

Panoramic Resources ^{PAN}

Recommendations

Rating	BUY
Risk	Speculative
Price Target	\$0.60
Share Price	\$0.45

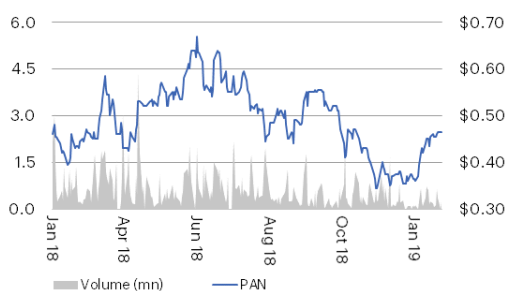
Snapshot

Monthly Turnover	\$2.4mn
Market Cap	\$230mn
Shares Issued	494.5mn
52-Week High	\$0.67
52-Week Low	\$0.34
Sector	Materials

Business Description

PAN is a nickel, copper and cobalt producer with one underground mining operation located in Western Australia. The company also has an interest in Horizon Gold which has a number of precious metal projects located in WA and The Thunder Bay platinum and palladium prospect in Canada.

12 Month Price & Volume



Research Analyst

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Disclosure

The author owns no shares in PAN.

Company Report

Ore back in the mill

December quarter restart: After a slow restart due to delays in labour recruitment, lower mobile equipment availability and severe weather conditions, ore was fed into the mill in mid-December. As far as mining goes, the company noted that factors impacting ore production in December have either been rectified in January or plans are in place to resolve them. At the end of December PAN had 17,000t of ore on the ROM pad and 10,000t of broken stocks underground. By mid-January, ore throughput was over 2,000tpd and recoveries were approaching 80% for nickel and 90% for copper, leaving room for improvement over the next quarter. The first concentrate shipment is scheduled for the first week of February.

Nickel hedged above spot: As part of the financing with Macquarie, PAN entered into nickel and copper hedging over the FY19-FY22 period. The average hedged nickel price is A\$8.50/lb, which compares favourably with the current spot price of A\$7.50/lb. Copper was done at an average A\$3.71/lb versus spot of A\$3.82/lb. On the basis that we estimate copper revenue makes up only 10-15% of PAN's revenue stream, we are not concerned about the marginally underwater copper hedge.

Investment view: After a mark-to-market of our nickel price forecasts and assumptions on ramp-up costs, our earnings for FY19 have fallen \$8m to a loss of \$2m. Earnings are still vulnerable to the nickel price, but investors should gain some comfort from PAN's hedging and the 10% rally in the nickel price over the last month. Our valuation and price target are unchanged at 60cps. Our BUY recommendation is unchanged.

Investment Summary

Year End: 30 June		2017 (A)	2018 (A)	2019 (E)	2020 (E)	2021 (E)
Revenue	\$mn	8	0	69	194	209
EBITDA	\$mn	-4.1	-47.1	15.2	81.1	93.4
EBIT	\$mn	-4.8	-47.6	1.6	42.5	50.3
Reported Profit	\$mn	-4.8	-48.0	-2.0	38.9	51.1
Adjusted Profit	\$mn	-4.8	-48.0	-2.0	38.9	51.1
EPS (Reported)	¢	-0.9	-9.7	-0.4	7.9	10.4
EPS (Adjusted)	¢	-0.9	-9.7	-0.4	7.9	10.4
EPS Growth	%	N/A	N/A	N/A	N/A	31.3
PER (Adjusted)	x	N/A	N/A	N/A	5.7	4.3
EV/EBITDA	x	N/A	N/A	14.8	2.2	1.2
Dividend	¢	0.0	0.0	0.0	1.0	3.0
Yield	%	0.0	0.0	0.0	2.2	6.7
Franking	%	0	0	0	0	0

Financial Summary

Code	PAN
Analyst	Warren Edney
Date	29-January-19
Share Price (\$A)	\$0.45
Market Capitalisation (A\$m)	\$221
Enterprise value (A\$m)	\$217
Year End	30 June

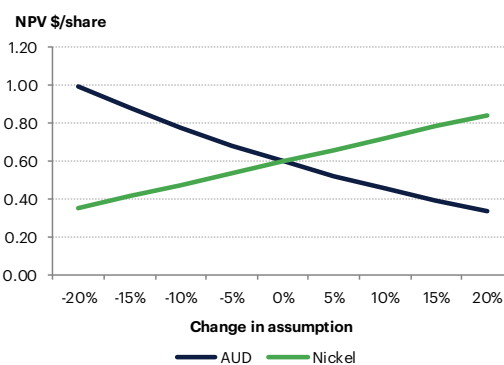
Rating	BUY
Price Target	\$0.60
Upside/(Downside)	34%
Valuation	\$0.60
Risk	Speculative
Price/NPV	0.75 X

Key Ratios	FY17A	FY18A	FY19E	FY20E	FY21E
Reported NPAT	(5)	(48)	(2)	39	51
Attributable NPAT	(5)	(48)	(2)	39	51
EPS - Adjusted	(0.9)	(9.7)	(0.4)	7.9	10.4
EPS Growth (%)	N/A	N/A	N/A	N/A	31%
P/E (x)	(49.1)	(4.6)	(113.4)	5.7	4.3
OCFPS (c)	(1.5)	(1.3)	4.2	18.5	22.0
P/CF (x)	(30.3)	(34.2)	10.8	2.4	2.0
DPS (c)	-	-	-	1.0	3.0
Dividend Yield (%)	-	-	-	2%	7%
EV/EBIT (x)	N/A	N/A	14.0	5.1	4.3
EV/EBITDA (x)	N/A	N/A	14.8	2.2	1.2

Valuation Summary	A\$m	A\$/Share
NPV @ 8.58% WACC		
Lanfranchi	15	0.03
Savannah	247	0.50
Horizon Gold	8	0.02
Other	-	-
Exploration	6	0.01
Sub-Total	276	0.56
Corporate	(16)	(0.03)
Net Cash / (Debt)	4	0.01
Total Valuation	296	0.60

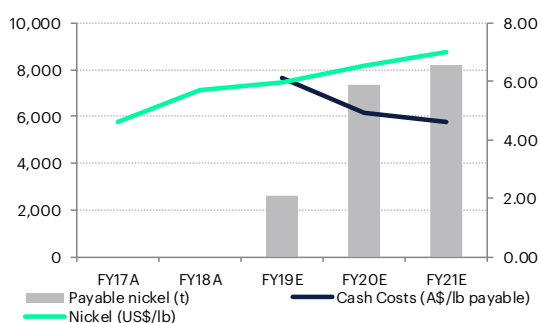
Assumptions	FY17A	FY18A	FY19E	FY20E	FY21E
AUD/USD	0.75	0.78	0.73	0.73	0.75
Nickel (US\$/lb)	4.60	5.71	5.97	6.55	7.02
Nickel (A\$/lb)	6.09	7.35	8.15	8.94	9.42
Copper (US\$/lb)	2.44	3.06	2.79	2.83	2.90
Cobalt (US\$/lb)	20.46	32.45	31.57	27.90	25.24
Gold (US\$/oz)	1,258	1,298	1,246	1,289	1,325

Valuation Sensitivity



Production Forecasts	FY17A	FY18A	FY19E	FY20E	FY21E
Savannah - nickel in conc (t)	-	-	3,719	10,521	11,756
Lanfranchi - nickel in ore (t)	-	-	-	-	-
Nickel in Ore (t)	-	-	5,000	12,600	14,250
Nickel in Ore/Concentrate (t)	-	-	3,719	10,521	11,756
Payable nickel (t)	-	-	2,603	7,365	8,229
Copper in Concentrate (t)	-	-	2,426	6,237	6,584
Cobalt in Concentrate (t)	-	-	290	745	787

Production & Costs



Unit Costs	FY17A	FY18A	FY19E	FY20E	FY21E
C1 Cash Costs (A\$/lb Ni in conc)			3.96	3.12	2.92
Cash Costs (A\$/lb payable)			6.11	4.90	4.62
Cash Costs (US\$/lb payable)			4.48	3.59	3.44

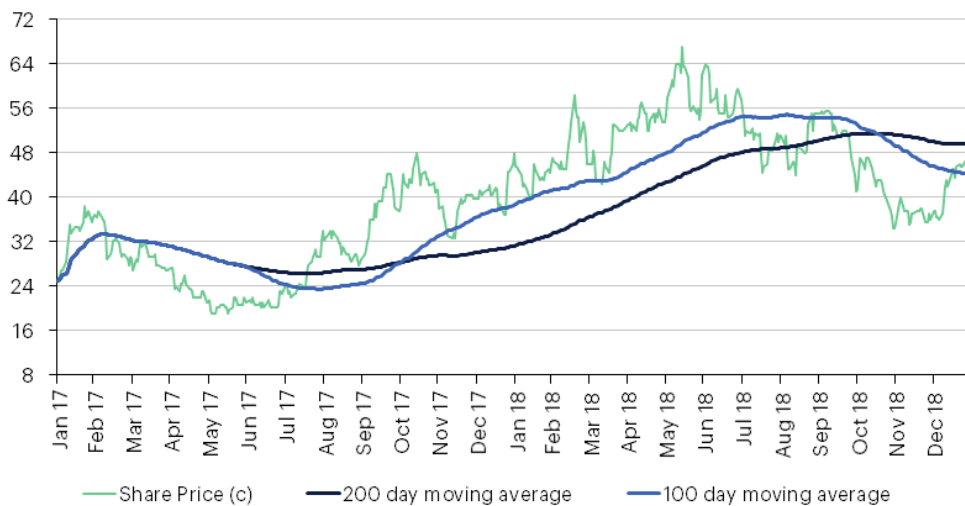
Profit & Loss (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating Revenue	8	-	69	194	209
Other Income	1	1	-	-	-
Total Revenue	9	1	69	194	209
Operating Expenses	9	-	45	103	106
Exploration Expensed	0	1	6	6	5
Corporate/other	4	47	4	4	4
EBITDA	(4)	(47)	15	81	93
Depreciation & Amortisation	1	0	14	39	43
EBIT	(5)	(48)	2	42	50
Net Interest / (Expense)	0	(0)	(4)	(4)	1
NPBT	(5)	(48)	(2)	39	51
Tax Expense (Benefit)	(0)	(0)	-	-	-
NPAT - Reported	(5)	(48)	(2)	39	51
Significant Items	-	-	-	-	-
NPAT - Adjusted	(5)	(48)	(2)	39	51

Savannah Reserves & Resources

	Mt	Ni	Cu	Co
Reserve (P+P)				
Above 900m	1.558	1.16%	0.74%	0.60%
North	6.650	1.42%	0.61%	0.10%
Combined	8.208	1.15%	0.63%	0.19%
Resource (M+I+I)				
Above 900m	2.034	1.39%	0.88%	0.07%
Below 900m	0.905	1.65%	0.76%	0.10%
North Upper	5.987	1.53%	0.60%	0.11%
North Lower	3.549	1.97%	0.97%	0.14%
North Other	0.735	1.85%	0.52%	0.12%
Combined	13.210	1.65%	0.75%	0.11%

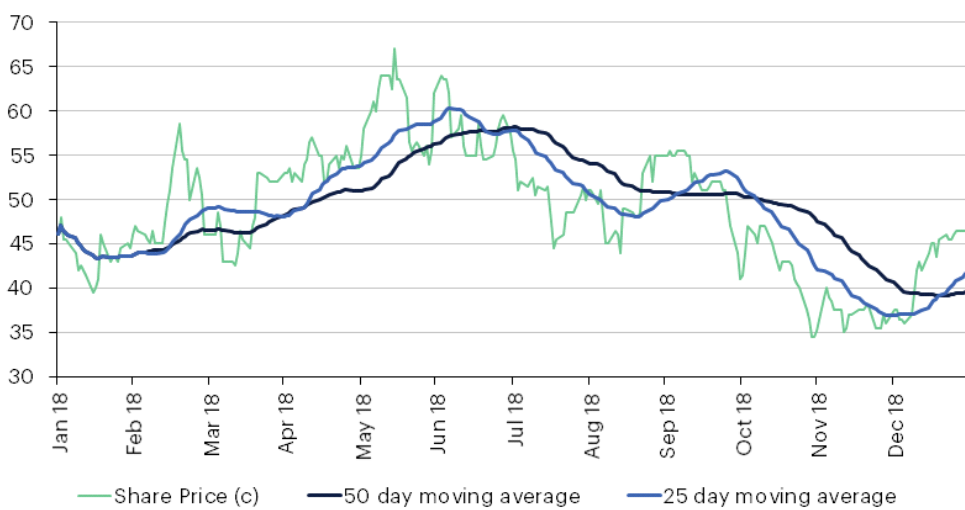
Appendix

Fig.1: Long term momentum indicators



Source: Iress

Fig.2: Short term momentum indicators



Source: Iress

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Hold: The stock's total return is expected to trade within a range of ± 10 -15 percent from the current share price over the next 12 months.

Sell: The stock's total return is expected to decrease by at least 10-15 percent from the current share price over the next 12 months.

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Hold: 28%

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