

## Robotic welding helps keep Austin's costs down



**Small-cap Spotlight**

[www.wise-owl.com](http://www.wise-owl.com)

### **Company: Austin Engineering Limited (ANG)**

#### **Recommendation: Buy**

THE resource sector has copped a beating in recent months and companies that service the sector have suffered a similar fate.

As service companies are more insulated than pure producers from short-term commodity price volatility, value opportunities have emerged.

Austin Engineering (ANG) is an interesting case in point.

Austin Engineering has a unique competitive advantage through its innovative robotic welding process that dramatically reduces manual labour demands for repetitive tasks, and therefore costs.

Much of the company's recent success has hinged on the application of this technology in the fabrication and repair of mining equipment.

Over time the company has expanded its operations, notably through several key acquisitions, to include the manufacture, overhaul and supply of several mining attachment products and general steelwork structures.

The company has facilities in Brisbane and Perth, and recently posted impressive results for the 2008 financial year, according to Joshua Terlich, equity analyst from wise-owl.com.

"Revenue was up 85 per cent to \$106 million, and net profit up 132 per cent to \$11.54 million, all driven by strong demand," Terlich says.

"Following these record results management have forecast that 2009 will deliver much of the same."

Terlich highlights that the company's strong operating performance has not gone unnoticed, with ASX 200 member, and fellow mining services play, Bradken (ASX Code: BKN) recently becoming a

substantial shareholder.

"Bradken's move on to the share register is a positive sign, demonstrating confidence in Austin's ability for future earnings growth," he says.

"While the company has stated it may consider increasing its shareholding in the future, there is no current intention of making an all-out takeover offer for Austin."

Terlich says the company is experiencing solid work flow and demand for products is strong, with the services line of the business fully booked until 2010.

"On a PE of around 8.5 and a current dividend yield of 3.6 per cent, we see Austin providing significant upside potential," he says.

"Despite concerns surrounding raw materials demand, mines continue operating and the company is well positioned to keep profiting."

