

# Bushveld Minerals

## GM vote approves share issue strengthening balance sheet and laying foundation for 2024 growth

Bushveld Minerals (“BMN”) has announced the result of its General Meeting (GM) that approved the issue of shares in relation to the recently announced financing, Black Economic Empowerment (‘BEE’) restructuring, Southern Point Resources (‘SPR’) financing, and the shares to be issued to Orion in relation to the convertible restructuring. Following this series of transactions, the total number of shares issued should increase to 2.311bn of which 670,000 will be held in treasury. We view this as a material positive for the company as it should result in the strengthening of the balance sheet that in turn underpins BMN’s operational turnaround programme. This is in line with our expectation and we maintain a valuation of 6p/share.

### 2023 was about stabilising production, 2024 should see a 14% increase

BMN’s guidance for 2023 is for production 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. Guidance has been maintained despite a refractory failure at Vanchem in December that required 12 days of maintenance to be brought forward from 2024. The short term target is to achieve consistent production of 180tV/m from Vanchem and 200tV/m from Vametco; 4,560tV/year in aggregate. Following the initiatives taken by the new management team these targets appear to have been close to being met during the last five months of 2023. Production for 2024 is guided to be 4,300tV-4,500tV at a cash cost of US\$26.6/kgV-US\$27/kgV. We expect 2024 production of 4,323tV split between 2,571tV from Vametco and 1,753tV from Vanchem. We expect cash costs to be US\$26.46/kg. While production should increase by 14% costs should remain elevated due to persistent inflation. In addition, capex should remain relatively high while BMN seeks to improve the reliability of the operations through a greater focus on proactive planned maintenance rather than reactive plant maintenance following a failure.

### US\$42m of available cash, sustaining capex will be the main focus

In aggregate, BMN has US\$42m of available cash with US\$6.6m of cash at the end of September 2023, US\$12.5m from the issue of equity to SPR, US\$6m of equity raised from other sources, and US\$16.9m of cash raised through the sell-down of the company’s interest in Vanchem and Mokopane. The main use of these funds will be US\$12.6m of sustaining capex at Vametco, US\$11.7m of sustaining capex at Vanchem, US\$4m of expenditure at the Barren Dam at Vametco, and US\$10.1m for working capital and debt repayments.

### BMN continuing to optimise and streamline operations

BMN has initiated a sale process for its stake in CellCube; a micro-grid and grid-scale energy storage battery manufacturer, which does not fit with the BMN’s strategy of focusing on its core vanadium operations. We value BMN’s interest in CellCube at US\$10m and would expect this to be disposed of this year. Management have also announced a major restructuring of BMN’s head office in December with a US\$1.5m/year reduction in costs that should be realised through a 40% cut in headcount.

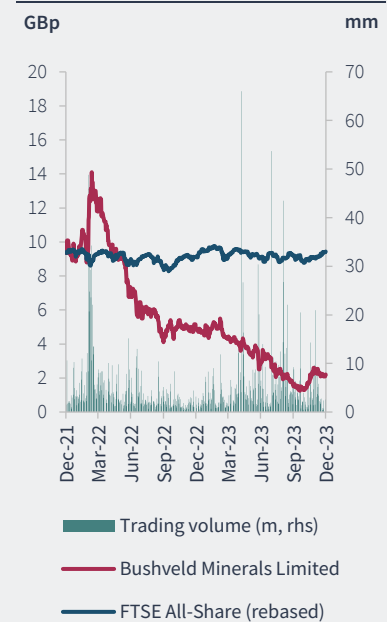
### Valuation: £0.06 target, improved operational performance to drive rerating

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 guidance met while the various elements of the restructuring are completed.

GICS Sector	Materials
Ticker	BMN.LN
Market cap 27-Dec-23 (GB£m)	45
Share price 27-Dec-23(GBP)	2.2
Target Valuation (GBP)	6.0

# +181%

Upside to £0.06/share target valuation



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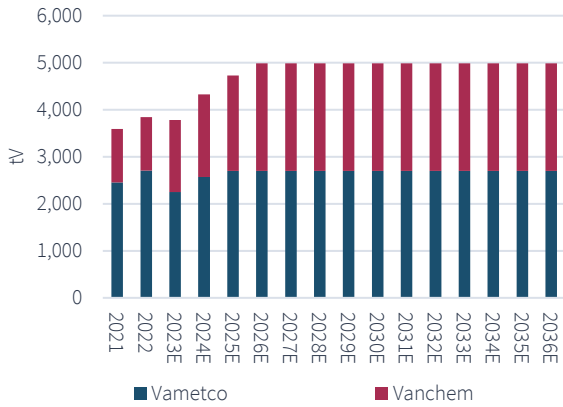
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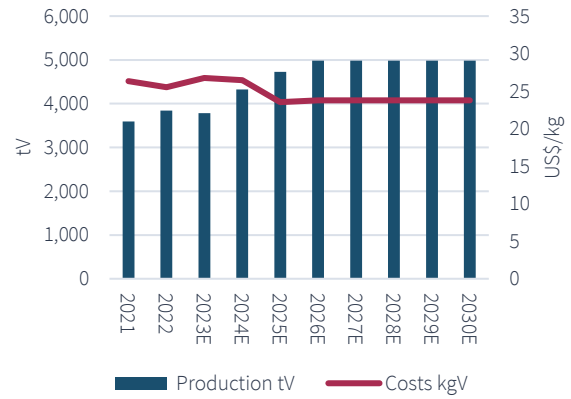
# Key Charts

## Bushveld production split



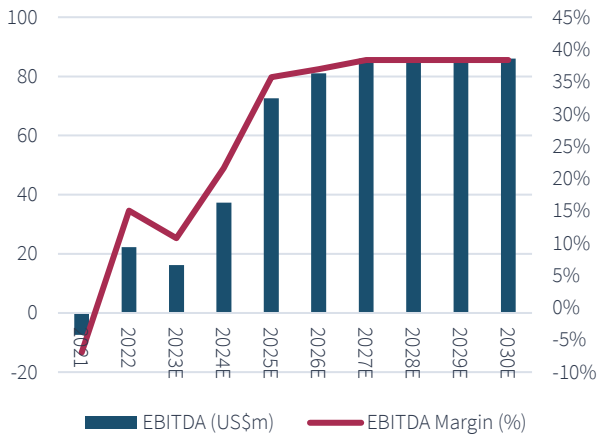
Source: Company, H&Pe

## Bushveld production and costs



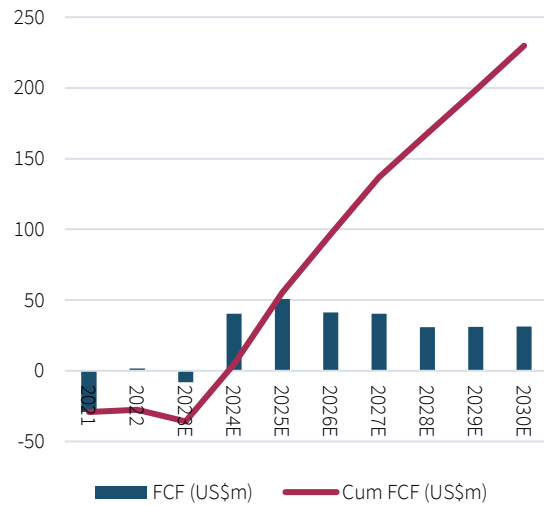
Source: Company, H&Pe

## Bushveld EBITDA and EBITDA margin



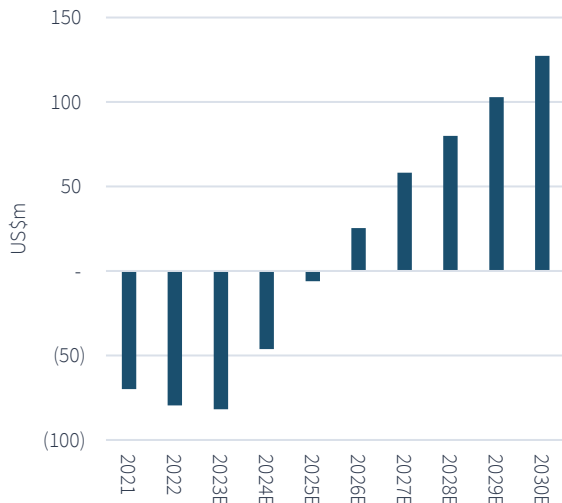
Source: Company, H&Pe

## Bushveld FCF and cumulative FCF



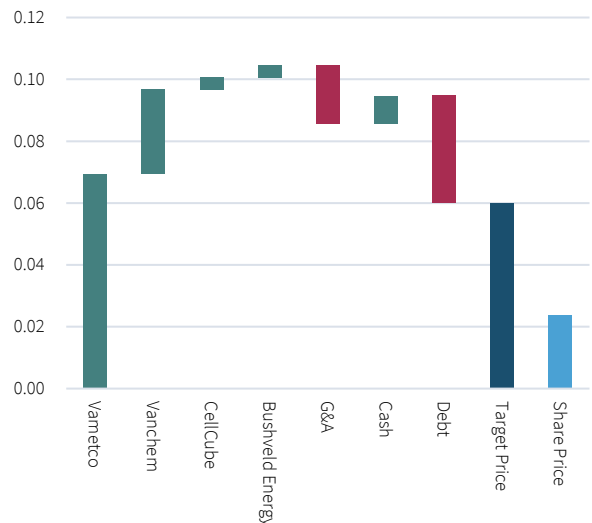
Source: Company, H&Pe

## Bushveld Net debt



Source: Company, H&Pe

## Bushveld SOTP valuation, £0.06/sh; 181% upside



Source: H&Pe

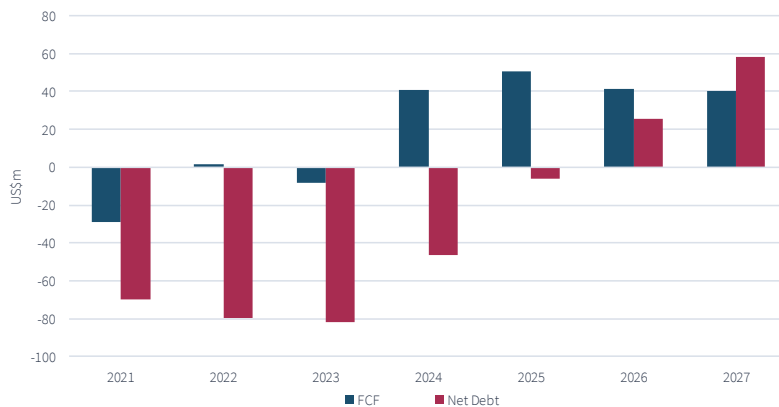
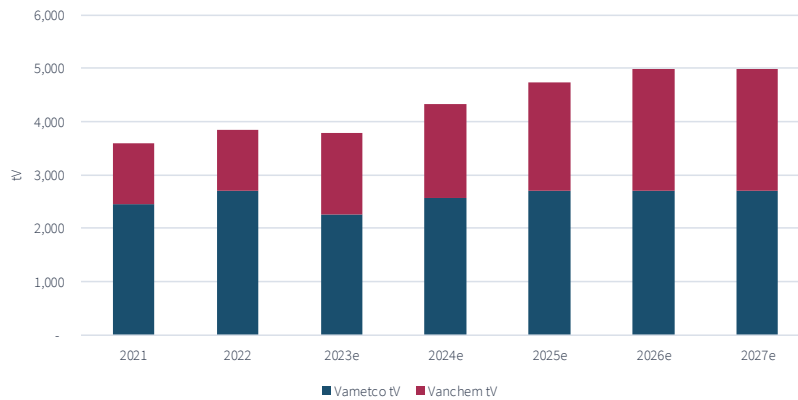
# Financial Summary

		Share price		GB£ 0.02		US\$ 0.03		
		Valuation		GB£	0.06	158%		
P&L		2021	2022	2023e	2024e	2025e	2026e	2027e
Revenue	US\$m	106.9	148.4	150.9	172.9	189.1	199.4	199.4
Costs	US\$m	-83.4	-89.8	-96.9	-98.2	-93.9	-100.6	-100.6
<b>Gross profit</b>	<b>US\$m</b>	<b>23.5</b>	<b>58.6</b>	<b>54.0</b>	<b>74.8</b>	<b>95.2</b>	<b>98.7</b>	<b>98.7</b>
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
<b>Operating profit</b>	<b>US\$m</b>	<b>-29.3</b>	<b>-20.1</b>	<b>-59.2</b>	<b>21.1</b>	<b>41.0</b>	<b>43.3</b>	<b>43.3</b>
Fin income	US\$m	0.9	0.5	0.3	2.1	3.2	4.6	1.1
Fin costs	US\$m	-13.3	-14.1	-14.3	-9.6	-10.5	-9.6	-9.9
Other	US\$m	-6.3	-5.9	-1.5	0.0	0.0	0.0	0.0
PBT	US\$m	-47.9	-39.7	-74.7	13.6	33.7	38.3	34.5
Tax	US\$m	4.7	1.3	-2.5	0.0	0.0	0.0	-14.1
NPAT	US\$m	-43.2	-38.4	-77.2	13.6	33.7	38.3	20.4
Minorities	US\$m	-1.3	3.5	2.1	-3.0	6.7	7.6	8.7
BMN shareholders	US\$m	-41.9	-41.9	-79.3	16.7	27.0	30.7	11.7
Shares O/S	m	1,260.5	1,270.6	1,667.0	2,403.8	2,403.8	2,403.8	2,403.8
EPS	US\$	-0.03	-0.03	-0.05	0.01	0.01	0.02	0.01
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>16.2</b>	<b>37.4</b>	<b>58.4</b>	<b>61.1</b>	<b>61.1</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	51.2	34.3	25.7	16.6	7.5
Other	US\$m	10.5	5.6	4.2	4.2	4.2	4.2	4.2
<b>Current Assets</b>	<b>US\$m</b>	<b>222.8</b>	<b>186.4</b>	<b>108.4</b>	<b>91.5</b>	<b>82.9</b>	<b>73.8</b>	<b>64.7</b>
Inventories	US\$m	41.6	55.0	49.4	48.8	47.2	50.6	50.6
Receivables	US\$m	17.6	9.5	10.2	12.2	13.3	14.1	14.1
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	22.9	64.2	105.0	124.6	157.3
<b>Total assets</b>	<b>US\$m</b>	<b>305.5</b>	<b>307.9</b>	<b>186.3</b>	<b>169.9</b>	<b>166.4</b>	<b>200.0</b>	<b>231.3</b>
<b>Non Current Liabilities</b>								
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
<b>Current Liabilities</b>	<b>US\$m</b>	<b>102.3</b>	<b>63.0</b>	<b>74.1</b>	<b>79.9</b>	<b>80.5</b>	<b>68.6</b>	<b>118.6</b>
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
<b>Total Liabilities</b>	<b>US\$m</b>	<b>54.7</b>	<b>-36.0</b>	<b>-15.2</b>	<b>-11.1</b>	<b>-9.4</b>	<b>-23.7</b>	<b>76.3</b>
<b>Equity &amp; Liabilities</b>								
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	-107.6	-75.4	-51.2	-30.8
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	-303.5	-377.5	-353.3	-332.9
Non controlling	US\$m	32.5	36.6	33.7	33.7	33.7	33.7	25.0
<b>Total Equity</b>	<b>US\$m</b>	<b>150.8</b>	<b>181.5</b>	<b>-149.2</b>	<b>-269.8</b>	<b>-343.7</b>	<b>-319.6</b>	<b>-307.9</b>
<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>2.4</b>	<b>37.7</b>	<b>56.2</b>	<b>45.3</b>	<b>48.0</b>
<b>Investing CF</b>								
PPE acquisition	US\$m	-19.4	-18.2	-10.8	-24.3	-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	27.1	3.2	4.6	1.1
<b>Total Investing CF</b>	<b>US\$m</b>	<b>-17.2</b>	<b>-19.6</b>	<b>-10.5</b>	<b>2.8</b>	<b>-5.6</b>	<b>-4.2</b>	<b>-7.7</b>
<b>Financing CF</b>								
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	-10.5	-9.6	-9.9
<b>Total Financing CF</b>	<b>US\$m</b>	<b>-7.0</b>	<b>-5.3</b>	<b>22.9</b>	<b>0.9</b>	<b>-9.9</b>	<b>-21.5</b>	<b>-9.9</b>
<b>CF</b>	<b>US\$m</b>	<b>-36.3</b>	<b>-3.8</b>	<b>14.8</b>	<b>41.3</b>	<b>40.8</b>	<b>19.7</b>	<b>30.5</b>
Forex	US\$m	1.2	-0.8	-0.6	0.0	0.0	0.0	0.0
Net CF	US\$m	-35.1	-4.6	14.2	41.3	40.8	19.7	30.5

Source: H&P

## Hannam&Partners

Market Cap	GB £m	39	US\$m 51.68					
Ticker	BMN.LN	2021	2022	2023e	2024e	2025e	2026e	2027e
Received price	USD/kg	32.20	41.40	36.25	40.00	40.00	40.00	40.00
ZAR:USD		14.77	16.33	17.75	17.00	17.00	17.00	17.00
GBE/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
		<b>3,590</b>	<b>3,840</b>	<b>3,783</b>	<b>4,323</b>	<b>4,728</b>	<b>4,985</b>	<b>4,985</b>
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
<b>NAV</b>	<b>DR</b>	<b>att</b>	<b>USDm</b>		<b>USD/share</b>		<b>GBP/Share</b>	
Vametco	10%	100%	187.43		0.08		0.06	
Vanchem	10%	50%	50.86		0.02		0.02	
Bushveld Energy			10.00		0.00		0.00	
CellCube			10.00		0.00		0.00	
G&A			-48.12		-0.02		-0.02	
Cash			64.19		0.03		0.02	
Debt			-103.99		-0.04		-0.03	
<b>NAV</b>			<b>170.38</b>		<b>0.07</b>		<b>0.06</b>	
<b>NAVx</b>							<b>0.39x</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	36.7	37.0	48.6	70.1	70.1	70.1	70.1
EV	US\$m	106.7	116.6	130.5	116.4	76.2	44.7	12.0
EBITDA	US\$m	-7.4	22.3	16.2	37.4	58.4	61.1	61.1
Net Debt	US\$m	-70.0	-79.5	-81.9	-46.3	-6.1	25.4	58.1
ND/EBITDA	x	NA	3.6x	5.0x	1.2x	0.1x	-0.4x	-1.0x
FCF	US\$m	-29.2	1.6	-8.2	40.4	50.7	41.1	40.3
EBITDA Margin	%	-7%	15%	11%	22%	31%	31%	31%
PE	x	NA	NA	NA	5.1x	2.1x	1.8x	3.4x
EV/EBITDA	x	NA	5.2x	8.0x	3.1x	1.3x	0.7x	0.2x
EV/Sales	x	1.0x	0.8x	0.9x	0.7x	0.4x	0.2x	0.1x
FCF Yield	%	-80%	4%	-17%	58%	72%	59%	58%
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%	27%	54%	40%	23%
ROE	%	-29%	-21%	52%	-5%	-10%	-12%	-7%



Source: H&P

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