Our View vs. What’s Priced In

Introducing our “What’s Priced In” report
In our prior note on ACME Mining we covered in detail our views around the challenges the company faces in the palladium and platinum markets. In this note we briefly re-cap the key points and quantify our interpretation of the differences between our views and consensus at an operational driver level.

Oversupply relative to demand
Coming out of the company’s analyst day in November we were concerned that the industry as a whole has been slow in reacting to indicators of impending oversupply relative to demand. Demand indicators have been flashing slowing growth rates for more than a year and recently dipped into negative growth. Despite this, industry supply of palladium and platinum has grown in high single-digit rates unabated. ACME Mining is particularly vulnerable due to its high cash cost and significant expansion capex.

Consensus at $1.15 for 2016 vs. our $1.00 estimate
The industry players on not the only ones slow to accept the looming oversupply that we see. Consensus EPS is higher than our EPS estimates for 2016 and 2017 by 15% and 35% respectively.

We Believe 4 Factors Account for Delta with Consensus
Our research, channel checks and pulse of the market indicate that the market is pricing in different assumptions vs. our own view on the four key factors below. Click on anyone of them to compare the estimates as well as try your own.

1. **Average Palladium prices** in 2016-18 approximately 20% higher than our estimates  
2. **Average Platinum prices** in 2016-17 approximately 30% higher than our estimates  
3. **Cash Costs (per oz)** lower than our estimates by 10-20%  
4. **CapEx / D&A** - Market is assuming current capex levels are sustainable

Click on any of the factors above to access our interactive ACME Mining model. Tell us what you think. We’re curious to hear your view on our interpretation of what the market is pricing in for ACME Mining.