

Wilton Resources Corporation Limited

Progress on Track towards Production

Wilton Resources Corporation Limited (Wilton) recently released its FY15 annual report on 7 October 2015. For the full financial year FY15 ending 30 June 2015, Wilton recognized no revenue as its mine is still under development. Nonetheless, its losses were generally kept low and cash outflows remained at healthy rate. For FY15, Wilton amounted a net loss of about US\$2.2m (IDR30.5bn), based on exchange rate of USD1:IDR13,367.3 as at 30 June 2015, compared to losses of US\$54.0m in FY14. Since our last update, Ciemas Gold Project has made significant progress and is on track of the objective to commence gold production in 1Q FY17.

Cash Flow Overview: For the full FY15, Wilton utilized IDR40.2bn (US\$3.0m) in operating activities and IDR49.4bn (US\$3.7m) in investing activities. There was no financing activity in FY15 and as a result, net cash flow is about IDR89.5bn (US\$6.7m). General and administrative expenses fell by 6.7% from IDR33.7bn (US\$2.5m) in FY14 to IDR31.5bn (US\$2.4m) in FY15.

As of 30 June 2015, Wilton's cash and cash equivalents amounted to about IDR106.3bn (US\$8.0m). Based on its rate of cash outflow, the amount of funds should be sufficient to sustain the company for another 12 months based on the rate of cash outflow in FY15. Nonetheless, we still believe the company can readily raise funds by tapping equity or debt sources as it edges towards the completion of its feasibility study.

What's Next? – Wilton is in the process of site sterilization, whereby it will ensure previously planned locations of its major infrastructures are not built on potentially economical minerals. This activity is scheduled to be completed by December 2015.

Following a comprehensive metallurgical testing, the company is also now in the process of detailing the optimum process flowsheet and finalizing the engineering design and costing for the process plant. This activity is also scheduled to be completed by December 2015.

Going forward, Wilton will concurrently carry out the development of a pilot plant which will have a capacity of 100 tonnes of ore per day. Mining of the ore to be processed by the pilot plant should commence in 1Q FY17.

Increase Exposure

- Intrinsic Value S\$0.215
- Prev Close S\$0.070

Main Activities

Wilton Resources Corporation Limited (formerly known as Hartawan Holdings Limited) is a gold mining company. Its concessions are located in West Java, Indonesia and contain estimated total resources of 1.25m ounces (38,970kg) of gold as of Jun 2014, including proved and probable reserves of 557,300 ounces (17,333kg) of gold as of May 2013.

Financial Highlights

(Y/E Jun) US\$m	FY15	FY16F	FY17F
Revenue	0.0	33.9	109.9
EBITDA	-2.2	8.0	58.1
EBIT	-2.2	1.9	48.5
PATMI	-2.3	0.3	34.0
EPS (US cts)	-0.09	0.01	1.26

The company presents in IDR. We prefer to present in USD for ease of presentation.

Source: Company

Key ratios (FY17F)

P/E	4.00
P/BV	1.01
Return on Equity	28.6%
Gross Debt/Equity	37.3%
Current Ratio	4.4

Source: Company, Voyage Research

Indexed Price Chart

Green (FSSTI)
Black (Wilton)



Source: Bloomberg

52wks High-Low	S\$0.131 / S\$0.060
Number of Shares	2,181m
Market Capitalization	S\$152.7m

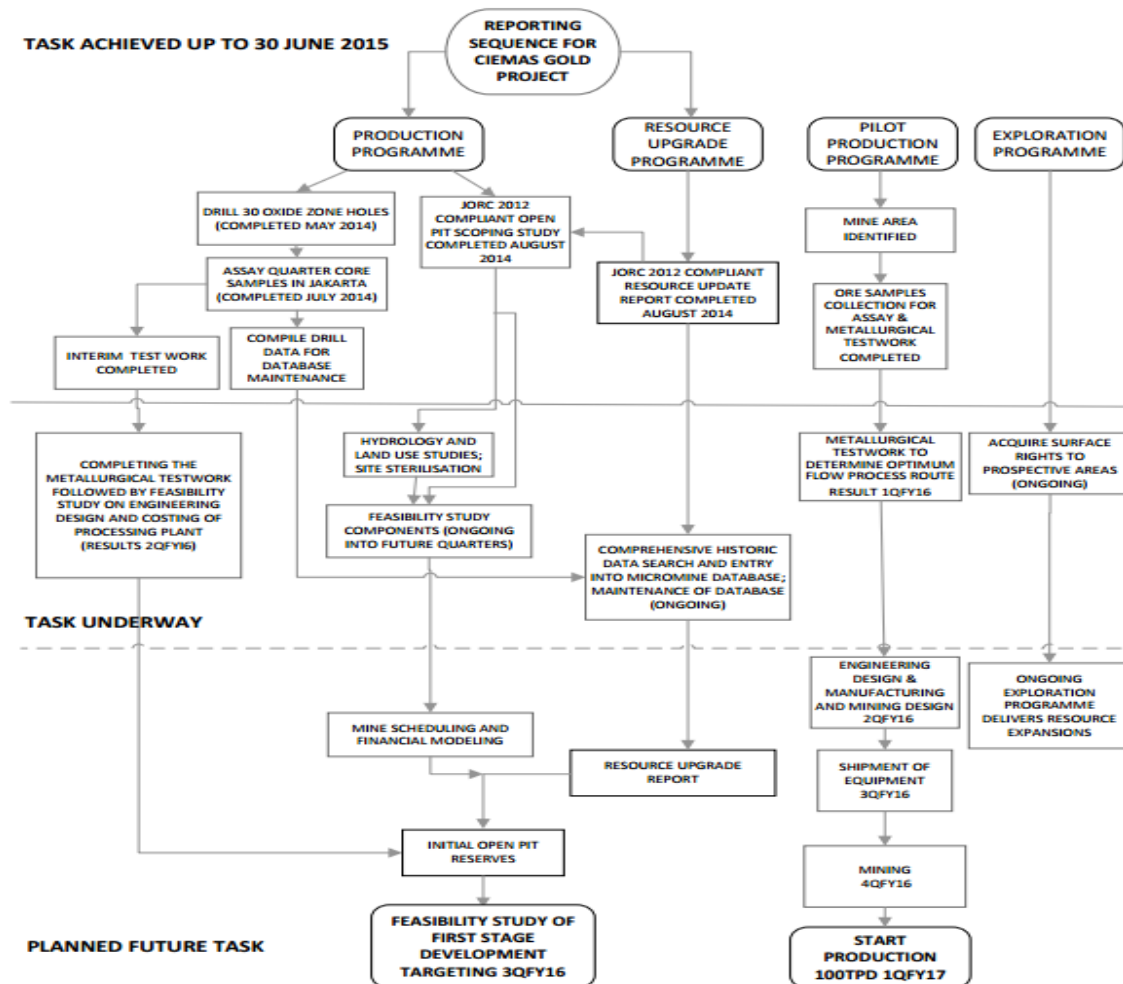
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Figure 1: Ongoing, Completed and Future Work streams



Source: Wilton's FY15 Annual Report

Forecast and Valuation: In this update, we incorporated Wilton's performance for FY15 and its recent developments. Keeping in mind that production may not occur in FY16, we maintain our forecast by assuming about 28,000 ounces of production in FY16, on the same assumption of 11.9% cost of equity to factor in higher uncertainty about the timing of production commencement. For FY16, we also adjusted our invested capital in our model to reflect the absence of financing activities in FY15. Consequently, we arrived with a lower capital charge and hence smaller economic loss in our model for FY16. We also updated the exchange rate between the US dollar against the Singapore dollar and Indonesia Rupiah; to reflect the significant appreciation of the USD against the respective currencies. Feeding the above factors and assumptions, we arrived with an intrinsic value of S\$0.215 per share for Wilton Resources Corporation Limited and thus, maintain an Increase Exposure Rating.

Figure 2: Valuation

US\$m	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	
Revenue	33.86	109.88	122.70	166.15	273.00	283.06	243.32	295.20	294.89	271.53	174.32	
EBIT	1.93	48.53	53.35	84.66	151.89	173.04	125.06	141.50	153.76	136.64	85.86	
Tax on EBIT	0	-12.13	-13.34	-21.17	-37.97	-43.26	-31.27	-35.38	-38.44	-34.16	-21.47	
NOPLAT	1.93	36.40	40.01	63.50	113.92	129.78	93.80	106.13	115.32	102.48	64.40	
Invested Capital	23.11	153.33	183.89	204.15	212.68	202.68	222.68	212.68	202.68	136.75	106.00	
% of Debt	0%	33%	27%	20%	14%	10%	18%	14%	10%	0%	0%	
% of Equity	100%	67%	73%	80%	86%	90%	82%	86%	90%	100%	100%	
WACC (%)	11.8%	9.6%	10.0%	10.5%	10.9%	11.2%	10.6%	10.9%	11.2%	11.9%	11.9%	
Capital Charge	-2.74	-14.71	-18.34	-21.44	-23.16	-22.67	-23.64	-23.16	-22.67	-16.24	-12.59	
Economic Profit	-0.81	21.69	21.67	42.05	90.76	107.11	70.15	82.97	92.65	86.24	51.81	
Terminal Value												
Discount Rate	0.89	0.83	0.75	0.67	0.60	0.53	0.49	0.44	0.39	0.33	0.29	
Present Value	-0.7	18.1	16.3	28.2	54.1	56.7	34.6	36.3	35.7	28.1	15.1	
Book Value	94.55									Risk Free Rate	2.50%	
Explicit Value	322.42									Beta	1.3	
Value of Equity	416.97									Market RP	7.50%	
Number of Shares	2181.14	(m)								Cost of Equity	11.9%	
Add new shares	517.21	@0.215 SGD per share issued to raise US\$60m in FY16									Cost of Debt	6.5%
Value per Share	0.155	(US\$)								USD SGD	1.39	
Value per Share	0.215	(S\$)										

Source: Voyage Research

Currently, the company's functional and presentation currencies are in Indonesian Rupiah. For ease of presentation, we translated to the numbers into US dollars based on the above exchange rate and present our forecasts in US dollars. Most of our inputs such as selling prices and costs are also in US dollars.

Figure 3: Financial Forecasts and Estimates

US\$m	FY14	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Revenue	0.0	0.0	33.9	109.9	122.7	166.1	273.0
EBITDA	-48.4	-2.2	8.0	58.1	68.6	97.4	165.7
Operating Profit	-48.4	-2.2	1.9	48.5	53.3	84.7	151.9
Net Profit to Shareholders	-48.4	-2.3	0.3	34.0	37.8	61.8	112.7
Gold Production (oz)	NA	NA	28,219	91,563	102,250	138,454	227,497
Ore Mined ('000 tonnes)	NA	NA	272	448	608	710	1,283
Total Current Assets	17.4	8.3	65.2	65.0	63.3	57.8	63.3
Total Non-Current Assets	12.6	15.5	46.4	80.4	103.5	97.9	92.6
Total Current Liabilities	1.7	0.7	2.5	14.6	14.8	14.7	4.8
Total Non-Current Liabilities	0.1	0.1	50.0	40.0	30.0	20.0	20.0
Total Equity	28.2	23.0	103.3	133.9	164.1	182.7	182.7
Cash from Operating Activities	-2.5	-2.3	5.4	39.4	52.2	74.6	125.5
Cash from Investing Activities	18.6	0.0	-36.6	-37.3	-37.3	-7.3	-7.3
Cash from Financing Activities	0.0	0.0	130.0	-3.4	-17.6	-53.3	-122.7
Net change in cash	16.0	-2.3	98.8	-1.3	-2.7	14.0	-4.6
Inventory Days	NA	30	30	30	30	30	30
Payable Days	NA	30	30	30	30	30	30
Return on Common Equity (%)	NM	NM	0.5%	28.6%	25.4%	35.6%	61.7%
ROA (%)	NM	NM	0.4%	26.4%	24.2%	38.3%	72.3%
Gross Debt/Equity (%)	0.0%	0.0%	48.4%	37.3%	24.4%	16.4%	10.9%
Current Ratio	10.5	11.4	25.8	4.4	4.3	3.9	13.2
EPS (US cents)	-2.88	-0.09	0.01	1.26	1.40	2.29	4.18
BV/Share (US cents)	1.29	0.85	3.83	4.96	6.08	6.77	6.77
PER	NM	NM	448.27	4.00	3.59	2.20	1.21
P/BV	4.16	5.90	1.32	1.01	0.83	0.74	0.74
Exchange Rate (USD IDR)	11,990	13,367	13,367	13,367	13,367	13,367	13,367
Exchange Rate (USD SGD)	1.3	1.39	1.39	1.39	1.39	1.39	1.39

Source: Voyage Research

Figure 4: Financial Forecasts and Estimates

	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F
Revenue	283.1	243.3	295.2	294.9	271.5	174.3
EBITDA	192.1	149.9	167.0	182.2	170.5	119.8
Operating Profit	173.0	125.1	141.5	153.8	136.6	85.9
Net Profit to Shareholders	128.3	92.1	104.9	114.8	102.5	64.4
Gold Production (oz)	235,887	202,764	245,999	245,740	226,275	145,271
Ore Mined ('000 tonnes)	1,082	810	1,219	1,219	1,119	459
Total Current Assets	78.0	91.3	59.2	33.8	31.3	19.5
Total Non-Current Assets	101.7	112.5	98.5	77.5	49.0	14.5
Total Current Liabilities	13.7	12.7	6.7	6.6	6.6	3.4
Total Non-Current Liabilities	30.0	20.0	20.0	0.0	0.0	0.0
Total Equity	182.7	182.7	182.7	136.7	106.0	93.1
Cash from Operating Activities	145.4	107.6	130.2	143.2	138.3	103.0
Cash from Investing Activities	-27.3	-27.3	-7.3	-7.3	-7.3	-7.3
Cash from Financing Activities	-108.3	-102.1	-114.9	-180.8	-133.2	-77.3
Net change in cash	9.8	-21.8	7.9	-44.9	-2.3	18.4
Inventory Days	30	30	30	30	30	30
Payable Days	30	30	30	30	30	30
Return on Common Equity (%)	70.2%	50.4%	57.4%	71.9%	84.4%	64.7%
ROA (%)	76.5%	48.0%	58.0%	85.4%	107.0%	112.7%
Gross Debt/Equity (%)	21.9%	16.4%	10.9%	0.0%	0.0%	0.0%
Current Ratio	5.7	7.2	8.9	5.1	4.7	5.7
EPS (US cents)	4.76	3.41	3.89	4.26	3.80	2.39
BV/Share (US cents)	6.77	6.77	6.77	5.07	3.93	3.45
PER	1.06	1.48	1.30	1.18	1.33	2.11
P/BV	0.74	0.74	0.74	0.99	1.28	1.46
Exchange Rate (USD IDR)	13,367	13,367	13,367	13,367	13,367	13,367
Exchange Rate (USD SGD)	1.39	1.39	1.39	1.39	1.39	1.39

Source: Voyage Research

Rating Definition:

Increase Exposure – The current price of the stock is significantly lower than the underlying fundamental value. Readers can consider increasing their exposure in their portfolio to a higher level.

Invest – The current price of the stock is sufficiently lower than the underlying fundamental value of the firm. Readers can consider adding this stock to their portfolio.

Fairly Valued – The current price of the stock is reflective of the underlying fundamental value of the firm. Readers may not need to take actions at current price.

Take Profit – The current price of the stock is sufficiently higher than the underlying fundamental value of the firm. Readers can consider rebalancing their portfolio to take advantage of the profits.

Reduce Exposure - The current price of the stock is significantly higher than the underlying fundamental value of the firm. Readers can consider reducing their holdings in their portfolio.

IMPORTANT DISCLOSURE:

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