

17 February 2022

Australia

EQUITIES

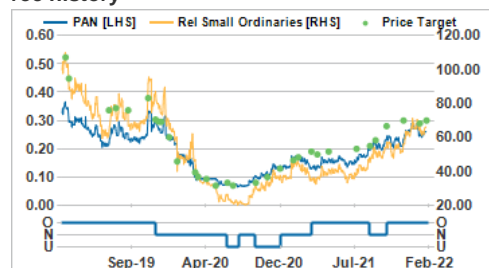
PAN AU Outperform
Price (at 05:10, 16 Feb 2022 GMT) A\$0.26

Valuation	A\$	0.30
- 1.0x NPV		
12-month target	A\$	0.30
12-month TSR	%	+15.4
Volatility Index		Very High
GICS sector		Materials
Market cap	A\$m	533
30-day avg turnover	A\$m	0.9
Number shares on issue	m	2,051

Investment fundamentals

Year end 30 Jun		2021A	2022E	2023E	2024E
Revenue	m	0.0	74.5	209.7	221.4
EBITDA	m	-16.2	-24.2	59.3	65.7
EBIT	m	-22.2	-37.6	32.7	38.1
Reported profit	m	0.3	-40.6	29.0	34.9
Adjusted profit	m	-22.2	-40.6	29.0	34.9
Gross cashflow	m	-16.2	-27.3	55.7	62.5
CFPS	¢	-0.8	-1.3	2.6	2.9
CFPS growth	%	68.8	-64.7	nmf	12.2
PGCFPS	x	nmf	nmf	9.9	8.8
PGCFPS rel	x	nmf	nmf	1.07	1.03
EPS adj	¢	-1.1	-1.9	1.4	1.6
EPS adj growth	%	75.5	-78.6	nmf	20.2
PER adj	x	nmf	nmf	19.0	15.8
PER rel	x	nmf	nmf	1.23	1.15
Total DPS	¢	0.0	0.0	0.0	0.0
Total div yield	%	0.0	0.0	0.0	0.0
ROA	%	-10.9	-17.2	12.3	12.0
ROE	%	-13.3	-25.0	15.6	15.0
EV/EBITDA	x	-31.9	-21.6	8.9	8.1
Net debt/equity	%	-10.8	23.9	-1.1	-17.3

PAN AU rel Small Ordinaries performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, February 2022
(all figures in AUD unless noted)

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Panoramic Resources (PAN AU)

Second shipment eases funding pressure

Key points

- ▶ PAN completed the second concentrate shipment from Savannah on 15 February.
- ▶ The shipment had a value of A\$20.5m, and the receipt of this cash will reduce PAN's near-term funding pressure during the ramp up phase.
- ▶ We expect PAN to complete two shipments in the 4QFY22, which should see the mine turn cash flow positive.

Event

- PAN has announced it has completed the second concentrate shipment from the Port of Wyndham on 15 February.

Impact

- **Second shipment completed at Savannah:** PAN has completed the second concentrate shipment of 9.4kt, which departed the port of Wyndham on 15 February. The shipment had an estimated value of A\$20.5m, is expected to be paid in the next few weeks. We note that the shipment was delayed by four days due to wet weather.
- **Moving to two shipments a key catalyst:** We estimate the cost to operate Savannah at A\$30-35m per quarter on an all-in basis. Once PAN is able to complete two shipments per quarter, the mine is forecast to turn cash flow positive. We note that from FY23, our base case assumes PAN completes three shipments per quarter.

Earnings and target price revision

- We make modest adjustments to our earnings forecasts for PAN to incorporate the tonnes contained in the second shipment. Our FY22 forecast loss widens 5%, and our FY23 and beyond estimates are largely unchanged. The improved cash position drives a 3% lift in our price target to A\$0.30. Movements in nickel prices and timing of concentrate shipments present the key risks to our forecasts and valuation for PAN.

Price catalyst

- 12-month price target: A\$0.30 based on a 1.0x NPV methodology.
- Catalyst: Updates on the project ramp-up and shipping schedules from Savannah present a key near-term catalyst for PAN.

Action and recommendation

- **Maintain Outperform:** Completing the second shipment is an important de-risking step for PAN and removes near-term funding concerns. We note that once shipments increase to two per quarter, which we forecast to occur in the 4QFY22, Savannah is expected to start generating positive free cash flow. The lifting of the Western Australian border should enable PAN to ramp up mining and stoping rates as the company is heavily reliant on Northern Territory based workforce. A spot price scenario generates ~200% higher earnings for FY23 and FY24.

Improved cashflow drives modest price target increase

- We make modest adjustments to our earnings forecasts for PAN to incorporate the tonnes contained in the second shipment. Our FY22 forecast loss widens 5%, and our FY23 and beyond estimates are largely unchanged. The improved cash position drives a 3% lift in our price target to A\$0.30.

Fig 1 Modest adjustment to earnings and price target

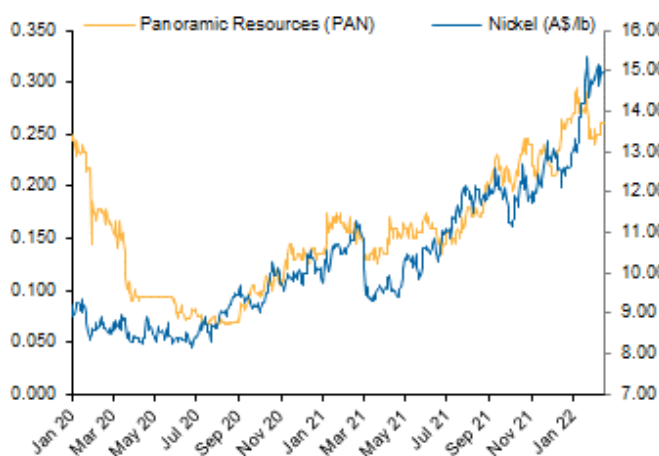
Y/E June	FY22e	FY23e	FY24e	FY25e	FY26e	NPV
Net profit (A\$m) - old	(38.8)	29.1	34.9	65.9	84.5	0.29
Net profit (A\$m) - new	(40.6)	29.0	34.9	65.9	84.5	0.30
Change	5%	(0%)	(0%)	(0%)	(0%)	3%

Source: PAN, Macquarie Research, February 2022

PAN's share price has underperformed nickel prices

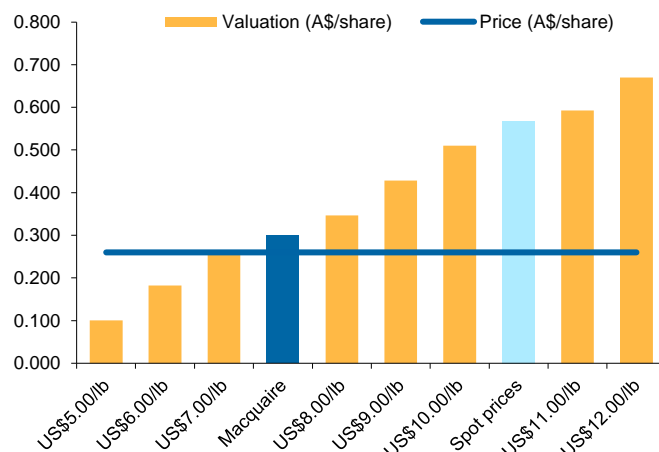
- PAN's share price has remained relatively flat in 2022, significantly underperforming spot nickel prices, which have risen 14% in both US\$ and A\$ over the same period. We estimate PAN's share price is factoring in a spot nickel price around US\$7.50/lb assuming spot prices for copper, cobalt and the A\$/US\$.

Fig 2 PAN has underperformed nickel prices in 2022



Source: Bloomberg, Macquarie Research, February 2022

Fig 3 PAN's share price currently factoring in a US\$7.50/lb nickel price

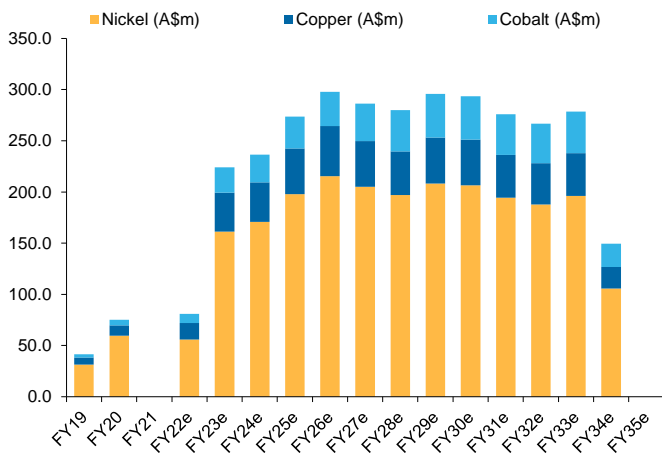


Source: Bloomberg, PAN, Macquarie Research, February 2022

Risks

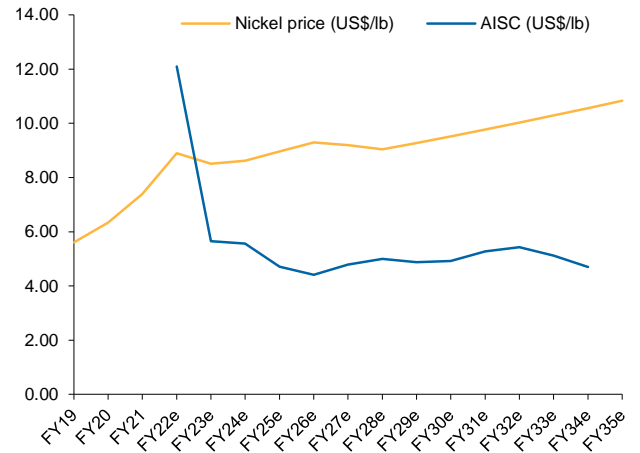
- Our production ramp-up and costs assumptions are the key risks to our forecasts for PAN. Movements in nickel, copper and cobalt prices that vary compared to our forecasts also present risk to our earnings estimates and valuation for PAN.

Fig 4 Savannah production by commodity



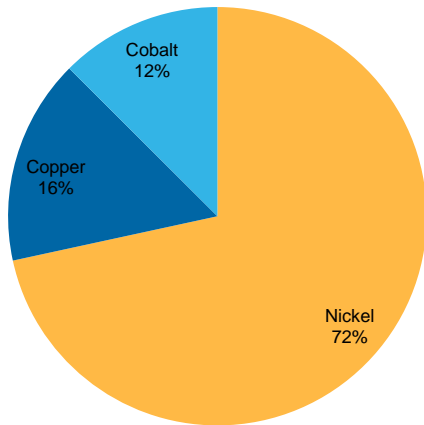
Source: PAN, Macquarie Research, February 2022

Fig 5 Savannah AISC vs nickel price



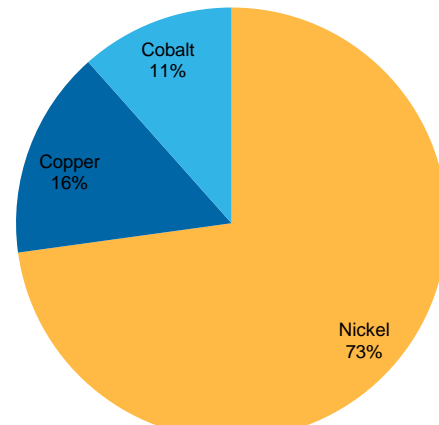
Source: PAN, Macquarie Research, February 2022

Fig 6 Revenue mix – Macquarie forecasts



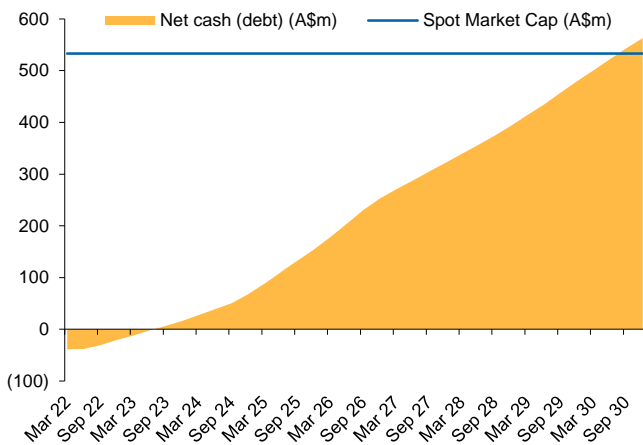
Source: PAN, Macquarie Research, February 2022

Fig 7 Revenue mix – Spot prices



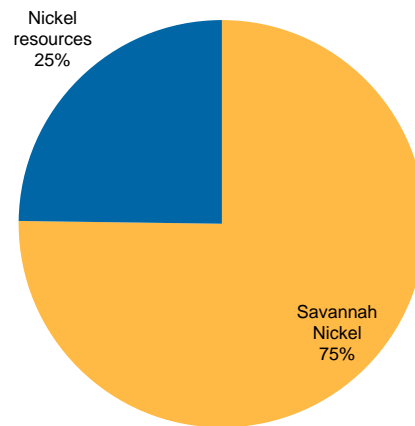
Source: PAN, Macquarie Research, February 2022

Fig 8 PAN cash build vs market cap



Source: PAN, Macquarie Research, February 2022

Fig 9 PAN NPV breakdown



Source: PAN, Macquarie Research, February 2022

Fig 10 PAN summary financials

Panoramic Resources								
ASX: PAN	Price: (A\$ps)	A\$0.26		Year end: Jun	Rating: Outperform	Up/dn	TSR	
	Mkt cap: (A\$m)	533		Diluted shares (m)	2,051	Target: A\$0.30	15% 15%	
ASSUMPTIONS		FY21	FY22e	FY23e	FY24e	FY25e	FY26e	
Exchange Rate	A\$/US\$	0.75	0.73	0.74	0.71	0.71	0.70	
Nickel Price	US\$/lb	7.39	8.89	8.50	8.62	8.96	9.30	
Nickel Price	A\$/lb	9.88	12.17	11.57	12.10	12.71	13.28	
RATIO ANALYSIS		FY21	FY22e	FY23e	FY24e	FY25e	FY26e	
Diluted share capital	m	2,050.9	2,125.8	2,125.8	2,125.8	2,125.8	2,125.8	
EPS (diluted and pre sig. items)	A¢	(1.1)	(1.9)	1.4	1.6	3.1	4.0	
P/E	x	nm	nm	19.0x	15.8x	8.4x	6.5x	
CFPS	A¢	(0.9)	(1.5)	2.5	2.9	4.2	5.2	
P/CF	x	(30.2x)	(16.9x)	10.5x	9.1x	6.2x	5.0x	
DPS	A¢	0.0	0.0	0.0	0.0	0.0	2.0	
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	7.7%	
Franking Level	%	0%	0%	0%	0%	0%	0%	
Book value per share	x	0.08	0.07	0.10	0.12	0.15	0.19	
P/Book value	x	3.2x	3.5x	2.6x	2.2x	1.7x	1.3x	
R.O.E. (pre sig items)	%	(13%)	(26%)	14%	14%	20%	20%	
R.O.A. (pre sig items)	%	(11%)	(16%)	11%	11%	17%	18%	
Interest Cover	x	(1,166x)	nm	9x	12x	26x	45x	
EBITDA per share	A\$ps	(0.01)	(0.01)	0.03	0.03	0.04	0.05	
EV/EBITDA	x	nm	nm	9.5x	7.9x	4.6x	3.0x	
Free cash flow Yield	%	(1%)	(10%)	6%	7%	13%	17%	
EARNINGS		FY21	FY22e	FY23e	FY24e	FY25e	FY26e	
Sales Revenue	A\$m	0	75	210	221	258	282	
Other Revenue	A\$m	2	0	0	0	0	0	
Total Revenue	A\$m	2	75	210	221	258	282	
Operating Costs	A\$m	(11)	(91)	(142)	(147)	(153)	(158)	
Operational EBITDA	A\$m	(10)	(16)	67	74	105	124	
Exploration Expense/Write-offs	A\$m	(1)	(1)	(1)	(1)	(1)	(1)	
Corporate & Other Costs	A\$m	(7)	(8)	(8)	(8)	(9)	(9)	
EBITDA	A\$m	(17)	(25)	58	65	96	114	
D&A	A\$m	(5)	(12)	(26)	(26)	(27)	(28)	
EBIT	A\$m	(22)	(38)	33	38	69	86	
Net Interest	A\$m	(0)	(3)	(4)	(3)	(3)	(2)	
Profit Before Tax	A\$m	(22)	(41)	29	35	66	84	
Tax Expense	A\$m	0	0	0	0	0	0	
Minorities	A\$m	0	0	0	0	0	0	
Adjusted NPAT	A\$m	(22)	(41)	29	35	66	84	
Significant Items (post tax)	A\$m	22	0	0	0	0	0	
Reported NPAT	A\$m	0	(41)	29	35	66	84	
CASHFLOW		FY21	FY22e	FY23e	FY24e	FY25e	FY26e	
Net Profit	A\$m	0	(41)	29	35	66	84	
Interest/Tax/D&A	A\$m	5	12	25	26	27	28	
Working Capital/other	A\$m	(23)	(4)	(2)	(0)	(3)	(2)	
Net Operating Cashflow	A\$m	(18)	(33)	53	61	89	110	
Capex	A\$m	(12)	(28)	(19)	(19)	(18)	(17)	
Investments	A\$m	24	5	2	0	0	0	
Sale of PPE and Other	A\$m	0	0	0	0	0	0	
Free cash flow	A\$m	(6)	(56)	36	41	72	93	
Dividends Paid	A\$m	0	0	0	0	0	0	
Debt	A\$m	(1)	41	(5)	(5)	(5)	(26)	
Equity Issuance	A\$m	0	0	5	0	0	0	
Other	A\$m	0	0	0	0	0	0	
Net Financing Cashflow	A\$m	(1)	41	(0)	(5)	(5)	(26)	
Net change in cash	A\$m	(7)	(15)	35	37	66	67	
BALANCE SHEET		FY21	FY22e	FY23e	FY24e	FY25e	FY26e	
Cash	A\$m	24	9	44	81	147	215	
PP&E & Mine Development	A\$m	166	177	169	161	152	142	
Exploration	A\$m	6	6	7	8	9	10	
Total Assets	A\$m	202	235	299	335	410	475	
Debt	A\$m	6	47	42	37	32	6	
Total Liabilities	A\$m	35	76	84	83	84	62	
Total Net Assets / Equity	A\$m	167	159	214	253	326	413	
Net Debt / (Cash)	A\$m	(18)	38	(2)	(44)	(115)	(208)	
Gearing (net debt/(nd + equity))	%	(12%)	19%	(1%)	(21%)	(55%)	(102%)	
Gearing (net debt/equity)	%	(11%)	24%	(1%)	(17%)	(35%)	(50%)	
ATTRIBUTABLE MINE OUTPUT		FY20	FY21	FY22e	FY23e	FY24e	FY25e	FY26e
Production forecasts								
Nickel in concentrate	(kt)	3.4	0.0	2.8	8.4	8.5	9.4	9.8
Copper in concentrate	(kt)	2.2	0.0	1.9	4.8	4.8	5.3	5.4
Cobalt in concentrate	(kt)	0.2	0.0	0.2	0.7	0.7	0.7	0.8
Cost forecasts								
C1 cash costs	(A\$/lb)	14.54	nm	14.46	5.91	5.99	5.03	4.68
AISC	(A\$/lb)	17.67	nm	16.55	7.69	7.81	6.68	6.30
AISC	(US\$/lb)	11.85	nm	12.10	5.65	5.56	4.71	4.41
OPERATIONAL OUTLOOK								
SAVANNAH REVENUE MIX								
RESERVES AND RESOURCES (ATTRIBUTABLE)								
Savannah Reserves								
Commodity (kt)								
Nickel						Mt	% Ni Ni (kt)	
Copper						8.3	1.23% 101.8	
Cobalt							0.59% 48.5	
							0.09% 7.6	
Savannah Resources								
Commodity (kt)								
Nickel						Mt	% Ni Ni (kt)	
Copper						13.5	1.56% 209.8	
Cobalt							0.70% 94.2	
							0.10% 13.7	
EQUITY DCF VALUATION		Spot Prices	Macquarie Forecasts					
Projects		A\$m	A\$ps	A\$m	A\$ps			
Savannah Nickel		1,024	0.48	536	0.25			
Nickel resources		198	0.09	158	0.07			
Investments		1	0.00	1	0.00			
New Equity		5	0.00	5	0.00			
Forwards		0	0.00	0	0.00			
Corporate		(43)	(0.02)	(43)	(0.02)			
Net cash (debt)		22	0.01	(21)	(0.01)			
Net Equity Value (@ 10.4% (nom) WACC)		1,207	0.57	636	0.30			
Price Target (1.0x NPV)					0.30			

Source: PAN, Macquarie Research, February 2022

Important disclosures:

Recommendation definitions

Macquarie – Asia and USA

Outperform – expected return >10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie – Australia/New Zealand

Outperform – expected return >10%
Neutral – expected return from 0% to 10%
Underperform – expected return <0%

Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high-highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low-medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to select stocks in Asia/Australia/NZ

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 Dec 2021

	AU/NZ	Asia	USA	
Outperform	67.47%	65.68%	78.49%	(for global coverage by Macquarie, 7.30% of stocks followed are investment banking clients)
Neutral	27.05%	22.88%	20.43%	(for global coverage by Macquarie, 3.57% of stocks followed are investment banking clients)
Underperform	5.48%	11.44%	1.08%	(for global coverage by Macquarie, 1.06% of stocks followed are investment banking clients)

PAN AU vs Small Ordinaries, & rec history



(all figures in AUD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, February 2022

12-month target price methodology

PAN AU: A\$0.30 based on a 1.0x NPV methodology

Company-specific disclosures:

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Date	Stock Code (BVG code)	Recommendation	Target Price
28-Jan-2022	PAN AU	Outperform	A\$.29
10-Dec-2021	PAN AU	Outperform	A\$.30
20-Oct-2021	PAN AU	Outperform	A\$.28
17-Sep-2021	PAN AU	Neutral	A\$.23
31-Aug-2021	PAN AU	Neutral	A\$.21
22-Jul-2021	PAN AU	Outperform	A\$.20
29-Apr-2021	PAN AU	Outperform	A\$.19
26-Mar-2021	PAN AU	Outperform	A\$.18
08-Mar-2021	PAN AU	Outperform	A\$.19
28-Jan-2021	PAN AU	Neutral	A\$.17
13-Jan-2021	PAN AU	Neutral	A\$.16
04-Dec-2020	PAN AU	Neutral	A\$.13
27-Oct-2020	PAN AU	Underperform	A\$.10
22-Sep-2020	PAN AU	Underperform	A\$.08
03-Aug-2020	PAN AU	Neutral	A\$.07
16-Jul-2020	PAN AU	Underperform	A\$.07
29-Jun-2020	PAN AU	Underperform	A\$.08
25-May-2020	PAN AU	Neutral	A\$.07
27-Apr-2020	PAN AU	Neutral	A\$.09
02-Apr-2020	PAN AU	Neutral	A\$.10
24-Mar-2020	PAN AU	Neutral	A\$.12
30-Jan-2020	PAN AU	Neutral	A\$.16
06-Jan-2020	PAN AU	Neutral	A\$.24

13-Dec-2019	PAN AU	Neutral	A\$.30
05-Dec-2019	PAN AU	Neutral	A\$.30
26-Nov-2019	PAN AU	Neutral	A\$.30
04-Nov-2019	PAN AU	Outperform	A\$.38
05-Sep-2019	PAN AU	Outperform	A\$.34
30-Jul-2019	PAN AU	Outperform	A\$.34
09-Jul-2019	PAN AU	Outperform	A\$.34
11-Mar-2019	PAN AU	Outperform	A\$.45
01-Mar-2019	PAN AU	Outperform	A\$.52

Target price risk disclosures:

PAN AU: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Sensitivity analysis:

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Analyst certification:

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