

Bushveld Minerals

Balance sheet stabilisation and asset optimisation progressing

Bushveld Minerals (“BMN”) has announced a fundraise of US\$18.4m through a placing at GBp3/share with a small additional retail offer. The proceeds will be used to fund capex at Vametco and Vanchem to increase production, as well as strengthen the balance sheet to facilitate restructuring of the Orion funding package. This follows from a recent series of announcements, including a definitive agreement for the 50% sale of the Vanchem plant, the sale of its 64% interest in the Mokopane project, an agreement on refinancing the convertible with Orion, the initiation of a disposal process for the company’s interest in CellCube, the departure of the previous CFO, and a corporate rightsizing process that should reduce head office headcount by 40% and save US\$1.5m/year. The underlying theme of this series of releases is that BMN continues to streamline its structure, focussing on core operations, resolving operational and management issues, and strengthening its balance sheet. We have updated our model to reflect the recently announced transactions and value the shares at GBp6/share. The Fundraise is conditional on a GM on 27th December.

2023 guidance maintained, 2024 guidance above our expectation

BMN has retained 2023 guidance of 3,700tV-3,900tV at a cost of US\$26.6/kgV-US\$26.9/kgV. This is in line with our expectation of 3,783t at US\$26.73/kgv. 2024 production is guided to be 4,300tV-4,500tV at a cash cost of US\$26.6/kgV-US\$27/kgV. Guidance for 2024 is above our previous expectation (4,100tV), however, costs are also higher (US\$24.5/kgV). We have updated our model accordingly.

SPR financing progressing with Vanchem definitive sale agreement

BMN has reached a definitive agreement for the sale of a 50% interest in the Vanchem plant for US\$21.3m and US\$3.7m for the sale of BMN’s 64% interest in the Mokopane vanadium project to SPR. This forms an integral part of a broader series of investments into BMN by SPR that should bring US\$69.5m-US\$77.5m of investment.

Agreement on convertible refinancing

BMN has announced a conditional agreement to refinance its convertible loan notes with Orion Mine Finance with an extension of the maturity date for the current convertible by a month to 31st Jan 2024. The total US\$46.9m refinancing is comprised of US\$4.7m that is being converted to equity at a price of £0.03/share, a new convertible loan note for US\$14.1m that matures in June 2028, a US\$28.1m term loan and a royalty of not more than 0.264% of Bushveld's gross revenues that will reduce by 80% when the term loan matures.

CellCube sale process initiated, BELCO feedback awaited, CFO replaced

BMN has initiated a sale process for its stake in CellCube; a micro-grid and grid-scale energy storage battery manufacturer. As such, BMN will not be signing a revised Share Exchange Agreement with Mustang Energy, in which BMN holds a 15.5% interest. We value BMN’s interest in CellCube at US\$10m. The former CFO, Tanya Chikanza, resigned and is being investigated by BMN for alleged misconduct relating to a failure to disclose a material conflict of interest. Janandre Lamprecht has stepped in as interim CFO during the search for a replacement. Ms Lamprecht is a chartered accountant with industry experience.

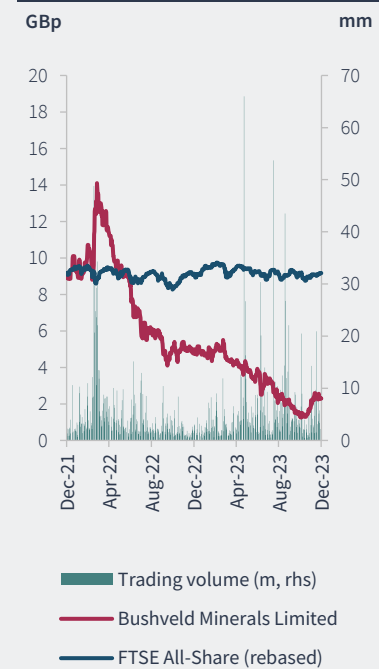
Valuation: £0.06 target, improved operational performance to drive rerating

We value BMN using a DCF model for the company’s operations, based on the existing reserve. This supports our valuation of £0.06/share. The short term focus should be on whether the operational progress can be maintained and revised guidance met while the various elements of the restructuring are completed.

GICS Sector	Materials
Ticker	BMN.LN
Market cap 12-Dec-23 (US\$m)	44
Share price 12-Dec-23(GBp)	2.4
Target Valuation (GBp)	6.0

+153%

Upside to £0.06/share target valuation



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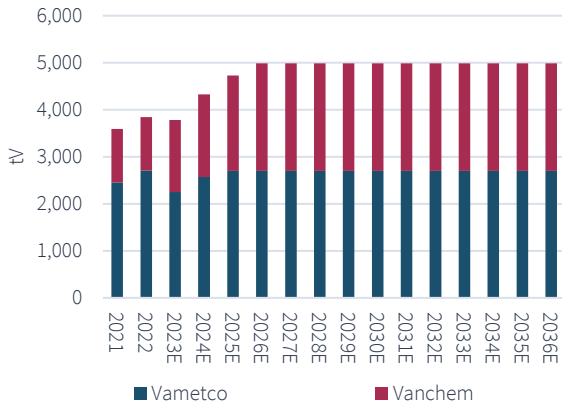
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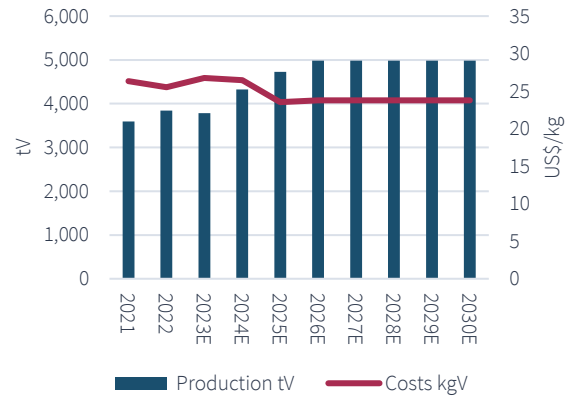
Key Charts

Bushveld production split



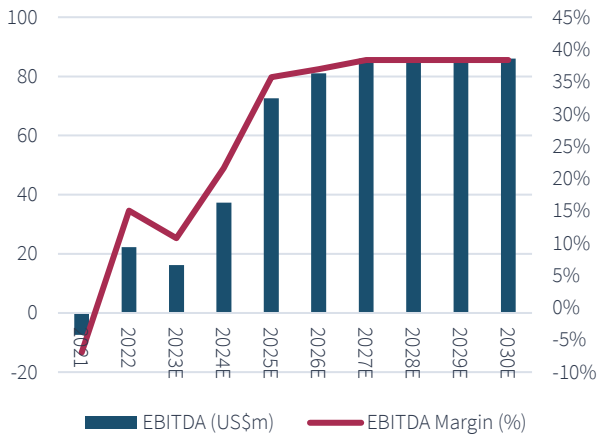
Source: Company, H&P

Bushveld production and costs



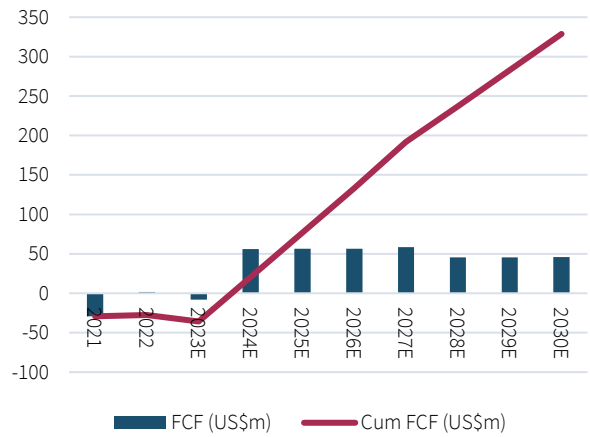
Source: Company, H&P

Bushveld EBITDA and EBITDA margin



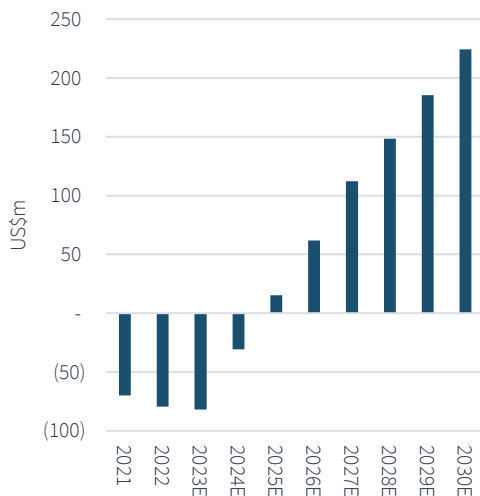
Source: Company, H&P

Bushveld FCF and cumulative FCF



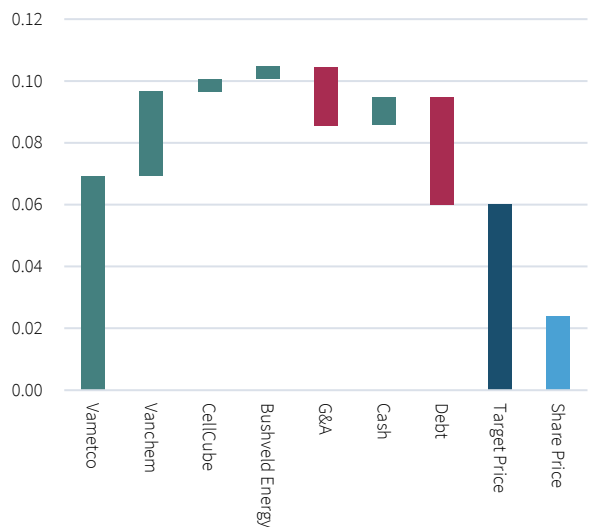
Source: Company, H&P

Bushveld Net debt



Source: Company, H&P

Bushveld SOTP valuation, £0.06/sh; 153% upside



Source: H&P

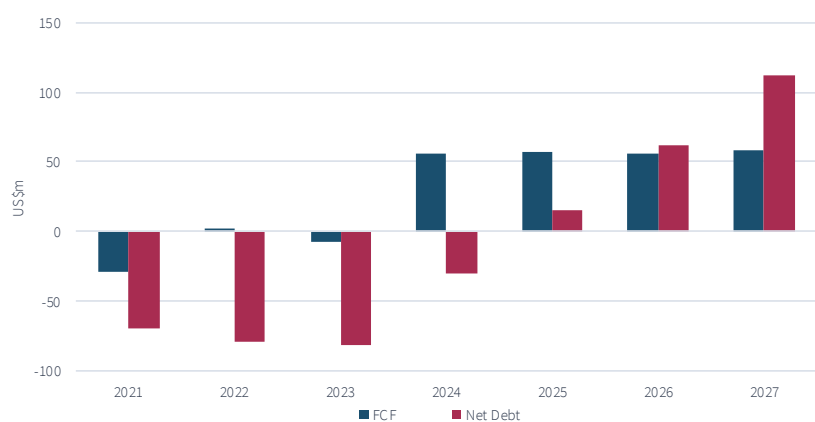
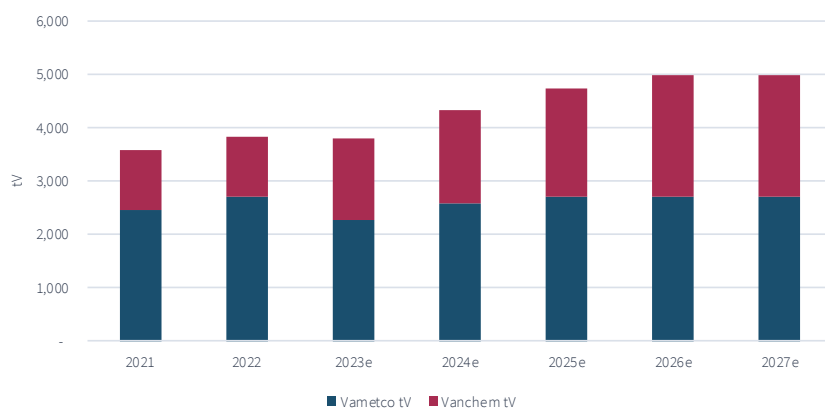
Financial Summary

		Share price		GB£ 0.02		US\$ 0.03		
		Valuation	GB£	0.06	137%			
P & L		2021	2022	2023e	2024e	2025e	2026e	2027e
Revenue	US\$m	106.9	148.4	150.9	172.9	203.3	219.3	224.3
Costs	US\$m	-83.4	-89.8	-96.9	-98.2	-93.9	-100.6	-100.6
Gross profit	US\$m	23.5	58.6	54.0	74.8	109.4	118.7	123.7
Depreciation	US\$m	-19.4	-18.5	-15.8	-16.2	-17.4	-17.9	-17.9
Other costs	US\$m	-10.0	-16.0	-17.6	-17.4	-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
Operating profit	US\$m	-29.3	-20.1	-59.2	21.1	55.2	63.2	68.2
Fin income	US\$m	0.9	0.5	0.3	2.3	4.0	5.7	14
Fin costs	US\$m	-13.3	-14.1	-14.3	-9.6	-10.7	-9.9	-10.2
Other	US\$m	-6.3	-5.9	-15	0.0	0.0	0.0	0.0
PBT	US\$m	-47.9	-39.7	-74.7	13.8	48.5	59.0	59.4
Tax	US\$m	4.7	1.3	-2.5	0.0	0.0	-0.8	-20.9
NPAT	US\$m	-43.2	-38.4	-77.2	13.8	48.5	58.2	38.6
Minorities	US\$m	-1.3	3.5	2.1	12	8.9	10.9	12.9
BMN shareholders	US\$m	-41.9	-41.9	-79.3	12.7	39.6	47.2	25.7
Shares O/S	m	1260.5	1270.6	1667.0	2,390.7	2,390.7	2,390.7	2,390.7
EPS	US\$	-0.03	-0.03	-0.05	0.01	0.02	0.02	0.02
DPS	US\$	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	US\$m	-7.4	22.3	16.2	37.4	72.6	81.1	86.1
Balance Sheet		2021	2022	2023e	2024e	2025e	2026e	2027e
Non Current Assets								
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	51.2	18.8	10.2	11	-8.0
Other	US\$m	10.5	5.6	4.2	4.2	4.2	4.2	4.2
Current Assets	US\$m	222.8	186.4	108.4	76.0	67.4	58.3	49.2
Inventories	US\$m	416	55.0	49.4	48.8	47.2	50.6	50.6
Receivables	US\$m	17.6	9.5	10.2	12.2	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	11	11	11	11	11
Cash	US\$m	15.4	10.9	22.9	79.9	126.4	161.0	211.5
Total assets	US\$m	305.5	307.9	186.3	154.4	150.9	200.2	238.2
Non Current Liabilities								
Borrowings	US\$m	67.4	35.3	48.2	54.0	54.6	42.7	92.7
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
Current Liabilities	US\$m	102.3	63.0	74.1	79.9	80.5	68.6	118.6
Payables	US\$m	33.1	45.9	33.6	35.3	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
Total Liabilities	US\$m	54.7	-36.0	-15.2	-11.1	-9.4	-23.7	76.3
Equity & Liabilities								
Share capital	US\$m	16.8	17.1	38.0	42.7	42.7	42.7	42.7
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	-121.3	-107.5	-68.5	-29.0	9.6
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	-182.9	-303.3	-370.5	-331.0	-292.5
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	-149.2	-269.6	-336.8	-297.3	-271.7
Cashflow		2021	2022	2023	2024	2025	2026	2027
Net OCF	US\$m	-12.1	21.2	2.4	37.7	61.4	59.5	65.8
Investing CF								
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	27.3	4.0	5.7	14
Financing CF	US\$m	-17.2	-19.6	-10.5	18.5	-4.8	-3.1	-7.4
Financing CF								
Equity issuance	US\$m	0.0	0.0	20.9	4.7	0.0	0.0	0.0
Debt raised	US\$m	1.3	4.2	14.0	67.6	0.6	0.3	0.0
Debt repaid	US\$m	-4.7	-5.6	-2.3	-61.9	0.0	-12.2	0.0
Other	US\$m	-3.7	-3.9	-9.6	-9.6	-10.7	-9.9	-10.2
CF	US\$m	-36.3	-3.8	14.8	57.0	46.5	34.6	48.3
Forex	US\$m	12	-0.8	-0.6	0.0	0.0	0.0	0.0
Net CF	US\$m	-35.1	-4.6	14.2	57.0	46.5	34.6	48.3

Source: H&P

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Market Cap GB £m		40	US\$m		52.46			
Ticker	M.N.LN	2021	2022	2023e	2024e	2025e	2026e	2027e
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	2,252	2,571	2,698	2,698	2,698
Vanchem	tV	1,137	1,136	1,531	1,753	2,031	2,287	2,287
		3,590	3,840	3,783	4,323	4,728	4,985	4,985
Vametco cost	US\$/kg	24.03	23.39	25.73	20.44	20.00	20.00	20.00
Vanchem cost	US\$/kg	31.28	37.22	28.27	35.29	28.24	28.24	28.24
	US\$/kg	26.32	25.54	26.76	26.46	23.54	23.78	23.78
NAV	DR	att	USDm		USD/share		GBP/Share	
Vametco	10%	74%	177.27		0.09		0.07	
Vanchem	10%	50%	70.22		0.03		0.03	
Bushveld Energy			10.00		0.00		0.00	
CellCube			10.00		0.00		0.00	
G&A			-48.12		-0.02		-0.02	
Cash			22.87		0.01		0.01	
Debt			-98.25		-0.05		-0.04	
NAV			143.99		0.07		0.06	
NAVx							0.42x	
Key ratios		2021	2022	2023	2024	2025	2026	2027
Market Cap	US\$m	39.7	40.0	52.5	75.2	75.2	75.2	75.2
EV	US\$m	109.6	119.5	134.4	105.9	60.0	13.5	-37.0
EBITDA	US\$m	-7.4	22.3	16.2	37.4	72.6	81.1	86.1
Net Debt	US\$m	-70.0	-79.5	-81.9	-30.6	15.3	61.8	112.3
ND/EBITDA	x	NA	3.6x	5.0x	0.8x	-0.2x	-0.8x	-1.3x
FCF	US\$m	-29.2	16	-8.2	56.1	56.6	56.4	58.5
EBITDA Margin	%	-7%	15%	11%	22%	36%	37%	38%
PE	x	NA	NA	NA	5.4x	16x	13x	2.0x
EV/EBITDA	x	NA	5.4x	8.3x	2.8x	0.8x	0.2x	-0.4x
EV/Sales	x	10x	0.8x	0.9x	0.6x	0.3x	0.1x	-0.2x
FCF Yield	%	-74%	4%	-16%	75%	75%	75%	78%
FCF/share	US\$	-0.02	0.00	0.00	0.02	0.02	0.02	0.02
Dividend Yield	%	NA	NA	NA	NA	NA	NA	NA
ROCE	%	-11%	-10%	-61%	33%	90%	59%	35%
ROE	%	-29%	-21%	52%	-5%	-14%	-20%	-14%



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