

Mining Flash Note

Bushveld Minerals*

BMN LN

Strong Buy
Valuation 38p

24 November 2020

Stock Data

Ticker	BMN LN
Share Price:	12.35
Market Cap:	£141m

Price Chart



New orders from Invinity indicate rising demand for VRFB Grid storage systems

Bushveld is an integrated vanadium mining, processing and technology businesses. The South African group owns 74% of Vametco and 100% of the Vanchem. Bushveld Energy (84%) is developing vanadium redox batteries for grid use in SA.

Guidance maintained despite severe weather holds back Q3 production at Vametco

- Bushveld Minerals report that a longer than normal power outage caused by severe weather hit the vanadium production in the refinery at Vametco.
- Guidance:** management still expect to make up much of the lost time in the refinery and to meet the lower end of its full-year production guidance of 3,660-3,950mtV with Vametco production 2,700-2,850 mtV.
- While Nitrovan sales will be hit by the refinery outage the roaster before the refinery produces vanadium AMV which can be converted into other saleable products using the facilities at Vanchem.
- This gives very fortunate flexibility to group production and should enable the group to meet guidance.
- Q3 Results:** Vanadium production rose 28% in Q3 to 725t on the second quarter.
- Nine-month production was surprisingly steady at 1,942mtV approximately in line with 1,953mtV last year despite the lockdown and Covid-19 issues.
- Group production rose 31% to 1,019 mtV including Vanchem on Q2
- Vanadium sales fell 27% to 639mt in the quarter

Conclusion: Bushveld continues to perform well despite challenges in South Africa.

Reports of new VRFB battery orders by Invinity Energy Systems indicates substantial new demand for vanadium to come through new grid-scale battery installations next year. This new demand looks likely to tighten the supply / demand balance with potential to significantly raise vanadium prices from here.

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(Dec year end)		2018	2019E	2020E	2021E	2022E	202
FeV price	US\$/kg	81	55	25	35	40	40
Vanadium Production	mtV	2,560	2,833	3,737	5,432	6,168	7,645
Vanadium Sales	mtV	2,573	2,392	3,946	5,782	6,168	7,645
Sales*	US\$m	192.1	118.4	93.7	192.1	234.8	291.0
Cash Op costs	US\$m	-65.3	-58.4	-73.6	-102.5	-107.1	-130.1
Unit Cash Op costs ⁺	US\$/kg	25.5	20.6	19.7	18.9	17.4	17.0
Operating profit	US\$m	95.2	33.2	-15.8	50.2	85.1	114.4
Pre-tax profit	US\$m	86.6	34.7	-18.9	46.3	83.4	113.0
Tax	US\$m	-37.6	-7.4	0.0	-8.3	-18.2	-25.2
Post-tax profit	US\$m	49.0	27.2	-18.9	37.9	65.2	87.8
EPS	US\$/c/s	2.90	2.02	-1.46	2.78	4.79	6.68
PE	x	5.7	7.5	-	6.1	3.5	2.5
EV/EBITDA	x	1.3	3.6	-	2.3	1.4	1.1
EBITDA	US\$m	101.2	37.1	-10.8	57.9	94.4	123.9
Free Cash Flow (100%)	US\$m	32.2	-23.0	-21.7	1.9	45.0	85.0

SP Angel forecasts: Figures based on 100% of Vametco and Vanchem. Bushveld hold an effective 74% of Vametco.

*Vanadium sales see a 8 -12 week lag when product is delivered to final customer. This applies for all the sales

*SP Angel act as Nomad and broker to Bushveld Minerals

Bushveld Continued...

- The production picture for the nine months to end September looks somewhat better than last year despite the lockdown
- Nine-month production rose 37% to 2,667 mtV mainly due to the addition of material from Vanchem
- **Group sales** are 74% higher at 2,987mtV1 for the nine months to end September
- C1 cash costs fell 12% to \$18.10/kgV yoy due to the weaker South African rand which was severely impacted by the fall in mineral exports out of South Africa.
- **Cash cost** are reported to be 11% lower for the nine-months at US\$17.50/kgV.
- **Vanchem** production rose 39% on Q2 to 294mtV due to the lifting of the nationwide lockdown in Q2 2020. Production for the 9M 2020 was 725mtV.
- Vanchem remains to track to meet guidance of 960-1,100mtV and cash costs of US\$18.40-19.0/kgV.
- **Bushveld Energy:** Bushveld has formed a special purpose vehicle to work with Invinity Energy Systems named Vanadium Electrolyte Rental Limited VERL which has signed a contract for electrolyte rental with Pivot Power, part of EDF Renewables.
- VERL will hold, and rent the electrolyte in Pivot Power's new Oxford 5MW VRFB battery to Pivot for a period of ten years.
- Invinity Energy Systems (BMN holds 8.71% in Invinity) continue to report a significant number of new VRFB projects with Invinity's latest 8MW project expected to use around 40-44t of vanadium in electrolyte representing significant additional demand.
- Bushveld have a first right of refusal to supply into Invinity.
- **Vanadium market:** China continues to import vanadium with local producers working at full capacity though the local premium has reduced.
- We expect vanadium imports to rise from here and for this to lift local and global vanadium prices
- Iron ore and steel prices continue to rise in China indicating that local stimulus and other infrastructure programs continue to drive strong demand growth for structural steel.

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Recommendations are based on a 12-month time horizon as follows:

Buy - Expected return >15%

Hold - Expected return range -15% to +15%

Sell - Expected return < 15%