

Sirius Minerals PLC

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Why Sirius Minerals must close its US\$500mln bond issue by the end of next month

Sirius Minerals PLC (LON:SXX) needs to get its US\$500mln bond offering away by the end of September, otherwise it risks running out of money and having to be wound up, official documents reveal.

The company, which is developing a huge fertiliser mine in North Yorkshire, launched the junk-rated bonds in mid-July, with bosses beginning a roadshow a few days later.

READ: Sirius slams brakes on US\$500mln bond issue

The bonds are vital to Sirius' future as their successful completion unlocks a US\$2.5bn revolving credit facility from JP Morgan, as well as a further US\$400mln of convertible bonds and a US\$50mln investment from Gina Rinehart's Hancock Prospecting.

But chief executive Chris Fraser and his team pulled the offering last week, citing volatile market conditions linked to escalating trade war tensions and a smaller than anticipated cut in US interest rates.

As one analyst in London said: "One could make a strong case that this was the worst week of the year to attempt to issue high-yield debt."

Unsurprisingly, the share price crashed as a result, and German investment bank Berenberg warned its clients that the risks are now "greater than the reward".

Soon to run out of money

Thanks to a US\$425mln fundraising from investors back in May, Sirius has enough cash in the bank to see it through to the end of September.

But without the remaining US\$3bn or so - all of which is contingent on the bond issue - the company has previously cautioned that it could run out of money and be forced into administration.

In a stock exchange announcement dated 30 April, Sirius said: "Unless the company was able to secure alternative funding (if any such alternative funding were available to the company, which it may not be) or a merger or acquisition transaction involving the company by the end of September 2019, the company would cease to operate as a going concern and the board would be required to place the company into administration or liquidation, which could result in shareholders losing part of or all of their investment in the company."

That's enough to send chills the spines down the backs of Sirius' 85,000 retail investors, some of whom have claimed to have ploughed their life savings into the business.

October at the latest

House broker Liberum is more optimistic, though, and believes Sirius bosses would have worked in a little breathing room in their forecasts, giving the company a bit more time to complete the deal.

Price: 5.455

Market Cap: £382.95 m

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: SXX

Listing: LSE

52 week High Low
8389 2.1

Sector: Potash & fertilisers

Website: 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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"The convertible bond funds in Escrow and the RCF commitment letter are effectively valid until the end of October, which we would consider a hard stop for Stage 2 financing," said analysts in a recent note to clients.

Although there is no immediate rush for the money, Liberum believes CEO Fraser and his team will want to have a "firm view" on the financing by the middle of September.

If the bond issue is still hanging in the balance by then, then bosses may have to "make decisions to start slowing investment at the site", the analysts added.

Sirius frustrated but confident

For its part, Sirius remains relaxed about securing the necessary funds, and there has been no slowdown in investment at the Woodsmith mine, where work is continuing as expected.

"We understand the frustration with current market conditions, but we remain focused on delivering this project and becoming a world class fertiliser business," said a company spokesperson.

"The economic and social benefits of our nationally significant infrastructure project are vast, and all of our stakeholders and supporters know we have already overcome many seemingly insurmountable hurdles to reach this point in the development of Woodsmith mine."

Huge civil engineering project

Sirius needs the money to fund the development of the Woodsmith mine, one of the biggest civil engineering projects currently being undertaken in Europe.

The mine is 1.5km deep and requires a 37km-long underground conveyor belt to take the minerals from the site to a processing facility.

First production at Woodsmith is expected in 2021, with output increasing to 10mIn tonnes by 2024.

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