

17 February 2021

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Whitehaven Coal Limited

Energy

BUY

WHC A\$1.51
TARGET PRICE A\$1.78

Whitehaven Coal (WHC) is involved in development and operation of coal mines in New South Wales and Queensland. They operate four mines (three open-cut and one large underground mine) in the Gunnedah Coal Basin of NSW. Their operating assets are complemented by two high-quality, near-term development assets, being Vickery, near Gunnedah, and Winchester South, in Queensland's Bowen Basin

Company Data

Number of shares	1032.6 M
Market Capitalisation	\$1,636.7 M
Free float (%)	84.0
12-month high/low	\$2.46/\$0.845
Average Daily Turnover (\$m)	22.098
% S&P/ASX200	0.08%
DDM Ranking	86
% All Ordinaries	0.07%
GICS Industry Group	Oil, Gas & Consumable Fuels

Source: FactSet, Barclay Pearce Capital

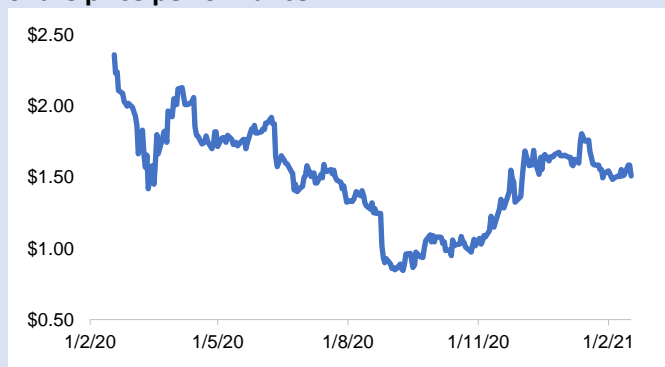
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1,721.6	1,622.1	1,810.2	1,944.1
EBITDA (\$M)	306.0	252.2	389.8	470.5
Reported NPAT (\$M)	30.0	(22.3)	56.0	129.7
Adjusted NPAT (\$M)	30.0	(29.5)	67.5	124.4
Reported EPS (c)	3.0	(1.4)	6.6	12.8
Adjusted EPS (c - FD)	3.0	(2.8)	6.5	12.6
Adjusted EPS growth (%)	(94.0)	(192.6)	(333.5)	94.8
Adjusted P/E (x)	52.8	(57.0)	24.4	12.5
Dividend (c/sh)	1.5	-	2.0	4.4
Gross yield (%)	1.4	-	1.8	4.0
Net yield (%)	0.9	-	1.3	2.8
ROIC (%)	0.7	(0.6)	1.7	3.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY21 Half Yearly Report

On 17th February, Whitehaven Coal Limited (WHC) released their interim results for the half year ended 31 December 2020 with the following highlights:

- H1 FY21 earnings loss is due to the softening of coal prices, partially offset by an increase in sales volumes and a decrease in costs;
- \$411.8m of available liquidity;
- Net debt of \$823.1m as at 31 December 2020;
- Due to the adverse impact of the significant contraction in coal prices has had on earnings for the period, the Board has determined an interim dividend will not be declared;
- Outlook: Seaborne thermal coal markets continue to rise from the low points experienced in August.
- Supply curtailments coupled with increased energy demand in Asia are supporting the higher price environment, particularly for higher grades of energy coal i.e. those that Whitehaven produces from its Gunnedah Basin operations;
- Outlook: Even though Whitehaven does not have direct exposure to China, the Chinese import restrictions for Australian sourced coal does have an impact on the seaborne coal market;
- China's restrictions have altered seaborne coal trade flows where, instead of being delivered to China, Australian coal is now finding customers in alternate destinations including India, Pakistan and the Middle East, and traded coal historically delivered into these markets is finding its way into China; and
- Outlook: Prices for Australian origin metallurgical coal were weak through the December quarter however have sharply increased in recent weeks.
- Outlook: Asian steelmaking output ex-China continues to improve as economic stimulus activity drives increased coal demand and consumption in Whitehaven's key metallurgical coal markets of India, Japan, Korea, Vietnam and Taiwan.

Half Year Ended 31 Dec	H1 FY 2021 AU\$M	H1 FY 2020 AU\$M	Change %
Revenue	699.3	885.1	(21%)
EBITDA	37.2	177.3	(79.3%)
Net (loss)/profit after tax	(94.5)	27.4	n/a
Cash generated from operations	54.9	122.3	(55%)
Unit cost per tonne (\$/t)	70	76	(8%)

Managing Director and CEO of Whitehaven Coal Limited, CEO Paul Flynn: "The impacts of subdued pricing on seaborne coal markets were a key feature of H1 results as COVID-19 impacts on economic and industrial activity continued to be felt... The impacts of subdued pricing on seaborne coal markets were a key feature of H1 results as COVID-19 impacts on economic and industrial activity continued to be felt."

Earnings changes

For H1 FY21 WHC reported a net loss after tax of \$94.5M due to softening of coal prices. This compares to market expectations of a \$74M loss. However, the outlook for Prices for Australian origin metallurgical coal were weak through the December quarter but have sharply increased in recent weeks. As such, the second half of the year should see improved resource prices. Hence, we do not expect any significant earnings revisions.

Valuation

We are initiating on WHC with a price target of \$1.78 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)