consolidated. Excess capacity and the duopoly cement operators, in Fletcher and Holcim, dominating the downstream concrete market makes significant new investment unlikely. The import of cheap clinker is a threat if the NZD remains high. But we think Fletcher's port facilities, efficient dry-cement kiln and distribution network leaves it best placed to capitalise on cheaper imports.

Other meaningful earnings contributors include plasterboard, insulation and coated steel products. Steel is challenged by imports and overcapacity in China, while other divisions are not only challenged by imports but multinationals expanding capacity in the region. We expect import competition from large scale global competitors with cost advantages to continue in building products. Excess capacity in the US and Europe where demand has fallen, as well as the strong NZD, currently enhance the propensity to import. If currency changes make importing less attractive, we would expect multinationals increase their footprint in the region to capitalise on growing demand given relatively low fixed costs and capital investment.

Prior to fiscal 2009 Fletcher's ROIC was acceptable at 12.4%, double fiscal 2012's low of 6.2%. The decline in returns is a culmination of weaker activity and the overpriced Crane acquisition. ROIC over the past five years has averaged 9%. We assume ROIC averages around 10% over the next five years, the improvement driven by stronger demand and cost efficiency, but still remains below our WACC of 10.4%.

Fletcher Building Limited FBU

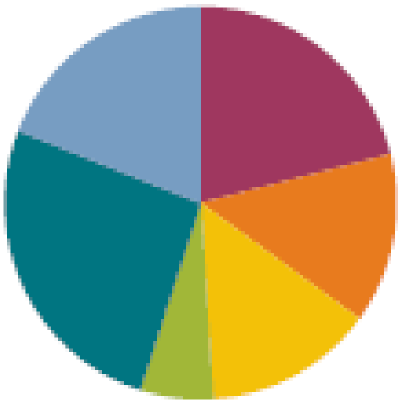
Nathan Zaia
Morningstar Analyst



Fletcher Building Limited FBU

Nathan Zaia
Morningstar Analyst

1H13 EBIT by division



Building Products	21%
Construction	14%
Crane	14%
Distribution	6%
Infrastructure	26%
Laminates and Panels	19%

Fletcher Building Limited FBU

The rebuild begins

Bulls Points

► A large portion of the Christchurch rebuild project is being covered by reinsurers, providing assurance the work will be funded, hence supporting demand for Fletcher Building products.
► Realisation of support and supply synergies as well as plant rationalisations provides potential for margin expansion outside of a cyclical recovery.
► Government spending in New Zealand infrastructure is unlikely to abate despite soft market conditions. This augurs well for the firm's infrastructure division, which already enjoys a healthy order backlog.

Bears Points

► Fletcher Building is exposed to cyclical New Zealand and Australian housing markets.
► Market remains extremely competitive in building products and distribution.
► Returns on equity are below average reflecting high levels of investment in fixed assets which can impact free cash flow and dividends.

Key Valuation Assumptions

Cost of Equity %	13.0
Weighted Avg Cost of Capital %	10.4
Long Run Tax Rate %	30.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	58.3
Perpetuity Year	10.0

Thesis Last Updated: 19 Apr 2013

Fletcher Building is a supplier of light and heavy building material products in Australia (47% of EBIT), New Zealand (41%) and the remainder in Europe and North America. It enjoys a dominant position in a number of products and markets, assisted by industry leading brands and a strong distribution network. It diversity branches across building products - including plasterboard, insulation and coated steel, infrastructure - including cement, aggregates, concrete and steel, laminates and panels, construction, hardware distribution and crane group. Despite strong market positions we believe low barriers to entry and commodity like products make it difficult for Fletcher to make sustainable returns, supporting our no moat rating. This is particularly evident during weak construction markets. Our high uncertainty rating owes to Fletcher's sole exposure to competitive and volatile construction markets.

Fortunes are largely tied to the level of residential and construction activity in Australia and New Zealand. While cost and selling synergies, efficient plants and capacity aligned with demand help drive profitability, we don’t believe the aim of being able to grow regardless of the cycles is attainable over the long-term. While both markets have been in a lull, both are expected to recover over the medium term. Strong fundamentals underpin Australia's housing market, economic growth, low unemployment, no oversupply of housing, a tight rental market and population growth, makes current lows unsustainable.

Despite number one or two market share positions in many markets Fletcher often lacks the manufacturing scale of international peers in categories where imports are feasible. Around half of Building product revenue is from Australian and New Zealand insulation, the remainder across plasterboard, roof tiles, aluminum windows and frames and sinks. Fletcher's Pink Batts and CSR Limiteds' (CSR) Bradford insulation dominate the Australasian market, but any cost advantage derived from scale over local peers is softened by cheaper imports. We see little brand loyalty in the category, distribution agreements with retailers and other building supply companies is crucial. Fletcher is the sole manufacturer of plasterboard in New Zealand, but must compete with imports and the entry of multinational player's remains a threat.

The Infrastructure division is an integrated quarry, cement, concrete, and pipe business. Australian earnings are derived from concrete pipes and sand (45% of revenue). NZ operations cover cement, aggregates, concrete pipes, readymix concrete and road and safety barriers (55%). While barriers to entry in concrete are low, a large network of plants and trucks, well-known brand, and access to internally-sourced aggregates and cement provide advantages. Barriers to entry in the aggregates industry are relatively high, given the need to gain access to favourable geology to end markets, low value/weight ratio and government permits required for new quarries. Cement has similarly high barriers to entry, with high capital intensity, high energy intensity, and a low value/weight ratio.

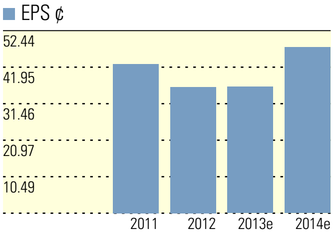
The Formica and Crane acquisitions continue to suppress returns. In our view the company overpaid for both business, one made towards the top of the cycle and the other based on a far too optimistic view on the outlook.

Valuation Last Updated: 18 Apr 2013

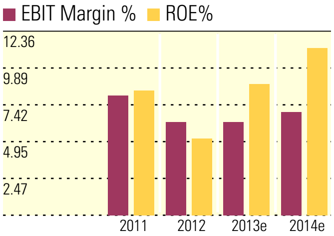
Our fair value estimate for Fletcher Building is NZD 7.00/AUD 5.50 per share, which implies fiscal 2013 price to earnings of 14.9x and enterprise value/EBITDA of 8.3x. New Zealand and Australian construction activity drives the top line in our discounted cash flow model. Average revenue growth of 4.5% over the next five years includes double digit growth in 2014 and 2015, buoyed by the Christchurch rebuild. Group EBIT margins were a disappointing 6.3% in fiscal 2012, but we see this improving to around 8% by fiscal 2015 on the back of volume growth and efficiency improvements. We expect margins to soften to around 7% in fiscal 2017, with growing competition in commoditised building products and softer demand for construction materials and pipes following completion of large LNG projects in Australia and the infrastructure portion of the rebuild in Christchurch. Both the Australian and New Zealand markets have short-term tailwinds which will fill the void left by weak housing activity.

Fletcher Building Limited FBU

EPS



EBIT Margin vs. ROE



Risk Last Updated: 18 Apr 2013

Earnings tend to be cyclical and volatile, exacerbated by a high degree of fixed costs and maintenance capital expenditure. The major threat to Fletcher Buildings earnings is weak demand for construction and building materials. New Zealand and Australian construction cycles are not necessarily aligned, introducing added management risk. Pricing could also remain weak in the face of higher imports. After years of overleveraging propelled construction activity, housing starts have begun to improve in the U.S., but failure to reach agreement on government spending cuts and tax cuts could have dire economic impacts. Offshore earnings are also exposed to currency movements.

Financial Overview

Growth

Volumes will be driven by reconstruction work in Christchurch, government infrastructure investments, and improvement in Australian and New Zealand residential markets.

Profitability

Return on capital has declined attributable to big acquisitions and sluggish end market demand. Rationalising and integrating the group, as well as stronger demand, will drive an improvement going forward.

Financial Health

Fletcher Building is in reasonable financial shape with EBIT/Interest coverage of 3.5x and total debt/EBITDA 2.8x. Net debt of NZD 1.95 billion leaves net debt to equity at 54%. Given exposure to such volatile sectors we would prefer debt be reduced as earnings improve.

Strategy Analysis Last Updated: 18 Apr 2013

Fletcher Building’s current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements. CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses which currently have their own independent back office functions.

General Financials

Financials

Per Share	06/10	06/11	06/12	06/13	06/14	06/15
	Historical			Forecast		
Sales ¢	868.1	883.8	1,015.1	1,028.8	1,132.8	1,250.6
Adjusted Earnings ¢	38.4	42.9	36.3	36.3	47.7	68.1
Free Cash Flow ¢	56.4	-137.1	26.6	51.6	43.7	75.8
Net Tangible Assets ¢	229.0	223.1	210.6	216.6	231.4	264.7
Book Value ¢	381.6	436.9	408.6	414.9	433.1	466.4
Dividends ¢	23.1	25.3	26.5	27.9	29.5	34.9
Franking %	50.0	50.0	50.0	50.0	50.0	50.0

Growth %	06/10	06/11	06/12	06/13	06/14	06/15
Sales Revenue	-6.3	5.1	21.5	1.3	10.1	10.4
EBITDA	2.5	7.5	-0.5	2.5	18.4	24.8
Pre-Tax Profit	-3.0	11.5	-14.4	4.6	30.8	42.5
EPS	-20.9	11.6	-15.5	0.2	31.2	42.9
DPS	-25.3	9.6	4.6	5.3	5.6	18.4
Free Cash Flow per share	9.7	-351.1	–	94.2	-15.3	73.3

Profit & Loss ($Mil)	06/10	06/11	06/12	06/13	06/14	06/15
Sales Revenue	5,416.7	5,691.5	6,913.1	7,006.1	7,714.6	8,516.6
EBITDA	572.8	615.5	612.4	628.0	743.6	928.3
Depreciation	157.7	157.3	179.2	189.2	208.3	229.9
Amortisation	–	–	–	0.0	0.0	0.0
EBIT	415.1	458.2	433.2	438.8	535.3	698.3
Interest Expense	85.2	90.6	118.4	128.3	114.0	95.7
Interest Income	–	–	–	18.9	9.4	11.1
Profit Before Tax	329.8	367.6	314.8	329.3	430.7	613.7
Tax	82.1	85.2	61.6	75.7	99.1	141.1
Reported NPAT	216.7	218.0	144.1	247.4	324.7	464.0
Non-Recurring Items After Tax	-23.1	-58.3	-102.8	0.0	0.0	0.0
Adjusted NPAT	**239.8**	**276.3**	**247.0**	**247.4**	**324.7**	**464.0**
Free Cash Flow	351.6	-882.8	181.0	351.4	297.7	516.0
Effective Tax Rate %	24.9	23.2	19.6	23.0	23.0	23.0

Cash Flow ($Mil)	06/10	06/11	06/12	06/13	06/14	06/15
Receipts from Customers	5,410.3	5,681.5	6,965.3	6,986.2	7,598.1	8,384.8
Payments to Suppliers	-4,772.1	-5,213.4	-6,409.8	-6,338.1	-6,879.0	-7,494.6
Other Operating Cashflow	-223.1	-159.6	-206.5	-140.7	-215.8	-187.8
Net Operating Cashflow	**415.1**	**308.5**	**349.0**	**507.4**	**503.3**	**702.4**
Capex	-150.6	-191.1	-203.4	-205.4	-201.6	-247.0
Acquisitions & Investments	30.3	-1,064.5	-53.8	-31.0	-77.5	0.0
Sales of Investments & Subsidiaries	-1.6	-1.5	-4.7	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	2.3	0.0	3.9
Net Investing Cashflow	**-121.9**	**-1,257.1**	**-261.8**	**-234.1**	**-279.1**	**-243.1**
Proceeds from Issues	1.6	495.0	0.0	0.0	0.0	0.0
Proceeds from Borrowings	-115.5	578.7	83.4	169.8	-205.4	-155.0
Dividends Paid	-120.3	-145.0	-156.6	-190.0	-200.6	-237.6
Other Financing Cashflow	-47.8	20.7	25.7	-6.2	-7.0	-8.5
Net Financing Cashflow	**-282.0**	**949.3**	**-47.5**	**-26.5**	**-413.0**	**-401.1**
Net Increase Cash	9.6	2.3	41.3	246.8	-188.8	58.2
Cash at Beginning	81.3	84.4	88.0	130.2	377.1	188.3
Exchange Rate Adjustment	-1.6	1.5	1.6	0.0	0.0	0.0
Cash at End	89.2	88.3	130.9	377.1	188.3	246.4

General Financials

Financials

Balance Sheet ($Mil)	06/10	06/11	06/12	06/13	06/14	06/15
	Historical			Forecast		
Cash & Equivalents	89.2	88.3	130.9	377.1	188.3	246.4
Accounts Receivable	887.5	1,112.8	1,137.5	1,151.7	1,268.1	1,400.0
Inventory	869.2	1,181.1	1,117.3	1,080.2	1,100.2	1,108.7
Other Short-Term Operating Assets	0.0	0.0	21.8	21.7	21.7	21.7
Total Current Assets	1,845.9	2,382.2	2,407.5	2,630.7	2,578.3	2,776.8
Property Plant & Equipment, Net	1,520.9	1,693.0	1,829.4	1,858.1	1,905.6	1,922.7
Goodwill, Net	653.3	1,092.9	968.4	972.9	996.1	996.1
Other Intangibles	325.8	310.1	404.4	402.3	402.3	402.3
Other Long-Term Operating Assets	–	–	–	0.0	0.0	0.0
Deferred Tax Assets	–	4.6	–	0.0	0.0	0.0
Long-Term Non-Operating Assets	206.3	267.1	231.4	230.2	230.2	230.2
Total Assets	**4,552.3**	**5,749.8**	**5,841.1**	**6,094.2**	**6,112.6**	**6,328.2**
Accounts Payable	889.1	1,046.8	973.1	1,008.2	1,100.2	1,194.0
Short-Term Debt	68.5	106.7	355.3	310.1	232.6	232.6
Other Short-Term Operating Liabilities	145.0	151.2	163.6	170.5	178.3	201.6
Total Current Liabilities	1,102.6	1,304.7	1,492.0	1,488.8	1,511.0	1,628.1
Total Long-Term Debt	902.6	1,433.6	1,316.7	1,523.3	1,395.3	1,240.3
Long-Term Operating Liabilities	64.5	117.4	110.6	112.4	112.4	116.3
Deferred Tax Liabilities	39.0	–	10.1	15.5	15.5	38.8
Long-Term Non-Operating Liabilities	35.1	54.5	104.4	103.9	103.9	103.9
Total Liabilities	**2,143.9**	**2,910.2**	**3,033.9**	**3,243.9**	**3,138.2**	**3,127.3**
Preferred Stock	–	–	–	–	–	–
Minority Interest	27.1	26.1	24.9	24.8	24.8	24.8
Total Equity	**2,408.4**	**2,839.6**	**2,807.2**	**2,850.4**	**2,974.5**	**3,200.9**

Profitability %	06/10	06/11	06/12	06/13	06/14	06/15
EBITDA Margin	10.6	10.8	8.9	9.0	9.6	10.9
EBIT Margin	7.7	8.0	6.3	6.3	6.9	8.2
Net Profit Margin	4.0	3.8	2.1	3.5	4.2	5.4
Free Cash Flow Margin	6.5	-15.5	2.6	5.0	3.9	6.1
Return on Equity	9.1	8.4	5.2	8.8	11.2	15.1
Return on Assets	4.6	4.2	2.5	4.1	5.3	7.5
Return on Invested Capital(w/Goodwill)	9.9	8.3	6.2	7.4	9.1	12.2
ROIC (w/Goodwill) Less WACC	-0.5	-2.0	-4.2	-2.9	-1.3	1.8

Leverage & Liquidity	06/10	06/11	06/12	06/13	06/14	06/15
Net Debt to Capital %	27.0	34.0	35.6	34.0	32.8	27.9
Net Debt/(Net Debt + Equity) %	27.0	34.0	35.6	34.0	32.8	27.9
Net Debt/Equity %	37.0	51.6	55.4	51.5	48.8	38.6
Net Debt/EBITDA x	1.5	2.4	2.5	2.3	1.9	1.3
EBIT/Net Interest Expense x	4.9	5.1	3.7	4.0	5.1	8.2
Current Ratio (Current Assets/Current Liabilities) x	1.7	1.8	1.6	1.8	1.7	1.7
Dividend Payout Ratio %	60.1	59.0	73.0	76.8	61.8	51.2
Net Cash Per Share ¢	-141.3	-225.5	-226.3	-213.8	-211.4	-180.1

Valuation	06/10	06/11	06/12	06/13	06/14	06/15
Price/Earnings x	16.4	14.8	14.5	19.1	14.6	10.2
PEG Ratio x	-0.8	1.3	-0.9	120.0	0.5	0.2
EV/EBITDA x	8.4	9.0	8.4	9.9	8.4	6.7
EV/EBIT x	11.6	12.1	11.8	14.2	11.7	8.9
Free Cash Flow Yield %	8.9	-21.7	5.0	7.5	6.3	10.9
Dividend Yield %	3.7	4.0	5.0	4.0	4.3	5.0
Price/(OCF per share) x	9.5	13.2	10.3	9.3	9.4	6.7
Price/(FCF per share) x	11.2	-4.6	19.8	13.4	15.8	9.1
Price/Sales x	0.7	0.7	0.5	0.7	0.6	0.6
Price/NTA x	2.8	2.8	2.5	3.2	3.0	2.6
Price/Book x	1.7	1.4	1.3	1.7	1.6	1.5

Fletcher Building Limited FBU-NZ

Big and diverse but low barriers to entry keep the competition coming

Analyst Recommendation: **Reduce** 19 April 2013

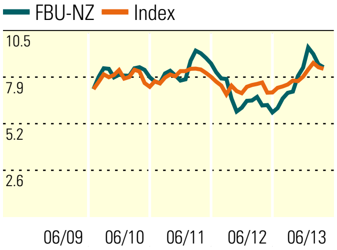
▼8.41 Last Price

Buy	Accumulate	Hold	**Reduce**	Sell
$	4.20	5.95	8.05	10.85

Snapshot

Business Risk	High
Price Risk	High
Moat Rating	None
Fair Value $	7.00
Market Cap $Mil	5,770
Morningstar Style Box	–
Last Price $	8.41
52 Week High/Low $	9.52/5.69
Shares Issued Mil	686
Sector	GICS - Materials

Price vs. Market



	06/11	06/12	06/13e	06/14e
NPAT ($Mil)	360.0	317.0	319.1	418.8
EPS ¢	55.9	46.6	46.9	61.5
EPS Chg %	15.9	-16.7	0.7	31.2
DPS ¢	33.0	34.0	36.0	38.0
Franked %	50.0	50.0	50.0	50.0
Div Yld %	4.0	5.0	4.3	4.5
P/E x	14.8	14.5	17.9	13.7

Source: Morningstar analyst estimates.

Business Description

Fletcher Building Limited (FBU-NZ) is involved with building products, concrete, steel, construction, property and housing and distribution. Fletcher Building employs over 16,000 people - across New Zealand, Australia, North America, Europe, Asia and the South Pacific.

Investment Rating

Fletcher is a NZ-based manufacturer and distributor of building products as well as being involved in residential and commercial construction projects. It enjoys a dominant position in a number of products and markets in which it operates, but competition from imports remains fierce. Australia and New Zealand account for the bulk of earnings. Formica has to some extent dampened the firm's competitive advantage and adversely impacted FBU's return ratios. The Christchurch rebuild provides large earnings opportunities. Growth will moderate over the next five years but not crash, with support from on-going infrastructure and social construction and a recovery in the residential sector. Fletcher is working towards better logistic and sourcing synergies.

Event

► Fletcher Building's current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements.

► CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses with their own independent back office functions, and NZD 800 million is spent on third-party supplies across the group each year. It is odd Fletcher has not utilised its scale, both to run more cost efficiently but also take advantage of cross selling opportunities.

► Last week's decision to restructure the Crane group is another step in that direction. The Iplex pipelines and Crane tubes businesses will report to the Infrastructure division, bringing all pipe and tube businesses together.

Impact

► We have increased our fair value estimate for Fletcher Building from NZD 6.50 to NZD 7.00 per share. Average revenue growth of 4.5% over the next five years, previously 3%, includes double digit growth in 2014 and 2015, buoyed by the Christchurch rebuild and improvement in housing starts. Group EBIT margins were a disappointing 6.3% in fiscal 2012, but we see this improving to around 8% by fiscal 2015 on the back of volume growth and efficiency improvements. Both Australian and New Zealand markets have short-term tailwinds which will fill the void left by soft housing activity.

► We do not believe Fletcher Building has been able to build sustainable competitive advantages across its portfolio of construction materials and building products businesses and maintain our no moat rating. Despite strong market share positions, products that are commoditylike in nature result in a lack of product differentiation, meaning low switching costs or barriers to entry, and ultimately modest returns on invested capital.

Recommendation Impact

No Change

Fletcher Building Limited FBU-NZ

Nathan Zaia
Morningstar Analyst

Analyst Note

Fletcher Building's current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements. CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses with their own independent back office functions, and NZD 800 million is spent on third-party supplies across the group each year. It is odd Fletcher has not utilisied its scale, both to run more cost efficiently but also take advantage of cross selling opportunities. Last week's decision to restructure the Crane group is another step in that direction. The Iplex pipelines and Crane tubes businesses will report to the Infrastructure division, bringing all pipe and tube businesses together.

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The New Zealand Treasury's latest estimate of the Christchurch rebuild is NZD 30 billion; this includes NZD 14 billion on housing, NZD 13 billion commercial and social projects and NZD 3 billion on infrastructure. We expect spending to peak over the next two to three years, with construction commencing after the completion of a time consuming site cleanup and preparation. Priority will be given to the residential and infrastructure segments such as roads and bridges. We expect the rebuild to stretch beyond the 10 year plan, but even with the completion of Christchurch rebuild related expenditure, we don't expect an abrupt slump in activity but rather a moderate decline. The World Economic Forum Global Competitiveness Report in 2009 highlighted New Zealand's underinvestment in infrastructure as a key hindrance to economic performance. The government is focused on improving that position across communications technology, roads, ports, rail and electricity supply.

Australia is being helped by buoyant resource and civil infrastructure activity in Australia, underpinning earnings in building construction materials - quarry products and pipes. Following the completion of large LNG projects, we expect earnings to soften in fiscal 2016. This will particularly impact Crane group's pipe and Rocla's concrete pipe businesses. But a pickup in residential activity and engineering construction outside of oil and gas and mining will provide an offset and remain supportive in the longer-term. Population growth and urban sprawl will strain existing infrastructure, requiring greater investment by governments. We estimate the housing sector accounts for over half Australian revenues given the exposures through insulation, plumbing supplies and laminates. We expect housing to remain relatively subdued until an improvement in approvals flows to the construction phase in fiscal 2014. Accommodative fundamentals of low unemployment, population growth and a housing shortfall will be tempered by housing affordability, ongoing land supply issues, consumer confidence and the ongoing deleveraging process.

We do not believe Fletcher Building has been able to build sustainable competitive advantages across its portfolio of construction materials and building products businesses and maintain our no moat rating. Despite strong market share positions, products that are commoditylike in nature result in a lack of product differentiation, meaning low switching costs or barriers to entry, and ultimately modest returns on invested capital. The competitive position does vary across segments. We see sustainable competitive advantages in cement, aggregates, concrete and concrete pipes. Barriers to entry in cement and aggregates largely reflect low value/weight characteristics. Cement plants benefit from being located near raw material sources and aggregates from favorable geographic location to end markets; government permits are also required. Concrete

Fletcher Building Limited FBU-NZ

Nathan Zaia
Morningstar Analyst

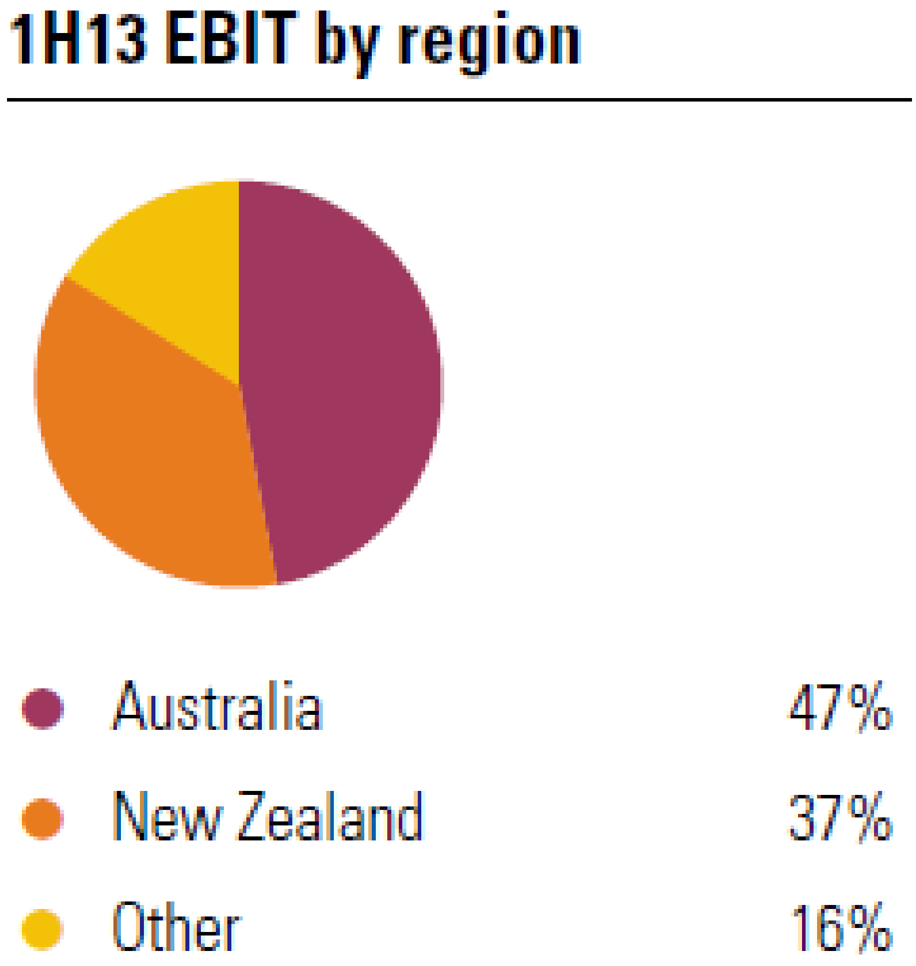
pipes benefit from internally sourcing materials. The cement and concrete industry is expected to remain consolidated. Excess capacity and the duopoly cement operators, in Fletcher and Holcim, dominating the downstream concrete market makes significant new investment unlikely. The import of cheap clinker is a threat if the NZD remains high. But we think Fletcher's port facilities, efficient dry-cement kiln and distribution network leaves it best placed to capitalise on cheaper imports.

Other meaningful earnings contributors include plasterboard, insulation and coated steel products. Steel is challenged by imports and overcapacity in China, while other divisions are not only challenged by imports but multinationals expanding capacity in the region. We expect import competition from large scale global competitors with cost advantages to continue in building products. Excess capacity in the US and Europe where demand has fallen, as well as the strong NZD, currently enhance the propensity to import. If currency changes make importing less attractive, we would expect multinationals increase their footprint in the region to capitalise on growing demand given relatively low fixed costs and capital investment.

Prior to fiscal 2009 Fletcher's ROIC was acceptable at 12.4%, double fiscal 2012's low of 6.2%. The decline in returns is a culmination of weaker activity and the overpriced Crane acquisition. ROIC over the past five years has averaged 9%. We assume ROIC averages around 10% over the next five years, the improvement driven by stronger demand and cost efficiency, but still remains below our WACC of 10.4%.

Fletcher Building Limited FBU-NZ

Nathan Zaia
Morningstar Analyst



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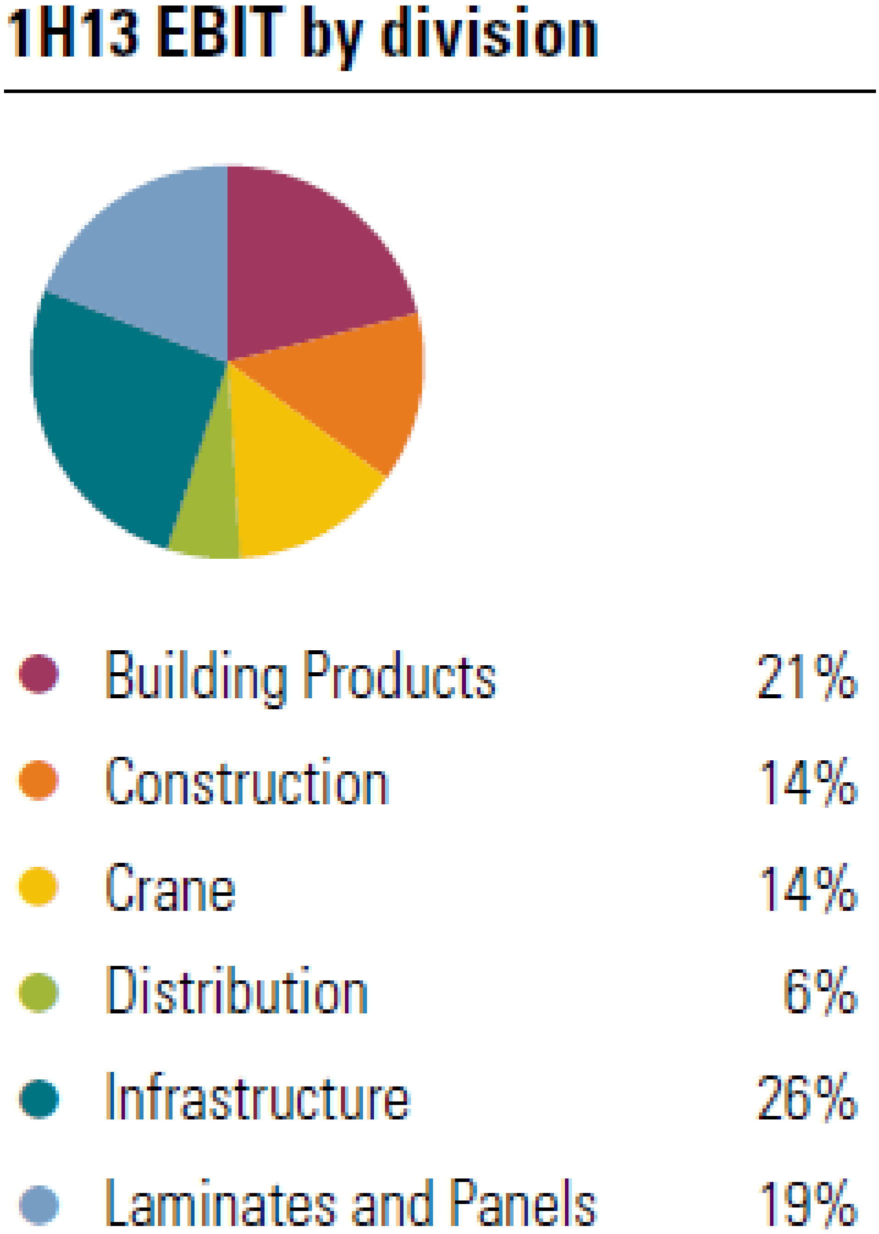


Fletcher Building Limited FBU-NZ

The rebuild begins

Bulls Points

- A large portion of the Christchurch rebuild project is being covered by reinsurers, providing assurance the work will be funded, hence supporting demand for Fletcher Building products.
- Realisation of support and supply synergies as well as plant rationalisations provides potential for margin expansion outside of a cyclical recovery.
- Government spending in New Zealand infrastructure is unlikely to abate despite soft market conditions. This augurs well for the firm's infrastructure division, which already enjoys a healthy order backlog.

Bears Points

- Fletcher Building is exposed to cyclical New Zealand and Australian housing markets.
- Market remains extremely competitive in building products and distribution.
- Returns on equity are below average reflecting high levels of investment in fixed assets which can impact free cash flow and dividends.

Key Valuation Assumptions

Cost of Equity %	13.0
Weighted Avg Cost of Capital %	10.4
Long Run Tax Rate %	30.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	58.3
Perpetuity Year	10.0

Thesis Last Updated: 19 Apr 2013

Fletcher Building is a supplier of light and heavy building material products in Australia (47% of EBIT), New Zealand (41%) and the remainder in Europe and North America. It enjoys a dominant position in a number of products and markets, assisted by industry leading brands and a strong distribution network. It diversity branches across building products - including plasterboard, insulation and coated steel, infrastructure - including cement, aggregates, concrete and steel, laminates and panels, construction, hardware distribution and crane group. Despite strong market positions we believe low barriers to entry and commodity like products make it difficult for Fletcher to make sustainable returns, supporting our no moat rating. This is particularly evident during weak construction markets. Our high uncertainty rating owes to Fletcher's sole exposure to competitive and volatile construction markets.

Fortunes are largely tied to the level of residential and construction activity in Australia and New Zealand. While cost and selling synergies, efficient plants and capacity aligned with demand help drive profitability, we don’t believe the aim of being able to grow regardless of the cycles is attainable over the long-term. While both markets have been in a lull, both are expected to recover over the medium term. Strong fundamentals underpin Australia's housing market, economic growth, low unemployment, no oversupply of housing, a tight rental market and population growth, makes current lows unsustainable.

Despite number one or two market share positions in many markets Fletcher often lacks the manufacturing scale of international peers in categories where imports are feasible. Around half of Building product revenue is from Australian and New Zealand insulation, the remainder across plasterboard, roof tiles, aluminum windows and frames and sinks. Fletcher's Pink Batts and CSR Limiteds' (CSR) Bradford insulation dominate the Australasian market, but any cost advantage derived from scale over local peers is softened by cheaper imports. We see little brand loyalty in the category, distribution agreements with retailers and other building supply companies is crucial. Fletcher is the sole manufacturer of plasterboard in New Zealand, but must compete with imports and the entry of multinational player's remains a threat.

The Infrastructure division is an integrated quarry, cement, concrete, and pipe business. Australian earnings are derived from concrete pipes and sand (45% of revenue). NZ operations cover cement, aggregates, concrete pipes, readymix concrete and road and safety barriers (55%). While barriers to entry in concrete are low, a large network of plants and trucks, well-known brand, and access to internally-sourced aggregates and cement provide advantages. Barriers to entry in the aggregates industry are relatively high, given the need to gain access to favourable geology to end markets, low value/weight ratio and government permits required for new quarries. Cement has similarly high barriers to entry, with high capital intensity, high energy intensity, and a low value/weight ratio.

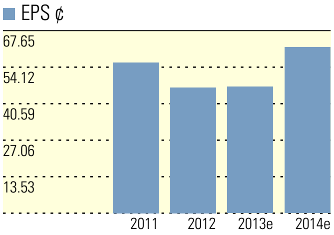
The Formica and Crane acquisitions continue to suppress returns. In our view the company overpaid for both business, one made towards the top of the cycle and the other based on a far too optimistic view on the outlook.

Valuation Last Updated: 18 Apr 2013

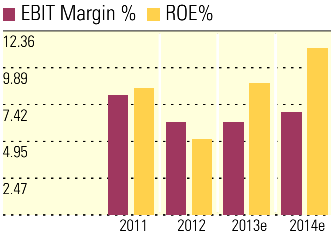
Our fair value estimate for Fletcher Building is NZD 7.00/AUD 5.50 per share, which implies fiscal 2013 price to earnings of 14.9x and enterprise value/EBITDA of 8.3x. New Zealand and Australian construction activity drives the top line in our discounted cash flow model. Average revenue growth of 4.5% over the next five years includes double digit growth in 2014 and 2015, buoyed by the Christchurch rebuild. Group EBIT margins were a disappointing 6.3% in fiscal 2012, but we see this improving to around 8% by fiscal 2015 on the back of volume growth and efficiency improvements. We expect margins to soften to around 7% in fiscal 2017, with growing competition in commoditised building products and softer demand for construction materials and pipes following completion of large LNG projects in Australia and the infrastructure portion of the rebuild in Christchurch. Both the Australian and New Zealand markets have short-term tailwinds which will fill the void left by weak housing activity.

Fletcher Building Limited FBU-NZ

EPS



EBIT Margin vs. ROE



Risk Last Updated: 18 Apr 2013

Earnings tend to be cyclical and volatile, exacerbated by a high degree of fixed costs and maintenance capital expenditure. The major threat to Fletcher Buildings earnings is weak demand for construction and building materials. New Zealand and Australian construction cycles are not necessarily aligned, introducing added management risk. Pricing could also remain weak in the face of higher imports. After years of overleveraging propelled construction activity, housing starts have begun to improve in the U.S., but failure to reach agreement on government spending cuts and tax cuts could have dire economic impacts. Offshore earnings are also exposed to currency movements.

Financial Overview

Growth

Volumes will be driven by reconstruction work in Christchurch, government infrastructure investments, and improvement in Australian and New Zealand residential markets.

Profitability

Return on capital has declined attributable to big acquisitions and sluggish end market demand. Rationalising and integrating the group, as well as stronger demand, will drive an improvement going forward.

Financial Health

Fletcher Building is in reasonable financial shape with EBIT/Interest coverage of 3.5x and total debt/EBITDA 2.8x. Net debt of NZD 1.95 billion leaves net debt to equity at 54%. Given exposure to such volatile sectors we would prefer debt be reduced as earnings improve.

Strategy Analysis Last Updated: 18 Apr 2013

Fletcher Building’s current strategic focus is it too grow earnings regardless of economic conditions, this doesn't necessarily mean increasing size for size sake, but focusing on operational performance improvements. CEO Mark Adamson is responsible for the Fletcher Unite Strategy, concentrating on rationalising support functions such as finance, human resources and IT, as well as greater group coordination when sourcing supplies. In New Zealand there are over 50 businesses which currently have their own independent back office functions.

General Financials

Financials

Per Share	06/10	06/11	06/12	06/13	06/14	06/15
			Historical			Forecast
Sales ¢	1,089.6	1,151.6	1,302.9	1,327.1	1,461.3	1,613.3
Adjusted Earnings ¢	48.2	55.9	46.6	46.9	61.5	87.9
Free Cash Flow ¢	70.7	-178.6	34.1	66.6	56.4	97.7
Net Tangible Assets ¢	287.5	290.7	270.3	279.4	298.5	341.4
Book Value ¢	479.0	569.3	524.4	535.2	558.7	601.6
Dividends ¢	29.0	33.0	34.0	36.0	38.0	45.0
Franking %	50.0	50.0	50.0	50.0	50.0	50.0

Growth %	06/10	06/11	06/12	06/13	06/14	06/15
Sales Revenue	-4.3	9.1	19.6	1.9	10.1	10.4
EBITDA	4.7	11.5	-2.0	3.1	18.4	24.8
Pre-Tax Profit	-1.0	15.7	-15.7	5.2	30.8	42.5
EPS	-19.2	15.9	-16.7	0.7	31.2	42.9
DPS	-23.7	13.8	3.0	5.9	5.6	18.4
Free Cash Flow per share	12.1	-360.6	–	95.2	-15.3	73.3

Profit & Loss ($Mil)	06/10	06/11	06/12	06/13	06/14	06/15
Sales Revenue	6,799.0	7,416.0	8,873.0	9,037.8	9,951.8	10,986.4
EBITDA	719.0	802.0	786.0	810.1	959.2	1,197.5
Depreciation	198.0	205.0	230.0	244.0	268.7	296.6
Amortisation	–	–	–	0.0	0.0	0.0
EBIT	521.0	597.0	556.0	566.1	690.5	900.8
Interest Expense	107.0	118.0	152.0	165.5	147.0	123.5
Interest Income	–	–	–	24.3	12.1	14.3
Profit Before Tax	414.0	479.0	404.0	424.9	555.6	791.6
Tax	103.0	111.0	79.0	97.7	127.8	182.1
Reported NPAT	272.0	284.0	185.0	319.1	418.8	598.6
Non-Recurring Items After Tax	-29.0	-76.0	-132.0	0.0	0.0	0.0
Adjusted NPAT	**301.0**	**360.0**	**317.0**	**319.1**	**418.8**	**598.6**
Free Cash Flow	441.4	-1,150.3	232.3	453.3	384.0	665.6
Effective Tax Rate %	24.9	23.2	19.6	23.0	23.0	23.0

Cash Flow ($Mil)	06/10	06/11	06/12	06/13	06/14	06/15
Receipts from Customers	6,791.0	7,403.0	8,940.0	9,012.2	9,801.5	10,816.4
Payments to Suppliers	-5,990.0	-6,793.0	-8,227.0	-8,176.1	-8,873.9	-9,668.0
Other Operating Cashflow	-280.0	-208.0	-265.0	-181.4	-278.4	-242.2
Net Operating Cashflow	**521.0**	**402.0**	**448.0**	**654.6**	**649.2**	**906.1**
Capex	-189.0	-249.0	-261.0	-265.0	-260.0	-318.6
Acquisitions & Investments	38.0	-1,387.0	-69.0	-40.0	-100.0	0.0
Sales of Investments & Subsidiaries	-2.0	-2.0	-6.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	3.0	0.0	5.0
Net Investing Cashflow	**-153.0**	**-1,638.0**	**-336.0**	**-302.0**	**-360.0**	**-313.6**
Proceeds from Issues	2.0	645.0	0.0	0.0	0.0	0.0
Proceeds from Borrowings	-145.0	754.0	107.0	219.0	-265.0	-200.0
Dividends Paid	-151.0	-189.0	-201.0	-245.2	-258.8	-306.4
Other Financing Cashflow	-60.0	27.0	33.0	-8.0	-9.0	-11.0
Net Financing Cashflow	**-354.0**	**1,237.0**	**-61.0**	**-34.2**	**-532.8**	**-517.4**
Net Increase Cash	12.0	3.0	53.0	318.4	-243.6	75.1
Cash at Beginning	102.0	110.0	113.0	168.0	486.4	242.9
Exchange Rate Adjustment	-2.0	2.0	2.0	0.0	0.0	0.0
Cash at End	112.0	115.0	168.0	486.4	242.9	317.9

General Financials

Financials

Balance Sheet ($Mil)	Historical 06/10	06/11	06/12	Forecast 06/13	06/14	06/15
Cash & Equivalents	112.0	115.0	168.0	486.4	242.9	317.9
Accounts Receivable	1,114.0	1,450.0	1,460.0	1,485.7	1,635.9	1,806.0
Inventory	1,091.0	1,539.0	1,434.0	1,393.5	1,419.2	1,430.2
Other Short-Term Operating Assets	0.0	0.0	28.0	28.0	28.0	28.0
Total Current Assets	2,317.0	3,104.0	3,090.0	3,393.6	3,326.0	3,582.1
Property Plant & Equipment, Net	1,909.0	2,206.0	2,348.0	2,397.0	2,458.3	2,480.3
Goodwill, Net	820.0	1,424.0	1,243.0	1,255.0	1,285.0	1,285.0
Other Intangibles	409.0	404.0	519.0	519.0	519.0	519.0
Other Long-Term Operating Assets	–	–	–	0.0	0.0	0.0
Deferred Tax Assets	–	6.0	–	0.0	0.0	0.0
Long-Term Non-Operating Assets	259.0	348.0	297.0	297.0	297.0	297.0
Total Assets	**5,714.0**	**7,492.0**	**7,497.0**	**7,861.6**	**7,885.3**	**8,163.4**
Accounts Payable	1,116.0	1,364.0	1,249.0	1,300.6	1,419.2	1,540.2
Short-Term Debt	86.0	139.0	456.0	400.0	300.0	300.0
Other Short-Term Operating Liabilities	182.0	197.0	210.0	220.0	230.0	260.0
Total Current Liabilities	1,384.0	1,700.0	1,915.0	1,920.6	1,949.2	2,100.2
Total Long-Term Debt	1,133.0	1,868.0	1,690.0	1,965.0	1,800.0	1,600.0
Long-Term Operating Liabilities	81.0	153.0	142.0	145.0	145.0	150.0
Deferred Tax Liabilities	49.0	–	13.0	20.0	20.0	50.0
Long-Term Non-Operating Liabilities	44.0	71.0	134.0	134.0	134.0	134.0
Total Liabilities	**2,691.0**	**3,792.0**	**3,894.0**	**4,184.6**	**4,048.2**	**4,034.2**
Preferred Stock	–	–	–	–	–	–
Minority Interest	34.0	34.0	32.0	32.0	32.0	32.0
Total Equity	**3,023.0**	**3,700.0**	**3,603.0**	**3,677.0**	**3,837.0**	**4,129.1**

Profitability %	06/10	06/11	06/12	06/13	06/14	06/15
EBITDA Margin	10.6	10.8	8.9	9.0	9.6	10.9
EBIT Margin	7.7	8.0	6.3	6.3	6.9	8.2
Net Profit Margin	4.0	3.8	2.1	3.5	4.2	5.4
Free Cash Flow Margin	6.5	-15.5	2.6	5.0	3.9	6.1
Return on Equity	9.2	8.5	5.1	8.8	11.2	15.2
Return on Assets	4.7	4.3	2.5	4.2	5.3	7.5
Return on Invested Capital(w/Goodwill)	9.9	8.3	6.2	7.4	9.1	12.2
ROIC (w/Goodwill) Less WACC	-0.5	-2.0	-4.2	-2.9	-1.3	1.8

Leverage & Liquidity	06/10	06/11	06/12	06/13	06/14	06/15
Net Debt to Capital %	27.0	34.0	35.6	34.0	32.8	27.9
Net Debt/(Net Debt + Equity) %	27.0	34.0	35.6	34.0	32.8	27.9
Net Debt/Equity %	37.0	51.6	55.4	51.5	48.8	38.6
Net Debt/EBITDA x	1.5	2.4	2.5	2.3	1.9	1.3
EBIT/Net Interest Expense x	4.9	5.1	3.7	4.0	5.1	8.2
Current Ratio (Current Assets/Current Liabilities) x	1.7	1.8	1.6	1.8	1.7	1.7
Dividend Payout Ratio %	60.1	59.0	73.0	76.8	61.8	51.2
Net Cash Per Share ¢	-177.4	-293.8	-290.5	-275.9	-272.7	-232.3

Valuation	06/10	06/11	06/12	06/13	06/14	06/15
Price/Earnings x	16.4	14.8	14.5	17.9	13.7	9.6
PEG Ratio x	-3.2	2.3	-2.4	0.1	4.3	4.1
EV/EBITDA x	8.4	9.0	8.4	9.5	8.0	6.4
EV/EBIT x	11.6	12.1	11.9	13.6	11.2	8.6
Free Cash Flow Yield %	8.9	-21.6	5.0	7.9	6.7	11.6
Dividend Yield %	3.7	4.0	5.0	4.3	4.5	5.4
Price/(OCF per share) x	9.5	13.2	10.3	8.7	8.8	6.3
Price/(FCF per share) x	11.2	-4.6	19.9	12.6	14.9	8.6
Price/Sales x	0.7	0.7	0.5	0.6	0.6	0.5
Price/NTA x	2.8	2.8	2.5	3.0	2.8	2.5
Price/Book x	1.7	1.5	1.3	1.6	1.5	1.4