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### Stock Data

Ticker	BMN LN
Share Price	1.6p
Market Cap	£25m

### Price Chart



### Research

#### Sergey Raevskiy

+44 20 3470 0474

sergey.raevskiy@spangel.co.uk

#### John Meyer

+44 20 3470 0490

john.meyer@spangel.co.uk

#### Simon Beardsmore

+44 20 3470 0484

simon.beardsmore@spangel.co.uk

### Sales

#### Richard Parlons

+44 20 3470 0472

richard.parlons@spangel.co.uk

#### Grant Barker

+44 20 3470 0471

grant.barker@spangel.co.uk

#### Rob Rees

+44 20 3470 0535

rob.rees@spangel.co.uk

#### Abigail Wayne

+44 20 3470 0534

abigail.wayne@spangel.co.uk

## 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.

- We update our earnings estimates and valuation following the release of interim results last week and details of a debt/equity deal agreed with Southern Point Resources (SPR) earlier in September.
- H1/23 interims delivered growth in revenues (\$78.4m, +3%yoy) albeit at weaker margins as an increase in sales to 2.1ktV (+27%yoy) coincided with weaker realised prices that averaged \$37.4/kgV (-19%yoy). The Company continued to prioritise premium markets to optimise revenues including sales into sectors like aerospace and specialty chemicals. Nevertheless, EBITDA and CFO (post tax) pulled back to \$10.3m (-34%) and -\$0.9m (H1/22: \$8.7m).
- Vametco production averaged 195mtV per month in H1/23 (H1/22: 204mtV) with Q3/23 guided to come in at ~175mtV reflecting capacity constraints at the tailings dam following heavy rains as well as challenges at the processing plant. Run rates are expected to return to 200mt from October. Guidance reiterated for 2.3-2.4ktV (9M23 output of ~1.7ktV implying 600-700mtV (200-230mtV pm) in Q4/23).
- Vanchem production picked up to 103mtV per month in H1/23 (H1/22: 69mtV), although, the plant underperformed expectations on unplanned breakdowns, power issues at local municipality and challenges with 3<sup>rd</sup> party feed. Issues are being addressed with run rates guided to reach 180mtV by YE23. Guidance reiterated at 1.4-1.5ktV (9M23 output of ~1.1ktV implying 300-400mtV (100-130mtV pm) in Q4/23).
- FY23 Group guidance reiterated at 3.7-3.9ktV and \$26.6-26.9/kgV (R481-487) production cash cost (C1) using ~18ZAR exchange rate.
- Orion convertible refinancing (~\$45m) discussions are ongoing and the team expecting to finalise the deal before the 21 December deadline. The agreement is non-binding and is conditional on shareholder approval among other things. As a reminder, proposed refinancing announced May/23 includes:
  - \$27m 3y secured term loan;
  - \$13.5m new 12% convertible note (8p conversion price) and maturing Jun/28;
  - \$4.5m equity component at 6p;
- In the meantime, the Company completed a binding agreement with SPR in Sep/23 for \$69.5-77.5m to address previously highlighted near term liquidity challenges and deleverage the balance sheet. Proposed SPR investment includes:
  - R150m (~\$8m) immediate working capital facility (to be repaid from proceeds from the remaining of the SPR investment);
  - ~\$25m for disposal of a 50% interest in Vanchem and all of Company's 64% interest in Mokopane;

- Up to \$12.5m equity investment at same price as Orion;
- \$25-30m working capital facility under a 3y marketing and sales contract with SPR;
- \$7-10m potential equity/debt/mix investment into Vanchem by SPR for production expansion with Kiln-1 recommissioning (subject to FS).
- Brits Vanadium Project (67mt at 0.56% V2O5 in-situ in MRE), following re-evaluation, was decided to be discontinued as existing Vametco reserves support more than 30 years’ life of mine.
- On BELCO, construction of the electrolyte manufacturing facilities was completed with first batches of product sent to international customers to qualify BELCO as an approved supplier of electrolyte.

**Conclusion:** We revised our valuation and updated our earnings to account for the proposed SPR deal details as well as a set of latest interim results.

Adjustments are predominantly driven by a disposal of 50% interest in Vanchem for ~\$21m (versus our estimate of \$46m) and dilution from potential ~464m of new shares worth ~\$17m with \$4.5m related to Orion convertible refinancing and \$12.5m from SPR (we assumed the structure of the deal is maintained and new equity is issued at 3p per share, down from 6p envisaged in May/23 accounting for lower spot prices).

To a lesser extent our valuation was affected by lower than expected FCF generation in H1/23 due to working capital changes and paid taxes as well as downward revision to our vanadium price forecasts for H2/23 (\$32.5/kgV v \$35.0/kgV previously). The latter is expected to weigh on earnings with EBITDA forecast to come in at -\$4m (H1/23: \$10m) while divestment of Vanchem and Vametco is expected to incur a significant, albeit non-cash impairment (~\$70m est.).

Our estimates assume production comes in line with guidance at 3.8ktV and \$26.7/kgV C1 cash cost in FY23 while Orion refinancing and SPR deals close H2/23.

Management remains focused on addressing near term challenges that should assist in rerating of the Company including ramping up operations to stable production run rates and completing refinancing. Adding to this, another important factor that is key for Company’s future, but is beyond the team’s control, is vanadium price that has been underperforming lately (see Chart below) but that we would expect to recover 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	35.0	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	26.7	24.8
Revenues	US\$m	90	107	148	143	177
EBITDA	US\$m	-15	-7	22	6	34
PAT	US\$m	-31	-34	-35	-97	5
FCF	US\$m	-28	-32	2	-16	22
EV/EBITDA	x	-	-	10.5	25.7	4.5
PER	x	-	-	-	-	-
Net debt/(cash)	US\$m	25	69	76	58	45

Source: SP Angel, Company

Below we provide our valuation breakdown between assets held within the Group as well as sensitivities of our estimates to key assumptions including vanadium prices as well as FX and discount rates.

**NAVPS breakdown**

Valuation	Method	Stage	NPV 100%	Interest	P/NAV	Att US\$m	GBP/shr	
Vametco	DCF10%	Production	229	74%	1.00	169	6.4	
Vanchem	DCF10%	Production	88	50%	1.00	44	1.7	
8ktpaV Upside Potential	DCF10%	PFS/FS	187	Mixed	0.50	70	2.7	
Bushveld Energy BELCO	DCF10%	Development	54	46%	0.75	19	0.7	
<b>Project Value</b>						<b>302</b>	<b>11.5</b>	
<b>Adjustments</b>								
Net Cash/(Debt)						-47	-1.8	
Enerox Interest						8	0.3	
Other (Corporate Overheads 5y Discounted)						-57	-2.2	
<b>Company NAV</b>						<b>207</b>	<b>7.9</b>	

GBPUSD 1.3

Source: SPA

**NAVPS sensitivity to FeV prices, discount rates and USDZAR currency rate**

**NAVPS sensitivity to changes in FeV price / Discount Rate**

	8%	9%	10%	11%	12%
30.0	0.3	-0.1	-0.5	-0.8	-1.1
35.0	5.3	4.5	3.7	3.1	2.5
40.0	10.3	9.0	7.9	6.9	6.0
45.0	15.3	13.6	12.1	10.7	9.6
50.0	20.3	18.1	16.2	14.6	13.1

**NAVPS sensitivity to changes in USDZAR / Discount Rate**

	8%	9%	10%	11%	12%
16.0	7.5	6.4	5.5	4.6	3.9
17.0	9.0	7.8	6.7	5.8	5.1
18.0	10.3	9.0	7.9	6.9	6.0
19.0	11.5	10.1	8.9	7.8	6.9
20.0	12.6	11.1	9.8	8.7	7.7

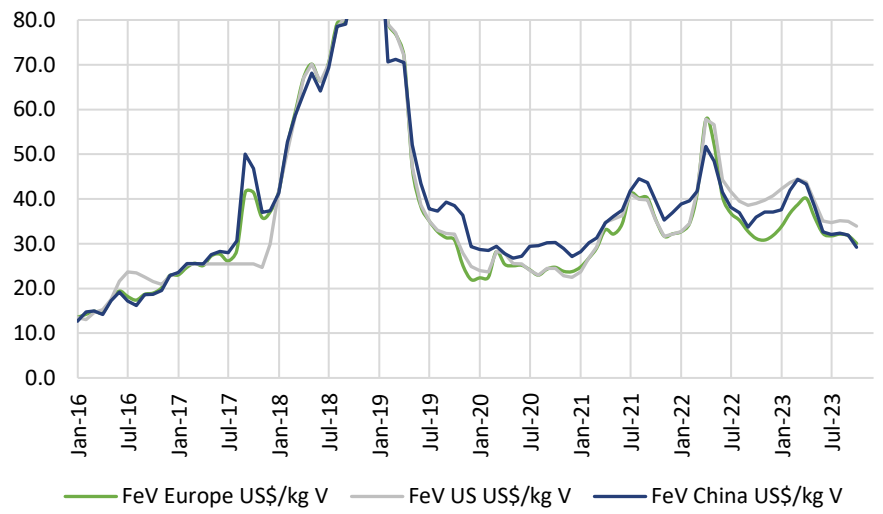
**NAVPS sensitivity to changes in FeV / USDZAR (@10% DR)**

	16.00	17.00	18.00	19.00	20.00
30.0	-3.2	-1.7	-0.5	0.5	1.4
35.0	1.3	2.6	3.7	4.7	5.6
40.0	5.5	6.7	7.9	8.9	9.8
45.0	9.6	10.9	12.1	13.1	14.0
50.0	13.8	15.1	16.2	17.2	18.1

Source: SPA

### Vanadium Prices

Regional FeV prices (US\$/kgV)



Prices peaked at \$144/kgV (China) in 2018 (data left out in the chart)  
 Source: Asian Metals

## Earnings Summary

Projections are ex BELCO related earnings/cashflows from 2024 onwards

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	1.6	FeV price	US\$/kgV	23.5	32.2	41.4	35.0	40.0
Target price	GBp	7.9	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		1.22	C1 cash cost	US\$/kgV	18.6	26.1	27.7	26.7	24.8
Mkt cap	GBPm	24.9	Income Statement						
	USDm	30.4	Revenues	90	107	148	143	177	
EV	GBPm	126.0	<b>EBITDA</b>	<b>-15</b>	<b>-7</b>	<b>22</b>	<b>6</b>	<b>34</b>	
	USDm	153.7	<b>margin</b>	<b>-17%</b>	<b>-7%</b>	<b>15%</b>	<b>4%</b>	<b>19%</b>	
Av # of sh in issue*	mIn	1,558	EBIT	-33	-29	-20	-78	19	
Av # traded, 100d	mIn	5.9	Net Interest	-5	-14	-14	-13	-9	
Ex Orion and SPR potential dilution			<b>PBT</b>	<b>-38</b>	<b>-39</b>	<b>-37</b>	<b>-95</b>	<b>11</b>	
			<b>Tax</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>-3</b>	<b>-5</b>	
			<b>PAT</b>	<b>-31</b>	<b>-34</b>	<b>-35</b>	<b>-97</b>	<b>5</b>	
			<b>EPS basic, cents</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-3.1</b>	<b>-6.2</b>	<b>-0.2</b>	
			<b>EPS diluted, cents</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-3.1</b>	<b>-6.2</b>	<b>-0.2</b>	
			Cash flow						
			<b>CFO</b>	<b>-14</b>	<b>-12</b>	<b>22</b>	<b>-3</b>	<b>34</b>	
			Tax paid	-3	0	-1	-4	-5	
			<b>Net CFO</b>	<b>-17</b>	<b>-12</b>	<b>21</b>	<b>-7</b>	<b>29</b>	
			Capex (incl Exploration)	-11	-20	-19	-9	-7	
			Other	-3	2	-1	25	-	
			<b>CFI</b>	<b>-13</b>	<b>-17</b>	<b>-20</b>	<b>16</b>	<b>-6</b>	
			Dividends paid	-	-	-	-	-	
			Issue of shares	-	-	-	13	-	
			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	16	7	
			<b>Cash cf</b>	<b>51</b>	<b>15</b>	<b>11</b>	<b>26</b>	<b>34</b>	
			Balance Sheet						
			Cash & cash equivalents	73	15	14	28	36	
			Receivables/prepayments	11	18	9	11	11	
			Inventories	34	42	55	47	47	
			<b>Current assets</b>	<b>121</b>	<b>78</b>	<b>78</b>	<b>86</b>	<b>94</b>	
			Exploration & PPE	227	212	181	94	86	
			Investments	3	10	6	4	4	
			<b>Non-current assets</b>	<b>229</b>	<b>223</b>	<b>189</b>	<b>100</b>	<b>93</b>	
			<b>Total assets</b>	<b>351</b>	<b>301</b>	<b>268</b>	<b>187</b>	<b>186</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>48</b>	<b>49</b>	
			Borrowings LT (incl leases)	84	74	42	79	72	
			<b>Non-current liabilities</b>	<b>117</b>	<b>101</b>	<b>63</b>	<b>99</b>	<b>92</b>	
			<b>Total liabilities</b>	<b>160</b>	<b>149</b>	<b>162</b>	<b>146</b>	<b>141</b>	
			<b>Net assets</b>	<b>191</b>	<b>152</b>	<b>106</b>	<b>40</b>	<b>46</b>	
			Key financial metrics						
			Net debt/(cash)	25	69	76	58	45	
			Av # of sh (diluted)	1,165	1,202	1,271	1,471	2,022	
			EV/EBITDA	-	-	10.5	25.7	4.5	
			PER	-	-	-	-	-	
			FCF (NCFO-Capex)	-27.9	-32.5	2.5	-16.2	21.6	
			FCF yield	-	-	2%	-	71%	
			DY	0.0%	0.0%	0.0%	0.0%	0.0%	
			ROA	-	-	-	-	0.0	
			Interest coverage	-	-	-	-	2.2	
			<b>Net Debt/EBITDA</b>	<b>-</b>	<b>-</b>	<b>3.4</b>	<b>9.7</b>	<b>1.3</b>	

Source: Company, SPA

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