

# Panoramic Resources <sup>PAN</sup>

## Recommendations

Rating	<b>BUY</b>
Risk	Speculative
Price Target	<b>\$0.46</b>
Share Price	\$0.38

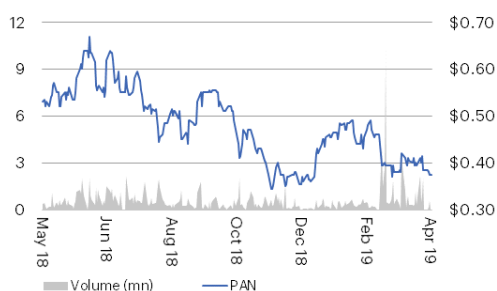
## Snapshot

Monthly Turnover	\$4.9mn
Market Cap	\$205mn
Shares Issued	546.7mn
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

Warren Edney  
+ 613 9602 9384  
wedney@baillieu.com.au

## Disclosure

The author owns no shares in PAN.

## Company Report

### A tough re-start

**Operations plagued by commissioning and availability issues:** PAN discussed the problems at bringing Savannah back on line earlier in the quarter which saw the company needing to refinance debt and raise equity. It appears that March saw some improvement in equipment availability, however even the new loaders had problems. Mining production rates improved, but the company has had to had to hire a mining contractor to improve decline advance rates for Savannah North. A chief operating officer has been appointed to oversee the operations and we hope that this insures the mine gets over some of the current issues. Processing appears to have improved with 120kt of ore processed during the quarter and nickel recoveries increasing from the 71% average in the March quarter to near the 85% target in April. Metal in concentrate production for the quarter was 926t of nickel, 625t of copper and 48t of cobalt.

**Commercial production unknown:** We have assumed commercial production is reached in the June quarter and our forecasts have been modified accordingly. We assume costs will, however, be elevated in \$m terms and on US\$/lb of nickel, while development is catching up and production is below capacity. Maintenance charges are also likely to be higher given the plant issues outlined since the restart, and the company has noted that securing skilled, experienced personnel is a challenge, which is not going to help productivity or labour costs.

**Investment view:** Savannah is not out of the woods yet and the hedge book is only making the financiers happy, as we have it detracting from revenue based on our commodity and exchange rate forecasts. PAN note that the nickel, copper and diesel hedge book is currently \$4.1m out of the money. Adding in the updated hedge book, as well as changing the production and costs assumptions, has seen our valuation fall from \$0.60ps to \$0.46ps. We downgrade our price target to \$0.46 and maintain our speculative BUY rating.

## Investment Summary

Year End: 30 June		2017 (A)	2018 (A)	2019 (E)	2020 (E)	2021 (E)
Revenue	\$mn	8	0	28	192	198
EBITDA	\$mn	-4.1	-47.1	5.1	70.0	78.7
EBIT	\$mn	-4.8	-47.6	-4.2	31.4	35.6
Reported Profit	\$mn	-4.8	-48.0	-1.4	26.6	34.5
Adjusted Profit	\$mn	-4.8	-48.0	-14.9	26.6	34.5
EPS (Reported)	¢	-1.1	-9.7	-0.3	4.8	6.2
EPS (Adjusted)	¢	-1.1	-9.7	-2.7	4.8	6.2
EPS Growth	%	N/A	N/A	N/A	N/A	29.9
PER (Adjusted)	x	N/A	N/A	N/A	7.9	6.1
EV/EBITDA	x	N/A	N/A	45.9	2.9	1.9
Dividend	¢	0.0	0.0	0.0	1.0	2.0
Yield	%	0.0	0.0	0.0	2.7	5.3
Franking	%	0	0	0	0	0

## Financial Summary

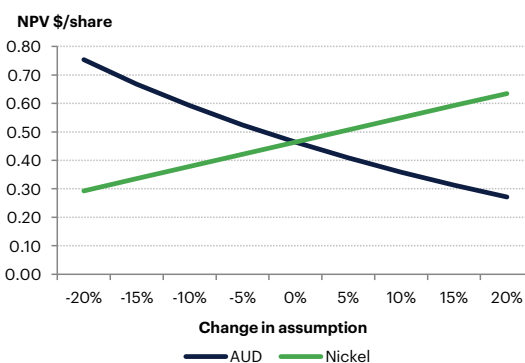
<b>Code</b>	PAN
<b>Analyst</b>	Warren Edney
<b>Date</b>	01-May-19
<b>Share Price (\$A)</b>	\$0.38
<b>Market Capitalisation (A\$m)</b>	\$210
<b>Enterprise value (A\$m)</b>	\$228
<b>Year End</b>	30 June

<b>Rating</b>	<b>BUY</b>
<b>Price Target</b>	\$0.46
<b>Upside/(Downside)</b>	22%
<b>Valuation</b>	\$0.46
<b>Risk</b>	Speculative
<b>Price/NPV</b>	0.82 X

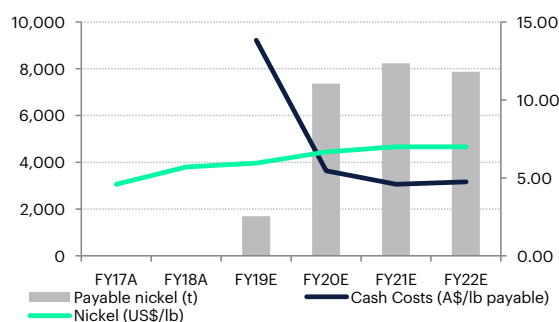
Key Ratios	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
<b>Reported NPAT</b>	(5)	(48)	(1)	27	35	49
<b>Attributable NPAT</b>	(5)	(48)	(15)	27	35	49
EPS - Adjusted	(1.1)	(9.7)	(2.7)	4.8	6.2	8.9
EPS Growth (%)	N/A	N/A	N/A	N/A	30%	42%
P/E (x)	(36.1)	(3.9)	(14.2)	7.9	6.1	4.3
OCFPS (c)	(1.7)	(1.3)	(2.9)	14.2	16.5	18.8
P/CF (x)	(22.3)	(28.9)	(12.9)	2.7	2.3	2.0
DPS (c)	-	-	-	1.0	2.0	2.1
Dividend Yield (%)	-	-	-	3%	5%	5%
EV/EBIT (x)	N/A	N/A	N/A	7.2	6.4	5.1
EV/EBITDA (x)	N/A	N/A	45.9	2.9	1.9	-
Assumptions	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
AUD/USD	0.75	0.78	0.74	0.73	0.75	0.75
Nickel (US\$/lb)	4.60	5.71	5.95	6.66	7.00	7.00
Nickel (A\$/lb)	6.09	7.35	8.00	9.10	9.40	9.33
Copper (US\$/lb)	2.44	3.06	2.80	2.83	2.90	2.93
Cobalt (US\$/lb)	20.46	32.45	31.49	29.38	29.09	28.90
Gold (US\$/oz)	1,258	1,298	1,253	1,289	1,325	1,313
Production Forecasts	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Savannah - nickel in conc (t)	-	-	2,425	10,521	11,756	11,245
Lanfranchi - nickel in ore (t)	-	-	-	-	-	-
Nickel in Ore (t)	-	-	3,661	12,600	14,250	13,630
Nickel in Ore/Concentrate (t)	-	-	2,425	10,521	11,756	11,245
Payable nickel (t)	-	-	1,698	7,365	8,229	7,871
Copper in Concentrate (t)	-	-	1,622	6,237	6,584	6,514
Cobalt in Concentrate (t)	-	-	156	745	787	778
Unit Costs	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
C1 Cash Costs (A\$/lb Ni in conc)			9.49	3.51	2.92	3.01
Cash Costs (A\$/lb payable)			13.83	5.45	4.59	4.75
Cash Costs (US\$/lb payable)			10.28	3.99	3.42	3.56
Profit & Loss (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Operating Revenue	8	-	28	192	198	204
Other Income	1	1	2	-	-	-
<b>Total Revenue</b>	<b>9</b>	<b>1</b>	<b>30</b>	<b>192</b>	<b>198</b>	<b>204</b>
Operating Expenses	9	-	34	112	111	109
Exploration Expensed	0	1	3	6	5	5
Corporate/other	4	47	(13)	4	4	4
<b>EBITDA</b>	<b>(4)</b>	<b>(47)</b>	<b>5</b>	<b>70</b>	<b>79</b>	<b>86</b>
Depreciation & Amortisation	1	0	9	39	43	41
<b>EBIT</b>	<b>(5)</b>	<b>(48)</b>	<b>(4)</b>	<b>31</b>	<b>36</b>	<b>45</b>
Net Interest / (Expense)	0	(0)	(3)	(5)	(1)	4
<b>NPBT</b>	<b>(5)</b>	<b>(48)</b>	<b>(7)</b>	<b>27</b>	<b>35</b>	<b>49</b>
Tax Expense (Benefit)	(0)	(0)	(6)	-	-	-
<b>NPAT - Reported</b>	<b>(5)</b>	<b>(48)</b>	<b>(1)</b>	<b>27</b>	<b>35</b>	<b>49</b>
Significant Items	-	-	13	-	-	-
<b>NPAT - Adjusted</b>	<b>(5)</b>	<b>(48)</b>	<b>(15)</b>	<b>27</b>	<b>35</b>	<b>49</b>
Cash Flow (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Cash Flow from Ops	(7)	(6)	(16)	79	91	104
Capex	(1)	(4)	(38)	(35)	(24)	(30)
Free Cash Flow	(8)	(10)	(54)	44	67	74
Cash Flow From Investing	9	(8)	(33)	(43)	(21)	(27)
Cash Flow From Financing	(1)	19	45	(16)	(32)	(22)
Balance Sheet (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Cash	21	25	21	41	78	132
Property, Plant & Equipment	30	28	109	105	86	75
<b>Total Assets</b>	<b>146</b>	<b>121</b>	<b>216</b>	<b>234</b>	<b>245</b>	<b>280</b>
Debts	1	-	47	36	15	4
<b>Liabilities</b>	<b>34</b>	<b>35</b>	<b>101</b>	<b>91</b>	<b>69</b>	<b>59</b>
<b>Equity</b>	<b>112</b>	<b>86</b>	<b>114</b>	<b>135</b>	<b>159</b>	<b>196</b>
Gearing (%) - ND / (ND + Eq.)	(21%)	(42%)	18%	(4%)	(66%)	(188%)

Valuation Summary	A\$m	A\$/Share
<b>NPV @ 8.58% WACC</b>		
Lanfranchi	15	0.03
Savannah	229	0.41
Horizon Gold	8	0.01
Other	-	-
Exploration	6	0.01
<b>Sub-Total</b>	<b>258</b>	<b>0.47</b>
Corporate	(16)	(0.03)
<b>Net Cash / (Debt)</b>	<b>(17)</b>	<b>(0.03)</b>
<b>Total Valuation</b>	<b>257</b>	<b>0.46</b>

### Valuation Sensitivity



### Production & Costs

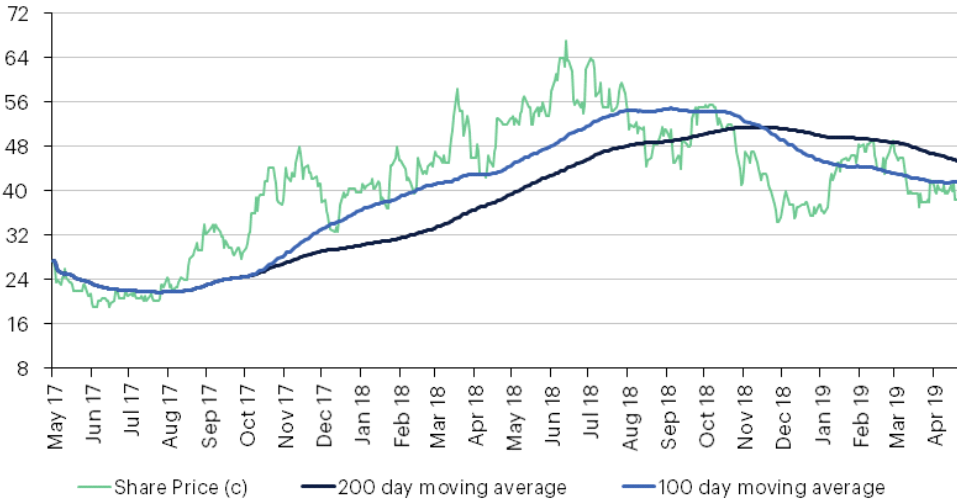


### Savannah Reserves & Resources

	Mt	Ni	Cu	Co
<b>Reserve (P+P)</b>				
Above 900m	1.558	1.16%	0.74%	0.60%
North	6.650	1.42%	0.61%	0.10%
<b>Combined</b>	<b>8.208</b>	<b>1.15%</b>	<b>0.63%</b>	<b>0.19%</b>
<b>Resource (M+H+I)</b>				
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%
<b>Combined</b>	<b>13.210</b>	<b>1.65%</b>	<b>0.75%</b>	<b>0.11%</b>

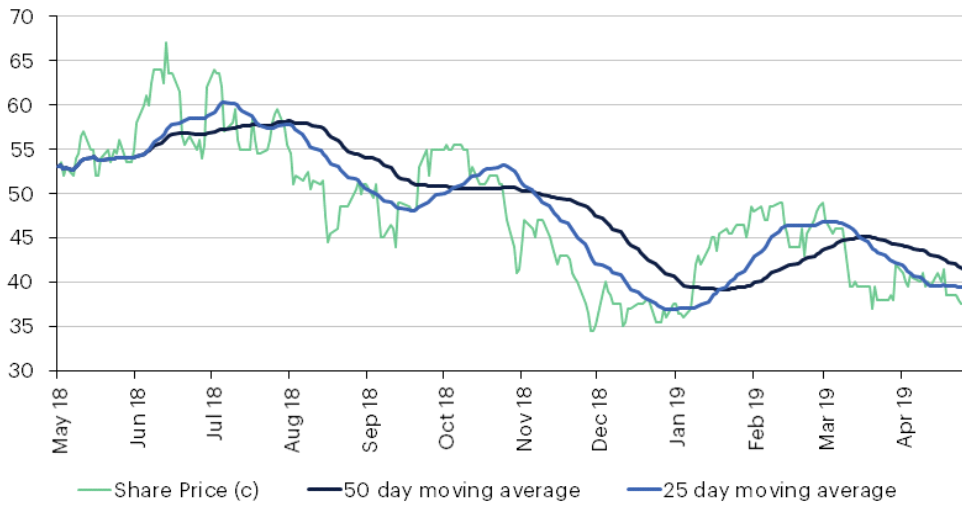
## Appendix

**Fig.1: Long term momentum indicators**



Source: Iress

**Fig.2: Short term momentum indicators**



Source: Iress

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

**Hold:** The stock's total return is expected to trade within a range of  $\pm$ 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.

**Baillieu Analysts' stock ratings distribution as of 05 March 2019:**

**Buy:** 60%

**Hold:** 37%

**Sell:** 3%

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**Baillieu Limited**

ABN 74 006 519 393

Australian Financial Service Licence No. 245421

Participant of ASX Group

Participant of NSX Ltd

**www.baillieu.com.au**

**Melbourne (Head Office)**

**Address** Level 26, 360 Collins Street

Melbourne, VIC 3000 Australia

**Postal** PO Box 48, Collins Street West

Melbourne, VIC 8007 Australia

**Phone** +61 3 9602 9222

**Facsimile** +61 3 9602 2350

**Email** melbourne@baillieu.com.au

**Adelaide Office**

**Address** Ground Floor, 226 Greenhill Road,

Eastwood SA 5063

**Postal** PO Box 171

Fullarton SA 5063

**Phone** +61 8 7074 8400

**Facsimile** +61 8 8362 3942

**Email** adelaide@baillieu.com.au

**Bendigo Office**

**Address** Level 1, 10-16 Forest Street

Bendigo, VIC 3550

**Postal** PO Box 84

Bendigo, VIC 3552

**Phone** +61 3 4433 3400

**Facsimile** +61 3 4433 3430

**Email** bendigo@baillieu.com.au

**Geelong Office**

**Address** 16 Aberdeen Street

Geelong West Vic 3218

**Postal** PO Box 364

Geelong Vic 3220 Australia

**Phone** +61 3 5229 4637

**Facsimile** +61 3 4229 4142

**Email** geelong@baillieu.com.au

**Gold Coast Office**

**Address** Suite 202 Level 2, Eastside Building

6 Waterfront Place, Robina QLD 4226

**Phone** +61 7 5628 2670

**Facsimile** +61 7 5677 0258

**Email** goldcoast@baillieu.com.au

**Newcastle Office**

**Address** Level 1, 120 Darby Street

Cooks Hill, NSW 2300 Australia

**Postal** PO Box 111

The Junction, NSW 2291 Australia

**Phone** +61 2 4037 3500

**Facsimile** +61 2 4037 3511

**Email** newcastle@baillieu.com.au

**Perth Office**

**Address** Level 9, 216 St Georges Terrace

Perth WA 6000 Australia

**Postal** PO Box 7662, Cloisters Square

Perth, WA 6850 Australia

**Phone** +61 8 6141 9450

**Facsimile** +61 8 6141 9499

**Email** perth@baillieu.com.au

**Sydney Office**

**Address** Level 40, 259 George Street

Sydney, NSW 2000 Australia

**Postal** PO Box R1797

Royal Exchange, NSW 1225 Australia

**Phone** +61 2 9250 8900

**Facsimile** +61 2 9247 4092

**Email** sydney@baillieu.com.au