



## Panoramic HOLD

Current Price: **\$2.65**  
Valuation: **\$2.82**

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

Shares on Issue (m): **206.1**  
Market Cap (\$m): **546.1**  
Net Cash (\$m): **110.3**  
Enterprise Value (\$m): **435.8**

52 wk High/Low: **\$2.97** **\$1.60**  
12m Av Daily Vol (m): **1.02**

### Key Metrics

	10A	11F	12F
P/E (x)	10.9	14.4	18.3
EV/EBITDA (x)	3.4	3.9	4.5

### Financials:

	2009	2010	2011
Revenue (\$m)	287.8	288.9	281.4
EBIT (\$m)	77.3	62.3	52.5
NPAT (\$m)	56.2	38.5	30.4

	2009	2010	2011
Net Assets (\$m)	291.1	323.2	352.3
Op CF (\$m)	135.8	113.0	103.7

### Per Share Data:

	2009	2010	2011
EPS (cps)	24.4	18.4	14.5
DPS (cps)	15.0	10.0	10.0
Div Yield	5.7%	3.8%	3.8%
CFPS (cps)	64.8	53.9	49.4

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

28 October 2010

## September Q Report

### September Q Report:

In the September Q Panoramic (PAN) delivered group production of 4,314t Ni at a cash cost of A\$5.55/lb payable. Q-on-Q variances were:

#### Savannah operation:

- Production up 8% to 1,893t (10% less ore milled, 18% higher grade of 1.36%)
- Cash costs 7% higher at A\$5.99/lb payable

#### Lanfranchi operation:

- Production down 10% to 2,421t (7% less ore delivered, 4% lower grade of 2.32%)
- Cash costs 9% higher at A\$6.32/lb payable

#### Exploration highlights included:

- Savannah – Three priority near mine EM conductors identified for drill testing
- Deacon - Two massive sulphide intersections reported just outside the existing Resource (8.6m @ 6.5% Ni and 5.1m @ 6.1% Ni)
- Norrland JV (Sweden) - Drilling commenced on five priority targets, the third hole intersected narrow (~5m) but shallow sulphide bearing ultramafics, assays awaiting

Cash and receivables total \$144m, down from \$158m at the end of the previous Q after payment of the 6.5c final dividend (\$13.3m) and \$5.6 m of exploration and strategic investments. PAN increased its shareholding in Magma Metals (MMW) to 18.4m shares and reduced took profits in Ampella Mining (AMX), selling 1.24m shares.

### Impact:

Positive

PAN is on target to achieve FY11 production guidance of 18-19kt. Argonaut's forecast is 18kt. The rise in cash costs was due to a combination of higher milling costs at Savannah due to a planned mill reline, lower budgeted nickel production and lower payability at Lanfranchi due to lower budgeted nickel grades, and strength in the AUD.

### View:

Positive

PAN offers relatively low risk leverage to the nickel price with two geographically diverse production centres, experienced management, active nickel price protection, \$115m cash and no bank debt. A \$12m exploration program, the largest in the Company's history, is a potential price catalyst.

### Recommendation:

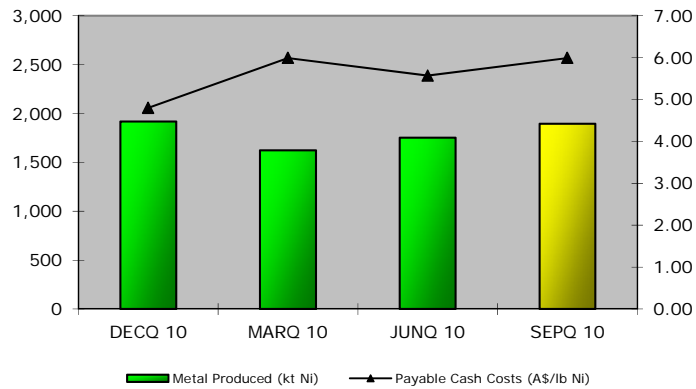
Hold

The stock is trading in line with Argonaut's valuation.



Steady production at both operations...

Figure 1: Savannah - Production and cash costs

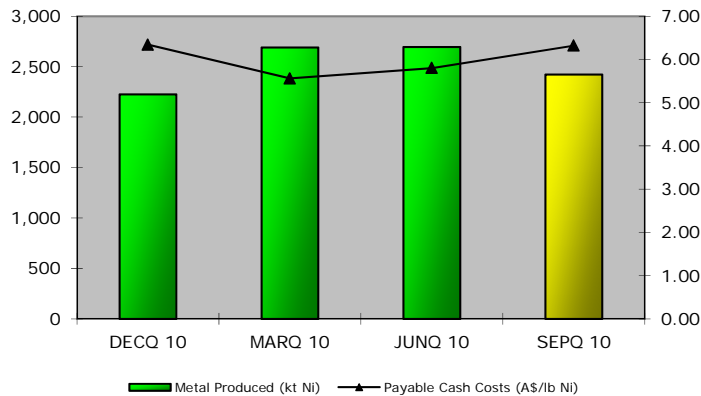


...puts PAN on target for FY11 production guidance of 18-19kt

Source: Argonaut

Cash costs rose due to a planned mill reline at Savannah...

Figure 2: Lanfranchi - Production and cash costs

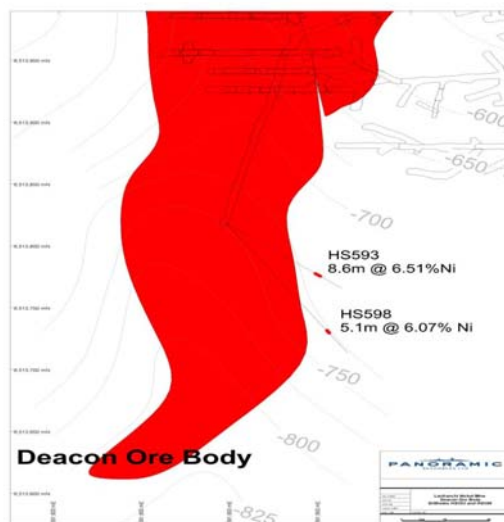


...and lower grades at Lanfranchi

Source: Argonaut

Two massive sulphide intersections were reported...

Figure 3: Massive sulphide intersections near Deacon



...just outside the existing Deacon Resource

Source: PAN



Panoramic

**Recommendation** BUY  
**Current Price** \$2.65  
**Valuation** \$2.82  
**All Ords (XAO)** 4,721

**Sector** Materials  
**Issued Capital (m)** 206.1  
**Market Cap (m)** \$546.1  
**Updated** 28-October-2010

Profit & Loss (\$m) 30 June	2010A	2011E	2012E	2013E
<b>Sales Revenue</b>	<b>287.8</b>	<b>288.9</b>	<b>281.4</b>	<b>251.4</b>
Other Income	4.5	6.6	9.4	12.4
Operating Costs	138.1	152.1	155.7	158.3
Exploration Exp.	7.2	10.0	10.2	10.4
Corporate/Admin	8.0	8.0	8.2	8.3
<b>EBITDA</b>	<b>130.0</b>	<b>112.1</b>	<b>97.9</b>	<b>62.0</b>
D & A	52.7	49.8	45.5	20.5
<b>EBIT</b>	<b>77.3</b>	<b>62.3</b>	<b>52.5</b>	<b>41.5</b>
Interest Paid	0.4	0.3	0.3	0.3
Reversal of impairment of assets	-7.2	0.0	0.0	0.0
Mark to market of derivatives	5.9	0.0	0.0	0.0
<b>Operating Profit</b>	<b>78.3</b>	<b>62.0</b>	<b>52.2</b>	<b>41.2</b>
Tax expense	22.1	23.5	21.7	19.8
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>56.2</b>	<b>38.5</b>	<b>30.4</b>	<b>21.4</b>
<b>Normalised NPAT</b>	<b>51.2</b>	<b>38.5</b>	<b>30.4</b>	<b>21.4</b>

Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	56.2	38.5	30.4	21.4
EPS (cents)	26.8	18.4	14.5	10.2
PER (x)	9.9	14.4	18.3	25.9
<b>Normalised Earnings</b>				
Net Profit (\$m)	51.2	38.5	30.4	21.4
EPS (cents)	24.4	18.4	14.5	10.2
EPS Growth (%)	(260.9)	(24.7)	(21.0)	(29.6)
PER (x)	10.9	14.4	18.3	25.9
<b>Cashflow</b>				
Operating Cashflow (\$m)	135.8	113.0	103.7	73.1
GCFFPS (cents)	64.8	53.9	49.4	34.8
PCF (x)	4.1	4.9	5.4	7.6
<b>Dividend</b>				
Dividend (cents)	15.0	10.0	10.0	10.0
Yield (%)	5.7	3.8	3.8	3.8
Franking (%)	100	100	100	100

Cash Flow (\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>135.8</b>	<b>113.0</b>	<b>103.7</b>	<b>73.1</b>
- Capital Expenditure	33.3	25.0	15.1	3.1
- Exploration & Evaluation	1.7	10.0	10.2	10.4
- Asset Purchases (+ Asset Sales)	(15.9)	0.0	0.0	0.0
<b>Free Cashflow</b>	<b>116.8</b>	<b>77.9</b>	<b>78.4</b>	<b>59.5</b>
- Dividends (ords & pref)	24.6	20.6	20.6	20.6
+ Equity Raised	0.6	0.0	0.0	0.0
+ Debt Drawdown (Repaid)	(5.4)	0.0	0.0	0.0
- Other	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>87.4</b>	<b>57.4</b>	<b>57.7</b>	<b>38.9</b>
Cash at end period	137.3	194.7	252.5	291.4

Financial Ratios	2010A	2011E	2012E	
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	1.6	1.5	1.3	1.2
Interest Cover (x)	-	-	-	-
Acid test ratio (x)	2.7	3.8	4.4	7.9
<b>Profitability Ratios</b>				
Net Profit Margin (%)	17.8	13.3	10.8	8.5
Return on Assets (%)	27.7	26.0	24.1	20.4
Return on Equity (%)	19.3	11.9	8.6	5.3

Balance Sheet (\$m)	2010A	2011E	2012E	2013E
Cash	137.3	194.7	252.5	291.4
Total Assets	416.8	434.6	470.4	495.2
Total Debt	4.7	4.7	4.7	4.7
Total Liabilities	125.7	111.4	118.2	93.7
Shareholders Funds	291.1	323.2	352.3	401.6

Valuation Summary	A\$m	A\$/sh
Savannah	248	1.18
Lanfranchi	147	0.70
Forwards	-1	0.00
Corporate	-25	-0.12
Cash at 30 September	115	0.55
Debt	-5	-0.02
Exploration	85	0.41
Unpaid capital	8	0.04
Listed Investments	17	0.08
<b>Total @ 11% discount rate</b>	<b>574</b>	<b>2.82</b>

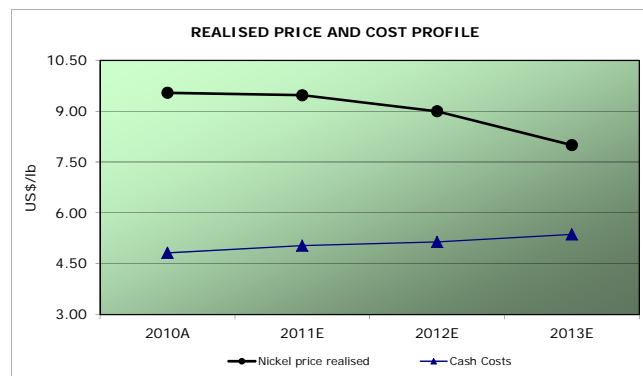
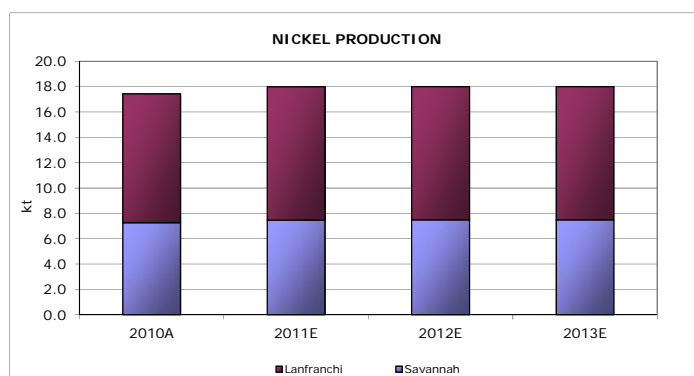
Production Summary	2010A	2011E	2012E	2013E
Savannah (kt)	7.3	7.5	7.5	7.5
Lanfranchi (kt)	10.2	10.5	10.5	10.5
<b>Total Nickel Production</b>	<b>17.4</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>
Ni Cash Cost - net of credits (US\$/lb)	4.82	5.03	5.14	5.37
Ni Price Realised (US\$/lb)	9.54	9.47	9.00	8.00

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

Reserves & Resources	Mt	Grade	Ni (kt)
<b>Nickel Reserves</b>			
Savannah	5.49	1.2	66.0
Lanfranchi	3.18	2.4	75.9
Copernicus	0.22	1.0	2.3
<b>Total Reserves</b>	<b>8.90</b>	<b>1.6</b>	<b>144.1</b>

Nickel Resources	Mt	Grade	Ni (kt)
Savannah	6.05	1.5	92.8
Lanfranchi	7.95	2.0	156.8
Copernicus	0.49	1.2	6.0
<b>Total Resources</b>	<b>14.49</b>	<b>1.8</b>	<b>255.6</b>

Substantial Shareholders	%
M & G Investment	19.5
Eley Griffiths Group	5.7



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