

The MAC is the only market buy: analysts

Wednesday, 11 February 2009

Claire Svircas

THE MAC Services Group has been granted bragging rights with two major brokerages maintaining its buy status on the back of its ability to "sweat through the downturn" with hard assets and good earnings and cash flow.

Analysts at Goldman Sachs JBWere said The MAC is now the only stock recommended as a buy in the contractors and mining services' sector.

"We are forecasting EPS to fall by 8% and 2% in [financial year 2010] and FY11 respectively. [These are] likely to be only modest falls relative to most of the sector, given the hard assets of The MAC," the broker said.

This week the mining accommodation and services company released its results for the first half of the financial year, with increases to its first-half dividend by 21% at 4.25c per share.

Net profit to December 31, 2008, was up 34% on the prior corresponding period at \$12.1 million.

Revenue was up 39% on the same period at \$53.4 million.

The MAC Services chief Mark Maloney said the business had experienced strong results due to a low-gearred balance sheet, strong contracts and keeping its exposure to major blue-chip clients.

Maloney also commented shutdown and maintenance work in mines would help continue the results in the second half of the financial year.

The MAC said despite production cutbacks announced by some resources companies, it had yet to experience a significant negative impact.

"We are experiencing tough market conditions though, and are cautious on the outlook," Maloney said.

"Also, the recent severe wet weather in north and central Queensland may have an effect on second-half earnings.

"We are adopting a prudent approach and have delayed some projects.

"Nevertheless, forward bookings remain strong at this stage."

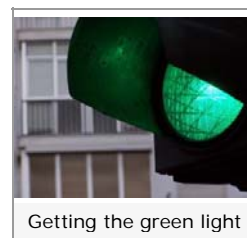
The company will pay a fully franked interim dividend of 4.25c per share, an increase of 25c over the final dividend for 2008 and 75c over the interim dividend paid for the same period last year.

The MAC said its gearing has been cut by 18% from 35% with no asset impairment issues and a low level of intangible assets.

Investment bank UBS said it had revised downward its earning per share estimates for The MAC by 4-18% based on predicted slower room expansions in the next 12 months.

Yet even with the downgraded estimates, UBS expects The MAC to grow share earnings at a compound rate of 7.5% in the next 12 months, and the stock deserves to trade at a valuation premium with the expectation it will outperform going forward.

Shares in The MAC were steady at 80c prior to the release of the results, hitting a high of 84c yesterday and 85.5c in today's midday trade.



Getting the green light