

Non-Independent Research

A MiFID II compliant note

\*SP Angel acts as Nomad & Broker to Bushveld Minerals.

30 June 2021

### Stock Data

Ticker	BMN LN
Share Price:	14.33
Market Cap:	£170m

### Price Chart



## Vanadium prices rise as Bushveld reports tough Covid-19 year

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 a vanadium redox batteries for grid use in SA.

- Bushveld Minerals reported revenue of \$90m for 2020 vs \$117m in 2019 reflecting lower sales due to the Covid-19 lockdown and lower vanadium prices as customers deferred purchases causing vanadium prices to pull back,
- Cost of sales rose to \$91m vs \$56m a year earlier as Vametco and Vanchem continued to maintain and improve their operations,
- Other operating income rose to \$2.3m in 2020 from \$0.9m in 2019.
- Sales and distribution costs reduced to \$4.8m from \$7.6m on reduced sales and low vanadium pricing. B 9
- Other mine operating costs rose to \$4.7m vs \$3.9m yoy
- Idle plant costs rose to \$4.2m vs \$2.9m due to the lockdown and other maintenance.
- Administration expenses fell to \$19.8m vs \$24.7m yoy..
- Operating losses rose to \$32.8m versus an operating profit of \$22.2m a year earlier.
- Post tax losses rose to \$37.2m in 2020 vs a profit of \$69.3m in 2019.
- Bushveld recorded a \$13.5m gain as a result of fair value movements including gains to investments in AfriTin, Invinity Energy Systems and Enerox Holdings..
- Currency translation differences resulted in the reclassification of a further \$10.4m loss vs a gain of \$6.4m in 2019.
- Bushveld report a total comprehensive loss of \$34m for 2020 vs a profit of \$75m in 2019
- Management report record vanadium production of 3,631mtV in 2020 vs 2,931mtV in 2019 with a solid performance from the new Vanchem acquisition despite the lockdown and its impact.
- Unit costs fell to \$29/kgV vs \$37/kgV reflecting higher production.
- EBITDA losses came to \$14.9m from an EBITDA profit of \$32.6m a year earlier due to lower vanadium prices.
- Cash and cash equivalents of rose to \$50.5m to the year-end from \$34.0m due to \$65m of funding from Orion Mine Finance. Cash and cash eq now stand at \$31m as at 27 June.
- The funds should enable production to increase to 5,400mtVpa from 5,000mtVpa by end-2022.
- Bushveld signed its first electrolyte rental agreement in a jv with Invinity and Pivot Power (EDF)
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**Bushveld Continued...****Optimisation:**

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- Bushveld signed its first electrolyte rental agreement in a jv with Invinity and Pivot Power (EDF)
- Debt: Bushveld holds a ZAR125m Revolving Credit Facility and has a \$11.5m convertible with Duferco with \$5m payable in November and the \$6.5m convertible in to Bushveld equity..
- **Electrolyte plant:** started construction in June for 200MWh of vanadium electrolyte capacity
- **Guidance: Bushveld has revised group production guidance to 3,400-3,600mtV for 2021** due to a slower restart to production after the 35-day maintenance in Q1 and unforeseen mechanical breakdowns.
- A further six-days of unprotected industrial action in April didn't help either.
- **Vametco guidance:**
- Production guidance is revised lower to 2,300-2,400mtV vs 2,700- 2,850mtV vs 2,700-2,850mtV previously.
- Cash cost revised to \$23.7-24.20/kgV vs \$20.0-21.30/kgV previously.
- **Vanchem guidance:**
- Vanchem's guidance revised to 1,100-1,200mtV vs 1,400- 1,500mtV previously due to delays in steel deliveries.
- Cash costs revised to \$30.3-31.1/kgV vs \$26.20-26.70/kgV previously.
- Vanchem's capex revised lower to \$11.3m vs \$15.7m presumably due to delays to the work being done.
- Bushveld is keen to grow group production to a run rate of 5,000-5,400mtVpa by end-2022 with Vanchem production rising to 2,600mtVpa.
- Group production may rise further to 6,400-6,800mtVpa in the medium-term and to 8,400mtVpa in the longer term depending on the availability on capital and the outcome of ongoing feasibility work.
- A cost savings programme of \$2.5-4mps is to start from 2020.
- Capital expenditure is forecast at \$26.8m for this year of which \$8.6m has already been spent including \$6.0m at Vametco, \$11.3m at Vanchem and \$9.5m at Bushveld Energy.
- Cellcube has been selected to supply a 4 MWh VRFB for the Vametco mini-grid project to demonstrate the business case of self generation solutions using PVsolar and VRFB systems.
- Vanadium prices are holding at CNY196,000-199,000/kgV (\$39.7/kgV) in China according to Asianmetal.com.

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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%