

28 June 2018

Universal Coal PLC (UNV)

BUY

Share Price: \$0.30

EBITDA Guidance exceeded again

Target Price: A\$0.68

Universal Coal continues to exceed expectations, announcing revised EBITDA guidance for FY18 of A\$70m (A\$48.5m attributable). This was 27% higher than previous guidance of A\$55m (A\$38m att). While Petra's headline EBITDA of A\$74m was 5% higher than UNV's forecast, UNV's attributable EBITDA is 10% higher than our forecasts of A\$44m showing bottom line improvements across the business. Importantly, this demonstrates UNV's ability to deliver consecutive quarters of \$20m EBITDA from existing production assets. We revise our base case assumptions to show the higher sales tonnes coming from New Clydesdale Colliery (NCC) given the mine has reached a steady state. We also incorporate Brakfontein given strong coal markets, giving us confidence the project will come online in FY19. For the NBC acquisition, we value the asset at the current purchase price of A\$18.6m (A\$0.04/sh), but expect to incorporate ~A\$0.18/sh into our valuation once final government approval is given. We maintain our BUY recommendation and increase our target price to \$0.68/sh from \$0.56/sh previous.

Key Points from Announcement

- Group EBITDA expected for FY2018 is A\$70 million, a 27% increase on the previous guidance A\$55 million.
- Kangala is expected to deliver more than 2.5Mt of product to Eskom for FY2018.
- NCC has exceeded the committed tonnes for FY2018 by 14% and is benefiting by the significant increase in API4 export price since July 2017.

Base case revisions now include the following:

- Kangala (A\$0.17/sh) DCF NPV_{12.5} with minor adjustments to costs and assumptions. (A\$0.24/sh previous).
- NCC (A\$0.35/sh) DCF NPV_{12.5}, with revised production and sales tonnes up by 300kt to 2.4Mtpa, the current run rate of the mine (up from A\$0.26/sh).
- Brakfontein (A\$0.08/sh) DCF methodology NPV_{12.5}, with production expected to commence 1H CY19 targeting 1Mtpa (previously A\$0.01/sh).
- NBC at book value of A\$18.6m (A\$0.04/sh), (previous A\$0.00/sh).
- Berenice/Cygnus coking coal assets at book value of A\$18m or (\$0.03/sh), unchanged from previous.

Key Dates Ahead

- NBC approvals – 1H FY19.
- Brakfontein Production – 1H CY19.
- Eloff expansion approvals and offtake CY19.

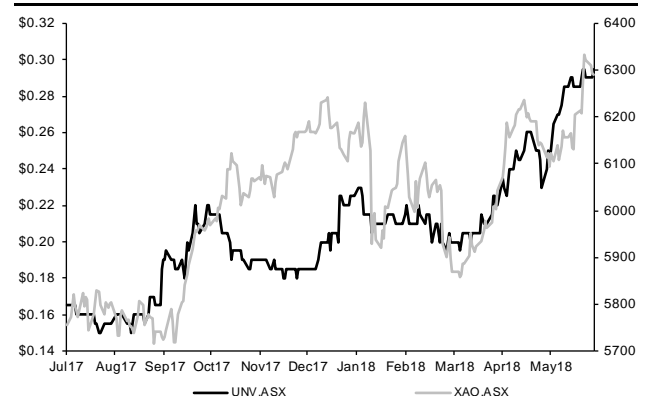
Company Data

Shares – ordinary (M)	522.5
Dilution (M)	0
Total (fully diluted) (M)	522.5
Market capitalisation (\$M)	160
12 month low/high (\$)	0.14/ 0.31
Average monthly turnover (\$M)	3.6
GICS Industry	Energy

Financial Summary – (100% basis, UNV interest shown as Attributable)

Year end June	2016A	2017A	2018F	2019F	2020F
Revenue (\$M)	98	149	304	414	576
Attributable	69	101	179	196	198
Costs (\$M)	(87)	(122)	(230)	(293)	(397)
Attributable	(60)	(78)	(133)	(162)	(203)
EBITDA (\$M)	11	28	74	121	179
Attributable	8	23	46	70	111
NPAT (\$M)	15	5	43	76	117
Attributable	7	4	29	52	80
EPS (¢ps)	1	1	6	10	15
PER (x)	21	38	5	3	2
Cashflow (\$M)	11	26	45	86	129
CFPS (¢ps)	2	5	9	16	25
PCFPS (x)	15	6	3	2	1
Enterprise Value (\$M)	176	172	149	108	6
EV / EBITDA (x)	21	8	3	2	0
Payout Ratio (%)	-	-	24	14	9
Dividends (cps)	-	-	2	2	2
Yield (%)	-	-	7	7	7

UNV – performance over one year



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.

Craig Brown
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Analysis – (100% basis, UNV interest ranges from 49%-70.5% with Profit Attributable shown)

Universal Coal Plc (UNV)																																																																																																																		
28-Jun-18	Share Price (\$)						A\$0.30																																																																																																											
	Issued shares (M)						522.5																																																																																																											
	Other (M)						0.0																																																																																																											
	Fully Diluted (M)						522.5																																																																																																											
	Mkt Cap. (\$M)						A\$154M																																																																																																											
Year End June																																																																																																																		
PROFIT & LOSS	2016A	2017A	2018F	2019F	2020F																																																																																																													
Revenue	A\$M 98	149	304	414	576																																																																																																													
Operating Costs	A\$M -72	-108	-221	-285	-388																																																																																																													
Exploration	A\$M 0	0	0	0	0																																																																																																													
Other	A\$M -15	-14	-9	-8	-9																																																																																																													
EBITDA	A\$M 11	28	74	121	179																																																																																																													
Depreciation & Amort.	A\$M -6	-14	-11	-13	-15																																																																																																													
EBIT	A\$M 4	14	63	108	164																																																																																																													
Net Interest	A\$M 2	-4	-3	-2	-1																																																																																																													
Pre-Tax Profit	A\$M 6	9	60	106	163																																																																																																													
Tax	A\$M -1	0	-17	-30	-46																																																																																																													
Net Profit	A\$M 4	9	43	76	117																																																																																																													
Abnormal	A\$M 11	-4	0	0	0																																																																																																													
Reported Profit	A\$M 15	5	43	76	117																																																																																																													
Dividends Paid	A\$M 0	0	-10	-10	-10																																																																																																													
Minority Interest	A\$M -8	-1	-14	-24	-37																																																																																																													
Profit Attributable	A\$M 7	4	29	52	80																																																																																																													
CASHFLOW																																																																																																																		
Net Op Cash Flow	A\$M 10	31	65	118	176																																																																																																													
Net Interest	A\$M 2	-4	-3	-2	-1																																																																																																													
Tax Paid	A\$M -1	0	-17	-30	-46																																																																																																													
Operating Cash Flow	A\$M 11	26	45	86	129																																																																																																													
Net Capex	A\$M -11	-13	-6	-35	-17																																																																																																													
Exploration	A\$M 0	0	0	0	0																																																																																																													
Net proceeds A&D	A\$M 14	-4	0	0	0																																																																																																													
Investing Cash Flow	A\$M 2	-17	-6	-35	-17																																																																																																													
Free cash flow	13	10	39	50	112																																																																																																													
Net Borrowings	A\$M -7	0	-8	-8	-8																																																																																																													
Dividends	A\$M 0	0	-10	-10	-10																																																																																																													
Equity Issues	A\$M 0	0	0	0	0																																																																																																													
Other	A\$M -4	-2	-6	0	0																																																																																																													
Financing Cash Flow	A\$M -10	-2	-24	-18	-18																																																																																																													
Net Increase/Cash	A\$M 2	8	15	32	94																																																																																																													
BALANCE SHEET																																																																																																																		
Cash	A\$M 8	15	30	62	156																																																																																																													
Other Current	A\$M 14	27	33	45	53																																																																																																													
Current Assets	A\$M 21	42	63	107	209																																																																																																													
Fixed Assets	A\$M 105	115	112	125	118																																																																																																													
Exploration	A\$M 49	46	44	53	63																																																																																																													
Other	A\$M 6	18	24	23	23																																																																																																													
Non Current Assets	A\$M 161	179	179	202	203																																																																																																													
Total Assets	A\$M 182	221	243	309	413																																																																																																													
Borrowings	A\$M 5	7	0	0	0																																																																																																													
Payables	A\$M 10	22	20	28	33																																																																																																													
Other	A\$M 0	0	0	0	0																																																																																																													
Current Liab	A\$M 15	28	20	28	33																																																																																																													
Borrowings	A\$M 24	27	25	17	8																																																																																																													
Provisions	A\$M 26	32	32	32	32																																																																																																													
Other	A\$M 11	10	10	10	10																																																																																																													
Non Current Liab	A\$M 61	69	68	59	51																																																																																																													
Total Liabilities	A\$M 76	98	87	88	84																																																																																																													
Total Equity	A\$M 106	123	156	221	328																																																																																																													
RATIO ANALYSIS																																																																																																																		
EPS	¢	1	1	6	10	15																																																																																																												
PER	x	21	38	5	3	2																																																																																																												
EPS Growth	%	0%	-46%	629%	77%	54%																																																																																																												
CFPS	¢	2	5	9	16	25																																																																																																												
PCFR	x	15	6	3	2	1																																																																																																												
DPS	¢	0	0	2	2	2																																																																																																												
Yield	%	0.0%	0.0%	6.8%	6.8%	6.8%																																																																																																												
Payout Ratio	%	0%	0%	24%	14%	9%																																																																																																												
Gearing ND/E	%	20%	15%	-3%	-21%	-45%																																																																																																												
Interest Cover	x	3	3	19	48	122																																																																																																												
EBITDA Margin	%	11%	19%	24%	29%	31%																																																																																																												
EBIT Margin	%	4%	9%	21%	26%	28%																																																																																																												
Return On Assets	%	2%	6%	26%	35%	40%																																																																																																												
Eff Tax rate	%	32%	-1%	39%	39%	39%																																																																																																												
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Source: Petra Capital

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