

10 August 2023

### Stock Data

Ticker	BMN LN
Share Price	2.5p
Market Cap	£129m

### Price Chart



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## Earnings update

Bushveld Minerals is an integrated vanadium business with established South Africa based upstream mining and processing operations, electrolyte production facility in development and an investment in VRFB OEMs. The Company is one of the three operating primary vanadium producers owning two of the world's four operating primary vanadium processing facilities focused on ramping up operations to 5.4ktV in the medium term and potentially 8.0ktV in the long run as well as addressing growing energy storage related demand through downstream business solutions.

- Mustang Energy convertible loan notes holders informed Mustang that they have elected to act on the backstop agreement.
- The backstop agreement envisages the issuance of new shares in Bushveld Minerals in lieu of outstanding Mustang convertible loan notes after the deadline for Mustang readmission to trading on the LSE passed on 31 July 2023.
- In return, Mustang will transfer 22.1% interest in VRFB-H that holds a 40% interest in Enerox, a VRFB OEM based in Austria and operating under CellCube brand name, as well as novate rights under the US\$2m loan made to Enerox.
- As a result, Bushveld Minerals will be issuing a total of ~270.4m new shares to redeem ~£7.2m in outstanding 2021 and 2023 Mustang convertible loan notes (implying a 2.6p issue price and representing 17.4% of enlarged share capital).
- Bushveld Minerals will hold a 64.5% interest in VRFB-H including a direct interest of 22.1% and an indirect interest of 42.4% through its 84% shareholding in Bushveld Energy (50.5% interest in VRFB-H).

**Conclusion:** Exercise of the backstop option by Mustang Energy convertible note holders increases the Company's stake in VRFB-H and ultimately in Enerox, a VRFB OEM based in Austria, although at a hefty price with ~270m new shares to be issued representing ~17% of enlarged share capital. Conversion of notes, essentially, means Bushveld is taking an additional 22.1% interest in VRFB-H at a ~\$32m valuation which is in line with the original deal agreed in April 2021 when Mustang Energy invested \$7.5m for a 22.1% interest funding its with 2021 CLNs (\$8m). This compares to ~\$13m implied from the latest Garnet investment of ~\$3.3m for additional 10% in Enerox taking its stake in the VRFB producer to 60% with the remaining 40% held by VRFB-H.

We revised our valuation to account for the latest updated FY23 guidance (3.7-3.9ktV at \$26.1-27.0/kgV C1) as well as increased number of shares and lower VRFB-H implied valuation. Production is expected to come in marginally stronger in H2/23 predominantly driven by better feed at Vanchem, although, earnings are to remain under pressure as vanadium prices remain subdued. Share price performance is expected to be held back by ongoing Orion convertible facility refinancing (~\$45m) discussions as well as a need for additional liquidity over the next 12 months highlighted in the interims. Ultimately, Group rerating will be driven by vanadium prices that we would expect to perform well on the back of potential stimulus measures in China as well as ramping up growth in VRFB demand.

(Dec year end)		FY20	FY21	FY22	FY23E	FY24E
USDZAR	R	16.5	14.8	16.4	18.1	18.0
FeV price	US\$/kgV	23.5	32.2	41.4	36.5	40.0
Production	V kt	3.6	3.6	3.8	3.8	4.4
Sales	V kt	3.8	3.3	3.6	4.1	4.4
C1 cash cost	US\$/kgV	18.6	26.1	27.7	26.6	24.8
Revenues	US\$m	90	107	148	150	177
EBITDA	US\$m	-15	-7	22	8	34
PAT	US\$m	-31	-34	-35	-19	5
FCF	US\$m	-28	-32	2	0	21
EV/EBITDA	x	-	-	10.5	19.3	4.7
PER	x	-	-	-	-	-
Net debt/(cash)	US\$m	25	69	76	80	68

Source: SP Angel, Company

## Earnings Summary

Projections are ex BELCO related earnings/cashflows

US\$m unless stated (YE Dec)

Market data			Operating metrics						
			FY20	FY21	FY22	FY23E	FY24E		
Ticker		BMN LN	USDZAR	16.5	14.8	16.4	18.1	18.0	
Last price	GBp	2.5	FeV price	US\$/kgV	23.5	32.2	41.4	36.5	40.0
Target price	GBp	12.8	Vanadium Production	V kt	3.6	3.6	3.8	3.8	4.4
Rec		BUY	Vanadium Sales	V kt	3.8	3.3	3.6	4.1	4.4
GBPUSD		1.28	C1 cash cost	US\$/kgV	18.6	26.1	27.7	26.6	24.8
Mkt cap	GBPm	39.6	Income Statement						
	USDm	50.5	Revenues	90	107	148	150	177	
EV	GBPm	125.6	<b>EBITDA</b>	<b>-15</b>	<b>-7</b>	<b>22</b>	<b>8</b>	<b>34</b>	
	USDm	160.1	<b>margin</b>	<b>-17%</b>	<b>-7%</b>	<b>15%</b>	<b>6%</b>	<b>19%</b>	
Av # of sh in issue*	mln	1,616	EBIT	-33	-29	-20	-6	20	
Av # traded, 100d	mln	5.6	Net Interest	-5	-14	-14	-12	-10	
*incl ~58m new shares to Orion			<b>PBT</b>	<b>-38</b>	<b>-39</b>	<b>-38</b>	<b>-39</b>	<b>-37</b>	
			<b>Tax</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>-0</b>	<b>-5</b>	
			<b>PAT</b>	<b>-31</b>	<b>-34</b>	<b>-35</b>	<b>-19</b>	<b>5</b>	
			<b>EPS basic, cents</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-3.1</b>	<b>-1.5</b>	<b>-0.0</b>	
			<b>EPS diluted, cents</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-3.1</b>	<b>-1.5</b>	<b>-0.0</b>	
			Cash flow						
			<b>CFO</b>	<b>-14</b>	<b>-12</b>	<b>22</b>	<b>8</b>	<b>34</b>	
			Tax paid	-3	0	-1	-0	-5	
			<b>Net CFO</b>	<b>-17</b>	<b>-12</b>	<b>21</b>	<b>8</b>	<b>29</b>	
			Capex (incl Exploration)	-11	-20	-19	-8	-7	
			<b>CFI</b>	<b>-13</b>	<b>-17</b>	<b>-20</b>	<b>-8</b>	<b>-7</b>	
			Dividends paid	-	-	-	-	-	
			Issue of shares	-	-	-	-	-	
			Borrowings net change	50	-4	0	-1	-7	
			Interest paid	-3	-3	-6	-6	-8	
			<b>CFF</b>	<b>47</b>	<b>-7</b>	<b>-5</b>	<b>-7</b>	<b>-15</b>	
			Net cash flow	17	-36	-4	-7	6	
			<b>Cash cf</b>	<b>51</b>	<b>15</b>	<b>11</b>	<b>4</b>	<b>10</b>	
			Balance Sheet						
			Cash & cash equivalents	73	15	14	6	12	
			Receivables/prepayments	11	18	9	9	9	
			Inventories	34	42	55	46	46	
			<b>Current assets</b>	<b>121</b>	<b>78</b>	<b>78</b>	<b>62</b>	<b>68</b>	
			Exploration & PPE	227	212	181	175	168	
			Investments	3	10	6	6	6	
			<b>Non-current assets</b>	<b>229</b>	<b>223</b>	<b>189</b>	<b>183</b>	<b>176</b>	
			<b>Total assets</b>	<b>351</b>	<b>301</b>	<b>268</b>	<b>245</b>	<b>244</b>	
			Payables, provisions	22	33	46	37	37	
			Borrowings ST (incl leases)	14	11	48	7	9	
			<b>Current liabilities</b>	<b>43</b>	<b>48</b>	<b>99</b>	<b>49</b>	<b>51</b>	
			Borrowings LT (incl leases)	84	74	42	78	71	
			<b>Non-current liabilities</b>	<b>117</b>	<b>101</b>	<b>63</b>	<b>99</b>	<b>93</b>	
			<b>Total liabilities</b>	<b>160</b>	<b>149</b>	<b>162</b>	<b>149</b>	<b>143</b>	
			<b>Net assets</b>	<b>191</b>	<b>152</b>	<b>106</b>	<b>96</b>	<b>101</b>	
			Key financial metrics						
			Net debt/(cash)	25	69	76	80	68	
			Av # of sh (diluted)	1,165	1,202	1,271	1,369	1,616	
			EV/EBITDA	-	-	10.5	19.3	4.7	
			PER	-	-	-	-	-	
			FCF (NCFO-Capex)	-27.9	-32.5	2.5	0.1	21.4	
			FCF yield	-	-	2%	0%	42%	
			DY	0.0%	0.0%	0.0%	0.0%	0.0%	
			ROA	-	-	-	-	0.0	
			Interest coverage	-	-	-	-	2.1	
			Net Debt/EBITDA	-	-	3.4	9.6	2.0	

Source: Company, SPA

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