

# Bathurst Resources (BTU.AX / BTU AU)

## Upgrade to OUTPERFORM

Rating	(from Neutral) <b>OUTPERFORM*</b> [V]
Price (07 Dec 11, A\$)	0.67
Target price (A\$)	1.00 <sup>†</sup>
Market cap. (A\$m)	458.48
Yr avg. mthly trading (A\$m)	97
Last month's trading (A\$m)	49
<b>Projected return:</b>	
Capital gain (%)	50.4
Dividend yield (net %)	—
Total return (%)	50.4
52-week price range	1.27 - 0.58

\* Stock ratings are relative to the relevant country benchmark.

<sup>†</sup>Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

### Research Analysts

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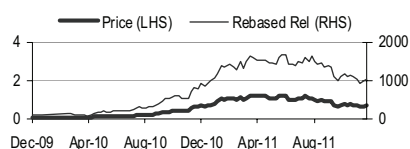
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- **Upgrade to OUTPERFORM with risk/reward skewed to the upside:** We upgrade BTU to OUTPERFORM (from Neutral) as we now believe the risk/reward is skewed to the upside. We make no change to our \$1/sh target price and see 50% potential upside from current levels. Our risked DCF valuation for BTU remains unchanged at \$1.50/share based on discounting our life-of-mine cashflows at a WACC of 11%.
- **Still waiting for an Escarpment Appeals Hearing:** At present, the New Zealand Environment Court judge assigned to the Escarpment Appeals Hearing case is yet to confirm a mediation and court hearing date. We remain concerned that it may take three–six months before an Appeals Hearing date is set and then 6–12 months for the hearing process to be completed. Furthermore, we cannot be assured that a positive outcome for BTU will eventuate. Based on BTU's current share price, we estimate the market is factoring in a 25% probability of Escarpment and Deep Creek proceeding as planned.
- **Meanwhile BTU ships small volumes from Cascade:** In the SeptQ 11 BTU had coal sales of 44.4kt from Cascade (Buller) and Takitimu. The first coal export from Cascade was recently shipped from Westport to the Port of Taranaki while a second shipment is expected to have left the Port of Lyttelton last week bound to a ferro-silicon producer in Western Australia.
- **Investment case:** We are attracted to the economics of the Buller project with its relatively low capex and the potential to produce up to 2Mtpa of high margin hard coking coal. However, this is partially offset by the risk of project delays given an appeals hearing date has not yet been set and a positive outcome for BTU is not guaranteed.
- **Catalysts:** The next catalyst will be the commencement of mediation proceedings with the three appealing parties and a court hearing date.

### Share price performance



The price relative chart measures performance against the S&P ASX 200 Index which closed at 4292.5 on 07/12/11  
On 07/12/11 the spot exchange rate was A\$97/US\$1

Performance Over	1M	3M	12M
Absolute (%)	-8.9	-29.3	3.1
Relative (%)	-9.4	-31.8	12.3

### Financial and valuation metrics

Year	06/11A	06/12E	06/13E	06/14E
Revenue (A\$m)	6.0	28.8	265.2	472.1
EBITDA (A\$m)	-14.0	-4.2	143.6	266.8
EBIT (A\$m)	-14.7	-4.5	141.6	263.3
Net income (A\$m)	-13.5	-1.7	99.3	184.2
EPS (CS adj.) (Ac)	-1.96	-0.24	14.13	26.19
Change from previous EPS (%)	n.a.	n.m	—	—
Consensus EPS (Ac)	n.a.	0.70	7.00	14.80
EPS growth (%)	7.2	88.0	6,107.2	85.4
P/E (x)	-34.0	-282.8	4.7	2.5
Dividend (Ac)	—	—	—	6.76
Dividend yield (%)	—	—	—	10.2
P/B (x)	2.6	2.7	1.7	1.1
Net debt/equity (%)	net cash	net cash	net cash	net cash

Source: Company data, ASX, Credit Suisse estimates. \* Adj. for goodwill, notional interest and unusual items. Relative P/E against ASX/S&P200 based on pre GW in AUD. Company PE calculation is based on displayed EPS Currency

Figure 11: BTU financial summary

Bathurst Resources (BTU)					
Year ending 30 Jun					
Profit & Loss	06/10A	06/11A	06/12E	06/13E	06/14E
Sales revenue	0.0	6.0	28.8	265.2	472.1
EBITDA	-4.8	-14.0	-4.2	143.6	266.8
Depr. & Amort.	0.0	0.7	0.3	2.0	3.4
EBIT	-4.8	-14.7	-4.5	141.6	263.3
Associates	0.0	0.0	0.0	0.0	0.0
Net interest	-0.1	0.4	-2.8	-0.3	0.2
Reported PBT	-4.7	-15.1	-1.7	141.9	263.1
Income tax	0.0	-1.6	0.0	42.6	78.9
Profit after tax	-4.7	-13.5	-1.7	99.3	184.2
Minorities	0.0	0.0	0.0	0.0	0.0
Preferred dividends	0.0	0.0	0.0	0.0	0.0
Normalised NPAT	-4.7	-13.5	-1.7	99.3	184.2
Analyst adjustments	0.0	0.0	0.0	0.0	0.0
Unusual item after tax	0.0	0.0	0.0	0.0	0.0
Reported NPAT	-4.7	-13.5	-1.7	99.3	184.2
Balance Sheet	06/10A	06/11A	06/12E	06/13E	06/14E
Cash & equivalents	8.3	87.4	88.0	126.7	277.3
Inventories	0.0	1.1	1.1	10.8	16.1
Receivables	0.4	4.0	4.0	40.6	60.5
Other current assets	0.2	0.5	0.5	0.5	0.5
Current assets	8.8	93.0	93.6	178.6	354.4
Property, plant & equip.	0.0	291.7	294.7	443.7	447.7
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	5.8	4.2	4.2	4.2	4.2
Non-current assets	5.8	295.9	298.9	447.9	451.9
Total assets	14.6	388.9	392.5	626.5	806.2
Payables	0.5	4.7	10.8	40.0	67.5
Interest bearing debt	0.0	2.8	2.8	82.8	82.8
Other liabilities	0.0	207.6	206.6	232.2	245.2
Total liabilities	0.5	215.1	220.3	355.0	395.6
Net assets	14.2	173.8	172.2	271.5	410.7
Ordinary equity	14.2	173.8	172.1	271.5	410.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Preferred capital	0.0	0.0	0.0	0.0	0.0
Total shareholder funds	14.2	173.8	172.1	271.5	410.6
Net debt	-8.3	-84.6	-85.2	-43.9	-194.5
Cashflow	06/10A	06/11A	06/12E	06/13E	06/14E
EBIT	-4.8	-14.7	-4.5	141.6	263.3
Net interest	0.0	2.0	2.8	0.3	-0.2
Depr & Amort	0.0	0.7	0.3	2.0	3.4
Tax paid	0.0	0.0	-0.9	-17.1	-65.9
Working capital	-4.1	-0.4	6.2	-17.2	2.4
Other	3.8	6.5	1.0	1.0	1.0
Operating cashflow	-5.1	-6.0	4.9	110.6	204.1
Capex	0.0	-2.9	-3.3	-151.0	-7.4
Capex - expansionary	0.0	-2.9	-3.0	-149.0	-4.0
Capex - maintenance	0.0	0.0	-0.3	-2.0	-3.4
Acquisitions & Invest	-5.8	-63.9	-1.0	-1.0	-1.0
Asset sale proceeds	0.0	0.0	0.0	0.0	0.0
Other	-0.2	-4.2	0.0	0.0	0.0
Investing cashflow	-6.0	-71.0	-4.3	-152.0	-8.4
Dividends paid	0.0	0.0	0.0	0.0	-45.0
Equity raised	21.3	161.3	0.0	0.0	0.0
Net borrowings	-1.6	-5.3	0.0	80.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing cashflow	19.7	156.0	0.0	80.0	-45.0
Total cashflow	8.6	79.0	0.6	38.7	150.6
Adjustments	-0.5	0.1	0.0	0.0	0.0
Net Change in Cash	8.1	79.1	0.6	38.7	150.6

Source: Company data, Credit Suisse estimates

In AUDmn, unless otherwise stated

Share Price: A\$0.67						
7/12/2011 17:32						
Rating	NEUTRAL					
Target Price	A\$ 1.00					
vs Share price	% 50.38					
DCF	A\$ 1.50					
Bathurst Resources Limited (Bathurst) is an Australia-based company. The Company is engaged in the exploration for and development of coal mining assets. The Company focuses on becoming a producer of coking and thermal coal to niche export markets. Buller Coal project is Bathurst Resources' flagship project.						
Earnings	06/10A	06/11A	06/12E	06/13E	06/14E	
Equiv. FPO (period avg.)	mn	224.9	688.2	703.2	703.2	703.2
EPS (Normalised)	c	-2.1	-2.0	-0.2	14.1	26.2
EPS Growth	%		7.2	88.0	6,107.2	85.4
DPS	c	0.0	0.0	0.0	0.0	6.8
Dividend Payout	%	0.0	0.0	0.0	0.0	25.8
Free CFPS	c	-2.3	-0.9	0.6	15.5	28.5
Valuation						
P/E	x	-31.5	-34.0	-282.8	4.7	2.5
EV/EBIT	x	-77.4	-25.4	-83.0	2.6	1.4
EV/EBITDA	x	-77.4	-26.6	-89.8	2.6	1.4
Dividend Yield	%	0.0	0.0	0.0	0.0	10.2
FCF Yield	%	-3.4	-1.3	1.0	23.2	42.9
Price to Book	x	10.6	2.6	2.7	1.7	1.1
Returns						
Return on Equity	%	-33.5	-7.8	-1.0	36.6	44.9
Profit Margin	%		-226.2	-5.7	37.5	39.0
Asset Turnover	x	0.0	0.0	0.1	0.4	0.6
Equity Multiplier	x	1.0	2.2	2.3	2.3	2.0
Return on Assets	%	-32.4	-3.5	-0.4	15.9	22.8
Return on Invested Cap.	%	-81.9	-14.7	-5.2	43.6	85.3
Gearing						
Net Debt to Net debt + Equity %		Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Net Debt to EBITDA	x	1.7	6.0	20.5	Net Cash	Net Cash
Int Cover (EBITDA/Net Int.)	x	54.9	-36.7	1.5	-535.2	1,240.8
Int Cover (EBIT/Net Int.)	x	54.9	-38.4	1.6	-527.9	1,225.0
Capex to Sales	%		48.5	11.6	56.9	1.6
Capex to Depreciation	%	0.0	420.1	981.6	7,666.6	217.2
Share Price Performance (vs S&P ASX 200 Index)						
	1 Month	3 Months	12 Months			
Absolute	-8.9%	-29.3%	3.1%			
Relative	-9.4%	-31.8%	12.3%			
Source: Reuters 52 week trading range: 0.58-1.27						