

## Analysts

Stuart Howe 613 9235 1856  
Joseph House 613 9235 1624

## Authorisation

Bradley Watson 618 9326 7672

## Recommendation

**Buy** (Hold)

## Price

**\$2.75**

**Target (12 months)**

**\$3.60** (previously \$3.50)

## GICS Sector

Energy

## Expected Return

Capital growth	<b>30.9%</b>
Dividend yield	<b>13.1%</b>
Total expected return	<b>44.0%</b>

## Company Data & Ratios

Enterprise value	<b>\$3,737m</b>
Market cap	<b>\$2,840m</b>
Issued capital	<b>1,033m</b>
Free float	<b>93%</b>
Avg. daily val. (52wk)	<b>\$30.3m</b>
12 month price range	<b>\$1.15-\$3.64</b>

## Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	2.50	3.37	1.66
Absolute (%)	10.0	-18.4	66.2
Rel market (%)	7.0	-20.8	54.4

## Absolute Price



SOURCE: IRESS

# Whitehaven Coal Ltd (WHC)

## Quarterly coal price update & revisions

### Quarterly preview: Pricing to overwhelm weaker production

We expect another weak quarter of production with Maules Creek output curtailed and a scheduled longwall change at Narrabri. However, the coal price strength from mid-2021 should now be flowing through to realised prices, materially lifting free cash flow. Quarter-on-quarter average index prices have again lifted to record highs, Maules Creek production will rebound from early 2022 and Narrabri will de-risk over the coming year, all supporting significant free cash flow generation, an imminent return to a net cash position and the prospect of shareholder returns.

### Chasing coal prices higher

We have marked-to-market coal prices for the December 2021 quarter and lifted our thermal coal price outlook to average US\$135/t in 2022, up 20% on our prior estimate. Spot thermal coal prices are currently US\$197/t.

EPS changes in this report are: FY22 +30%; FY23 +13%; and FY24 +2%.

Our coal outlook favours an overweight met coal position. Thermal coal's recent price strength appears more driven by transitory factors with a higher propensity to unwind over the coming quarters. Met coal's supply-demand fundamentals look more robust, with a significant role in infrastructure-led stimulus and new supply constrained.

### Investment view: Buy (prev. Hold), Target Price \$3.60/sh

Record thermal coal prices over recent quarters will support WHC's rapid de-gearing and ultimately a significant cash position and reinstatement of shareholder returns. Operational risks at Narrabri remain, however, should abate over 2022 as mining transitions to shallower panels in FY23. WHC is cheap on most valuation metrics, supporting our upgrade to a Buy recommendation. The caveats to our position are the potential for thermal coal price strength to unwind over the coming quarters and that thermal coal is increasingly excluded from fund managers' investment mandates.

## Earnings Forecast

Year ending 30 June	2021a	2022e	2023e	2024e
Sales (A\$m)	1,564	3,332	2,679	2,057
EBITDA (A\$m)	204	1,742	1,202	590
NPAT (reported) (A\$m)	(544)	1,004	631	205
NPAT (adjusted) (A\$m)	(87)	1,004	631	205
EPS (adjusted) (cps)	(8.5)	97.2	61.1	19.9
EPS growth (%)	-1920%	na	-37%	-67%
PER (x)	(5.2)	2.8	4.5	13.8
FCF Yield (%)	1%	34%	35%	16%
EV/EBITDA (x)	18.5	2.2	3.2	6.4
Dividend (cps)	-	36.0	43.0	14.0
Yield (%)	0%	13%	16%	5%
Franking (%)	0%	0%	0%	0%
ROE (%)	-20%	27%	17%	6%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Earnings changes & company outlook

## Changes to earnings estimates

Changes to our WHC earnings outlook are the net result of this coal price update.

Table 1 - Changes to earnings estimates

Year ending 30 June	Previous			New			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Saleable production 100% (Mt)	18.6	21.0	22.2	18.6	21.0	22.2	0%	0%	0%
Equity sale of produced coal (Mt)	15.0	16.9	17.7	15.0	16.9	17.7	0%	0%	0%
Sales (A\$m)	2,954	2,561	2,058	3,332	2,679	2,057	13%	5%	0%
EBITDA (A\$m)	1,416	1,103	588	1,742	1,202	590	23%	9%	0%
NPAT (reported) (A\$m)	772	559	202	1,004	631	205	30%	13%	2%
NPAT (adjusted) (A\$m)	772	559	202	1,004	631	205	30%	13%	2%
EPS (adjusted) (¢ps)	74.8	54.2	19.5	97.2	61.1	19.9	30%	13%	2%
Dividend (¢ps)	20.0	27.0	9.0	36.0	43.0	14.0	80%	59%	56%
Valuation	3.84	3.71	3.43	3.92	3.77	3.37	2%	2%	-2%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Changes to coal price estimates

Table 2 - Hard coking coal outlook

	2020		2021		2022		2023		LT
	Dec(a)	Jun (a)	Dec(a)	Jun	Dec	Jun	Jun	(real)	
<b>New</b>	111	133	316	288	213	175	140	140	
Previous			281	200	175	150	140	140	
<b>Change</b>			12%	44%	21%	17%	0%	0%	
US\$/A\$	0.72	0.77	0.73	0.73	0.73	0.73	0.74	0.74	

SOURCE: METAL BULLETIN & BELL POTTER SECURITIES ESTIMATES

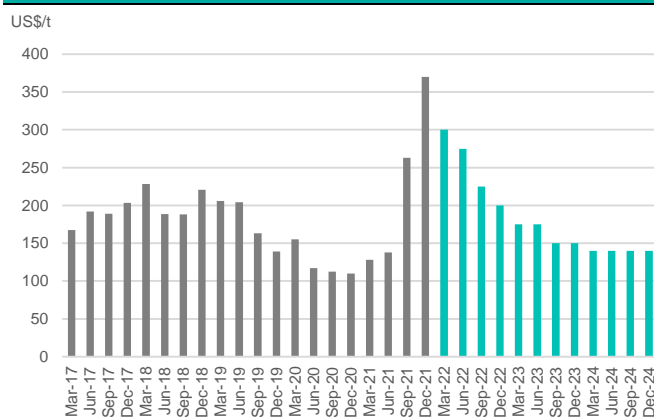
Table 3 - Thermal coal outlook

	2020		2021		2022		2023		LT
	Dec(a)	Jun (a)	Dec(a)	Jun	Dec	Jun	Jun	(real)	
<b>New</b>	60	99	176	145	125	95	70	70	
Previous			164	120	105	95	70	70	
<b>Change</b>			7%	21%	19%	0%	0%	0%	
US\$/A\$	0.72	0.77	0.73	0.73	0.73	0.73	0.74	0.74	

SOURCE: BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

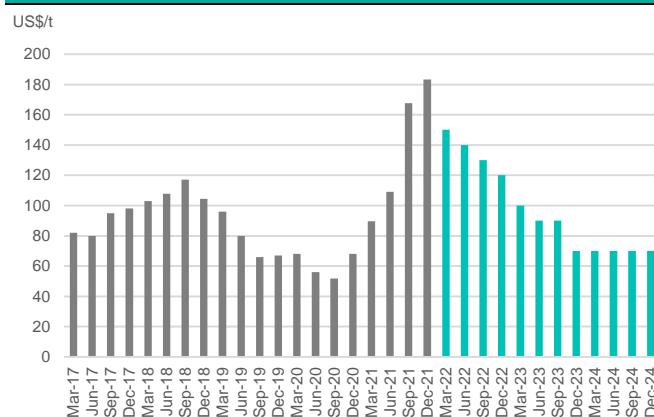
## Quarterly coal prices & outlook

Figure 1 - Hard coking coal (Quarterly)



SOURCE: METAL BULLETIN & BELL POTTER SECURITIES ESTIMATES

Figure 2 - Thermal coal (Quarterly)



SOURCE: BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

## Quarterly production preview & FY22 guidance

### QUARTERLY PREVIEW: STRONGER PRICING TO PROVIDE SOME SALES RELIEF

- **Production & sales:** We expect a weaker December 2021 quarter with the scheduled seven week longwall change-out at Narrabri and lower mining rates at Maules Creek to comply with permitted calendar year production volumes (13Mt ROM).
- **Pricing:** Realised thermal coal prices discounts should normalise with strong prior quarter prices flowing through and a more modest uptick in benchmark prices in the December 2021 quarter.

### FY22 GUIDANCE: PRODUCTION WEIGHTED TO SECOND HALF

FY22 guidance was reiterated at WHC's Annual General Meeting in October 2021. However, this timing was ahead of the longwall change-out and there are other operational risks to consider for the remainder of the year.

- **Maules Creek:** Production will be weighted to 2H FY22. Lower mining rates in 1H FY22 factor in ROM production curtailment to meet licensed output levels.
- **Narrabri:** Production is generally expected to improve, with greater understanding of ground conditions and recent equipment upgrades. FY22 disruptions and risks include the recently completed longwall change-out ramp-up and a mid-panel step around of fault affected ground in the June 2022 quarter. In the March 2022 quarter, longwall production is expected to be supplemented by the ramp-up of cut and flit mining, which ultimately will contribute around 600ktpa ROM coal over 6 years.
- **Capital expenditure:** Expected to increase with fleet overhaul and infrastructure spending and mains development associated Narrabri's southern panels (200 area).

Table 4 - FY22 guidance

	FY21 actual	FY22 guided	YoY (midpoint)	BP est.
<b>Managed production Mt ROM</b>	<b>20.6</b>	<b>20.0 - 21.5</b>	<b>1%</b>	<b>21.0</b>
Maules Creek Mt ROM	12.7	12.1 - 12.5	-3%	12.4
Narrabri Mt ROM	4.1	4.3 - 5.0	15%	4.9
Gunnedah O/C Mt ROM	3.8	3.6 - 4.0	-1%	3.8
<b>Managed own coal sales Mt</b>	<b>17.8</b>	<b>18.0 - 18.6</b>	<b>3%</b>	<b>18.6</b>
<b>Unit cost A\$/t</b>	<b>74.0</b>	<b>72.0 - 76.0</b>	<b>0%</b>	<b>75.0</b>
Sustaining capital \$m	61	95 - 115	72%	95
Narrabri mains development \$m	3	35 - 40	1150%	40
Operating mine projects \$m	2	4 - 8	200%	4
Growth projects \$m	22	20 - 30	14%	30
<b>Total \$m</b>	<b>88</b>	<b>154 - 193</b>	<b>97%</b>	<b>169</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Balance sheet: Cash generation; shareholder returns?

WHC does not typically publish its quarterly cash liquidity and debt positions. The table below outlines the company's recent historical net debt position and liquidity.

Persistent strong coal prices continue to support rapid de-gearing of WHC's balance sheet:

- **Net cash position by March 2022:** At its September 2021 quarter update, management reiterated that WHC expects be in a net cash position in the March 2022 quarter. Recent thermal coal index prices have further supported these expectations.
- **Diversification of debt sources a priority in 2022:** WHC's balance sheet targets state a preference for no material debt refinance to be due within 12 months. The current senior secured debt facility (\$1b limit) matures in July 2023, implying a mid-2022 debt refinance. WHC also recently noted a need to further diversify its sources of

debt capital, including offshore capital markets. Returning to a net cash position and with growth projects still on hold, we expect that refinancing is now less of a priority.

- **Shareholder returns:** WHC's previously stated dividend policy is a payout ratio of 20%-50% of group NPAT. With a return to profitability and a net cash position, we expect the WHC Board to again consider returns to shareholders (dividends or share buy-backs).

**Figure 3 - Balance sheet**

Period ending	Jun-20a	Dec-20a	Jun-21a
Senior secured debt facility (\$1b limit, maturing July 2023) \$m	638.0	688.0	688.0
Export Credit Agency facility \$m	68.1	63.1	58.0
Finance leases (non-IFRS 16) \$m	216.3	195.3	173.9
Less: Cash on hand \$m	-106.8	-99.8	-95.2
Capitalised borrowing costs \$m	-28.1	-23.5	-16.2
<b>Net debt (excluding IFRS 16 leases) \$m</b>	<b>787.5</b>	<b>823.1</b>	<b>808.5</b>
IFRS 16 leases \$m	130.3	112.1	89.0
<b>Net debt \$m</b>	<b>917.8</b>	<b>935.2</b>	<b>897.5</b>
Equity \$m	3,249.6	3,155.8	2,705.7
<b>Gearing (non-IFRS 16)</b>	<b>19.5%</b>	<b>20.7%</b>	<b>23.0%</b>
Gearing	22.0%	22.9%	24.9%
<b>Liquidity (cash + undrawn debt) \$m</b>	<b>468.8</b>	<b>411.8</b>	<b>407.2</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Coal price scenarios: Sensitivity & spot leverage

WHC sells many grades of met and thermal coal from its operations in the Gunnedah Basin to multiple seaborne end-markets. As such, the following sensitivity and break-even analysis can only provide a rough guide to earnings outcomes. The analysis references benchmark thermal coal prices (FOB Newcastle) from which we calculate the majority of WHC's realised prices.

Note: Under each scenario (including spot), coal price and currency estimates are flexed over the forecast period before returning to our long run estimates.

**Table 5 - Thermal coal price sensitivity & spot price leverage**

	Thermal			EBITDA A\$m			EPS Acps			FCF A\$m			Val'n
	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	A\$/sh
+15%	178	127	86	2,076	1,553	860	120	85	38	1,172	1,242	652	4.31
+10%	172	121	83	1,965	1,436	770	112	77	32	1,107	1,156	588	4.13
+5%	166	116	79	1,853	1,319	680	105	69	26	1,041	1,070	523	3.95
<b>Base case</b>	<b>160</b>	<b>110</b>	<b>75</b>	<b>1,742</b>	<b>1,202</b>	<b>590</b>	<b>97</b>	<b>61</b>	<b>20</b>	<b>976</b>	<b>984</b>	<b>458</b>	<b>3.77</b>
-5%	154	105	71	1,631	1,086	500	90	53	14	911	898	394	3.58
-10%	148	99	68	1,520	969	409	82	45	8	845	812	329	3.40
-15%	143	94	64	1,409	852	319	75	37	1	780	726	264	3.21
<b>Spot</b>	<b>189</b>	<b>196</b>	<b>196</b>	<b>2,261</b>	<b>3,055</b>	<b>3,407</b>	<b>132</b>	<b>187</b>	<b>211</b>	<b>1,260</b>	<b>2,185</b>	<b>2,376</b>	<b>6.64</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Coal price themes & outlook

## Thermal coal themes & outlook

We view thermal coal's key price supportive themes as temporary (seasonal and safety-related delays to China's production ramp-up) and expect prices to moderate into 2022. Longer term, we continue to expect extreme thermal coal price volatility as decarbonising economies enact policy frameworks to reduce demand and constrain new supply.

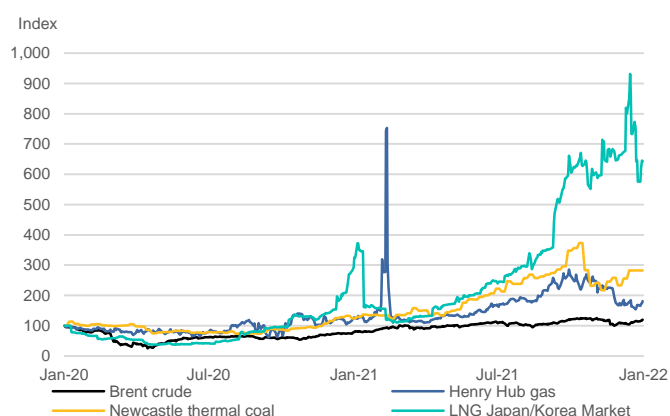
Thermal coal prices continued to rally into the December 2021 quarter, reaching records of almost US\$250/t by mid-October. Prices then moderated to average US\$183/t for the December 2021 Quarter, up from US\$168/t in the September 2021 quarter and an average of around US\$100/t in the first half of the 2021 calendar year. Previous peak cycle thermal coal prices were US\$120/t in August 2018, US\$128/t in March 2011 and US\$166/t in September 2008.

Figure 4 - Thermal coal (Newcastle FOB) \$/t



SOURCE: BLOOMBERG & IRESS

Figure 5 - Energy commodity index



SOURCE: BLOOMBERG (COASNE60 INDEX (THERMAL), JKL1 COMDTY (JKM), EUCRBRDT INDEX (BRENT) & NGUSHUB INDEX (HENRY GAS))

### Key thermal coal themes & risks:

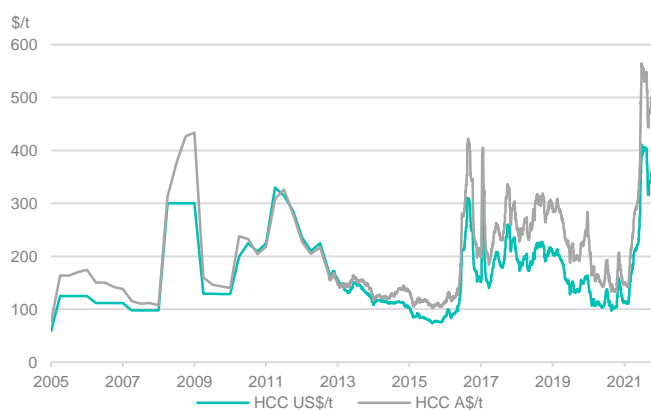
- Indonesia weather, and then proposed export bans: What started as weather related output constraints has led to the proposed ban of exports across the month of January 2022 to ensure sufficient domestic supply. Indonesia is the largest exporter to the seaborne thermal coal market at over 400Mtpa (versus Australia at around 200Mtpa).
- Across the energy commodity complex. Regionally traded LNG futures (Japan Korea Marker) also hit record highs in late 2021.
- China's domestic production disappoints: A mooted ramp-up domestic thermal coal supply again hampered by safety crackdowns.
- India's domestic production lifting; imports edging lower.

## Met coal themes & outlook

Met coal's market fundamentals remain incredibly strong with infrastructure-led stimulus policies across major economies and ever increasing barriers to entry for new sources of supply. While we expect prices to moderate, we have them at levels above consensus and materially higher than recent historical levels. An important caveat to our bullish position being the risk that China's steel production could have over-shot fundamental demand in what media continues to suggest is an overheated property market.

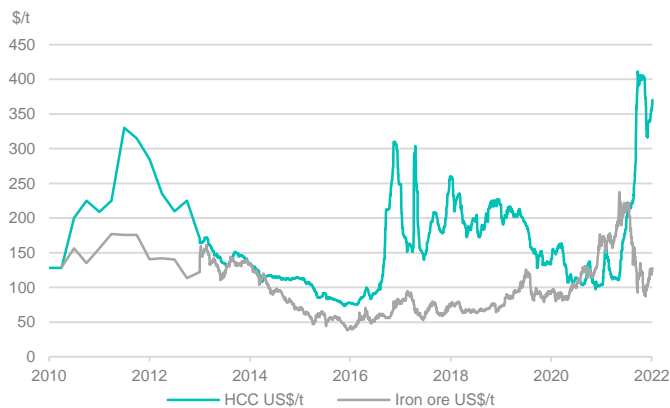
Premium hard coking coal prices started the December 2021 quarter at record high prices of around US\$400/t, before dipping to average US\$370/t over the period. This quarterly average was over 40% higher than the prior quarter and 2.8x higher than the first half of the 2021 calendar year. Previous peak cycle prices were US\$300/t in early 2017, US\$330/t in June 2011 and the annual benchmark price of US\$300/t in 2008.

Figure 6 - Premium HCC (Queensland FOB) \$/t



SOURCE: FASTMARKETS (MB-COA-0003) & IRESS

Figure 7 - Premium HCC (Qld FOB) vs Iron ore (China CIF) \$/t



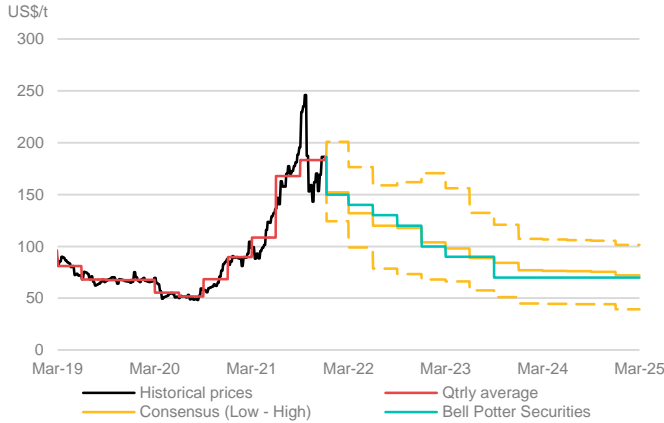
SOURCE: FASTMARKETS MB-IRO-0008 (IRON ORE) & MB-COA-0003 (HARD COKING COAL)

#### Key met coal themes & risks:

- Seasonal supply disruptions: Bowen Basin weather related (wet season) mine and port outages further impacting tight seaborne market supply.
- Steel market sentiment:
- China property market concerns - relating to the well-publicised Evergrande collapse.
- 2022 Winter Olympics (4-20 January) - the potential for shut-downs of industrial activity during games.
- Steel prices have weakened – China's domestic and export steel prices for common flat and long products have fallen 15-20% over the last three months.

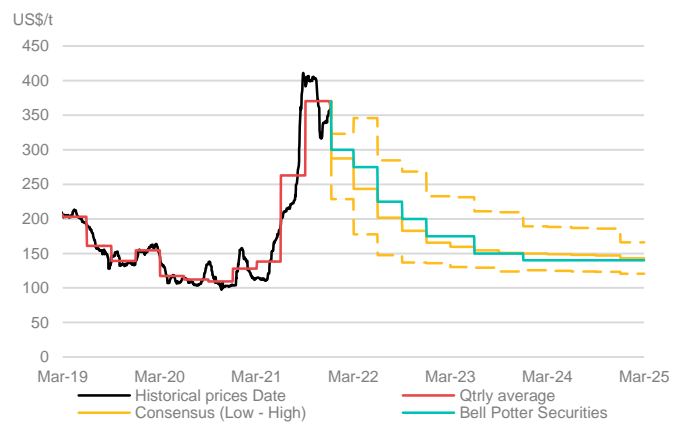
# Coal & steel price charts

**Figure 8 - Thermal coal US\$/t FOB Newcastle**



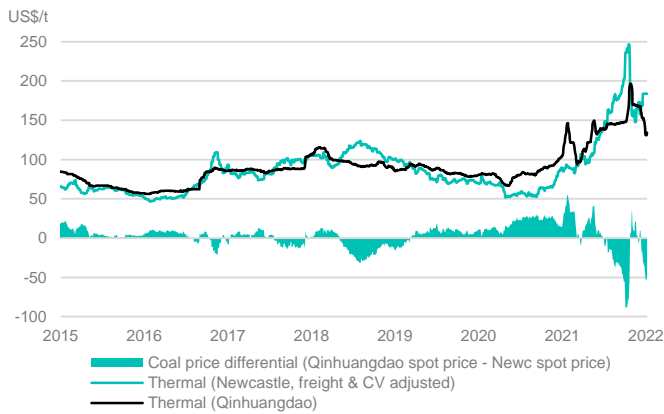
SOURCE: BLOOMBERG - COASNE60 INDEX (THERMAL), CONSENSUS ECONOMICS & BELL POTTER SECURITIES ESTIMATES

**Figure 9 - Premium hard coking coal US\$/t FOB Queensland**



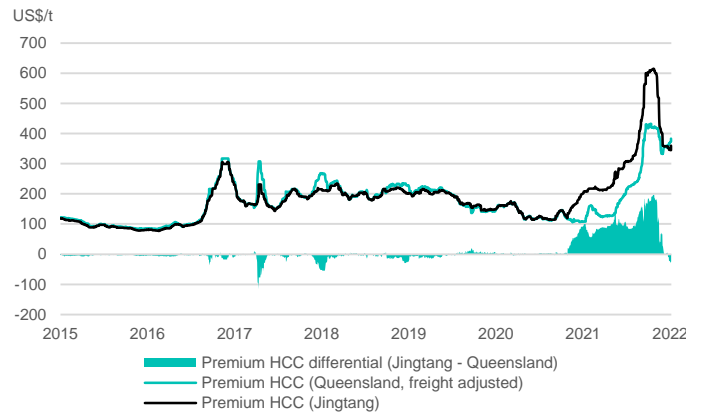
SOURCE: METAL BULLETIN, CONSENSUS ECONOMICS & BELL POTTER SECURITIES ESTIMATES

**Figure 10 - Thermal coal – China domestic vs imports**



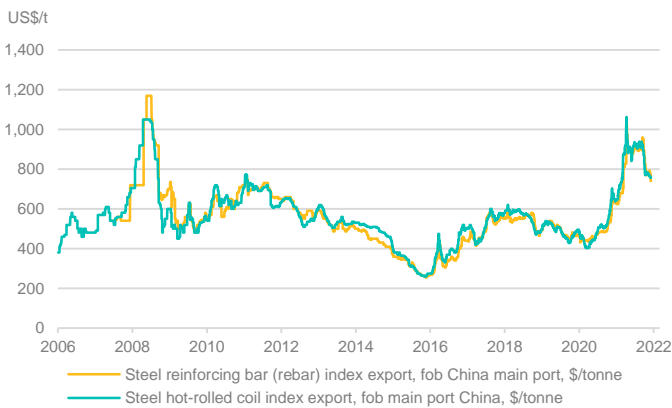
SOURCE: BLOOMBERG - COASNE60 INDEX (NEWC THERMAL), COASQI55 INDEX (QINH THERMAL) & BELL POTTER SECURITIES ESTIMATES

**Figure 11 - Met coal– China domestic vs imports**



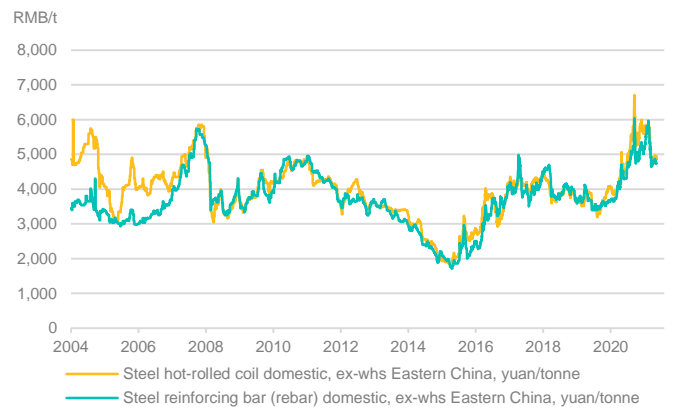
SOURCE: METAL BULLETIN, IRESS & BELL POTTER SECURITIES ESTIMATES

**Figure 12 - Steel: China export HRC & rebar US\$/t**



SOURCE: FASTMARKETS (MB-STE-0147 & MB-STE-0144), & BELL POTTER SECURITIES

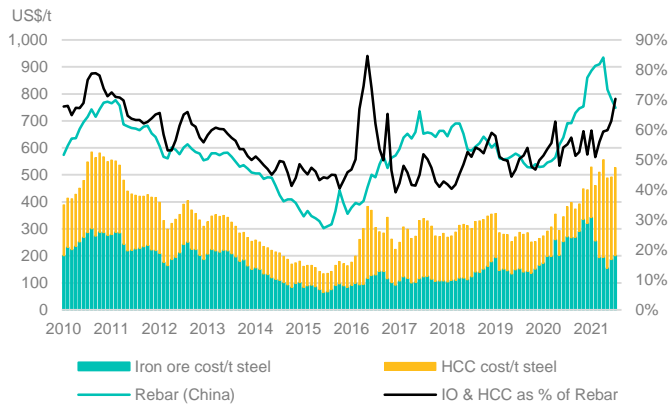
**Figure 13 - Steel: China domestic HRC & rebar RMB/t**



SOURCE: FASTMARKETS (MB-STE-0152 & MB-STE-0154), & BELL POTTER SECURITIES

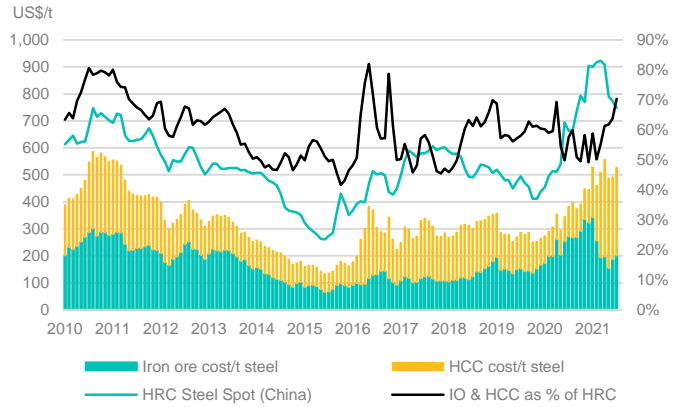


Figure 14 - Steel: Rebar (China) vs Inputs US\$/t (monthly)



SOURCE: BLOOMBERG - CDSPDRAV INDEX (CHINA REBAR), METAL BULLETIN & BELL POTTER SECURITIES ESTIMATES

Figure 15 - Steel: HRC (China) vs Inputs US\$/t (monthly)



SOURCE: BLOOMBERG - CSPWHRSE INDEX (CHINA HRC), METAL BULLETIN & BELL POTTER SECURITIES ESTIMATES

# Whitehaven Coal Limited (WHC)

## Company description

WHC is an ASX-listed and Australian based coal producer. The company produces mostly thermal coal (around 86% of production) from four core assets located in the New South Wales Gunnedah Basin. In FY22, we estimate that WHC will produce around 16.2Mt of product coal (WHC equity share).

The company's development projects include the Vickery Project which is expected to produce on average 7.1Mtpa ramping up from FY25 and is also located in the Gunnedah Basin. In early 2018, WHC acquired Rio Tinto's Winchester South metallurgical coal project located in the Queensland Bowen Basin. Both of these projects should increase the proportion of metallurgical coal production at the WHC group level.

## Investment view: Buy (prev. Hold), Target Price \$3.60/sh

Record thermal coal prices over recent quarters will support WHC's rapid de-gearing and ultimately a significant cash position and reinstatement of shareholder returns. Operational risks at Narrabri remain, however, should abate over 2022 as mining transitions to shallower panels in FY23. WHC is cheap on most valuation metrics, supporting our upgrade to a Buy recommendation. The caveats to our position are the potential for thermal coal price strength to unwind over the coming quarters and that thermal coal is increasingly excluded from fund managers' investment mandates.

## Valuation methodology

Bell Potter Securities' valuation is based on discounted cash flow models of WHC's principal operating assets and projects: Maules Creek; Narrabri; Tarrawonga; Werris Creek; Vickery Project; and Winchester South Project.

## Risks

Risks to resources sector equities include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.

- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Table 6 - Financial summary

Date		7/01/22					Bell Potter Securities							
Price	A\$/sh	2.75					Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)							
Target price	A\$/sh	3.60					Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)							
<b>PROFIT AND LOSS</b>														
Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e	<b>FINANCIAL RATIOS</b>							
Revenue (including other)	\$m	1,725	1,564	3,332	2,679	2,057	<b>VALUATION</b>	Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
Expenses	\$m	(1,419)	(1,359)	(1,590)	(1,476)	(1,467)	EPS (underlying)	c/sh	2.9	(8.5)	97.2	61.1	19.9	
EBITDA	\$m	306	204	1,742	1,202	590	EPS (reported)	c/sh	2.9	(52.8)	97.2	61.1	19.9	
Depreciation	\$m	(225)	(261)	(264)	(284)	(291)	EPS growth	%	-94%	-1920%	na	-37%	-67%	
EBIT	\$m	81	(56)	1,478	918	299	PER	x	93.9x	-5.2x	2.8x	4.5x	13.8x	
Net interest expense	\$m	(39)	(62)	(44)	(17)	(6)	DPS	c/sh	2	-	36	43	14	
PBT	\$m	42	(118)	1,434	902	293	Franking	%	0%	0%	0%	0%	0%	
Tax expense	\$m	(12)	31	(430)	(270)	(88)	Yield	%	0.5%	0.0%	13.1%	15.6%	5.1%	
NPAT (underlying)	\$m	30	(87)	1,004	631	205	Payout ratio	%	51%	0%	37%	70%	70%	
Significant items	\$m	-	(457)	-	-	-	Capital return	c/sh	-	-	-	-	-	
NPAT (reported)	\$m	30	(544)	1,004	631	205	FCF/share	c/sh	(12)	3	95	95	44	
<b>CASH FLOW</b>														
Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e	<b>LIQUIDITY &amp; LEVERAGE</b>							
<b>OPERATING CASH FLOW</b>							Net debt / (cash) (incl. leases)	\$m	918	898	(78)	(422)	(622)	
Receipts	\$m	1,745	1,542	3,195	2,765	2,099	ND / E	%	28%	33%	-2%	-11%	-17%	
Payments	\$m	(1,555)	(1,372)	(1,573)	(1,419)	(1,469)	ND / (ND + E)	%	22%	25%	-2%	-13%	-21%	
Tax	\$m	(14)	12	(430)	(270)	(88)	EBITDA/net interest expense	x	7.8x	3.3x	40.0x	71.1x	97.7x	
Net interest	\$m	(30)	(43)	(44)	(17)	(6)	<b>PROFITABILITY RATIOS</b>							
Other	\$m	-	-	-	-	-	EBITDA margin	%	18%	13%	52%	45%	29%	
Operating cash flow	\$m	146	139	1,149	1,058	537	EBIT margin	%	5%	-4%	44%	34%	15%	
<b>INVESTING CASH FLOW</b>							Return on assets	%	1%	-12%	21%	14%	5%	
Capex	\$m	(248)	(91)	(173)	(74)	(78)	Return on equity	%	1%	-20%	27%	17%	6%	
Other	\$m	(20)	(13)	-	-	-	<b>ASSUMPTIONS - Prices (nominal)</b>							
Investing cash flow	\$m	(268)	(104)	(173)	(74)	(78)	Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	LT real	
<b>FINANCING CASH FLOW</b>							Hard coking coal	US\$/t	144	122	302	194	145	
Debt proceeds	\$m	650	110	-	-	-	LV PCI	US\$/t	91	92	211	142	110	
Repayment of borrowings	\$m	(132)	(70)	(578)	(270)	-	Semi-soft coking coal	US\$/t	80	86	205	138	100	
Dividends	\$m	(312)	-	-	(640)	(258)	Thermal coal	US\$/t	64	80	160	110	75	
Other	\$m	(97)	(87)	-	-	-	<b>CURRENCY</b>							
Financing cash flow	\$m	109	(47)	(578)	(910)	(258)	AUD/USD	US\$/A\$	0.68	0.75	0.73	0.73	0.73	
Change in cash	\$m	(13)	(12)	398	73	200	<b>ASSUMPTIONS</b>							
Free cash flow	\$m	(122)	35	976	984	458	Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e	
<b>BALANCE SHEET</b>							<b>Managed ROM coal production</b>							
Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e	<b>Managed coal sales</b>							
<b>ASSETS</b>							Maules Creek	Mt	7.9	9.6	10.5	10.6	11.5	
Cash	\$m	107	95	493	567	767	Narrabri	Mt	6.2	4.5	4.3	6.5	6.9	
Receivables	\$m	129	154	316	231	189	Tarrawonga	Mt	2.0	1.9	2.1	2.1	2.4	
Inventories	\$m	176	176	151	151	151	Werris Creek	Mt	1.4	1.7	1.6	1.8	1.3	
Property, plant and equipment	\$m	4,155	3,330	3,235	3,021	2,805	Rocglen & Sunnyside	Mt	0.3	-	-	-	-	
Other assets	\$m	646	637	641	645	649	Vickery	Mt	-	-	-	-	-	
Total assets	\$m	5,212	4,393	4,836	4,614	4,560	Winchester South	Mt	-	-	-	-	-	
<b>LIABILITIES</b>							<b>Total</b>	Mt	17.8	17.8	18.6	21.0	22.2	
Creditors	\$m	189	231	249	306	305	<b>Equity sales of produced coal</b>							
Borrowings	\$m	1,025	993	415	145	145	Equity sales of produced coal	Mt	14.3	14.4	15.0	16.9	17.7	
Other current liabilities	\$m	41	54	54	54	54	Coal purchases	Mt	2.5	2.0	1.2	1.0	1.0	
Other liabilities	\$m	707	409	409	409	409	<b>Total equity coal sales</b>							
Total liabilities	\$m	1,962	1,687	1,127	914	913	Total equity coal sales	Mt	16.8	16.4	16.2	17.9	18.7	
NET ASSETS	\$m	3,250	2,706	3,710	3,701	3,648	<b>Sales mix</b>							
Shareholder equity	\$m	3,250	2,706	3,710	3,701	3,648	High CV thermal	%	62%	59%	64%	68%	70%	
Minorities	\$m	-	-	-	-	-	Low CV thermal	%	21%	26%	22%	18%	15%	
SHAREHOLDER EQUITY	\$m	3,250	2,706	3,710	3,701	3,648	Metallurgical	%	18%	15%	14%	15%	15%	
Weighted average shares	m	1,026	1,029	1,033	1,033	1,033	Average revenue per tonne	US\$/t	69	71	151	110	80	
<b>RESOURCES &amp; RESERVES (Note: Major projects listed, reserves are marketable tonnes)</b>							Average revenue per tonne	A\$/t	103	95	206	150	110	
Resources	Unit	Equity	Meas & Ind	Total	Reserve		Average cash costs (EBITDA level)	A\$/t	85	83	98	83	78	
Maules Creek	Mt	75%	533	577	390		Average cash costs (excl royalty)	A\$/t	75	74	75	68	69	
Narrabri	Mt	70%	595	603	166		<b>VALUATION</b>							
Tarrawonga (open pit)	Mt	100%	52	65	26		<b>Issued capital</b>							
Werris Creek	Mt	100%	7	7	5		Shares on issue	m	1,033					
Vickery	Mt	100%	490	735	178		Options assumed	m	23					
Winchester South	Mt	100%	665	1,100			<b>Diluted shares</b>							
Other	Mt	100%	855	1,814	210		Diluted shares	m	1,056					
Total (100%)	Mt		3,197	4,901	976		<b>NPV (Discount rate 10.0% real)</b>							
Total (equity)	Mt		2,885	4,576	828		Current	\$m	\$/sh	\$m	\$/sh	\$m	\$/sh	
							Maules Creek (75%)	2,347	2.22	1,727	1.64	1,348	1.28	
							Narrabri (77.5%)	1,477	1.40	1,280	1.21	1,057	1.00	
							Tarrawonga (100%)	510	0.48	343	0.33	254	0.24	
							Werris Creek (100%)	244	0.23	96	0.09	19	0.02	
							Total value of operating assets	4,578	4.34	3,447	3.27	2,678	2.54	
							Corporate & admin	(150)	(0.14)	(165)	(0.16)	(182)	(0.17)	
							Enterprise value	4,428	4.19	3,282	3.11	2,496	2.36	
							Net debt / (cash)	898	0.85	(78)	(0.07)	(422)	(0.40)	
							Equity value: Operating assets	3,530	3.34	3,360	3.18	2,918	2.76	
							Vickery (100%, disc. 60%)	409	0.39	413	0.39	433	0.41	
							Winchester South (100%, disc. 80%)	201	0.19	203	0.19	205	0.19	
							Equity value: ALL assets	4,141	3.92	3,976	3.77	3,556	3.37	

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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