EDISON

Wheaton Precious Metals

Cobalt stream investment

Kobold ex machina

Metals & mining

On 11 June, Wheaton Precious Metals (WPM) announced that it had entered into an agreement with Vale to acquire 42.4% of cobalt production from Voisey's Bay from FY21 for an upfront cash consideration of US$390m. We estimate that this acquisition will increase WPM's silver-equivalent production by 3.1Moz and 4.7Moz and its basic EPS by 4.7c and 9.3c in FY21 and FY24, respectively.

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/16	891.6	269.8	62	21	35.7	0.9
12/17	843.2	277.4	63	33	35.2	1.5
12/18e	826.5	281.1	63	36	35.2	1.6
12/19e	961.9	385.0	87	41	25.5	1.9

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Too precious or not too precious

While not traditionally regarded as a precious metal, at current levels, the price of cobalt at US$82,250/t is equivalent to US$2.56/oz, ie where the silver price was in May 1973 and not far from where it was as recently as March 1993 (US$3.56/oz). Moreover, like silver, the vast majority of cobalt is produced as a by-product of either copper or nickel mining. As such, WPM's acquisition of the Voisey's Bay cobalt stream is approximately equivalent to a gold stream of c 75-80koz pa or a silver stream of c 5.7-6.2Moz pa (at current prices). Even so, the consideration paid by WPM is less than half the amount it has paid in the last three years for similar streams at Antamina and, in particular, Salobo, which has the same counterparty (namely Vale) as Voisey's Bay. As a result, returns from the Voisey's Bay stream are protected approximately at or above the level of the Antamina and Salobo streams down to a cobalt price approximately half of its current level (ie c US$41,125/t).

Valuation: Potential 28.4% IRR to shareholders

Assuming no material purchases of additional streams (which is unlikely), we forecast a per-share value for WPM of US$34.11, or C$45.14 in FY20 (cf US$35.07, or C$44.78 previously) at average precious metals prices of US$25.95/oz Ag and US$1,482/oz Au. Note that the change is solely accounted for by changes in the interest charge for that year, owing to the change in the debt repayment profile on account of the US$390m Voisey's Bay stream acquisition, and foreign exchange rates. Note that this valuation excludes the value of 20.9m shares in First Majestic currently held by WPM, with an immediate value of C$206.2m, or US$0.35 per WPM share. It also implies a 28.4% pa total internal rate of return (IRR) for investors in US dollar terms over the next 2.5 years. In the meantime, WPM's shares are trading on near-term financial ratios that are cheaper than those of its royalty/streaming 'peers' in 91% of financial measures considered in Exhibit 7, and the miners themselves in at least 37% of the same measures, despite being associated with materially less operating and cost risk. Additional potential upside still then exists in the form of the optionality provided by the development (or further development) of major assets such as Salobo, Navidad etc.

21 June 2018

Price	**C$29.32**
Market cap	**C$12,983m**
	C$1.3231/US$
Net debt* (US$m) at 31 March 2017 *Cum-dividend of US$39.9m	547.4
Shares in issue	442.8m
Free float	100%
Code	WPM
Primary exchange	TSX
Secondary exchange	NYSE

Share price performance

%	1m	3m	12m
Abs	4.2	14.6	14.6
Rel (local)	2.6	9.0	5.8
52-week high/low		C$29.3	C$23.4

Business description

Wheaton Precious Metals is the world's pre-eminent pure precious metals streaming company, with c 30 high-quality, precious metals streaming and early deposit agreements relating to assets in Mexico, Peru, Canada, Brazil, Chile, Argentina, Sweden, Greece, Portugal, the US and Guyana.

Next events

Q218 results	August 2018
Third quarterly dividend announced	August 2018
Q318 results	November 2018
Fourth quarterly dividend announced	November 2018

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Edison profile page

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Voisey's Bay cobalt stream acquisition

On 11 June, WPM announced that it had entered into an agreement with Vale to acquire 42.4% of cobalt production from Voisey's Bay for an upfront cash consideration of US$390m. Salient features of the agreement are as follows:

- Effective 1 January 2021 (coincident with the anticipated ramp-up in underground production from Voisey's Bay), WPM will be entitled to receive from Vale an amount of cobalt equal to 42.4% of the Voisey's Bay mine production of cobalt (Co) until the delivery of 31Mlbs Co; thereafter, it will be entitled to 21.2% of production (ie half of the initial percentage) until the end of the life of the mine.
- WPM will make ongoing payments of 18% of the Metal Bulletin market price per pound of cobalt delivered, initially; once the balance of the upfront cash consideration has been reduced to zero, WPM will make ongoing payments of 22% of the cobalt spot price per pound of cobalt delivered.
- WPM will take physical deliveries of high-quality, finished cobalt by way of warehouse certificates.

The transaction is exactly coincident with another streaming agreement between Vale and Cobalt 27 Capital Corp for a transaction consideration of US$300m for initial entitlement over 32.6% of cobalt production such that WPM and Cobalt 27 together own streams accounting for 75% of Voisey's Bay cobalt output, while Vale retains the remaining 25%.

Voisey's Bay underground mine development background

Below is a table of reserves and resources, attributable to WPM, at Voisey's Bay.

Exhibit 1: Voisey's Bay reserves & resources, attributable to WPM (31 December 2017)

Category	Tonnage (Mt)	Percent of total (%)	Grade Co (%)	Contained Co (Mlbs)	Percent of total (%)
Reserves					
Proven	4.6	41.4	0.14	13.9	42.6
Probable	6.5	58.6	0.13	18.7	57.4
Proven & Probable	**11.1**	**100.0**	**0.13**	**32.6**	**100.0**
Resources					
Measured	0.0	0.0	0.00	0.0	0.0
Indicated	2.2	36.1	0.04	2.0	18.9
Measured & Indicated	2.2	36.1	0.04	2.0	18.9
Inferred	3.9	63.9	0.10	8.6	81.1
Total	**6.1**	**100.0**	**0.08**	**10.6**	**100.0**

Source: Wheaton Precious Metals. Note: Resources stated exclusive of reserves. Attributable reserves & resources have been calculated on the 42.4%/21.2% basis.

In July 2015, Vale's board of directors sanctioned the development of the underground expansion of Voisey's Bay, comprising the development of two separate deposits, namely Reid Brook and Eastern Deeps, via declines to access the ore bodies, underground crushing & conveying and an underground paste/backfill plant. At peak production, the underground mines are expected to produce c 45,000tpa of nickel-in-concentrate (which will be shipped to Vale's processing facility in Long Harbour) and to extend the life of operations until at least 2034. The construction phase of the expansion began in 2016 and is scheduled to be completed in 2022.

As is typical for WPM, in entering a new streaming agreement (albeit with a professional counterparty, with which it has many years of dealing previously), there is a completion test which, if not met, will result in the return of WPM's deposit. In addition, risk is further mitigated by the fact that the Voisey's Bay plant is already operational, processing output from its open pit mines.

Effect on WPM

Attributable cobalt production is forecast to average 2.0-2.2Mlbs pa in the first three years of production, 2.6Mlbs pa for the first 10 years of production and 2.4Mlbs pa for the life of the mine. Payable rates for cobalt in concentrate have "generally been fixed at 93.3%", with the result we forecast the following production, sales and pre-tax cash flows attributable to WPM over the course of the 14 years following ramp-up:

Exhibit 2: Voisey's Bay estimated production, sales and pre-tax cash flows attributable to WPM, 2021-34e

Year	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e
Production (oz Au)	2,100	2,100	2,100	2,814	2,814	2,814	2,814	2,814	2,814	2,814	1,842	1,842	1,842	553
Sales (koz Ag)	1,959	1,959	1,959	2,625	2,625	2,625	2,625	2,625	2,625	2,625	1,719	1,719	1,719	516
Pre-tax cash flows to WPM (US$m)	59.9	59.9	59.9	80.3	80.3	80.3	76.4	76.4	76.4	76.4	50.0	50.0	50.0	15.0

Source: Edison Investment Research, Wheaton Precious Metals

Within the context of an initial, upfront payment of US$390m in FY18, these cash flows imply an internal rate of return to WPM of 10.5% in US dollar terms from FY18 to FY34. However, mineralisation is reported to extend "well below" the current resource boundaries and, assuming it is eventually brought within Vale's mine plan, will (all other things being equal) augment the ultimate return to the company.

Investors should note the decline in cash flows between years FY26 and FY27, which corresponds to the point at which we estimate that the balance of WPM's upfront consideration will have reduced to zero and thus WPM will make ongoing payments at 22% of the spot price of cobalt (cf 18% beforehand). Similarly, the stream will be subject to Newfoundland and Canadian tax (at an estimated 30% rate), but only at the point at which WPM has recouped its original investment.

Depending on prices and ongoing costs, the above cobalt stream is approximately equivalent to a gold stream of c 75-80koz pa or a silver stream of c 5.7-6.2Moz pa (at current prices). As such, it may be compared to recent deals concluded by WPM of a similar size, as follows:

Exhibit 3: Recent comparable WPM transactions

	Salobo II	Antamina	Salobo III	Voisey's Bay
Date	Q215	Q415	Q316	Q218
Counterparty	Vale	Glencore	Vale	Vale
Consideration	US$900m	US$900m	c US$818.4m*	US$390m
Approximate metal attributable to WPM pa	70koz Au	5.1Moz Ag for 2yrs then 4.7Moz pa Ag	70koz Au	2.4Mlbs Co pa, equivalent to c 75-80koz Au or 5.7-6.2Moz Ag pa

Source: Edison Investment Research. Note: *See our note, Going for gold, published on 30 August 2016.

Of note, within the context of the above table, is the materially lower consideration paid by WPM for the Voisey's Bay stream compared to either of the Salobo streams or the Antamina stream, which affords it a proportionally greater degree of protection from commodity price risk. In this case, returns from the Voisey's Bay stream are therefore protected approximately at or above the level of the Antamina and Salobo streams down to a cobalt price approximately half of its current level (ie c US$41,125/t).

Medium term

Hitherto, management estimates over the next five years, including FY18, have been of average annual production of approximately 25Moz of silver and 370,000oz of gold. This compares with our expectations, which are, on average, 6.6% more conservative than guidance (simple average). However, we now expect that the Voisey's Bay stream acquisition will add in excess of 3Moz silver equivalent, or 7-8%, to production immediately, and more in subsequent years.

Exhibit 4: Edison forecast WPM precious metals production

	FY18e	FY19e	FY20e	FY21e	FY22e
Previous					
Silver production (Moz)	24.0	22.3	23.0	23.9	23.7
Gold production (koz)	345	370	337	333	339
Cobalt production (klbs)	0	0	0	0	0
Silver-equivalent production (Moz)	51.4	43.3	42.3	42.9	43.0
Current					
Silver production (Moz)	24.0	22.3	23.0	23.9	23.7
Gold production (koz)	345	370	337	333	339
Cobalt production (klbs)	0	0	0	2,100	2,100
Silver-equivalent production (Moz)	51.4	43.3	42.3	46.0	46.4

Source: Edison Investment Research.

Over the course of the first 10 years of production from FY21 to FY30 inclusive, we expect the Voisey's Bay cobalt stream acquisition to add 6.3c to WPM's basic EPS per annum (simple average), as follows:

Exhibit 5: Voisey's Bay estimated EPS enhancement, 2021-30e

Year	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e
Production (oz Au)	2,100	2,100	2,100	2,814	2,814	2,814	2,814	2,814	2,814	2,814
Sales (koz Ag)	1,959	1,959	1,959	2,625	2,625	2,625	2,625	2,625	2,625	2,625
EPS enhancement (US cents)	4.7	4.7	4.7	9.3	9.3	6.5	5.9	5.9	5.9	5.9
EPS enhancement (%)	4.0	5.0	6.0	12.5	13.2	8.4	9.3	8.7	10.5	13.8

Source: Edison Investment Research, Wheaton Precious Metals

Potential future growth

WPM is a pure precious metals streaming company. Hitherto, it has been formally interested in potential gold, silver and platinum streams. However, apart from strategic considerations, its diversification into cobalt may be rationalised by the fact that the current price of cobalt, at US$82,250/t (source: Bloomberg, 11 June 2018) is the equivalent of US$2.56/oz – ie where the silver price was in May 1973 and not far from where the silver price was as recently as March 1993 (US$3.56/oz).

Considering only the silver component of its investible universe, WPM estimates the size of the potential market open to it to be the lower half of the cost curve of the 70% of global silver production of c 870Moz in FY17 that is produced as a by-product of either gold or base metal mines (ie approximately 305Moz silver per year cf WPM's production of 28.5Moz Ag in FY17). Inevitably, WPM's investible universe would be further refined by the requirement for the operations to be located in good mining jurisdictions, with relatively low political risk. Nevertheless, such figures serve to illustrate the fact that WPM's marketplace is far from saturated or mature.

As a consequence, WPM reports that it is "busy" on the corporate development front, with the potential for "a couple" more transactions this financial year, each with a value in the range US$100–600m and thus fully financeable via the c US$1.2bn estimated by Edison to be available to WPM under its revolving credit facility as at end Q218.

While it is difficult, or impossible, to predict potential future stream acquisition targets with any degree of certainty, it is perhaps possible to highlight three that may be of interest to WPM in due course and regarding which it already has strong, existing counterparty relationships:

- the platinum group metal (PGM) by-product stream at Sudbury;
- the 75% of the silver output at Pascua-Lama that is currently not subject to any streaming arrangement (subject to permitting and development); and

- the 50% of the gold output at Constancia that is currently not subject to any streaming arrangement.

The main source of potential organic production growth for WPM is Salobo (which accounted for 77% of WPM's gold division's output in Q118). The operator, Vale, is studying expansion scenarios and is deploying four drill rigs to test the deposit at depth. Given the open-ended nature of the deposit, and depending on the work that Vale carries out and the decision that it makes, any expansion could add as much as 100% to gold output attributable to WPM from Salobo per year – albeit at the cost of an additional payment from WPM. Mill throughput at the Salobo mine was reported to be running at 98% of its 24Mtpa nameplate capacity in Q118. If throughput capacity is expanded within a predetermined period and depending on the grade of material processed, WPM will be required to make an additional payment to Vale regarding its 75% gold stream. The additional payments range in size from US$113m if throughput is expanded beyond 28Mtpa by 1 January 2036, to (effectively) c US$900m if throughput were to be expanded beyond 40Mtpa by 2022. In the event that Salobo were to be expanded from 24Mtpa to 36Mtpa by the addition of a further 12Mtpa processing line by 1 January 2023, for example – thereby attracting an estimated c US$603m incremental payment from WPM to Vale – we estimate that it would increase our estimate of WPM's earnings by a material c US$0.11 per share from the date of the expansion (ie on a par with the EPS enhancement implied by the acquisition of the Voisey's Bay stream – see Exhibit 5).

One further, major project moving closer to fruition is the Rosemont copper project in Arizona, after Coronado National Forest Supervisor Kerwin Dewberry signed the final Record of Decision (ROD) for the Rosemont copper project earlier this month. The ROD outlines the supervisor's decision to select the Barrel Alternative and approve the mine plan of operations once amended, and to amend the 1986 Coronado National Forest Plan by creating a new management area around the mine site. This advance follows a preliminary green light provided by the US Forest Service when the latter announced the release of a draft record of decision earlier this year, saying that the project, as it now stands, meets current law which, in turn, allowed other federal agencies to proceed with permitting requests. The proposed mine, which is owned by Hudbay Minerals, is located near a number of large porphyry-type producing copper mines and is expected to be one of the largest copper mines in the US with output of c 112,000t copper in concentrate per annum and accounting for c 10% of total US copper production. Total by-product production of silver and gold attributable to WPM will be c 2.7Moz Ag pa and c 16,100oz Au pa, or c 3.9Moz silver equivalent pa, and we estimate that it will contribute an average c US$0.14 per share to WPM's basic EPS in its first 10 years of operations for an upfront payment of US$230m spread over three years.

Cobalt as a rational diversifier

Cobalt is unique among alloying constituents in steel in that it is the only element that has a negative effect on the hardenability of steel by accelerating the decomposition of austenite. However, the presence of cobalt in the steel improves its durability and hardness at higher temperatures and reduces the fall in hardness of austenite and ferrite under the influence of temperature increase and is therefore used as a supplement to some grades of high-speed steels and tool steels that are required to maintain their cutting capacity at elevated temperatures. It is also a component of creep-resistant steels.

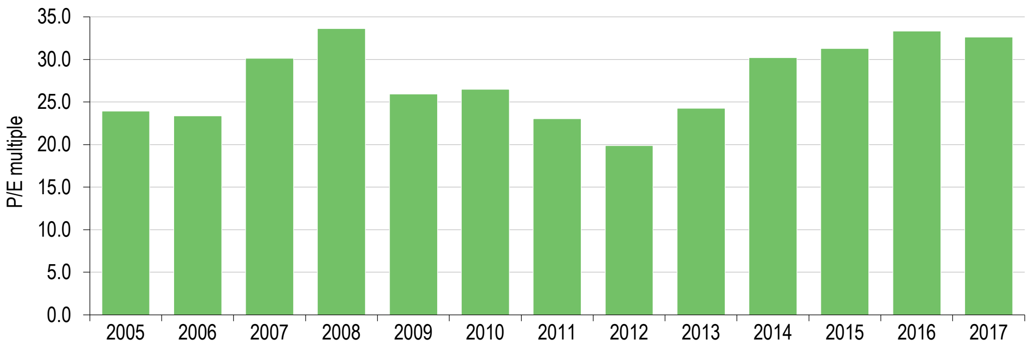
However, in contrast to its historic applications, the primary use of cobalt now is rechargeable batteries, as cobalt significantly improves battery performance by providing stability and prolonging battery life. Currently, battery chemicals consume just under half of the world's cobalt, but that percentage is expected to grow to 57% in 2020 and 73% in 2025, driven by growth in demand for electric vehicles in particular.

While the demand side of the equation for cobalt appears buoyant, however, the supply side is characterised by a number of risks. Prime among these is the fact that the Democratic Republic of the Congo (ranks 87 out of 91 in the Fraser Institute's Policy Perception Index survey of government policy attractiveness to the mining industry) accounts for c 50% of global in-situ reserves (source: the US Geological Survey) and 55% of the global production. Moreover, as with silver, more than 90% of cobalt production is in the form of a by-product, typically of copper and/or nickel, with the result that output of cobalt is governed more by the economics of producing these two metals than the particular needs of cobalt consumers, thereby creating the potential for material misalignments of supply and demand over sustained time frames.

Valuation

Excluding FY04 (part-year), WPM's shares have historically traded on a contemporary average P/E multiple of 27.6x current year basic underlying EPS, ie excluding impairments (cf 35.2x Edison or 36.7x Bloomberg consensus FY18e, currently – see Exhibit 7).

Exhibit 6: WPM's historic current year P/E multiples



Source: Edison Investment Research

Applying this multiple to our EPS forecast of US$1.24 in FY20 (cf US$1.27 previously – the difference being entirely accounted for by changes in the interest charge for that year, owing to the change in the debt repayment profile on account of the US$390m Voisey's Bay stream acquisition, and foreign exchange rates only) implies a potential share value for WPM of US$34.11, or C$45.14 in that year (cf US$35.07, or C$44.78 previously). Note that this valuation excludes the value of 20.9m shares in First Majestic currently held by WPM, with an immediate value of C$206.2m, or US$0.35 per WPM share.

In the meantime, from a relative perspective, it is notable that WPM is cheaper than its royalty/streaming 'peers' in 91% (22 out of 24) of the valuation measures used in Exhibit 7 and on multiples that are cheaper than the miners themselves in at least 37% (34 out of 90) of the same valuation measures (effectively irrespective of whether Edison or consensus forecasts are used), despite being associated with materially less operational and cost risk (as WPM's costs over time are contractually predetermined).

Exhibit 7: WPM comparative valuation vs a sample of operating and royalty/streaming companies						
	P/E (x)		Yield (%)		P/CF (x)	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Royalty companies						
Franco-Nevada	60.6	57.4	1.3	1.4	25.5	23.0
Royal Gold	49.5	40.5	1.1	1.1	21.2	18.4
Sandstorm Gold	62.1	48.2	0.0	0.0	18.1	15.3
Osisko	73.3	49.0	1.5	1.6	23.5	18.9
Average	**61.4**	**48.8**	**1.0**	**1.0**	**22.1**	**18.9**
WPM (Edison forecasts)	**35.2**	**25.5**	**1.6**	**1.9**	**18.3**	**15.6**
WPM (consensus)	**36.7**	**29.9**	**1.7**	**1.7**	**18.8**	**16.5**
Gold producers						
Barrick	17.0	17.5	0.9	0.9	5.7	5.8
Newmont	26.2	22.9	1.5	1.4	9.5	8.6
Goldcorp	33.4	19.1	0.6	0.6	8.6	6.7
Newcrest	38.7	17.3	1.1	1.7	11.3	8.1
Kinross	18.3	20.4	0.0	3.4	4.4	4.5
Agnico-Eagle	79.8	46.0	1.0	1.0	14.7	12.4
Eldorado	63.8	164.1	0.2	0.3	8.2	6.1
Yamana	26.0	18.4	0.7	0.7	4.6	4.4
Randgold Resources	22.4	20.0	4.1	5.0	12.2	11.5
Average	**36.2**	**38.4**	**1.1**	**1.7**	**8.8**	**7.5**
Silver producers						
Hecla	53.9	23.3	0.2	0.2	10.9	7.1
Pan American	22.7	20.5	0.6	1.0	10.6	9.0
Coeur Mining	100.0	30.4	0.0	0.0	12.5	6.2
First Majestic	154.6	32.4	0.0	0.0	15.0	8.3
Hocschild	27.5	16.8	1.5	1.6	4.9	4.4
Fresnillo	24.4	20.4	2.1	2.4	12.9	11.6
Average	**63.8**	**24.0**	**0.7**	**0.9**	**11.1**	**7.8**

Source: Bloomberg, Edison Investment Research. Note: Peers priced on 18 June 2018.

Financials – solid equity base

WPM's initial, upfront cash payment of US$390m in consideration of the stream purchase will be paid using amounts drawn from its US$2bn revolving credit facility.

As at 31 March 2018, WPM had US$115.6m in cash (before a dividend of US$39.9m payable on or about 7 June) and US$663.0m of debt outstanding under its US$2bn revolving credit facility (which attracts an interest rate of Libor plus 120–220bp and matures in February 2022), such that it had net debt of US$547.4m overall, after US$125.3m (US$0.28/share) of cash inflows from operating activities during the quarter. Relative to the company's Q1 balance sheet equity of US$4,925.5m, this level of net debt equated to a financial gearing (net debt/equity) ratio of 12.7% and a leverage (net debt/[net debt+equity]) ratio of 10.0%. It also compared with a net debt position of US$671.5m as at 31 December 2017, and is consistent with WPM generating c US$100–150m per quarter from operating activities before financing and investing activities.

In the aftermath of the Voisey's Bay cobalt stream acquisition, we now estimate that WPM's net debt position will be US$756.3m by the end of FY18 (cf US$366.3m previously), which will equate to gearing of 15.1% (cf 7.3% previously) and leverage of 13.1% (cf 6.8% previously), and that WPM will be net debt free in mid-2020 (cf late FY19 previously), all other things being equal and contingent on its making no further major acquisitions (which is unlikely, in our view). Self-evidently, such a level of debt is well within the tolerances required by its banking covenants that:

- net debt should be no more than 0.75x tangible net worth (which was US$4,925.5m as at end-Q118 and which we now forecast to be US$5,018.6m as at end-FY18); and
- interest should be no less than 3x covered by EBITDA (we estimate that net interest was covered 22.6x in FY17 and that it will be covered 24.0x in FY18).

Note that the C$191.7m letter of guarantee that WPM has posted regarding 50% of the disputed taxes relating to its dispute with the CRA (see below) has been determined under a separate agreement and is therefore specifically excluded from calculations regarding WPM's banking covenants.

Footnote: FY18 forecasts

Our EPS forecast for FY18 remains unchanged, at US$0.63/share, in the aftermath of the Voisey's Bay stream acquisition and compares with an average consensus estimate (source: Bloomberg, 18 June) of 60.3c within a range of 53–65c (cf a consensus of 61c, within a range of 53–66c, in May). This forecast was predicated on an average gold price of US$1,324/oz in Q218 and US$1,320/oz thereafter and an average silver price of US$16.63/oz in Q218 and US$16.67/oz thereafter. However, in the aftermath of the Federal Reserve's interest increase in June, gold and silver prices have fallen to c US$1,278/oz and US$16.47/oz, respectively. Should gold and silver prices remain at these levels for the remainder of the year, we estimate that it would reduce our current, official EPS forecast of US$0.63/share by 3 US cents, to US$0.60/share. Our dividend forecast of US$0.36/share would remain unchanged, however.

In the meantime, our FY19 EPS forecast remains based on assumed precious metals prices of US$22.21/oz Ag and US$1,263/oz Au (see our report, Mining overview, Unlocking the price to NPV discount, published in November 2017) – as much to demonstrate WPM's operational gearing to a normalisation of the gold:silver ratio from its current, (almost) unprecedented, level of 77.6x.

Exhibit 8: Financial summary

US$'000s	2012	2013	2014	2015	2016	2017	2018e	2019e
Dec	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue	849,560	706,472	620,176	648,687	891,557	843,215	826,503	961,946
Cost of Sales	(117,489)	(139,352)	(151,097)	(190,214)	(254,434)	(243,801)	(241,646)	(267,566)
Gross Profit	732,071	567,120	469,079	458,473	637,123	599,414	584,857	694,380
EBITDA	701,232	531,812	431,219	426,236	602,684	564,741	548,850	658,373
Operating Profit (before amort. and except.)	600,003	387,659	271,039	227,655	293,982	302,361	303,938	415,585
Intangible Amortisation	0	0	0	0	0	0	0	0
Exceptionals	0	0	(68,151)	(384,922)	(71,000)	(228,680)	0	0
Other	788	(11,202)	(1,830)	(4,076)	(4,982)	8,129	(2,587)	0
Operating Profit	600,791	376,457	201,058	(161,343)	218,000	81,810	301,351	415,585
Net Interest	0	(6,083)	(2,277)	(4,090)	(24,193)	(24,993)	(22,844)	(30,572)
Profit Before Tax (norm)	600,003	381,576	268,762	223,565	269,789	277,368	281,094	385,013
Profit Before Tax (FRS 3)	600,791	370,374	198,781	(165,433)	193,807	56,817	278,507	385,013
Tax	(14,755)	5,121	1,045	3,391	1,330	886	485	0
Profit After Tax (norm)	586,036	375,495	267,977	222,880	266,137	286,383	278,992	385,013
Profit After Tax (FRS 3)	586,036	375,495	199,826	(162,042)	195,137	57,703	278,992	385,013
Average Number of Shares Outstanding (m)	353.9	355.6	359.4	395.8	430.5	442.0	442.7	442.5
EPS - normalised (c)	166	106	75	53	62	63	63	87
EPS - normalised and fully diluted (c)	165	105	74	53	62	63	63	87
EPS - (IFRS) (c)	166	106	56	(-41)	45	13	63	87
Dividend per share (c)	35	45	26	20	21	33	36	41
Gross Margin (%)	86.2	80.3	75.6	70.7	71.5	71.1	70.8	72.2
EBITDA Margin (%)	82.5	75.3	69.5	65.7	67.6	67.0	66.4	68.4
Operating Margin (before GW and except.) (%)	70.6	54.9	43.7	35.1	33.0	35.9	36.8	43.2
BALANCE SHEET								
Fixed Assets	2,403,958	4,288,557	4,309,270	5,526,335	6,025,227	5,579,898	5,796,986	5,626,198
Intangible Assets	2,281,234	4,242,086	4,270,971	5,494,244	5,948,443	5,454,106	5,671,194	5,500,406
Tangible Assets	1,347	5,670	5,427	12,315	12,163	30,060	30,060	30,060
Investments	121,377	40,801	32,872	19,776	64,621	95,732	95,732	95,732
Current Assets	785,379	101,287	338,493	105,876	128,092	103,415	17,472	393,843
Stocks	966	845	26,263	1,455	1,481	1,700	1,484	1,727
Debtors	6,197	4,619	4,132	1,124	2,316	3,194	2,264	2,635
Cash	778,216	95,823	308,098	103,297	124,295	98,521	13,723	389,480
Other	0	0	0	0	0	0	0	0
Current Liabilities	(49,458)	(21,134)	(16,171)	(12,568)	(19,057)	(12,143)	(23,859)	(26,415)
Creditors	(20,898)	(21,134)	(16,171)	(12,568)	(19,057)	(12,143)	(23,859)	(26,415)
Short term borrowings	(28,560)	0	0	0	0	0	0	0
Long Term Liabilities	(32,805)	(1,002,164)	(1,002,856)	(1,468,908)	(1,194,274)	(771,506)	(771,991)	(771,991)
Long term borrowings	(21,500)	(998,136)	(998,518)	(1,466,000)	(1,193,000)	(770,000)	(770,000)	(770,000)
Other long term liabilities	(11,305)	(4,028)	(4,338)	(2,908)	(1,274)	(1,506)	(1,991)	(1,991)
Net Assets	3,107,074	3,366,546	3,628,736	4,150,735	4,939,988	4,899,664	5,018,608	5,221,635
CASH FLOW								
Operating Cash Flow	720,209	540,597	434,582	435,783	608,503	564,187	559,124	660,315
Net Interest	0	(6,083)	(2,277)	(4,090)	(24,193)	(24,993)	(22,844)	(30,572)
Tax	(725)	(154)	(204)	(208)	28	(326)	970	0
Capex	(641,976)	(2,050,681)	(146,249)	(1,791,275)	(805,472)	(19,633)	(462,000)	(72,000)
Acquisitions/disposals	0	0	0	0	0	0	0	0
Financing	12,919	58,004	6,819	761,824	595,140	1,236	0	0
Dividends	(123,852)	(160,013)	(79,775)	(68,593)	(78,708)	(121,934)	(160,048)	(181,986)
Net Cash Flow	(33,425)	(1,618,330)	212,896	(666,559)	295,298	398,537	(84,798)	375,757
Opening net debt/(cash)	(761,581)	(728,156)	902,313	690,420	1,362,703	1,068,705	671,479	756,277
HP finance leases initiated	0	0	0	0	0	0	0	0
Other	0	(12,139)	(1,003)	(5,724)	(1,300)	(1,311)	(0)	0
Closing net debt/(cash)	(728,156)	902,313	690,420	1,362,703	1,068,705	671,479	756,277	380,520

Source: Company sources, Edison Investment Research

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