

Wheaton Precious Metals

ROICs alive

Return on invested capital (ROIC) is a calculation used increasingly by investors to assess a company's efficiency at allocating the capital under its control. In general, a comparison between a company's ROIC and its weighted average cost of capital (WACC) may be said to reveal whether invested capital is being used effectively and, as a result, many companies are being tempted to quote specific targets for returns. Like many financial ratios, however, ROIC must be applied thoughtfully. Used as a relative measure of a company's performance, we believe that it poses few risks to investors. However, as an absolute measure of capital efficiency, we believe that ROIC has certain very definite (and material) deficiencies when applied to streaming companies in general and Wheaton in particular. This note explains why.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/19	861.3	242.7	54	36	87.2	0.8
12/20	1,096.2	503.2	112	42	42.1	0.9
12/21e	1,405.4	705.3	157	62	30.0	1.3
12/22e	1,631.5	933.5	207	79	22.8	1.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

ROIC as a relative measure of capital efficiency

The principle deficiency that we identify with ROIC is the distorting effect on returns as a result of the application of an annual non-cash depletion charge to operating profits (and thereby to equity and invested capital and therefore ROIC) in lieu of an upfront capital investment. Notwithstanding the limitations in using ROIC as an absolute measure of streaming companies' capital efficiency however, as a comparative measure, it is notable that Wheaton's ROIC is higher than the average of eight of its peers for 10 out of the past 13 years and that, in terms of individual measurements, Wheaton's ROIC is higher than those of its peers in 72.3% of instances (68 out of 94 measurements) over the same timeframe (see Exhibit 5).

Valuation: US\$62.54/share

Having changed none of our assumptions, our valuation of WPM remains unchanged relative to that set out in our last note (see [A solid start](#), published on 10 May 2021), which is that, in normal circumstances and assuming no material purchases of additional streams in the foreseeable future (which we think unlikely given its business strategy), we forecast a value per share for WPM of US\$62.54 or C\$76.20 in FY23. Notwithstanding its generally higher ROICs (above), WPM's shares are nevertheless trading on near-term financial ratios that are at a discount to those of its peers on at least 72% of nine common valuation measures. If WPM's shares were instead to trade at the same level as the average of its peer group, then we estimate that its share price should be US\$62.52 (C\$76.17), based on Edison's forward earnings, dividend and cash flow estimates. With precious metals potentially returning to favour, however, we believe that WPM is capable of supporting a premium valuation up to US\$84.81 (C\$107.16) per share.

Appropriateness of ROICs in valuing streaming companies

Metals & mining

21 May 2021

Price **C\$57.39**

Market cap **C\$25,797m**

C\$1.2184/US\$

Gross cash* (US\$m) at end-March 2021 191.2

*Excludes US\$3.4m in lease liabilities

Shares in issue 449.5m

Free float 100%

Code WPM

Primary exchange TSX

Secondary exchange LSE, NYSE

Share price performance



% 1m 3m 12m

Abs 6.8 20.9 (10.5)

Rel (local) 4.1 13.8 (31.3)

52-week high/low C\$75.14 C\$45.11

Business description

Wheaton Precious Metals is the world's pre-eminent ostensibly precious metals streaming company, with 32 high-quality precious metals streaming and early deposit agreements relating to assets in Mexico, Peru, Canada, Brazil, Chile, US, Argentina, Sweden, Greece, Portugal & Colombia.

Next events

Q221 results 12 August 2021

Q321 results 4 November 2021

Q420/FY20 results March 2022

Q122 results May 2022

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Wheaton Precious Metals is a research client of Edison Investment Research Limited

Appropriateness of ROIC in evaluating streamers

Background

ROIC is a calculation used increasingly by investors to assess a company's efficiency at allocating the capital under its control to profitable investments. The formula for calculating ROIC (expressed as a percentage) may be rendered as follows:

$$\text{ROIC} = \text{net operating profit after tax} \times 100 \div \text{invested capital}$$

Net operating profit after tax (NOPAT) may be calculated as operating profit (or EBIT) rendered on a post-tax basis and invested capital is typically calculated as debt + equity. Note that debt may be net debt or gross debt depending on the extent (or not) to which any cash on the balance sheet is immediately available to pay down structural debt.

In general, a comparison between a company's ROIC with its WACC may be said to reveal whether invested capital is being used effectively by the company and, as a result, many companies are being tempted to quote specific targets for returns. Like many financial ratios, ROIC may be used by investors in either an absolute or a relative fashion. Used as a relative measure of a company's performance against either its own historical performance or against its peers with comparable capital structures and investment strategies, we do not believe that it poses many risks to investors. However, as with all financial ratios, it requires thoughtful application and, in this case, we believe that ROIC has certain deficiencies when applied to streaming companies as an absolute measure of capital efficiency, particularly when calculated for any specific year rather than over the life of any investment as a whole. We could argue this point in a number of ways. However, for the purposes of this note, we believe that ROIC's shortcomings as a measure of capital efficiency are best highlighted by considering one theoretical stream and the accounting treatments that surround it.

A theoretical stream and associated accounting

Consider a stream of income for which an investor pays 100 units of currency (perhaps best conceived of as US\$100m) in return for an annual income of 23.9 (henceforth US\$23.9m) per annum for the next 10 years. The internal rate of return (IRR) of this investment – over the life of the investment – is 20.0%.

Exhibit 1: Theoretical stream of income with 20% internal rate of return											
Year	0	1	2	3	4	5	6	7	8	9	10
Cash flow	-100.0	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9
IRR	20.0%										

Source: Edison Investment Research

The 20.0% IRR is somewhat analogous to the yield to maturity of a bond. The so-called running yield of the same bond would be said to be 23.9%.

For the purposes of this example, the return of US\$23.9m per annum may be conceived of as the difference between revenue of US\$31.9m and direct costs of US\$8.0m. As far as a streaming company such as WPM is concerned, this stream of income could, in turn, be conceived of as being derived from a stream of 17,722oz gold per annum (sold at a price of US\$1,800/oz) for which it will pay an ongoing cost of US\$454/oz and for which it paid an upfront cost of US\$100m (ie roughly approximating a typical WPM stream).

However, the application of western (eg IFRS, GAAP) accounting standards to a company owning such a stream of income would render its accounts (albeit simplified) over the life to the investment as follows:

Exhibit 2: Accounts of company owning 20% IRR stream over the life of the stream

Year	0	1	2	3	4	5	6	7	8	9	10
Income statement											
Revenue		31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9
Costs		8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Gross profit	0.0	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9
Depletion		(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Operating profit	0.0	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
General & administrative costs		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.0	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
Net interest		(4.0)	(3.0)	(2.0)	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	0.0	9.9	10.8	11.9	13.0	13.9	13.9	13.9	13.9	13.9	13.9
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit after tax	0.0	9.9	10.8	11.9	13.0	13.9	13.9	13.9	13.9	13.9	13.9
Dividend		0.0	0.0	0.0	5.6	23.9	23.9	23.9	23.9	23.9	23.9
Retained earnings	0.0	9.9	10.8	11.9	7.4	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Balance sheet											
Stream asset	100.0	90.0	80.0	70.0	60.0	50.0	40.0	30.0	20.0	10.0	0.0
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt	(80.0)	(60.1)	(39.3)	(17.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net assets	20.0	29.9	40.7	52.6	60.0	50.0	40.0	30.0	20.0	10.0	0.0
Shareholders' funds	20.0	29.9	40.7	52.6	60.0	50.0	40.0	30.0	20.0	10.0	0.0
Cash flow statement											
Profit after tax		9.9	10.8	11.9	13.0	13.9	13.9	13.9	13.9	13.9	13.9
Depletion		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Cash-flow from operations		19.9	20.8	21.9	23.0	23.9	23.9	23.9	23.9	23.9	23.9
Cash-flow from investing activities	(100.0)										
Cash-flow from financing activities											
- Equity	20.0										
- Debt	80.0	(19.9)	(20.8)	(21.9)	(17.4)	0.0	0.0	0.0	0.0	0.0	0.0
Total cash flow from financing	100.0	(19.9)	(20.8)	(21.9)	(17.4)	0.0	0.0	0.0	0.0	0.0	0.0
Net cash-flow	0.0	0.0	0.0	0.0	5.6	23.9	23.9	23.9	23.9	23.9	23.9
Starting cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finishing cash before dividend	0.0	0.0	0.0	0.0	5.6	23.9	23.9	23.9	23.9	23.9	23.9
Dividend	0.0	0.0	0.0	0.0	5.6	23.9	23.9	23.9	23.9	23.9	23.9
Finishing cash after dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ratios and calculations											
Invested capital	100.0	90.0	80.0	70.0	60.0	50.0	40.0	30.0	20.0	10.0	0.0
Average invested capital		95.0	85.0	75.0	65.0	55.0	45.0	35.0	25.0	15.0	5.0
ROIC (%)		14.6	16.3	18.5	21.3	25.2	30.8	39.6	55.4	92.3	277.0
Cash flow return on investment (%)		25.1	28.1	31.8	36.7	43.4	53.0	68.1	95.4	159.0	477.0
Return on equity (%)		39.5	30.7	25.5	23.1	25.2	30.8	39.6	55.4	92.3	277.0
Cash flow return on equity (%)		95.7	67.6	51.1	42.4	43.4	53.0	68.1	95.4	159.0	477.0
Debt cash-flows and IRR	5.0%	(80.0)	23.9	23.9	23.9	18.3	0.0	0.0	0.0	0.0	0.0
Equity cash-flows and IRR	33.7%	(20.0)	0.0	0.0	0.0	5.6	23.9	23.9	23.9	23.9	23.9

Source: Edison Investment Research

A number of conditions and assumptions have been applied to the company, which may be summarised as:

- 80:20 debt:equity funding structure,
- 5% cost of debt,
- general & administrative costs of zero,
- zero rate of tax,
- all excess cash diverted to repaying debt principal until balance reduced to zero, and
- all excess cash returned to equity holders as a dividend distribution once debt principal is repaid.

Readers should note the fact that the calculated IRR of the cash flows relating to the company's debt providers of 5.0% reconciles with our stipulated 5% cost of debt. Among other things this acts

as check on the overall rectitude of the model, in general, and therefore also on the returns available to equity holders, in particular (see ‘Potential remedies’ on pages 5–6).

Potential problems with ROIC

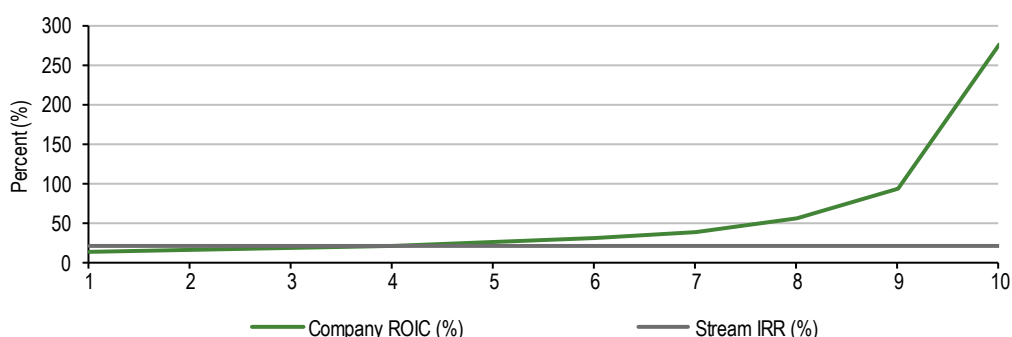
One of the main consequences of applying generally accepted accounting standards to the company can be seen to be the introduction of a (non-cash) US\$10m annual charge for depletion (analogous to depreciation) to reflect the initial US\$100m investment into the stream over its 10-year life. This has two major effects:

- It depresses operating profits by a meaningful percentage (41.8%) relative to gross (or cash) profits (ie from US\$23.9m gross profit to US\$13.9m net profit) over the life of the stream.
- It depresses equity (and therefore invested capital) by US\$10m per year; this has a relatively small effect (eg 10%), in percentage terms, in the early years of the stream, but a much larger one (eg up to 100%) in the later years.

The overall consequence of these two effects is to reduce ROIC (see line marked ‘Company ROIC (%)’ in Exhibit 3) in the early years of the life of the stream and to inflate it in the later years.

Relative to the stream’s 20.0% IRR calculated earlier, the variation in ROIC over the life of the investment may be depicted graphically as follows:

Exhibit 3: Company ROIC vs stream IRR over life of stream (%)



Source: Edison Investment Research

To some extent, the 20.0% lifetime IRR of the stream may be considered to be a time-weighted average of the variable ROICs calculated year by year. Of note, within this context however, is the fact that the calculated ROIC for the company does not exceed the 20.0% IRR of the stream until the fourth year of the stream’s life and that it does not exceed the 23.9% running yield of the stream (see above) until the fifth year of the stream’s life. From this, we conclude that looking at a ROIC for any one particular year is not a good indicator of a streaming company’s capital efficiency unless it is considered critically within the context of that year’s chronological position within the life of the stream.

Two further points are pertinent to this finding:

- In general (ie in companies and sectors to which ROIC is an appropriate measure of capital efficiency – eg manufacturers) ROIC tends to be mean reverting. For streaming companies however, ROIC appears to follow an increasing trend with time (for a specific stream) but with no mean reversion. This phenomenon occurs only rarely in the market and only when certain quite specific conditions are in place, including high upfront costs (which miners in general and streamers in particular have). Edison would argue that a stream is, in fact, a perfect example of just such an ‘upfront cost’ and therefore militates against ROIC in any one specific year being used as a general measure of a company’s capital efficiency.

- For financial companies, financing costs are a component of operations. As a result, financial companies should be – and typically are – valued by taking the cash flows attributable to equity holders and discounting them to the present value by the equity cost of capital. As such, returns on equity for financial companies may be regarded as analogous to ROICs for industrial companies. For these purposes, Edison would argue that some aspects of the business plans of streaming companies in general and WPM in particular are analogous to financial institutions – specifically in relation to their role as providers of finance (albeit in alternative forms) to mining companies.

Potential remedies

In its consideration of its shortcomings, Edison has looked at three potential alternatives to ROIC in Exhibit 2, including cash flow return on investments (pre-tax, pre-interest cash flows divided by invested capital), return on equity (net income divided by balance sheet equity) and cash flow return on equity (pre-tax, pre-interest cash flows divided by balance sheet equity). These are detailed in the exhibit. However, as can be seen from the outcome of the analyses, none of these alternatives overcome the central distorting effect of applying the depletion charge to earnings and thereby to equity as a component of ‘investments’ resulting in an upwards trend in all four of these measures over the life of the stream.

In recognition of this, Edison proposes two further alternatives:

- Measure pre-tax, pre-interest cash flow relative to un-depleted investments. Relative to the other measures considered so far, this is probably an improvement in that, in the case of the example in Exhibit 2, this analysis would result in an annual ‘return’ of 23.9% in each of the 10 years of the life of the stream, being the ‘running yield’ of the investment. This analysis has the advantage of avoiding the distorting effect of depletion on balance sheet equity. However, it also overstates the returns being earned (given that we know that the IRR of the stream is 20.0%) by effectively ignoring the fact that, once exhausted at the end of year 10, the stream will have zero value (at least in theoretical terms). In practical terms however, the un-depleted cost should only be considered relative to the cash flows of streams that are still ongoing (ie not for discontinued streams). This is relatively simple for companies with only one stream but is almost inevitably going to prove to be a problem for companies, such as Wheaton, with multiple streams of income. In addition, it is also cumbersome for analysts and data providers, in particular, in that the un-depleted cost of the investments is not explicitly stated on a company’s balance sheet, but only as a note to the accounts. As such, it is a potentially labour intensive and inefficient process when wanting to compare the ‘returns’ from one company over time with those of a large number of peers. Finally, such an analysis is also unlikely to fully reflect returns accurately in situations in which there is a gap between the investment being made and the returns being earned. In the case of WPM, for example, it made an investment into a stream relating to production of cobalt from Voisey’s Bay in June 2018 (see our note [Kobold ex machina](#), published on 21 June 2018) from which it did not expect any return until this year, FY21. Similarly, it has a residual investment in a stream relating to Barrick’s Pascua-Lama project dating from 2010; while WPM has already derived some income from this stream in the past, it is now in a period of hiatus until the mine itself is developed (NB Wheaton had the option to be repaid the book value of its investment in FY20, but declined to exercise it on the basis of the future returns that it continues to expect from the project).
- As a final alternative, Edison would advocate the full analysis of cash flows, as shown in the bottom two lines of Exhibit 2, on the basis of whether they are attributable to debt providers or equity holders of the company. Aggregating the bottom two lines of Exhibit 2 confirms that the overall investment into the stream in question amounts to US\$100m, from which the company expects to earn a return of US\$23.9m per annum. Hence, this exactly replicates the IRR analysis performed in Exhibit 1 and confirms an investment IRR of 20.0% (as expected).

However, it also allows cash flows to be disaggregated into those attributable to debt holders and those attributable to equity holders. In the case considered in Exhibit 2, it confirms an IRR of 5.0% to the holders of the company's debt instruments (consistent with our pre-condition of a cost of debt of 5%). However, it also demonstrates how the returns to the initial providers of equity are geared up (in this case to an IRR of 33.7%) by the provision of debt capital financing at a lower rate (ie 5%) than the returns earned from the project (ie 20%). While, in our opinion, the most valid method of measuring capital efficiency for streaming companies, this approach has the disadvantage of requiring the analysis to be conducted, to all intents and purposes, at the start of a company's streaming activities. It also becomes cumbersome to the point of impossibility if a company aggregates many different streams at different stages of their lives (such as Wheaton). In this event, we would advocate reverting to a pre-interest, pre-tax measure of return on investments, albeit largely in a relative capacity and with due regard for the caveats expressed previously.

ROICs considered in both absolute and relative terms

Absolute

The problem of analysing capital efficiency at Wheaton is precisely that it has already aggregated some 32 streams and early deposit agreements, all of which are at different stages of development. However, we are able to observe that the years FY12, FY13, FY15, FY16 and FY18 were years of relatively heavy investment for Wheaton – eg from US\$0.6bn up to as much as US\$2.1bn in each of those years – often in streams with lives anticipated to be greater than 10 years. As such, we may speculate that Wheaton's ROICs since FY12 should approximate the ROIC line on the left-hand side of the graph in Exhibit 3 (ie when it is below the equivalent IRR line), that is to say, ROIC is likely to understate the level of returns being earned by the company relative to their actual, or ultimate, level over the full life of the stream.

ROICs can be calculated in slightly different ways depending on the institutions conducting the analysis. For example, for the purposes of the analysis below, Edison calculates invested capital as total assets minus current liabilities. In addition, we calculate the ROIC based on a year-end number, rather than an average over the course of the year. With that caveat, a comparison of Edison's historical, calculated ROICs for Wheaton compared to those calculated by Bloomberg is as follows:

Exhibit 4: Wheaton ROIC, FY12–FY28e (%)

Institution	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Edison	19.60	9.82	6.70	4.43	5.38	5.96	4.22	5.56	9.88	12.41	14.84	13.73	16.71	18.49	20.63	22.15	24.58
Bloomberg	19.88	10.32	5.62	2.48	3.69	1.19	3.89	1.93	8.56								
Difference (pp)	-0.28	-0.50	1.08	1.95	1.69	4.77	0.33	3.63	1.32								

Source: Edison Investment Research, Bloomberg. Note: pp = percentage points.

Two particular features of the analysis in Exhibit 4 are notable:

- With the exception of years in which the calculated ROIC is notably low (eg below 6%), there is a tolerably close reconciliation between Edison's and Bloomberg's calculated numbers.
- According to both Bloomberg's and Edison's calculations, ROIC was lower in the years FY14–FY19, which corresponded to a period when precious metals prices were appreciably lower than in the surrounding years.
- Notwithstanding the lower level of the ROICs calculated historically for Wheaton by Edison during the period FY14–19, all other things being equal, we expect them to climb above 20% over the course of the next few years (on the basis of flat nominal precious metals pricing assumptions), which is consistent with the company evolving in its overall stage of development from the left to the right hand side of the chart depicted in Exhibit 3.

Relative

Notwithstanding the shortcomings and caveats surrounding ROIC as a measure of capital efficiency in absolute terms, it may have some relevance as a relative valuation tool, albeit with the proviso that companies being compared should be at approximately the same stage of development relative to their expected future cash flow streams. For these purposes, we have construed this to mean that peers of Wheaton must be large, multi-asset companies with long future asset lives. Within this context a comparison of ROIC for Wheaton and eight of its peers (as calculated by Bloomberg) over the 13 years from FY08 until FY20 is as follows:

Exhibit 5: Wheaton historical ROIC vs peers, FY08–20

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	Mean
Gold price*	25.11%	11.35%	26.16%	28.29%	7.45%	-16.42%	-10.26%	-8.40%	7.82%	0.64%	0.96%	9.58%	27.19%	8.42%
Streamers etc														
WPM	5.96%	7.50%	11.00%	21.67%	19.88%	10.32%	5.62%	2.48%	3.69%	1.19%	3.89%	1.93%	8.56%	7.98%
Franco Nevada		4.12%	2.65%	-0.20%	3.03%	0.55%	3.32%	0.77%	2.89%	4.35%	2.88%	6.87%	6.02%	3.10%
Royal Gold	5.05%	2.69%	2.24%	4.66%	5.21%	3.78%	3.10%	2.73%	-2.32%	3.91%	-3.60%	4.79%	8.02%	3.10%
Miners														
Newmont	10.85%	14.34%	17.10%	6.14%	9.89%	-13.60%	4.00%	-0.96%	-3.67%	-0.44%	2.20%	12.46%	7.62%	5.07%
Barrick	6.40%	-20.95%	13.74%	12.19%	-0.58%	-26.81%	-8.17%	-10.51%	6.78%	10.23%	-5.65%	17.80%	9.36%	0.29%
Agnico Eagle	1.64%	2.99%	7.95%	-10.82%	7.82%	2.59%	2.26%	0.79%	3.41%	4.40%	-3.71%	7.02%	6.93%	2.56%
Kinross		6.96%	4.05%	-13.21%	-17.75%	-25.47%	-15.23%	-13.34%	-0.50%	5.92%	-0.69%	10.48%	17.06%	-3.48%
Kirkland Lake									8.20%	13.27%	18.27%	30.14%	19.36%	17.85%
Yamana	2.80%	2.56%	5.32%	6.52%	4.58%	-2.81%	-10.75%	-15.85%	-2.35%	-1.36%	-2.80%	5.27%	3.58%	-0.41%
Mean**	5.35%	1.82%	7.58%	0.75%	1.74%	-8.82%	-3.07%	-5.20%	1.56%	5.04%	0.86%	11.85%	9.74%	2.25%

Source: Bloomberg. Note: *Nominal gold price performance included for comparative purposes (calculated as average price in US dollars to average price in US dollars in percentage terms for each year); **Excludes WPM.

One notable feature of the calculation of ROIC that is relevant to the above analysis is that a higher proportion of Wheaton's operating costs (used in the calculation of net operating profit after tax) is typically accounted for by depletion than for operating companies. In FY20, for example, depletion accounted for 43.8% of Wheaton's cost of sales (including depletion), whereas for a sample of mining majors depreciation averaged 33.4%, ie the distorting effect of depletion on ROIC for streamers in general and Wheaton, in particular, appears to be larger than the equivalent distorting effect of depreciation for operating companies. Nevertheless, immediately apparent from the analysis is the fact that:

- Wheaton's ROIC is higher than the average of its peers for 10 out of the 13 years profiled.
- In terms of individual measurements, Wheaton's ROIC is higher than those of its peers in 68 specific instances out of a total of 94 measurements (ie in 72.3% of instances).

Exhibit 6: Financial summary

	US\$'000s	2016	2017	2018	2019	2020	2021e	2022e	2023e
Dec		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS									
Revenue		891,557	843,215	794,012	861,332	1,096,224	1,405,415	1,631,538	1,654,160
Cost of Sales		(254,434)	(243,801)	(245,794)	(258,559)	(266,763)	(336,085)	(324,858)	(336,469)
Gross Profit		637,123	599,414	548,218	602,773	829,461	1,069,330	1,306,680	1,317,691
EBITDA		602,684	564,741	496,568	548,266	763,763	1,002,372	1,239,722	1,250,733
Operating Profit (before amort. and except.)		293,982	302,361	244,281	291,440	519,874	697,452	932,496	934,964
Intangible Amortisation		0	0	0	0	0	0	0	0
Exceptionals		(71,000)	(228,680)	245,715	(156,608)	4,469	870	0	0
Other		(4,982)	8,129	(5,826)	217	387	(420)	0	0
Operating Profit		218,000	81,810	484,170	135,049	524,730	697,902	932,496	934,964
Net Interest		(24,193)	(24,993)	(41,187)	(48,730)	(16,715)	7,836	1,010	2,528
Profit Before Tax (norm)		269,789	277,368	203,094	242,710	503,159	705,287	933,506	937,493
Profit Before Tax (FRS 3)		193,807	56,817	442,983	86,319	508,015	705,737	933,506	937,493
Tax		1,330	886	(15,868)	(181)	(211)	(817)	(1,000)	(1,000)
Profit After Tax (norm)		266,137	286,383	181,400	242,746	503,335	704,050	932,506	936,493
Profit After Tax (FRS 3)		195,137	57,703	427,115	86,138	507,804	704,920	932,506	936,493
Average Number of Shares Outstanding (m)		430.5	442.0	443.4	446.0	448.7	449.5	449.5	449.5
EPS - normalised (c)		62	63	48	54	112	157	207	208
EPS - normalised and fully diluted (c)		62	63	48	54	112	157	202	203
EPS - (IFRS) (c)		45	13	96	19	113	157	207	208
Dividend per share (c)		21	33	36	36	42	62	79	83
Gross Margin (%)		71.5	71.1	69.0	70.0	75.7	76.1	80.1	79.7
EBITDA Margin (%)		67.6	67.0	62.5	63.7	69.7	71.3	76.0	75.6
Operating Margin (before GW and except.) (%)		33.0	35.9	30.8	33.8	47.4	49.6	57.2	56.5
BALANCE SHEET									
Fixed Assets		6,025,227	5,579,898	6,390,342	6,123,255	5,755,441	5,638,521	5,369,295	5,708,526
Intangible Assets		5,948,443	5,454,106	6,196,187	5,768,883	5,521,632	5,404,712	5,135,486	5,474,717
Tangible Assets		12,163	30,060	29,402	44,615	33,931	33,931	33,931	33,931
Investments		64,621	95,732	164,753	309,757	199,878	199,878	199,878	199,878
Current Assets		128,092	103,415	79,704	154,752	201,831	570,916	1,415,690	1,639,283
Stocks		1,481	1,700	1,541	43,628	3,265	2,523	2,929	2,970
Debtors		2,316	3,194	2,396	7,138	5,883	3,850	4,470	4,532
Cash		124,295	98,521	75,767	103,986	192,683	564,542	1,408,291	1,631,782
Other		0	0	0	0	0	0	0	0
Current Liabilities		(19,057)	(12,143)	(28,841)	(64,700)	(31,169)	(51,294)	(50,187)	(51,332)
Creditors		(19,057)	(12,143)	(28,841)	(63,976)	(30,396)	(50,521)	(49,414)	(50,559)
Short term borrowings		0	0	0	(724)	(773)	(773)	(773)	(773)
Long Term Liabilities		(1,194,274)	(771,506)	(1,269,289)	(887,387)	(211,532)	(16,532)	(16,532)	(16,532)
Long term borrowings		(1,193,000)	(770,000)	(1,264,000)	(878,028)	(197,864)	(2,864)	(2,864)	(2,864)
Other long term liabilities		(1,274)	(1,506)	(5,289)	(9,359)	(13,668)	(13,668)	(13,668)	(13,668)
Net Assets		4,939,988	4,899,664	5,171,916	5,325,920	5,714,571	6,141,610	6,718,266	7,279,945
CASH FLOW									
Operating Cash Flow		608,503	564,187	518,680	548,301	784,843	1,024,851	1,237,590	1,251,775
Net Interest		(24,193)	(24,993)	(41,187)	(41,242)	(16,715)	7,836	1,010	2,528
Tax		28	(326)	0	(5,380)	(2,686)	(817)	(1,000)	(1,000)
Capex		(805,472)	(19,633)	(861,406)	10,571	149,648	(188,000)	(38,000)	(655,000)
Acquisitions/disposals		0	0	0	0	0	0	0	0
Financing		595,140	1,236	1,279	37,198	22,396	0	0	0
Dividends		(78,708)	(121,934)	(132,915)	(129,986)	(167,212)	(277,011)	(355,850)	(374,813)
Net Cash Flow		295,298	398,537	(515,549)	419,462	770,274	566,859	843,749	223,491
Opening net debt/(cash)		1,362,703	1,068,705	671,479	1,188,233	774,766	5,954	(560,905)	(1,404,654)
HP finance leases initiated		0	0	0	0	0	0	0	0
Other		(1,300)	(1,311)	(1,205)	(5,995)	(1,462)	0	0	(0)
Closing net debt/(cash)		1,068,705	671,479	1,188,233	774,766	5,954	(560,905)	(1,404,654)	(1,628,145)

Source: Company sources, Edison Investment Research

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