



Panoramic BUY

Current Price: **\$2.67**
Valuation: **\$2.77**

Ticker: **PAN**
Sector: **Materials**

Shares on Issue (m): **204.0**
Market Cap (\$m): **544.5**
Net Cash (\$m): **60.5**
Enterprise Value (\$m): **484.0**

52 wk High/Low: **\$4.71** **\$0.71**
12m Av Daily Vol (m): **1.36**

Key Metrics

	08A	09F	10F
P/E (x)	9.7	25.8	10.8
EV/EBITDA (x)	4.3	9.3	4.2

Financials:

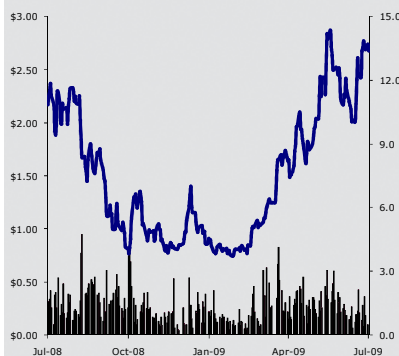
	08A	09F	10F
Revenue (\$m)	232.4	238.3	303.5
EBIT (\$m)	72.8	8.4	73.4
NPAT (\$m)	53.4	5.0	51.1

	08A	09F	10F
Net Assets (\$m)	231.7	223.6	260.4
Op CF (\$m)	89.8	36.8	126.4

Per Share Data:

	08A	09F	10F
EPS (cps)	27.6	10.3	24.8
DPS (cps)	12.0	7.0	7.0
Div Yield	4.5%	2.6%	2.6%
CFPS (cps)	46.4	17.9	61.4

Share Price Graph



Analyst:
Troy Irvin

28 July 2009

Costs down, margins up

Panoramic (PAN) has reported June Q group production of 4,987t Ni (100% basis). Q-on-Q variances were (Figures 1-4):

- Savannah operation:
 - × Nickel production up 20% to 2,213kt (6% less ore milled, at a 22% higher grade)
 - × Cash costs 35% lower at A\$3.66/lb payable
- Lanfranchi operation:
 - × Nickel production down 8% to 2,458kt (10% less ore milled, at a 2% higher grade)
 - × Cash costs steady at A\$5.44/lb payable

During the Q Argonaut visited Savannah in the East Kimberley and was impressed by a quality site management team, consistent production, improved margins due to cost reductions / productivity initiatives and a >10 year mine life with the Lower Zone Feasibility Study / Ore Reserve expected September / October.

Opportunities at Savannah include following up the recent intersection of mineralisation below the Lower Zone resource (indicating the "Deeps" is open at depth), and a focused exploration effort along the margin of the Savannah intrusion adjacent to the Upper Zone – with the decline already installed this could fill the mill, and lower unit costs, for limited capital expenditure.

At Lanfranchi stoping operations in the 63kt Deacon orebody continue to ramp-up, which should translate into improved cost performance over the coming Qs.

PAN offers:

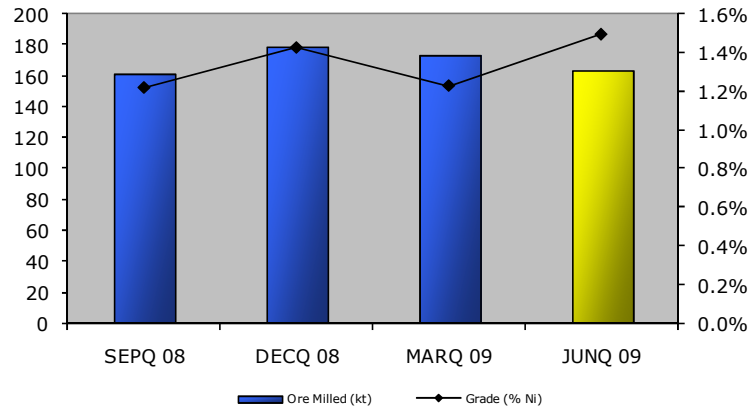
- A\$5.50/lb cash margins (Figure 5)
- Record FY09 nickel production of 18.752kt (Figure 6)
- \$67m cash and no bank debt
- Superb operating cost reductions
- Undemanding capital expenditure
- > 10 year mine life
- \$43m in the money hedge book

A tangible 18-19ktpa production goal from two mine sites site makes PAN highly leveraged to further nickel price appreciation. Argonaut's FY09F NPAT claws back to \$5.0m following the \$8.6m loss for the December half.

BUY on weakness

Higher head grades and improved productivity at Savannah...

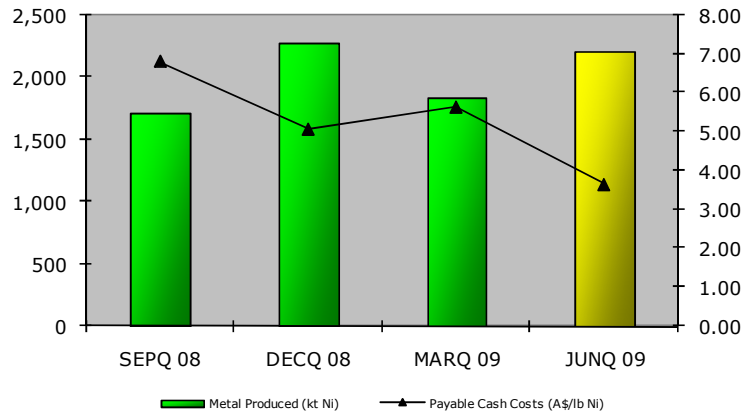
Figure 1: Savannah ore tonnes and grade



Source: Argonaut

...resulted in a 20% increase in nickel production (compared to the Mar Q)

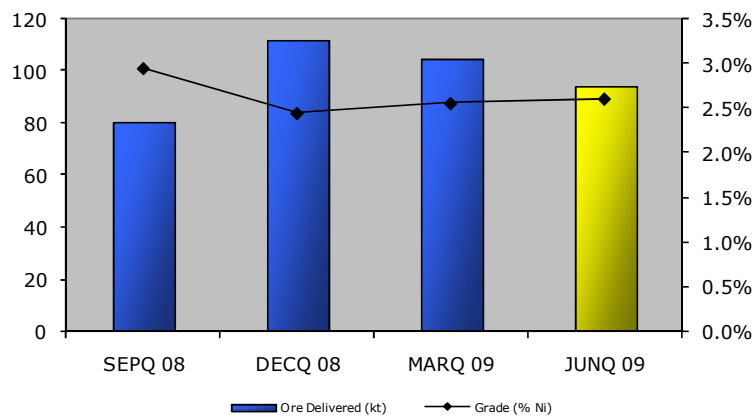
Figure 2: Savannah nickel production and cash costs



Source: Argonaut

At Lanfranchi 10% less ore delivered to the Nickel West concentrator...

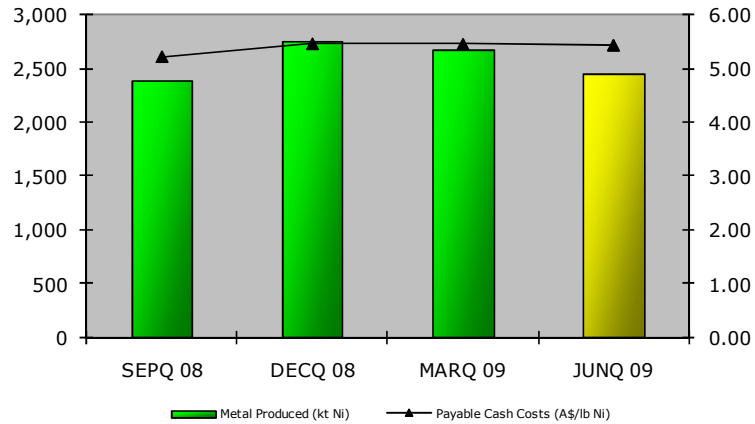
Figure 3: Lanfranchi ore tonnes and grade



Source: Argonaut

...resulted in 8% less nickel production

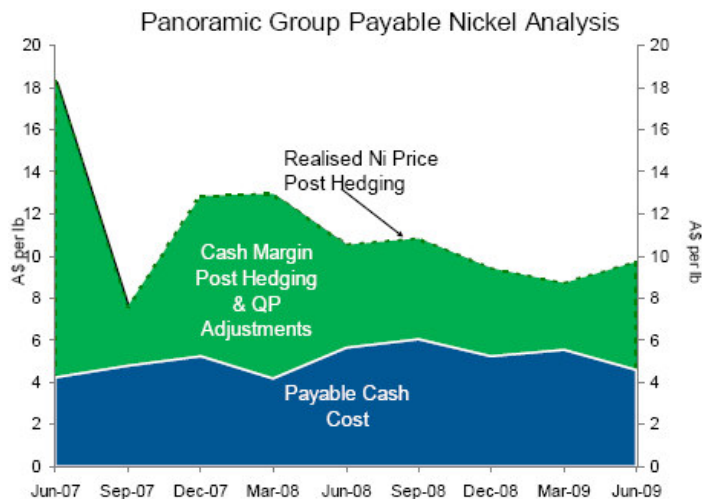
Figure 4: Lanfranchi nickel production and cash costs



Source: Argonaut

Group cash costs were A\$4.58/lb compared to a price received of almost ~A\$10/lb

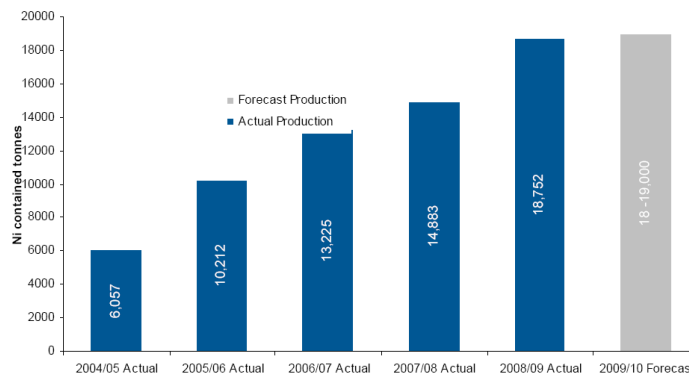
Figure 5: Cash margin



Source: PAN

PAN forecasts FY10 production of 18-19kt contained nickel

Figure 6: Group production actual and forecast



Source: PAN

Panoramic

Recommendation BUY
Current Price \$2.67
Valuation \$2.77
All Ords (XAO) 4,153

Sector Materials
Issued Capital (m) 204.0
Market Cap (m) \$544.5
Updated 28-July-2009

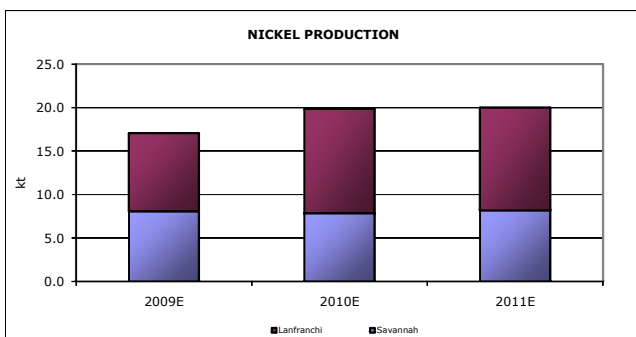
Profit & Loss (\$m) 30 June	2008A	H109A	2009E	2010E
Sales Revenue	232.4	113.3	238.3	303.5
Other Income	6.1	1.2	2.5	5.2
Operating Costs	109.5	65.0	148.4	177.1
Deprn & Amort	40.4	26.9	43.6	41.1
Exploration Exp.	2.2	5.8	7.1	10.1
Corporate/Admin	10.0	6.0	10.0	7.1
Derivatives Loss / Impairment of assets	3.5	23.2	23.2	0.0
EBIT	72.8	-12.4	8.4	73.4
Interest Paid	1.3	0.3	0.5	0.4
Operating Profit	71.5	-12.8	7.9	73.0
Tax expense	18.1	-4.1	2.9	21.9
Minorities	0.0	0.0	0.0	0.0
NPAT	53.4	-8.6	5.0	51.1
Normalised NPAT	53.4	7.6	21.3	51.1

Cash Flow (\$m)	2008A	H109A	2009E	2010E
Operating Cashflow	89.8	(3.5)	36.8	126.4
- Capital Expenditure	55.6	43.7	61.7	15.1
- Exploration & Evaluation	6.2	0.8	3.4	10.1
- Asset Purchases (+ Asset Sales)	(2.4)	(0.2)	(0.2)	0.0
Free Cashflow	30.4	(47.8)	(28.1)	101.2
- Dividends (ords & pref)	36.1	9.6	17.3	12.2
+ Equity Raised	3.6	0.1	0.1	0.0
+ Debt Drawdown (Repaid)	(6.6)	(3.9)	(3.9)	0.0
- Other	0.0	0.0	(5.3)	0.0
Net Change in Cash	(8.6)	(61.2)	(43.9)	89.0
Cash at end period	110.9	49.7	67.0	156.0

Balance Sheet (\$m)	2008A	2009E	2010E
Cash	110.9	67.0	156.0
Total Assets	332.1	297.3	386.0
Total Debt	8.4	6.5	6.5
Total Liabilities	100.4	73.7	125.6
Shareholders Funds	231.7	223.6	260.4

Production Summary	2008A	2009E	2010E
Savannah (kt)	7.6	8.1	7.9
Lanfranchi (kt) (attributable)	5.5	9.0	12.0
Total Nickel Production	13.1	17.1	19.9
By-product Copper Production	4.5	4.9	4.6
By-product Cobalt Production	0.4	0.4	0.4
Ni Cash Cost - net of credits (US\$/lb)	5.30	4.35	4.56
Ni Price Realised (US\$/lb)	11.88	6.85	7.66

Reserves & Resources Attributable to PAN			
Nickel Reserves	Mt	Grade	Ni (kt)
Savannah	2.79	1.32	36.8
Lanfranchi - Deacon	2.50	2.52	63.1
Lanfranchi - Winner	0.14	4.26	6.1
Lanfranchi - Other	0.53	2.30	12.2
Copernicus	0.47	1.10	8.5
Total Reserves	6.43	1.97	126.7
Nickel Resources			
Nickel Resources	Mt	Grade	Ni (kt)
Savannah	6.37	1.55	98.7
Lanfranchi - Deacon	2.46	2.92	71.8
Lanfranchi - Winner	0.11	6.16	6.9
Lanfranchi - Other	2.80	1.78	49.8
Copernicus	0.51	1.24	6.3
Total Resources	12.25	1.91	233.6



Financial Summary	2008A	2009E	2010E
Reported Earnings			
Net Profit (\$m)	53.4	5.0	51.1
EPS (cents)	27.6	2.4	24.8
PER (x)	9.7	109.9	10.8
Normalised Earnings			
Net Profit (\$m)	53.4	21.3	51.1
EPS (cents)	27.6	10.3	24.8
EPS Growth (%)	(39.2)	(62.5)	140.2
PER (x)	9.7	25.8	10.8
Cashflow			
Operating Cashflow (\$m)	89.8	36.8	126.4
GCFPS (cents)	46.4	17.9	61.4
PCF (x)	5.8	14.9	4.3
Dividend			
Dividend (cents)	12.0	7.0	7.0
Yield (%)	4.5	2.6	2.6
Franking (%)	100	100	100

Financial Ratios	2008A	2009E	2010E
Balance Sheet Ratios			
Total Debt / Equity (%)	3.6	2.9	2.5
Interest Cover (x)	54.3	17.1	177.9
Acid test ratio (x)	2.2	2.0	2.1
Profitability Ratios			
Net Profit Margin (%)	23.0	8.9	16.8
Return on Assets (%)	32.9	3.6	31.9
Return on Equity (%)	23.0	2.2	19.6

Valuation Summary	A\$m	A\$/sh
Savannah	233.9	1.14
Lanfranchi	185.6	0.90
Forwards	24.4	0.12
Corporate	-27.6	-0.13
Cash Estimate	67.0	0.33
Debt	-6.5	-0.03
Exploration	85.0	0.41
Unpaid capital	8.3	0.04
Listed Investments	0.5	0.00
Total @ 10% discount rate	570	2.77

Directors	
C J G de Guingand	Non-Executive Chairman
Peter Harold	Managing Director
Christopher Langdon	Non-Executive Director
John Rowe	Non-Executive Director
Brian Phillips	Non-Executive Director

Substantial Shareholders	
	%
M & G Investment	14.5
Barclays	9.5
Brilliant Mining	5.9



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