



The Global Metals & Mining Specialist

Resource Generation - RES AU

Australia

Outperform

Expecting to finalise funding swiftly

Event

- Resource Generation's (RES) BEE subsidiary, Ledjadja Coal, has mandated six banks and other financiers to provide project finance for the development of its Boikarabelo mine in South Africa's Waterberg coalfield.

Impact

- **A mix of local and offshore banks.** The financing syndicate includes three local banks (ABSA Capital, FirstRand Bank and Nedbank Capital), two offshore banks (HSBC and Standard Chartered) and Caterpillar Financial SARL (likely funding the equipment requirements of the project).
- **Securing majority of the funds required for construction.** The financing syndicate will provide ~60% (~US\$400m) of the funds required for the construction of Boikarabelo. The remaining ~US\$250m is expected to be raised through an equity capital raise. The project finance will be subject to final credit approval and execution of the necessary documents. The proposed terms of the facility are:
 - Term: 9 years including mine construction;
 - Senior debt facility of US\$400m plus associated facilities; and
 - The facility will be denominated in a mix of US\$ and ZAR and be on normal commercial terms.
- **Credit approval will lead into the equity raise.** Credit approval is targeted for early November. Management expect this to allow for the completion of the equity raise by mid-December 2012. If this timeline is met, RES will begin mine construction in January 2013. This would allow sufficient time for mine construction before production which we forecast to begin towards mid CY15.

Earnings and target price revision

- No change.

Price catalyst

- 12-month price target: A\$0.70 based on a DCF methodology.
- Catalyst: Formal credit approval from the financiers.

Action and recommendation

- Maintain Outperform, target price of A\$0.70. Bank due diligence is particularly stringent so receipt of formal credit approval should represent a significant vote of confidence in the project's economics and value.

Read more »

[PDF \(297 KB, 5 pages\)](#)

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RES AU

Price (at 05:10, 08 Oct 2012 GMT)

Volatility index

12-month target

12-month TSR

Valuation

- DCF (WACC 13.9%, beta 1.3, ERP 6.0%, RFR 8.0%)

GICS sector

Market cap

30-day avg turnover

Number shares on issue

Outperform

A\$0.29

High

A\$ 0.70

% +141.4

A\$ 0.62

Energy

A\$m 76

A\$m 0.0

m 262.9

Investment fundamentals

Year end 30 Jun

		2012A	2013E	2014E	2015E
Revenue	m	0.0		0.0	0.0
EBIT	m	-1.5		-4.8	-4.9
Reported profit	m	0.6		-2.4	-8.6
Adjusted profit	m	0.6		-2.4	-8.6
Gross cashflow	m	0.7		-3.2	-11.5
CFPS	¢	0.3		-1.2	-4.5
CFPS growth	%	nmf		nmf	nmf
PGCFPS	x	109.8		nmf	nmf
PGCFPS rel	x	12.05		nmf	nmf
EPS adj	¢	0.2		-0.9	-3.3
EPS adj growth	%	nmf		nmf	nmf
PER adj	x	130.5		nmf	nmf
PER rel	x	8.86		nmf	nmf
Total DPS	¢	0.0		0.0	0.0
Total div yield	%	0.0		0.0	0.0
ROA	%	-1.1		-1.8	-0.8
ROE	%	0.4		-1.8	-6.8
EV/EBITDA	x	-44.9		-13.6	-13.4
Net debt/equity	%	-8.5		145.1	474.0
P/BV	x	0.6		0.6	0.6

RES AU vs Small Ordinaries, & 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, October 2012

(all figures in AUD unless noted)

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