

# Sirius Minerals PLC

08:30 09 May 2019

## Norwegian sovereign wealth fund buys into Sirius Minerals on open market

Norway's US\$1trn sovereign wealth fund has snapped up shares in Yorkshire-based polyhalite miner Sirius Minerals PLC (LON:SXX) on the open market as the UK company looks to secure long-term funding for its huge underground mine.

It was confirmed this week that the Oslo-based fund, the largest such fund in the world, now owns a 3.5% stake in the London-listed outfit. The shares are held under the name of Norges Bank, the country's central bank, which manages the wealth fund.

**READ:** Sirius Minerals is now at a 'critical juncture' as financing efforts continue. The Norwegians snaffled a total of 166.52mln shares, completing the purchase on Thursday 2 May. Of this, 115.45mln shares were held directly by the fund, representing 2.4% of Sirius's shares, plus another 51.08mln that was said to be on loan. Many funds that buy shares on a long basis also loan some of their shares to hedge funds and others who want to take short positions, with a right to recall them.

This came a day after Sirius, as part of a planned US\$3.8bn project financing plan, confirmed that its brokers had tied up a US\$425mln placing with City institutions at a price of 15p per share. The placing was priced at the bottom of the 15-18p range previously indicated, even though the funding was said to have been oversubscribed.

Sirius's broker Shore Capital would not confirm if Norges Bank had been in direct contact, but confirmed that shares from the placing will not be issued until after the group's shareholders convene for a general meeting, which is expected to be on 23 May.

The Norges Bank share purchase was therefore made on the open market, though at what price it has not confirmed. Having hit a three-year low of 15.5p on the Wednesday, the shares rose to a daily high of 17.15p on the following day and fell as low as 16.31p, before closing at 16.53p.

But as part of this stage of the financing, the Norwegian fund will along with all existing shareholders be able to take part in the open offer element of the fundraising, also priced at 15p apiece, with each shareholder having the opportunity to buy one share for every 22 they already own.

**READ:** Oilers shaken as Norwegian sovereign wealth fund decides to dump sector stocks

The purchase of shares in Sirius comes as the sovereign wealth fund pivots away from its historic focus on oil. Originally formed as Norway's 'oil fund' with the piles of cash generated by the country's vast petroleum reserves, the Government Pension Fund Global, as it is officially known, has been told by the Norwegian government to focus less on oil and gas exploration and production companies.

Sirius is raising funds to continue development of its Woodsmith mine in North Yorkshire, which will produce polyhalite, a mineral that is seen as an attractive multi-nutrient fertiliser and for which it has secured a number of off-take

**Price:** 3.518

**Market Cap:** £246.94 m

### 1 Year Share Price Graph



October 2018    April 2019    October 2019

### Share Information

**Code:** SXX

**Listing:** LSE

<b>52 week</b>	<b>High</b>	<b>Low</b>
	<b>8389</b>	<b>2.1</b>

**Sector:** Potash & fertilisers

**Website:** [www.siriusminerals.com](http://www.siriusminerals.com)

### Company Synopsis:

*Sirius Minerals is a UK based fertilizer development company focused on the development and operation of its polyhalite project in North Yorkshire.*

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agreements.

#### Analyst positive on long-term project

This week, Berenberg analyst Rikin Patel said the long-awaited stage-two financing package, which as well as the US\$425mln share placing, also includes a proposed convertible bond offering, a US\$500mln high yield bond and a revolving credit facility providing US\$2.5bn of finance, would cover the entire development capital required by the Woodsmith project and "goes some way to de-risking the viability of the project".

The company is not out of the woods yet, Berenberg said. "While this package clears some hurdles surrounding the project, financing is by no means guaranteed and the company remains in a crucial phase to secure long-term funding."

Patel said the package still left some uncertainty about mid-term financing, although less than previously, and he was confident that funding would be secured from the high yield market.

"While shareholders may face some dilution in the short term, fundamentally, we remain positive on the project's longer-term credentials," he said, adding that the economics and valuation are "still favourable", with conservative assumptions on pricing, volumes and capex leading to a forecast internal rate of return of 15% and an price/net present value ratio of 0.4 times.

Sirius shares were up 5% to 15.98p in Wednesday afternoon.

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