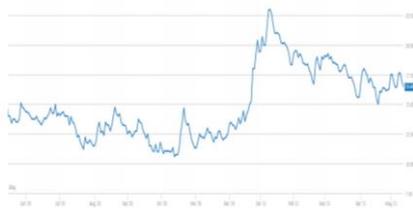


14 May 2021

## BMN LN Mining &amp; Metals



Source: LSE

## Market data

Price (p)	16.5
12m High (p)	24.5
12m Low (p)	10.2
Shares (m)	1,192
Mkt Cap (£m)	196.5

## Company summary

Bushveld Minerals is an AIM-quoted vanadium development and production company. The group's key assets are the Vametco and Vanchem primary vanadium producing operations in South Africa. Bushveld also participates in the development of the downstream, and fast-growing, vanadium-redox flow battery market through its majority-owned Bushveld Energy subsidiary.

## Key forecasts\*

	2019	2020e	2021e
Production (t V)	2,931	3,631	4,150
Sales (\$m)	116.5	87.9	139.3
EBITDA (\$m)	32.6	(12.3)	15.4
EPS (\$/sh)	0.05	(0.03)	(0.01)
FCF (\$m)	(21.3)	(26.4)	1.8
EV/EBITDA (x)	8.2	na	17.4
EV/EBITDA adj* (x)	12.4	na	24.3
P/E (x)	4.2	na	na
FCF yield (%)	na	na	0.7
Net debt (\$m)	7.7	33.5	36.3

\*Equity-attributable adjusted EBITDA

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## Bushveld Minerals\*

## Q1 operational update

Planned maintenance downtime at Vametco offset a solid performance at Vanchem as Q1 2021 vanadium production fell by 22% and 29% versus Q1 and Q4 of 2020, to 688t. Vametco is showing better stability post restart, but mindful of ongoing workstreams to maintain this, and of ramp-up risks attached to the Vanchem refurbishment, Bushveld now expects full-year production to come in towards the lower end of its 4,100-4,350t guidance range. We still envisage overall improved output this year, which in turn should see a return to positive EBITDA. Thereafter, delivering on expansion ambitions – which are now greatly de-risked following last year's funding package – will be key to sustained margin growth.

- ▶ **Production down on stoppages:** As expected, Q1 2021 production trended lower owing mainly to a planned 35-day maintenance shutdown at Vametco, the negative impact of which was offset partially by improved operational stability at Vanchem. Vametco produced 395t (down 40% vs Q1 2020, and 44% below the Q4 2020 total) and Vanchem produced 293t (up 34% vs Q1 2020, and 12% higher than Q4 2020). Consolidated group sales volumes totalled 788t.
- ▶ **Costs rise accordingly:** The lower production volumes and a stronger Rand resulted in US Dollar cash costs at Vametco rising by 37% and 27% respectively vs Q1 and Q4 of 2020, to US\$26.51/kg. Weighted average cash costs at Vanchem rose by 20%, to US\$30.70/kg, reflecting Rand strengthening but also higher raw materials and maintenance costs and working capital adjustments.
- ▶ **Still targeting year-on-year production increase:** The Q1 maintenance at Vametco was undertaken to improve plant reliability, and encouragingly Bushveld reports a "stable period of normalised production levels" post ramp-up from the stoppage. The group still expects Vametco to improve upon its 2020 performance of 2,654t this year, but now anticipates that full-year production will likely be towards the lower end of its 2,700-2,850t guidance range as various workstreams go on to maintain and build on the improved operational stability. Accordingly, it expects costs to be towards the upper end of its US\$20.00-21.30/kg guidance range. Despite a solid Q1 at Vanchem, Bushveld believes that full-year production at this operation is also more likely to be towards the lower end of its 1,400-1,500t guidance range owing to heightened risks associated with the ramp-up of the phase one refurbishment. Cash costs are consequently expected to end up towards the top of guidance of US\$26.20-26.70/kg.
- ▶ **Estimates trimmed, but upside potential on FeV pricing:** We have trimmed our 2021 production forecasts towards the lower end of guidance, which nonetheless would still represent a material increase on 2020 output. After also increasing our cost estimates towards the upper end of guidance (largely on a stronger Rand), our 2021 EBITDA estimate falls by c20% accordingly. While downside risks remain if further production setbacks are encountered, we also see upside potential to our estimates if vanadium price firming continues – spot FeV is now slightly above our 2021 assumption of US\$32/kg, and we see scope for pricing to go higher still as the global economy recovers post COVID.
- ▶ **Expansion key to further margin growth:** Given the significant fixed component of costs at both Vametco and Vanchem, key to improving profitability longer term is increasing production. Bushveld has long pointed to the potential for each of Vametco and Vanchem to operate at >4,200t pa rates through further de-bottlenecking/expansion at Vametco and refurbishment of dormant capacity at Vanchem. Detailed studies/early work are progressing, and Bushveld's \$65m financing package from Orion last year greatly de-risks these plans. We believe this will grow annual EBITDA to well over US\$100m within the next few years.

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