

OZ posts strongest result in over six years

CASHED-UP copper miner OZ Minerals is in strong shape and is aiming to be a three-mine producer within five years.

Kristie Batten 22 Feb 2018, 8:49 News



OZ posted a 2017 net profit after tax of A\$231 million, up 114%, after revenue jumped by 24% to \$1.02 billion.

Underlying earnings before interest, tax, depreciation and amortisation rose by 44% to \$539 million, with an EBITDA margin of 53%.

The results were close to Deutsche Bank's estimates of \$513 million EBITDA and \$230 million NPAT.

Net cash generation from the Prominent Hill copper-gold mine in South Australia was \$133 million.

OZ declared a fully franked final dividend of 14c per share, taking 2017's total payout to 20c per share.

The company was debt-free and had cash of \$729 million at the end of December.

OZ managing director and CEO Andrew Cole said new chief financial officer Warwick Ransom would undertake a review of the company's capital management strategy.

On an investor call, Global Mining Research analyst David Radcliffe questioned the company's "lazy" balance sheet.

Cole said OZ had maintained a strong balance sheet for several years and no one would have described the balance sheet as lazy three years ago.

"Lazy I think is a sentiment that goes with the time but not necessarily something you have to address," he said.

OZ spent \$117 million on the development of the Carrapateena project during the year and will spend around \$500 million this year.

Cole said the goal was for OZ to be a three-mine producer within five years, with the West Musgrave project with Cassini Resources likely to be the third.

"Based on where it sits now ... we're very optimistic that's eventually going to become a mine," he said.

On growth more broadly, Cole said the company wasn't just seeking new copper projects, but rather new "copper-rich provinces".

"A launching platform, or a hub, for broader opportunities," he said.

At Carrapateena, the company is looking at developments at Khamsin, Fremantle Doctor and Punt Hill.

OZ will spend \$8-10 million this year studying the potential Carrapateena province expansion.

The company will spend \$20-30 million on the West Musgrave project.

Shares in OZ jumped by 5.4% to \$9.395, valuing the company at \$2.6 billion.