

# Northam Platinum Limited



**Investec**  
Securities

SA: Investec Securities Ltd

2 February 2007

Platinum

South Africa

Buy

5050c

## Running at full tilt – where to next?

Following previous company guidance, the H1 FY2007 results were no surprise today. Still, these numbers are strong and even in the face the slowdown that we forecast in H2 FY2007, we still expect Northam will earn over 500cps, with a dividend yield in excess of 8%. We maintain both our Buy recommendation and target price of 6 000cps.

### Performance

Year End: 30 June	2005	2006	2007E	2008E	2009E
Turnover (Rm)	1,555	2,397	3,049	2,896	2,634
EBITDA (Rm)	376	1,136	1,720	1,609	1,347
Operating profit (Rm)	272	1,022	1,622	1,499	1,231
PBT (Rm)	376	1,070	1,690	1,577	1,324
Headline Net Profit (Rm)	249	703	1,209	1,137	965
HEPS - Fully Diluted (c)	107.1	298.0	510.1	479.6	407.1
DPS (c)	84.8	158.4	443.9	371.4	271.2

Source: Company Accounts/Investec Securities Estimates

### Valuation

Year End: 30 June	2005	2006	2007E	2008E	2009E
Headline PE (x)	47.1	16.9	9.9	10.5	12.4
EV/EBITDA (x)	30.5	9.8	6.3	6.6	7.7
EV/EBITA (x)	42.1	10.9	6.7	7.1	8.5
Yield (%)	1.7	3.1	8.8	7.4	5.4
NPV - current			5900		

Source: Company Accounts/Investec Securities Estimates

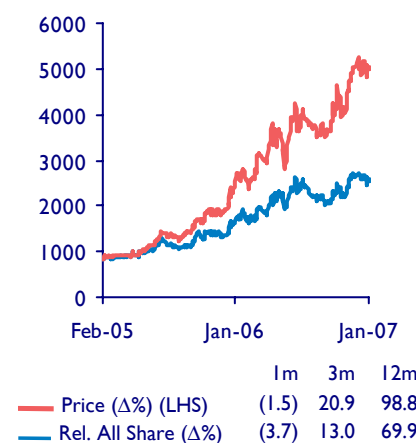
- Northam's H1 FY2007 results were ahead of our and consensus forecast.
- This performance (HEPS of 280cps versus our 225cps forecast) was largely due to working more shifts than usual in H1. This will be reversed, to some degree, in H2 as working shifts are set to decline 13% half-on-half.
- Looking forward, we believe that Northam is positioning itself to deliver a significantly less stressed earnings profile within the next year as development opens up additional competent (high yield) reef.
- This, and the possibility that Northam may finally buy Booyensdal and Pandora (and even Dwaalkop), we believe, still makes for a compelling investment story – especially if we also consider the 9% dividend yield.
- We value the company on an exit P/E of 12x and maintain our current 6 000cps target price and Buy recommendation.

**Refer to important disclosures starting on page 12**

Market Cap	R 11,969m
JSE Code	NHM
Target Price/Risk	6000c/High
Total Return	18.8%

Free Float	40%
Average Daily Volume (000s)	299
12m high/low	4700c/1795c
Year End	June

### Share Price Performance



Source: JSE Securities Exchange

### Analyst

Leon Esterhuizen  
(+2711) 286 4878  
lesterhuizen@investec.co.za

### Equity Sales

SA  
Hayden Smith / Rory Spangenberg  
(+2721) 416 1401 / 31  
UK  
Antonia Bothner  
(+4420) 7597 5050  
USA  
Ali Khalpey / Kevin Weller  
(+1) 212 898 7783 / 6211