



Panoramic BUY

Current Price: **\$1.78**
Valuation: **\$2.40**

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

Shares on Issue (m): **204.0**
Market Cap (\$m): **362.1**
Net Cash (\$m): **108.2**
Enterprise Value (\$m): **253.9**

52 wk High/Low: **\$3.13** **\$0.71**
12m Av Daily Vol (m): **1.05**

Key Metrics

	09A	10F	11F
P/E (x)	15.2	7.2	6.6
EV/EBITDA (x)	4.6	2.2	2.5

Financials:

	09A	10F	11F
Revenue (\$m)	228.7	282.0	266.8
EBIT (\$m)	5.9	73.8	80.9
NPAT (\$m)	5.6	51.4	56.4

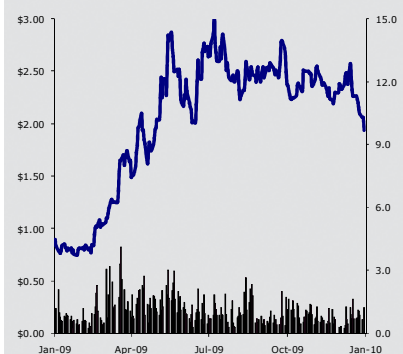
Net Assets (\$m) 286.3 323.4 365.5

Op CF (\$m) 29.9 128.9 110.7

Per Share Data:

	09A	10F	11F
EPS (cps)	11.7	24.6	27.0
DPS (cps)	3.0	7.0	7.0
Div Yield	1.7%	3.9%	3.9%
CFPS (cps)	14.5	61.8	53.0

Share Price Graph



Analyst:
Troy Irvin

1 February 2010

Tick tock tick tock

Metronomic nickel sulphide miner Panoramic (PAN) has delivered a steady December Q report.

Group production was 4,143t Ni at a cash cost of A\$5.56/lb payable. Q-on-Q variances were (Figures 1-2):

- Savannah operation:
 - × Production steady at 1,917t (0.4% less ore milled, at a steady grade of 1.3% Ni)
 - × Cash costs 10% higher at A\$4.80/lb payable
- Lanfranchi operation:
 - × Production down 6% to 2,226t (6% less ore milled, at a steady grade of 2.5% Ni)
 - × Cash costs 19% higher at A\$6.34/lb payable

The notable variance was higher costs at Lanfranchi in Kambalda stemming from lower nickel output. Ore production was lower than forecast mainly due to mechanical issues impacting on underground truck availability. Ore deliveries to the concentrator were also impacted by wet weather in late December. Since the end of the quarter, production rates have increased and the operation is on track to reach 40,000t ore mined for January.

A reserve statement for the Savannah Lower Zone below the 500 fault is anticipated to be reported in February.

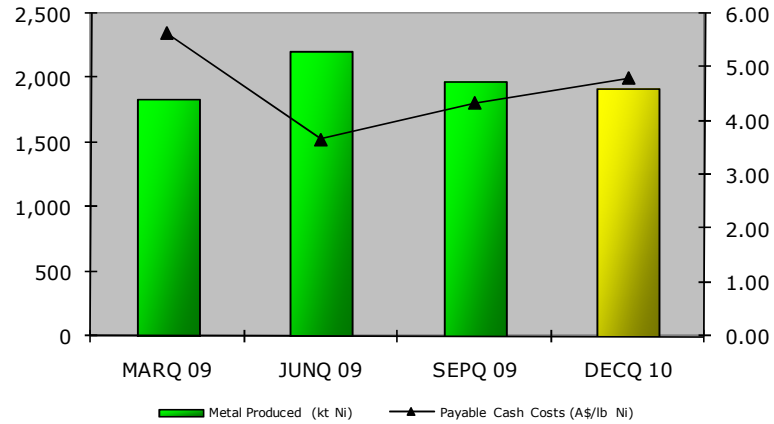
At 31 December PAN had \$113m cash, no bank debt and a \$17m in-the-money hedge book. Assuming US\$8.00/lb nickel and AUD/USD of 0.88 over the next 2 years PAN is valued at \$2.40. At spot nickel and spot exchange rate the valuation is \$2.54.

Long term nickel fans will be attracted by the Company's reliable >4,000tpQ output from two underground mine sites. The group production forecast for FY10 remains unchanged in the range of 18,000 to 19,000t Ni (Figure 3). Argonaut forecasts NPAT of \$20m for the December H, and \$51m for FY10.

BUY

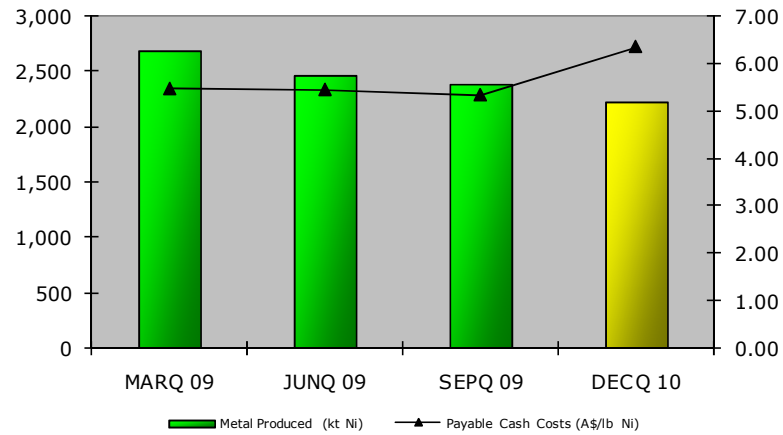
Long term nickel fans will be attracted by the metronomic production performance from two mines

Figure 1: Savannah nickel production and cash costs



Source: Argonaut

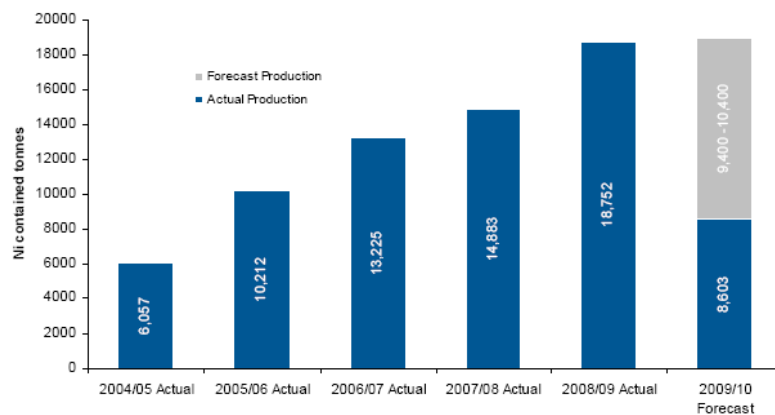
Figure 2: Lanfranchi nickel production and cash costs



Source: Argonaut

The group production forecast for FY10 remains unchanged in the range of 18,000 to 19,000t Ni

Figure 3: Group production actual and forecast



Source: PAN

Panoramic

Recommendation BUY
Current Price \$1.77
Valuation \$2.40
All Ords (XAO) 4,571

Sector Materials
Issued Capital (m) 204.0
Market Cap (m) \$361.1
Updated 01-February-2010

Profit & Loss (\$m) 30 June	2009A	2010E	2011E
Sales Revenue	228.7	282.0	266.8
Other Income	1.2	5.0	9.6
Operating Costs	124.8	153.0	156.2
Depn & Amort	49.3	43.1	21.1
Exploration Exp.	7.6	10.0	10.2
Corporate/Admin	10.0	7.0	8.1
Derivatives Loss / Impairment of assets	32.2	0.0	0.0
EBIT	5.9	73.8	80.9
Interest Paid	0.5	0.3	0.3
Operating Profit	5.4	73.4	80.6
Tax expense	-0.2	22.0	24.2
Minorities	0.0	0.0	0.0
NPAT	5.6	51.4	56.4
Normalised NPAT	24.0	51.4	56.4

Cash Flow (\$m)	2009A	2010E	2011E
Operating Cashflow	29.9	128.9	110.7
- Capital Expenditure	55.7	15.0	10.2
- Exploration & Evaluation	3.1	10.0	10.2
- Asset Purchases (+ Asset Sales)	16.0	0.0	0.0
Free Cashflow	(44.9)	103.9	90.3
- Dividends (ords & pref)	11.5	12.2	14.3
+ Equity Raised	0.2	0.0	0.0
+ Debt Drawdown (Repaid)	(4.8)	0.0	0.0
- Other	0.0	0.0	0.0
Net Change in Cash	(61.0)	91.7	76.0
Cash at end period	49.9	141.6	217.6

Balance Sheet (\$m)	2009A	2010E	2011E
Cash	49.9	141.6	217.6
Total Assets	380.3	384.0	455.6
Total Debt	6.6	4.8	4.8
Total Liabilities	94.0	60.6	90.1
Shareholders Funds	286.3	323.4	365.5

Production Summary	2009A	2010E	2011E
Savannah (kt)	8.1	7.8	7.8
Lanfranchi (kt)	9.0	10.1	10.3
Total Nickel Production	17.1	17.9	18.1
By-product Copper Production	4.9	4.9	4.9
By-product Cobalt Production	0.4	0.4	0.4
Ni Cash Cost - net of credits (US\$/lb)	3.98	4.84	4.92
Ni Price Realised (US\$/lb)	6.85	8.82	8.11

Attributable Reserves & Resources 30 June 2009	Mt	Grade	Ni (kt)
Nickel Reserves			
Savannah	2.16	1.26	27.2
Lanfranchi	2.68	2.61	69.9
Copernicus	0.22	1.03	2.3
Total Reserves	5.06	1.97	99.4

Nickel Resources	Mt	Grade	Ni (kt)
Savannah	6.05	1.53	92.8
Lanfranchi	7.63	2.00	152.8
Copernicus	0.49	1.23	6.0
Total Resources	14.16	1.78	251.6

Financial Summary	2009A	2010E	2010E
Reported Earnings			
Net Profit (\$m)	5.6	51.4	56.4
EPS (cents)	2.7	24.6	27.0
PER (x)	64.7	7.2	6.5
Normalised Earnings			
Net Profit (\$m)	24.0	51.4	56.4
EPS (cents)	11.7	24.6	27.0
EPS Growth (%)	(57.6)	110.9	9.7
PER (x)	15.2	7.2	6.5
Cashflow			
Operating Cashflow (\$m)	29.9	128.9	110.7
GCFPS (cents)	14.5	61.8	53.0
PCF (x)	12.2	2.9	3.3
Dividend			
Dividend (cents)	3.0	7.0	7.0
Yield (%)	1.7	4.0	4.0
Franking (%)	100	100	100

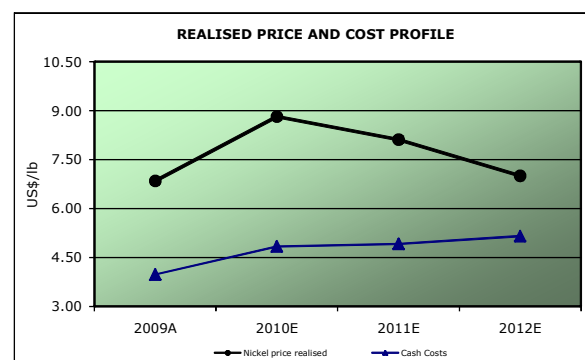
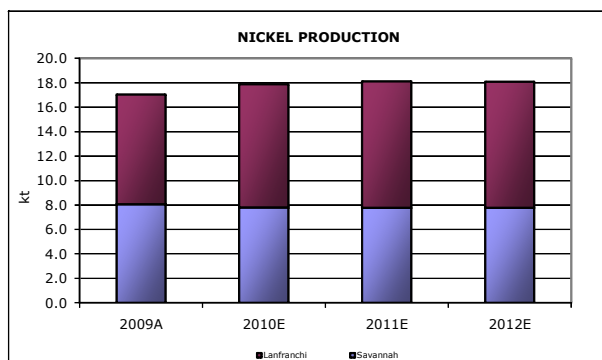
Financial Ratios	2009A	2010E	2010E
Balance Sheet Ratios			
Total Debt / Equity (%)	2.3	1.5	1.3
Interest Cover (x)	12.0	221.6	265.4
Acid test ratio (x)	3.1	4.9	4.1
Profitability Ratios			
Net Profit Margin (%)	10.5	18.2	21.1
Return on Assets (%)	1.8	30.4	34.0
Return on Equity (%)	2.0	15.9	15.4

Valuation Summary	A\$m	A\$/sh
Savannah	208.6	1.00
Lanfranchi	125.1	0.60
Forwards	15.7	0.08
Corporate	-26.8	-0.13
Cash at 31 December	113.0	0.54
Debt	-4.8	-0.02
Exploration	60.0	0.29
Unpaid capital	8.2	0.04
Listed Investments	0.8	0.00

Total @ 10% discount rate 499 2.40

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	16.5
Blackrock	9.8
AMP	5.1



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