

# Almonty Industries

## C\$1.5m reduction in the WCM acquisition price

WCM transaction update

Metals &amp; mining

27 February 2015

**Almonty has announced a C\$1.5m reduction in the Wolfram Camp Mine (WCM) acquisition cost, stemming from the project's working capital adjustment. This will be satisfied through the surrender of a respective portion of the convertible debt issued to Deutsche Rohstoff. This reduction in net debt increases our valuation of the company to C\$1.32/share.**

Year end	Revenue (C\$m)	EBITDA** (C\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
09/14	29.6	16.1	25.4	2.6	2.6	3.9
09/15e	48.0	17.1	21.9	2.2	3.0	3.3
09/16e	50.7	21.0	30.6	3.1	2.0	4.6

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items. \*\*EBITDA is not adjusted for tailings inventory.

Almonty has announced that it has reached an agreement with Deutsche Rohstoff (DRAG) to reduce the original acquisition price for the Wolfram Camp Mine by C\$1.5m. This stems from the post-transaction adjustment to the working capital, which, as we understand, is related to the cost of ore inventory (C\$4.0m in total inventory at acquisition date) on the project's balance sheet. The reduction in the acquisition price will be satisfied through the surrender of a respective portion of the convertible debenture issued by the company to DRAG as part of the WCM transaction. This concludes the settlement of all claims related to its acquisition of the Wolfram Camp Mine.

By way of background, in September 2014 Almonty acquired a 100% interest in WCM from DRAG. The deal valued the project at approximately C\$16m, with C\$8.5m paid in equity (12.2m new shares at the prevailing market price of C\$0.7) and another C\$7.5m in convertible debt. The debt facility has a maturity of 2.5 years, bears a 4.0% annual interest and could be converted into Almonty's equity at a C\$1.45/share price.

All in all, the announced C\$1.5m reduction in debt (corresponding 2015e net debt of C\$11.1m, an implied net debt/adjusted EBITDA ratio of only 0.9x) increases our valuation of the company from C\$1.29/share to C\$1.32/share.

**Price** **C\$0.67**
**Market cap** **C\$33m**

US\$/C\$1.25

Net debt (C\$m) at September 2014 13.7

Shares in issue 49.1m

Free float 28%

Code All

Primary exchange TSX-V

Other exchanges N/A

### Share price performance



### Business description

Almonty Industries is an independent tungsten producer, with two operating mines – Los Santos in Spain and Wolfram Camp in Australia – and the development-stage Valtreix tungsten-tin project in Spain. The company produced 89kmtu of contained WO<sub>3</sub> in FY14 and we expect it to deliver 169kmtu in FY15 as it fully consolidates WCM.

### Analysts

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