

# Panoramic Resources Limited

Results in line with expectations



Wilson HTM  
INVESTMENT GROUP

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\$2.35

BUY

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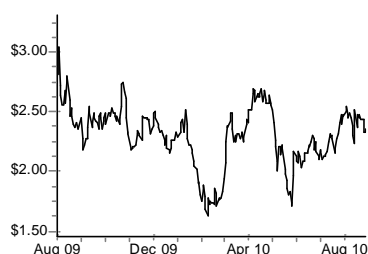
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## Price Performance



## Security/Capital Details

ASX Code	PAN
Market Cap	\$493 M
Issued Shares (dil)	209.9 M
Avg Mth T'over	23.29 M
12 Mth High – Low	\$2.74 - \$1.63

## Key Data/Ratios – FY 2011

EBITDA / Sales	63.9%
EBIT / Sales	45.1%
Debt / Equity	1.0%
Interest Cover	477.9 x
ROE	23.6%
EPS Growth	33.9%
DCF	\$3.08
12 Mth Price Target	\$3.11

## Recommendation

PAN has reported FY2009/10 NPAT of A\$56.2m, in line with our forecast of A\$56.9m. The company has declared a 6.5 cent dividend for the half, which bring total dividends declared for the year to 16.5 cents. This represents a payout ratio of 60%.

We maintain our BUY recommendation. After some minor adjustments, including lower than expected investments, our valuation and target price have decreased slightly to A\$3.08/share and A\$3.11/share respectively.

## Key Points

- Panoramic has reported strong FY2010 results. NPAT was A\$56.2m and directly in line with our forecast of A\$56.9m.
- Reported EBITDA of A\$123m was A\$7m or 5% below our forecast. Although we forecasted slightly higher EBITDA, this was largely offset by a partial A\$7.2m before tax impairment reversal. The impairment occurred in FY2008/09.
- PAN has declared a fully franked final dividend of 6.5 cents. The total annual dividend payout for FY2010 is now 16.5 cents. The ex-dividend date is 6 September. PAN is now trading on a FY2011 dividend yield of 7.7% (forecasting 50% payout ratio)
- During the June half, PAN secured an extension for concentrate sales with Jinchuan. The off-take agreement secures 100% of the Savannah concentrate for ten years from April 2010. In addition, BHPB has exercised its option to extend the ore tolling and purchasing agreement for the Lanfranchi concentrate until 2019.
- Exploration activities are set to increase significantly in FY2011. Management have budgeted A\$12m to be spent across all exploration tenements with the intention of increasing the company's reserves as well as new discoveries.
- Management are cautiously optimistic about the short-term outlook for the global economy. However, management remains watchful to the volatility in commodity prices and currencies.
- We expect to see hedging activities take place in the coming half year, in line with managements desire to protect margins and to optimise revenue. There are no nickel price hedges in place beyond June half 2011.

## Year ended June 2010 NPAT – A\$m

	Reported	Underlying
Reported	56.2	55.3*
WHTM	56.9	57.4

\*We assign the loss from mark to market derivatives to significant items

Source: Wilson HTM

## Revision to valuation and target price – A\$/share

	Valuation	Target
Previous	3.24	3.25
Revised	3.08	3.11
% Change	-4.9%	-4.3%

Source: Wilson HTM

Year to June	NPAT (Rep) \$M	NPAT (PSig) \$M	EPS (PSig) c	EPS Growth %	PER x	CFPS c	P/CF x	DPS c	Div Yld %	Franking %
2010a	56.2	55.3	26.4	130.1	8.9	66.8	3.5	16.5	7.0	100
2011e	74.2	74.2	35.4	33.9	6.7	54.1	4.3	18.0	7.7	100
2012e	135.8	135.8	64.7	82.8	3.6	85.2	2.8	33.0	14.0	100
2013e	106.7	106.7	50.8	-21.4	4.6	67.1	3.5	26.0	11.1	100

**Revision to NPAT (PSig) – A\$m**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
Previous	57.4	74.1	135.6
Revised	55.3	74.2	135.8
% Change	-3.6%	-0.0%	-0.0%

Source: Wilson HTM

**Revision to EPS (PSig) – (c)**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2011</b>
Previous	27.5	35.5	65.0
Revised	26.4	35.4	64.7
% Change	-4.0%	-0.0%	-0.0%

Source: Wilson HTM

## Panoramic Resources Limited (PAN : \$2.35)

## PRODUCTION

Year Ending June	2009a	2010a	2011e	2012f	2013f
Contained Nickel (kt)	17.4	17.4	18.5	19.3	19.3
Contained Copper (kt)	5.0	4.9	4.4	4.7	4.7
Contained Cobalt (kt)	0.4	0.4	0.4	0.4	0.4

## PRICES

Year Ending June	2009a	2010a	2011a	2012a	2013a
AUDUSD (USD)	0.75	0.88	0.85	0.82	0.79
Nickel (US\$/lb)	6.13	8.81	9.50	12.25	10.00
Copper (US\$/lb)	2.08	2.42	3.19	3.75	3.38
Cobalt (US\$/lb)	21.90	20.52	19.00	17.50	15.00

## INVESTMENT &amp; VALUATION FUNDAMENTALS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
EPS Before Abs (c)	11.5	26.4	35.4	64.7	50.8
EPS Growth (%)	N/A	130.1%	33.9%	82.8%	-21.4%
<b>PER (x)</b>	<b>20.5</b>	<b>8.9</b>	<b>6.7</b>	<b>3.6</b>	<b>4.6</b>
CFPS (c)	16.1	66.8	54.1	85.2	67.1
<b>P/CF (x)</b>	<b>14.6</b>	<b>3.5</b>	<b>4.3</b>	<b>2.8</b>	<b>3.5</b>
EV/EBITDA (x)	5.4	3.5	3.0	1.4	1.4
DPS (c)	3.0	16.5	18.0	33.0	26.0
<b>Yield (%)</b>	<b>1.3%</b>	<b>7.0%</b>	<b>7.7%</b>	<b>14.0%</b>	<b>11.1%</b>
Franking (%)	100%	100%	100%	100%	100%

## DCF VALUATION

Yr Ending June	@	10.5 %		10 %	
		A\$m	A\$ps	A\$m	A\$ps
Savannah		131.0	0.62	132.8	0.63
Lanfranchi		250.1	1.19	253.1	1.21
Corporate Costs Capitalised		-37.0	-0.18	-37.7	-0.18
Hedge Book		-6.5	-0.03	-6.6	-0.03
Interests - Other Entities		11.5	0.05	11.5	0.05
Exploration/Dev Portfolio		73.0	0.35	73.0	0.35
Franking Credits		85.0	0.40	86.1	0.41
Cash		137.4	0.65	137.4	0.65
Interest Bearing Liabilities		-4.7	-0.02	-4.7	-0.02
Minorities		0.0	0.00	0.0	0.00
Additional Capital - Dilution		7.0	0.03	7.0	0.03
Total Valuation - Diluted		646.7	3.08	652.1	3.11

## PROFITABILITY RATIOS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
<b>EBIT / Sales (%)</b>	<b>14.5%</b>	<b>27.2%</b>	<b>45.1%</b>	<b>61.4%</b>	<b>54.2%</b>
ROA (%)	N/A	22.1%	26.2%	49.4%	40.3%
<b>ROE (%)</b>	<b>N/A</b>	<b>19.2%</b>	<b>23.6%</b>	<b>35.7%</b>	<b>24.2%</b>
ROFE (%)	N/A	31.5%	38.4%	72.0%	60.8%

## INTERIMS (\$m)

Half Yr	Dec 09	Jun 10	Dec 10	Jun 11	Dec 11
Yr Ending June	1H A	2H A	1H E	2H E	1H E
Sales Revenue	132.2	151.2	108.4	112.0	152.7
EBIT	32.0	45.1	44.8	54.6	95.3
<b>Net Profit</b>	<b>23.1</b>	<b>33.1</b>	<b>33.8</b>	<b>40.5</b>	<b>69.1</b>
EPS	11.3	15.1	16.1	19.3	32.9

## BALANCE SHEET (\$m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Cash	50.0	49.8	70.8	180.0	249.3
Total Assets	380.3	416.8	461.4	539.3	579.7
Debt	6.6	4.7	3.3	3.3	3.3
Total Liabilities	94.0	125.7	122.3	120.3	118.3
Total Shareholders Equity	286.3	291.1	339.1	419.0	461.4
Total Funds Employed	242.9	246.1	271.6	242.3	215.4

## LIQUIDITY &amp; LEVERAGE RATIOS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Debt / Equity (%)	2.3%	1.6%	1.0%	0.8%	0.7%
Gearing (%) <sup>1</sup>	2.2%	1.6%	1.0%	0.8%	0.7%
Interest Cover (x)	33.5	5,925.1	-16.0	-22.1	-10.4
Debt / CashFlow (x)	0.2	0.0	0.0	0.0	0.0
(Debt+CNNotes) / CashFlow	0.1	0.0	0.0	0.0	0.0

## PROFIT &amp; LOSS (\$m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Sales Revenue	225.1	283.4	220.4	302.3	256.5
EBITDA	82.2	129.7	140.8	230.7	175.3
Depn and Amortisation	49.5	52.7	41.4	45.1	36.2
<b>EBIT</b>	<b>32.7</b>	<b>77.0</b>	<b>99.4</b>	<b>185.5</b>	<b>139.0</b>
Net Interest Expense	1.0	0.0	-6.2	-8.4	-13.3
<b>Pre-tax Profit</b>	<b>31.7</b>	<b>77.0</b>	<b>105.6</b>	<b>193.9</b>	<b>152.4</b>
Tax	7.8	21.7	31.4	58.2	45.7
Tax rate (%)	24.6%	28.2%	29.7%	30.0%	30.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>23.9</b>	<b>55.3</b>	<b>74.2</b>	<b>135.8</b>	<b>106.7</b>
Abnormals	-18.3	0.9	0.0	0.0	0.0
Reported Net Profit	5.6	56.2	74.2	135.8	106.7

## CASHFLOW (\$m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
<b>Operating Cash Flow</b>	<b>33.5</b>	<b>139.9</b>	<b>113.6</b>	<b>178.9</b>	<b>140.9</b>
Capital Expenditure	-15.7	-8.1	-37.1	-3.7	-1.3
Expln, Develop, Evaln	-44.8	-26.9	-25.8	-10.2	-6.0
Asset Sales/Acquisitions	0.0	-5.7	-3.5	0.0	0.0
Other	-17.8	-65.9	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-78.4</b>	<b>-106.6</b>	<b>-66.4</b>	<b>-13.8</b>	<b>-7.3</b>
Share Issues/(Buybacks)	0.2	0.6	3.7	0.0	4.5
Debt Drawdown (Repay)	-4.7	-5.4	0.0	0.0	0.0
Dividends Paid	-11.5	-24.6	-29.9	-55.9	-68.8
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>-16.1</b>	<b>-29.4</b>	<b>-26.2</b>	<b>-55.9</b>	<b>-64.3</b>
<b>Cash Increase (Decrease)</b>	<b>-60.9</b>	<b>3.9</b>	<b>21.0</b>	<b>109.2</b>	<b>69.3</b>

## EARNINGS SENSITIVITIES - % CHANGE

Year Ending June	2009a	2010a	2011a	2012a
+/- 1c Movement US\$/A\$	0.0	0.0	3.3	2.6
+/-10% Ni Price Change	0.0	0.0	13.7	18.3
+/-10% Change In Costs	0.0	0.0	12.7	8.0

1. Gearing = (Debt + CNotes) / (Debt + Cnotes + Equity)



### Recommendation Structure

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

### Other definitions

CS Coverage Suspended. Wilson HTM Ltd has suspended coverage of this company.

NR Not Rated. The recommendation has been suspended temporarily. Such suspension is in line with Wilson HTM Investment Group Ltd policies in circumstances where Wilson HTM Corporate Finance Ltd is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations.

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