

## Atlas Iron

### Business Description

Atlas Iron Limited (AGO) is an iron ore producer located in Western Australia. Projects are predominantly located within the Northeast Pilbara region and cover approximately 26,000km<sup>2</sup> of ground prospective for iron ore.

### Strategy Analysis

AGO operates two iron ore mines at Pardoo and Wodgina in the Pilbara region of Western Australia. Production reached 6Mtpa in October 2010 with 12Mtpa targeted by the end of 2012. AGO continues to pursue acquisitions predominantly within the Pilbara region. An exploration program has been rolled out with a substantial increase in the resource and reserves position so far. Atlas Iron reported NPAT of \$168.62m for the year ended 30 June 2011. Iron ore prices strengthened over the year; however, operating performance was impacted adversely by the continued strengthening of the Australian dollar. Revenues from ordinary activities were \$584.91m, compared to \$84.77m last year, with the group shipping a record 4.6Mt (2010: 1.2Mt) of ore in the year. Diluted EPS was 26.1 cents compared to (9.6) cents last year. The net operating cash inflow was \$221.2m compared to an outflow of \$25.06mm in the pcp. The final (maiden) dividend declared was 3 cents, taking the full year dividend to 3 cents.

27 January 2012

### Recommendation

Recommendation: Outperform  
Relative to: All Ind (ex Fins)

### Investment Fundamentals

ASX code: AGO  
Stock price: \$3.10  
Market cap: \$2,774m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	211.8	400.5	606.2	487.6
Adjusted e	\$m	196.3	378.0	606.2	487.6
EPS adjusted	¢	22.0	41.6	66.7	53.7
EPS growth	%	-16.4	89.4	60.4	-19.6
PE	x	14.1	7.5	4.6	5.8
PE relative	x	1.2	0.7	0.5	0.6
DPS	¢	3.6	6.7	10.2	8.2
Yield	%	1.2	2.2	3.3	2.7
Franking	%	67.2	100.0	100.0	100.0

### Share Price



Source: ASX and Company accounts

### Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Mineral Exploration	100.0	100.0	100.0	-1.0%	38.0%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	39.0%	0.0%
<b>Results by Geography</b>				Dividend Reinvestment	
Australia	100.0	100.0	31.3	Plan	No
<b>Total</b>	<b>100.0</b>			Shareholder	
				Discounts	No

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