

# Bushveld Minerals

## H1 results; progress at Vanchem post period end

Bushveld Minerals (“BMN”) has released its results for H1 2023 having already released production of 1,784t at a weighted average cash cost of US\$26.6/kgV, with H1 sales of 2,096tV through destocking during the period. Revenue for the period was US\$78.4m, with adj EBITDA of US\$10.3m and attributable NPAT of -US\$14m. The company finished H1 with US\$3.7m of cash and US\$90.7m of debt. We expect H2 production of 1,992tV, split between 925tV from Vanchem and 1,067tV from Vametco, bringing full year production to 3,775tV, near the middle of 3,700tV-3,900tV guidance. We have updated our valuation to reflect these results and the recent funding package announced [11 Sept](#), resulting in a reduction to our target price to £0.06/share from £0.09/share.

### Recent proposed funding package should stabilise the balance sheet

BMN recently announced it had agreed a funding package with total investment of US\$69.5m-US\$77.5m from Southern Point Resources (“SPR”). The main elements of the funding package were: (i) a ZAR 150m (~US\$8.1m) interim working capital facility secured against production from Vanchem that has now been drawn; (ii) the sale of 50% of the company’s interest in Vanchem and BMN’s 64% interest in the Mokopane project for ~US\$25m. (iii) an equity investment in BMN by SPR of ~US\$12.5m with SPR having the right to nominate a NED; (iv) a US\$25m-US\$30m trade finance working capital facility with SPR taking on all product marketing and sales for BMN; (v) a potential future commitment by SPR to fund a US\$7m-US\$10m investment in Vanchem to refurbish Kiln-1 subject to a feasibility study that would increase production to 4.6kt-4.7kt. We expect net debt at the end of 2023 to be US\$89m, assuming that this funding package is approved (albeit with the Vanchem stake sale completing post year-end), and that the refinancing of the US\$35m Orion Mine Finance convertible note that matures in November 2023 is also agreed.

### After a challenging H1, consistency is now key

H1 output of 1,784t was announced on 2<sup>nd</sup> August, with full year production guidance cut from 4,200tV-4,500tV to 3,700tV-3,900tV and cost guidance narrowed from US\$26.1/kgV-US\$27kgV to US\$26.6kgV-US\$26.9kgV. Production at Vametco was impacted by high rainfall levels and power instabilities, while Vanchem was impacted by unplanned maintenance, power disruptions, and lower quality ore feed. Both operations have maintenance planned for H2 with a 25-day shutdown at Vanchem scheduled in Q4 and 10 days at Vametco expected in Q3. For 2023, we expect production of 3,775tV at a cash cost of US\$26.9/kgV. We expect Q3 production of 527tV from Vametco and 465tV from Vanchem, in line with guidance provided by the Company. Several initiatives have been announced to improve production including changing the reagent mix at Vanchem to reduce silica build up, deploying experienced staff from Vametco to Vanchem to improve knowledge sharing, and introducing full time supervisory shift managers. These initiatives resulted in a 63% improvement in monthly production at Vanchem for July and August relative to the H1 average. Vametco has continued to be challenging in H2, but management expects production to normalise from October. We expect 2023 revenues of US\$150.6m, EBITDA of US\$16m (-19% vs previous H&Pe), and attributable NPAT of -US\$86m. As a result of the SPR funding package, we expect a book value loss of US\$49.8m to be recognised for the Mokopane deposit and US\$9.8m for Vanchem during H2. Stripping these out, we expect underlying attributable NPAT to be -US\$26.4m.

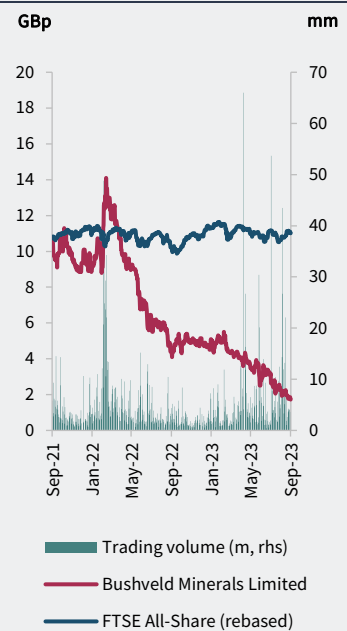
### £0.06/sh target, rerating to be driven by improved operational performance

We value BMN using a DCF model for the company’s operations, based on the existing reserve. We use a 10% WACC and assume an average received vanadium price of US\$45/kg over the long term supported by demand growth for vanadium batteries and higher vanadium loading in steel. This supports our valuation of £0.06/share, down 33% from our previous estimate. The short term focus should be on whether the operational progress can be maintained and revised guidance met.

GICS Sector	Materials
Ticker	BMN.LN
Market cap 25-Sept-23 (US\$m)	27.2
Share price 25-Sept-23 (GBP)	1.65
Target price 31-Dec-23 (GBP)	6.00

# +264%

Upside from current share price to our £0.06/sh risked NPV



*The cost of producing this material has been covered by Bushveld Minerals Ltd as part of a contractual engagement with H&P Advisory Ltd.*

### Jonathan Guy

Director, Mining Research

T +44-207-907-8500

E [jonathan.guy@hannam.partners](mailto:jonathan.guy@hannam.partners)

### Roger Bell

Managing Director, Research

T +44-207-907-8534

E [rb@hannam.partners](mailto:rb@hannam.partners)

### Oscar Norris

Research Analyst

T +44-207-907-8500

E [on@hannam.partners](mailto:on@hannam.partners)

### Jay Ashfield

Director, Mining Sales

T +44-207-907-2022

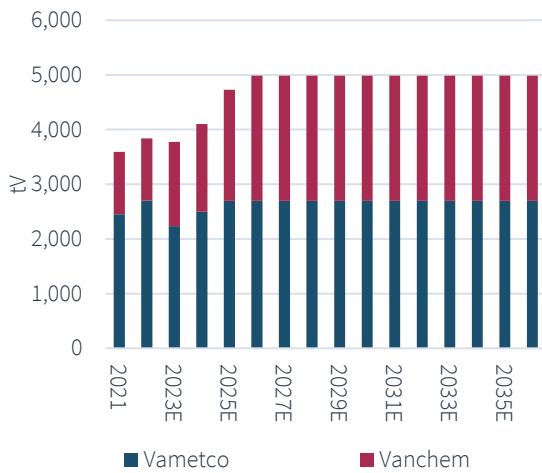
E [ja@hannam.partners](mailto:ja@hannam.partners)

H&P Advisory Ltd

3rd Floor, 7-10 Chandos Street  
London W1G 9DQ

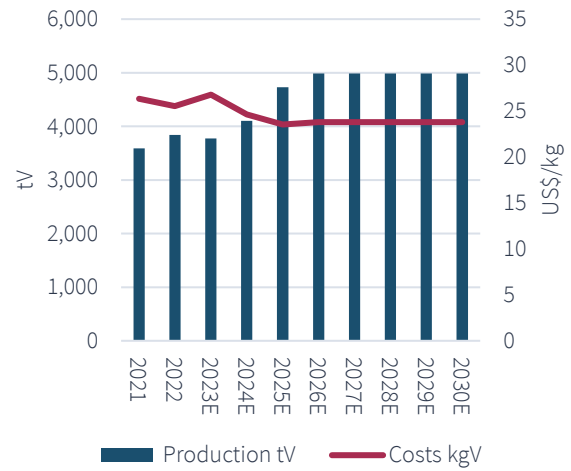
## Key Charts

### Bushveld production split



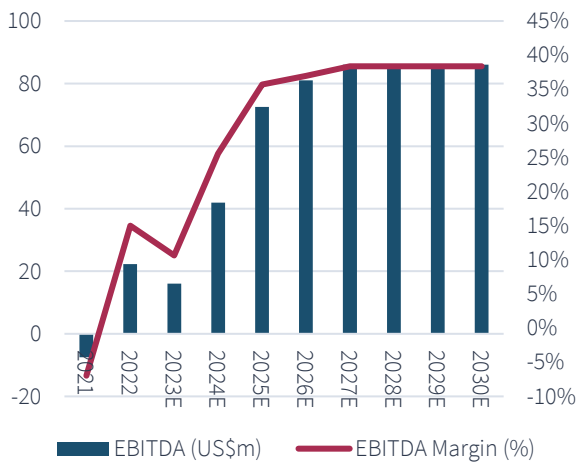
Source: Company, H&Pe

### Bushveld production and costs



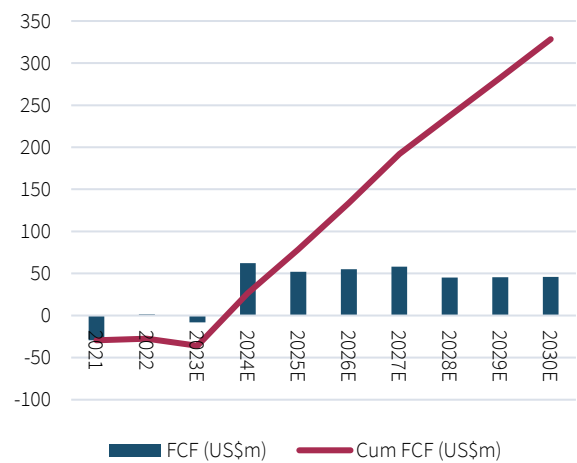
Source: Company, H&Pe

### Bushveld EBITDA and EBITDA margin



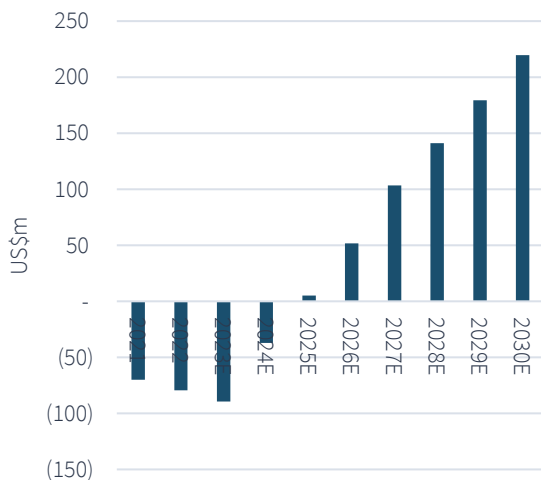
Source: Company, H&Pe

### Bushveld FCF and cumulative FCF



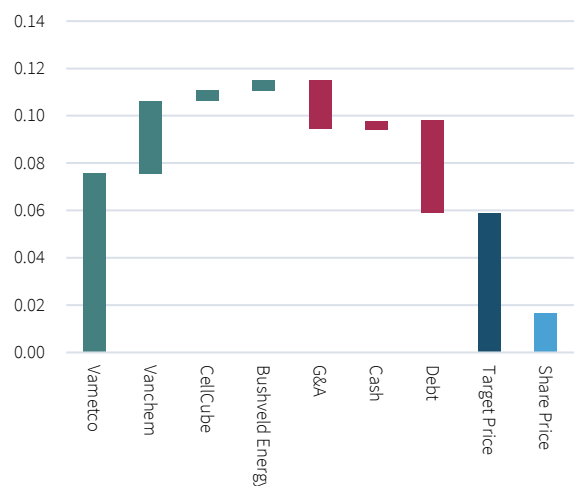
Source: Company, H&Pe

### Bushveld Net debt (US\$m)



Source: Company, H&Pe

### Bushveld SOTP valuation, £0.06/sh



Source: H&Pe

## Financial Statements Summary

<b>Pricing, Production and Costs</b>		<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Received price	USD/kg	32.20	41.40	36.25	40.00	43.00	44.00	45.00
ZAR:USD		14.77	16.33	17.75	17.00	17.00	17.00	17.00
GB£/US\$		1.15	1.15	1.33	1.40	1.40	1.40	1.40
Vametco	tV	2,453	2,704	2,234	2,501	2,698	2,698	2,698
Vanchem	tV	1,137	1,136	1,541	1,600	2,031	2,287	2,287
		<b>3,590</b>	<b>3,840</b>	<b>3,775</b>	<b>4,101</b>	<b>4,728</b>	<b>4,985</b>	<b>4,985</b>
Vametco cost	US\$/kg	24.03	23.39	25.67	20.44	20.00	20.00	20.00
Vanchem cost	US\$/kg	31.28	37.22	28.40	31.18	28.24	28.24	28.24
	US\$/kg	26.32	25.54	26.79	24.63	23.54	23.78	23.78
<b>P &amp; L</b>		<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue	US\$m	106.9	148.4	150.6	164.0	203.3	219.3	224.3
Costs	US\$m	-83.4	-89.8	-96.8	-85.4	-93.9	-100.6	-100.6
<b>Gross profit</b>	<b>US\$m</b>	<b>23.5</b>	<b>58.6</b>	<b>53.8</b>	<b>78.6</b>	<b>109.4</b>	<b>118.7</b>	<b>123.7</b>
Depreciation	US\$m	-19.4	-18.5	-15.8	-15.6	-17.4	-17.9	-17.9
Other costs	US\$m	-10.0	-16.0	-17.5	-16.7	-16.9	-17.6	-17.6
Impairment	US\$m	-2.4	-24.0	-59.6	0.0	0.0	0.0	0.0
G&A	US\$m	-20.9	-20.3	-20.2	-20.0	-20.0	-20.0	-20.0
<b>Operating profit</b>	<b>US\$m</b>	<b>-29.3</b>	<b>-20.1</b>	<b>-59.3</b>	<b>26.3</b>	<b>55.2</b>	<b>63.2</b>	<b>68.2</b>
Fin income	US\$m	0.9	0.5	0.3	1.6	3.1	4.5	1.2
Fin costs	US\$m	-13.3	-14.1	-17.8	-9.9	-9.9	-8.8	-8.5
Other	US\$m	-6.3	-5.9	-1.5	0.0	0.0	0.0	0.0
PBT	US\$m	-47.9	-39.7	-78.4	18.0	48.4	58.9	60.8
Tax	US\$m	4.7	1.3	-2.4	0.0	0.0	-2.0	-20.9
NPAT	US\$m	-43.2	-38.4	-80.8	18.0	48.4	56.9	40.0
Minorities	US\$m	-1.3	3.5	2.1	3.4	8.9	10.9	12.9
BMN shareholders	US\$m	-41.9	-41.9	-82.9	14.6	39.5	45.9	27.1
Shares O/S	m	1,260.5	1,270.6	1,578.9	1,870.7	1,870.7	1,870.7	1,870.7
EPS	US\$	-0.03	-0.03	-0.05	0.01	0.03	0.03	0.02
DPS	US\$	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>US\$m</b>	<b>-7.4</b>	<b>22.3</b>	<b>16.0</b>	<b>42.0</b>	<b>72.6</b>	<b>81.1</b>	<b>86.1</b>
<b>Balance Sheet</b>		<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Non Current Assets</b>								
Intangible Assets	US\$m	59.3	53.5	53.0	53.0	53.0	53.0	53.0
Tangible Assets	US\$m	153.1	127.4	51.3	19.5	10.9	1.8	-7.3
Other	US\$m	10.5	5.6	4.2	4.2	4.2	4.2	4.2
	<b>US\$m</b>	<b>222.8</b>	<b>186.4</b>	<b>108.5</b>	<b>76.7</b>	<b>68.1</b>	<b>59.0</b>	<b>49.9</b>
<b>Current Assets</b>								
Inventories	US\$m	41.6	55.0	49.3	42.4	47.2	50.6	50.6
Receivables	US\$m	17.6	9.5	10.2	11.6	14.3	15.5	15.8
Restricted investment	US\$m	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Current tax receivable	US\$m	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	US\$m	0.0	3.1	1.1	1.1	1.1	1.1	1.1
Cash	US\$m	15.4	10.9	8.0	65.0	99.8	134.3	186.2
	<b>US\$m</b>	<b>82.7</b>	<b>121.4</b>	<b>77.9</b>	<b>78.4</b>	<b>68.6</b>	<b>120.1</b>	<b>162.4</b>
<b>Total assets</b>	<b>US\$m</b>	<b>305.5</b>	<b>307.9</b>	<b>186.3</b>	<b>155.1</b>	<b>136.7</b>	<b>179.1</b>	<b>212.3</b>
<b>Non Current Liabilities</b>								
Borrowings	US\$m	67.4	35.3	40.9	45.5	38.0	26.1	76.1
Lease liabilities	US\$m	3.9	6.7	6.0	6.0	6.0	6.0	6.0
Other	US\$m	30.9	21.0	19.9	19.9	19.9	19.9	19.9
	<b>US\$m</b>	<b>102.3</b>	<b>63.0</b>	<b>66.8</b>	<b>71.4</b>	<b>63.9</b>	<b>52.0</b>	<b>102.1</b>
<b>Current Liabilities</b>								
Payables	US\$m	33.1	45.9	33.6	30.7	34.2	36.6	36.6
Borrowings	US\$m	10.2	47.9	50.0	50.0	50.0	50.0	0.0
Other	US\$m	4.3	5.2	5.7	5.7	5.7	5.7	5.7
	<b>US\$m</b>	<b>47.6</b>	<b>99.0</b>	<b>89.3</b>	<b>86.4</b>	<b>89.8</b>	<b>92.3</b>	<b>42.3</b>
<b>Total Liabilities</b>	<b>US\$m</b>	<b>54.7</b>	<b>-36.0</b>	<b>-22.4</b>	<b>-14.9</b>	<b>-25.9</b>	<b>-40.3</b>	<b>59.8</b>
<b>Equity &amp; Liabilities</b>								
Share capital	US\$m	16.8	17.1	34.1	34.1	34.1	34.1	34.1
Share premium	US\$m	125.6	127.7	127.7	127.7	127.7	127.7	127.7
Retained income	US\$m	-1.3	-39.1	-124.9	-106.9	-69.2	-29.8	10.2
Other	US\$m	-22.8	39.3	-227.3	-366.3	-472.5	-472.5	-472.5
Att to parent	US\$m	118.3	144.9	-190.4	-311.4	-379.9	-340.5	-300.5
Non controlling	US\$m	32.5	36.6	33.7	33.7	33.7	33.7	20.8
Total Equity	US\$m	150.8	181.5	-156.7	-277.6	-346.1	-306.8	-279.7

Source: H&Pe

<b>Cashflow</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Net OCF</b>	<b>US\$m</b>	<b>-12.1</b>	<b>21.2</b>	<b>2.3</b>	<b>44.6</b>	<b>57.8</b>	<b>59.5</b>	<b>65.8</b>
<b>Investing CF</b>								
PPE acquisition	US\$m	-19.4	-18.2	-10.8	-8.8	-8.8	-8.8	-8.8
Intangible acquisition	US\$m	-0.9	-0.5	-0.1	0.0	0.0	0.0	0.0
Other	US\$m	3.2	-0.9	0.3	26.6	3.1	4.5	12
	<b>US\$m</b>	<b>-17.2</b>	<b>-19.6</b>	<b>-10.6</b>	<b>17.8</b>	<b>-5.7</b>	<b>-4.3</b>	<b>-7.6</b>
<b>Financing CF</b>								
Equity issuance	US\$m	0.0	0.0	17.0	0.0	0.0	0.0	0.0
Debt raised	US\$m	1.3	4.2	50.1	25.4	0.6	0.3	0.0
Debt repaid	US\$m	-4.7	-5.6	-45.8	-20.9	-8.1	-12.2	0.0
Other	US\$m	-3.7	-3.9	-13.1	-9.9	-9.9	-8.8	-8.5
	<b>US\$m</b>	<b>-7.0</b>	<b>-5.3</b>	<b>8.2</b>	<b>-5.3</b>	<b>-17.4</b>	<b>-20.7</b>	<b>-8.5</b>
<b>CF</b>	<b>US\$m</b>	<b>-36.3</b>	<b>-3.8</b>	<b>-0.1</b>	<b>57.0</b>	<b>34.7</b>	<b>34.5</b>	<b>49.7</b>
Forex	US\$m	12	-0.8	-0.6	0.0	0.0	0.0	0.0
Net CF	US\$m	-35.1	-4.6	-0.6	57.0	34.7	34.5	49.7
<b>NAV</b>								
	<b>DR</b>	<b>att</b>		<b>USDm</b>		<b>USD/share</b>		<b>GBP/Share</b>
Vametco	10%	74%		176.81		0.09		0.08
Vanchem	10%	50%		72.02		0.04		0.03
Bushveld Energy				10.00		0.01		0.00
Mustang				10.00		0.01		0.00
G&A				-48.12		-0.03		-0.02
Cash				8.03		0.00		0.00
Debt				-90.95		-0.05		-0.04
<b>NAV</b>				<b>137.80</b>		<b>0.07</b>		<b>0.06</b>
<b>NAVx</b>								<b>0.28x</b>
<b>Key ratios</b>								
		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Market Cap	US\$m	27.6	27.8	34.5	40.9	40.9	40.9	40.9
EV	US\$m	97.5	107.3	123.9	77.9	35.7	-10.7	-62.6
EBITDA	US\$m	-7.4	22.3	16.0	42.0	72.6	81.1	86.1
Net Debt	US\$m	-70.0	-79.5	-89.4	-37.0	5.2	51.6	103.5
ND/EBITDA	x	NA	3.6x	5.6x	0.9x	-0.1x	-0.6x	-12x
FCF	US\$m	-29.2	16	-8.3	62.4	52.2	55.2	58.3
EBITDA Margin	%	-7%	15%	11%	26%	36%	37%	38%
PE	x	NA	NA	NA	2.3x	0.8x	0.7x	10x
EV/EBITDA	x	NA	4.8x	7.7x	1.9x	0.5x	-0.1x	-0.7x
EV/Sales	x	0.9x	0.7x	0.8x	0.5x	0.2x	0.0x	-0.3x
FCF Yield	%	-106%	6%	-24%	152%	128%	135%	142%
FCF/share	US\$	-0.02	0.00	-0.01	0.03	0.03	0.03	0.03
Dividend Yield	%	NA	NA	NA	NA	NA	NA	NA
ROCE	%	-11%	-10%	-61%	38%	18%	73%	40%
ROE	%	-29%	-21%	52%	-6%	-14%	-19%	-14%

Source: H&Pe

## Disclaimer

This Document has been prepared by H&P Advisory Limited ("H&P"). It is protected by international copyright laws and is for the recipient's use in connection with considering a potential business relationship with H&P only. This Document and any related materials are confidential and may not be distributed or reproduced (in whole or in part) in any form without H&P's prior written permission.

By accepting or accessing this Document or any related materials you agree to be bound by the limitations and conditions set out herein and, in particular, will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this disclaimer including, without limitation, the obligation to keep information contained in this Document and any related materials confidential.

This Document does not represent investment research for the purposes of the rules of the Financial Conduct Authority ("FCA Rules"). To the extent it constitutes a research recommendation, it takes the form of NON-INDEPENDENT research for the purposes of the FCA Rules. As such it constitutes a MARKETING COMMUNICATION, has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of investment research.

The information contained herein does not constitute an offer or solicitation to sell or acquire any security or fund the acquisition of any security by anyone in any jurisdiction, nor should it be regarded as a contractual document. Under no circumstances should the information provided in this Document or any other written or oral information made available in connection with it be considered as investment advice, or as a sufficient basis on which to make investment decisions. This Document is being provided to you for information purposes only.

The distribution of this Document or any information contained in it and any related materials may be restricted by law in certain jurisdictions, and any person into whose possession this Document or any part of it comes should inform themselves about, and observe, any such restrictions.

The information in this Document does not purport to be comprehensive and has been provided by H&P (and, in certain cases, third party sources) and has not been independently verified. No reliance may be placed for any purposes whatsoever on the information contained in this Document or related materials or in the completeness of such information.

The information set out herein and in any related materials reflects prevailing conditions and our views as at this date and is subject to updating, completion, revision, verification and amendment, and such information may change materially. H&P is under no obligation to provide the recipient with access to any additional information or to update this Document or any related materials or to correct any inaccuracies in it which may become apparent.

Whilst this Document has been prepared in good faith, neither H&P nor any of its group undertakings, nor any of its or their respective directors, members, advisers, representatives, officers, agents, consultants or employees makes, or is authorised to make any representation, warranty or undertaking, express or implied, with respect to the information or opinions contained in it and no responsibility or liability is accepted by any of them as to the accuracy, completeness or reasonableness of such information or opinions or any other written or oral information made available to any party or its advisers. Without prejudice to the foregoing, neither H&P nor any of its group undertakings, nor any of its or their respective directors, members, advisers, representatives, officers, agents, consultants or employees accepts any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this Document and/or related materials or their contents or otherwise arising in connection therewith. This Document shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

All statements of opinion and/or belief contained in this Document and all views expressed and all projections, forecasts or statements regarding future events or possible future performance represent H&P's own assessment and interpretation of information available to it as at the date of this Document. This Document and any related materials may include certain forward-looking statements, beliefs or opinions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that any of the results and events contemplated by the forward-looking statements contained in the information can be achieved or will, in fact, occur. No representation is made or any assurance, undertaking or indemnity given to you that such forward looking statements are correct or that they can be achieved. Past performance cannot be relied on as a guide to future performance.

This document is directed only at persons who: (i) are Qualified Investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, (as amended); and (ii) have professional experience in matters relating to investments who fall within the definition of "Investment Professionals" contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or are persons falling within Article 49(2)(a) to (d) (High Net Worth Companies, Unincorporated Associations, etc.) of the Order, or fall within another exemption to the Order (all such persons referred to in (i) and (ii) above together being referred to as "Relevant Persons"). Any person in the United Kingdom who is not a Relevant Person must not act or rely on this document or any of its contents. In the United Kingdom, any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. By accepting receipt of this document, each recipient is deemed to confirm, represent and warrant that they are a Relevant Person. This Document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, the information contained in this Document is not for publication, release or distribution, and may not be taken or transmitted into: (i) the United States or its territories or possessions, or distributed, directly or indirectly, in the United States, its territories or possessions or to any U.S. person as such term is defined in Regulation S of the Securities Act; or (ii) Australia, Canada, Japan, New Zealand or the Republic of South Africa. Any failure to comply with this restriction may constitute a violation of United States, Canadian, Japanese, New Zealand or South African securities law. Further, the distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this Document comes are required to inform themselves about, and observe, any such restrictions.

H&P may from time to time have a broking, corporate finance advisory or other relationship with a company which is the subject of or referred to in the Document.

This Document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omission (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of their content including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

H&P Advisory Ltd is registered in England No.11120795. Registered Office: 3rd Floor, 7-10 Chandos Street, London W1G 9DQ. H&P Advisory Ltd is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 805667).