

# Ira Sohn Conference 2017

*Lonmin*

June 2017

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## Background



Lonmin PLC is a mineral resources group. The Group produces Platinum and other Platinum group metals such as Palladium and Rhodium. The Company's operations are located in South Africa

The company is engaged in the discovery, extraction, refining and marketing of platinum group metals (PGMs) and is one of the world's largest platinum producers

Lonmin is the second largest platinum miner in the world with estimated reserves of 42 million ounces

<b>Miner</b>	<b>Reserves</b>
Amplats	205
Lonmin	42
Impala	33
next 3	32
<b>Total</b>	<b>312</b>

Valuing these reserves at \$100-200 per ounce gives you \$4.2-8.4 billion of value. Add other assets of \$1.1b with net cash of \$75m and you can easily get to a \$5-9b valuation

Currently Lonmin is valued at an enterprise value of barely \$170m

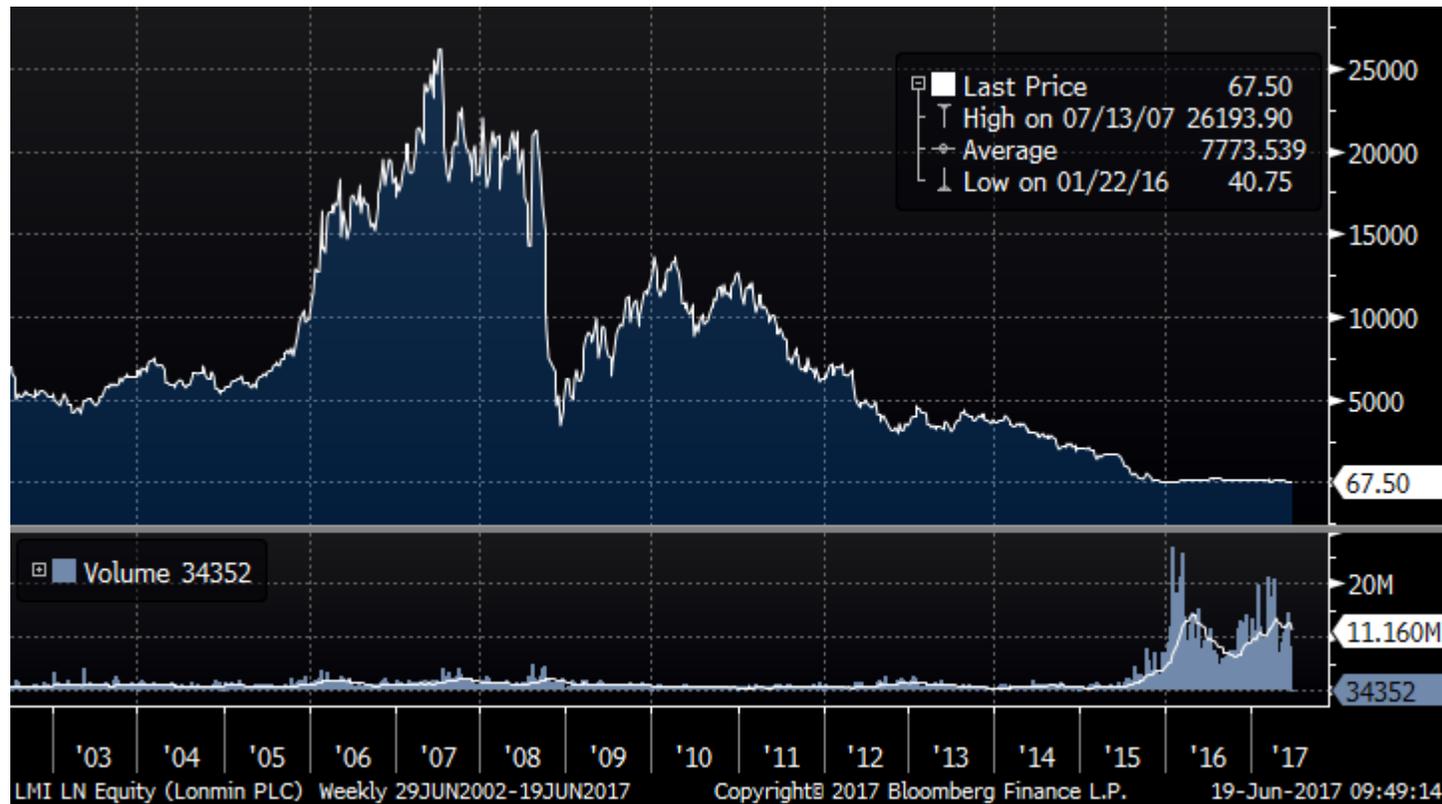
**WHY?**

# Lonmin Chart



Management has destroyed immense amounts of value.

In OCTOBER 2008 they turned down a \$10 billion bid from Xstrata, a 25% shareholder



## Background



Management has burned through cash and in May 2016 it had a \$545 million revolver expiring.

Glencore, the new owner of Xstrata distributed their Lonmin shares to their shareholders in 2015 putting further selling pressure on the Lonmin stock.

Lonmin management having turned down an offer of \$10 billion was faced with the revolver refinancing problem in December 2015.

Instead of dealing with the problem when the share price was higher , say in 2011-13 and after Glencore distribution.

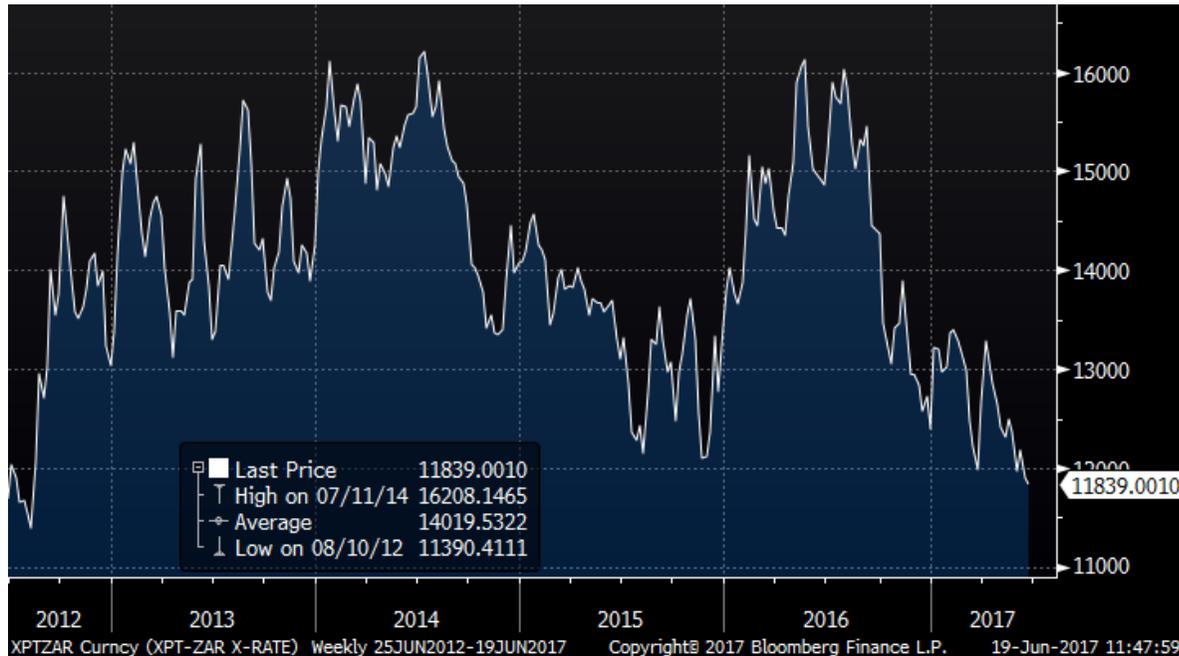
The revolver was reduced to \$370m and extended to May 2020 on the condition they raised a rights issue [\$369m after fees] at £1.00 per share.

Problems with the unions and a poor response to a series of strikes leading to fatalities have done little to enhance management's reputation.

## Background

The market price of Lonmin tends to move with the US\$ price of Platinum BUT it is the SA Rand value of platinum that is relevant given they sell in US \$ but their costs are predominantly in Rand  
Break even is currently expected to be 10,800-11,300 Rand per ounce of platinum

Platinum in Rand



## Opportunity



Whilst Lonmin has struggled to make money due to disputes and poor decision making they have at least recognised the scale of their problems

Management has been upgraded and the previous CFO removed

Unions have been placated and a pay rise agreed last year for the next three years

Whilst Lonmin could go bankrupt that seems unlikely before the revolver is due in 2020\*

Lonmin has cut capital expenditure, reduced higher cost mining and reduced headcount by 6,000

Developed ground ready to be mined stands at 20 months versus industry average of 14 months , allowing better operational leverage to a rising Platinum price

As an employer of 24,000 people the government is a supporter

The largest shareholders is the major South African pension provider with 29% share

They were cash flow positive last year, and after reducing capex are aiming for at least cash flow neutral this year

\* There are covenant tests based on asset value for the revolver

## Opportunity-Valuation



Recent rumours included take over interest from Sibanye. Sibanye eventually bought Stillwater Mining at an implied \$267 per ounce of reserves

Impala, Lonmin's nearest comparable, trades at \$42 per ounce

Lonmin trades at \$4 per ounce.

Any recovery in the platinum price or a fall in the Rand immediately increases profits.

We believe Lonmin will be revalued at a higher rate of \$50-100 per ounce leading to a valuation 18-30 X the current market cap

OR

A takeover at a substantial premium

OR

A rescue rights issue in 2020

We own the stock based on these incredible risk reward characteristics

\* There are covenant tests based on asset value

## About Altana Wealth



Altana Wealth was created in 2009 by Lee Robinson, one of the co-founders of Trafalgar Asset Managers. Altana Wealth was originally established to manage Lee's personal estate, the main aim being to counter the destructive effects of inflation by delivering real (inflation-adjusted) returns.

We realised that this type of wealth-preservation approach was likely to be of interest to outside investors, particularly given Lee's strong investment track record and understanding of the global financial markets.

Altana has built an institutional quality operational infrastructure for back office, fund accounting, risk management, as well as retaining trusted service providers. Lee's \$75m seed investment in the underlying funds indicates a clear alignment of interest with any potential investor alongside the strength of his belief in the product.

Regulated by the FCA in the UK, Ireland for UCITS , CCAF in Monaco.

## Altana Credit Special Situations Fund

Portfolio Manager: Lee Robinson



### Chief Investment Officer, Portfolio Manager - Altana Wealth



- Trafalgar - CIO and co-founder, launching with \$6m in Nov 2001, growing to over \$3 Billion at its peak (with over 40 staff).
- Multiple industry awards include > 20 nominations and 7 wins.
- Built and developed operations of the business that suffered no counterparty credit losses. Sold 19.99% stake to Goldman Sachs vehicle in April 2008.
- Over 15 years in asset management - generating over \$1bn in gross profits for Investors.
- Prior trading roles in Equity Derivatives, Fixed Income Derivatives and Credit Trading at Blue chip banks, as well as building and running Tudors' event driven business.

- Lee graduated from Cambridge University (Magdalene College) in 1991 with a degree in Mathematics.
- Currently a member of the executive committee of the YPO\* - Financial Services Network, in the role of Communications Officer.

*\*YPO (Young Presidents' Organization) is a network of 20,000 business leaders in 120+ countries, established specifically as a network where leaders of businesses that fulfil specific size and revenue requirements, aged 45 and under, can participate in on-going education and idea-sharing. It's mission statement is "Better Leaders Through Education and Idea Exchange™".*

## Portfolio Manager: Lee Robinson

### Award Winning Success



- 'The Hedge Fund Journal' has awarded the Altana Corporate Bonds Fund UCITS (\*Sharpe 2.18) the **'Best Performing Fund in 2016' for the 'Corporate Credit < US\$100m strategy assets' category.**  
*(\*Best performance is defined as the best risk adjusted returns applying the Sharpe Ratio.)*

Founded Trafalgar Asset Managers where he designed and oversaw 9 funds including long/short equity, credit, volatility, event driven, special situations, aircraft leasing and sector specific funds. Catalyst our event driven fund was the original and most successful fund.



- Nominated for 5 Eurohedge awards in 2007
- Nominated for 5 Eurohedge Awards in 2008 including firm of the year, volatility and event driven and won two awards in 2008 for his fund special situations and long/short equity
- Catalyst Fund [Event Driven] nominated by Eurohedge 2006/07/08
- Catalyst Fund won Eurohedge 2003
- Catalyst Fund won Hedge fund review 2002 and 2003
- Recovery Fund [Credit] nominated by Eurohedge 2003/04/06/07/09/10
- Recovery Fund won Eurohedge 2005 and Hedge Fund Review 2005

Portfolio Managers of Volatility, Recovery and Co-PM of Long Short fund had no previous portfolio experience. All were trained and supported by Lee Robinson.