

Bushveld Minerals

Vanchem site visit, Orion loan note refinanced

H&P recently visited Bushveld Minerals' ("BMN") Vanchem plant located to the east of Johannesburg, where BMN's new management team has implemented several initiatives to improve operational consistency. In its full year 2023 Operational Update, BMN announced Q4'23 production of 925tV at a cash cost of US\$27.3/kg, with FY23 production of 3,714tV at a cash cost of US\$26.6/kg, alongside sales of 4,051t due to inventory sell down. Group production guidance for 2024 was 4,300tV-4,500tV, however the delays to funding have resulted in this being suspended. BMN also recently announced the completion of the US\$47.1m convertible loan note refinancing. We maintain a valuation of 6p/share ahead of further updates on funding from Southern Point Resources ("SPR").

Vanchem has the flexibility to produce a suite of products

Vanchem produces a range of products used in steelmaking, chemical, ceramics and pharmaceutical industries, as well as in catalysts. The plant is flexible and plans production on a month-to-month basis. Its bespoke products depend on end user demand, with ammonium met vanadate as the base chemical produced for further refining to other products. Ore is purchased from three main suppliers, with low silica, high grade VTM ore being the preferred source. Initiatives have been implemented to stabilise operations and increase output, including changing the reagent mix from 100% sodium sulphate to a blend of sodium sulphate and sodium carbonate, to reduce silica build up in the kiln and cut downtime, whilst also reducing emissions, bringing them into compliance with legislation. The management structure at the plant has been modified, with shift managers now being present at the plant on a 24/7 basis. Vanchem is a mature plant, however, the initiatives implemented by management in H2'23 have resulted in improved operational consistency, which should drive down costs, whilst offering the flexibility to scale up production through refurbishing idled areas of the plant if justified by the market.

Orion convertible loan note refinancing completed

BMN has completed the refinancing of the US\$47.1m convertible loan note ("CLN"), including the accrued interest with Orion. The final terms include: the issue of US\$4.7m of shares at GBp3 (124.6m); a US\$14.1m convertible loan paying 12% interest, with a June 2028 maturity date and GBp3.99 conversion price; a US\$28.3m secured term loan at 6% plus the greater of 3 month Secured Overnight Funding Rate and 3% payable from June 2024; and a supplemental royalty of 0.264% at a vanadium price below US\$47/kg, 0.216% at a price above US\$47/kg and with the repayment rate falling by 80% once the term loan is repaid in 2027. We view this as a positive as the CLN refinancing forms a key element of the refinancing of BMN.

Funding outstanding but some progress with 28th February payment date

BMN has yet to receive the full funds committed in the Dec'23 equity issue, with SPR failing to meet its commitment to subscribe to US\$12.5m of shares, due to one of its funding partners defaulting on an agreement with SPR. SPR has provided a ZAR40m (~US\$2m) interest free loan to BMN and have indicated that the full amount will be paid no later than 28th February 2024. At this point we assume that these funds are remitted to the company in line with the agreement or that an alternate funding source is agreed. Production in January was restricted at 267tV, due to capital constraints, kiln maintenance at Vametco and working capital restraints.

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

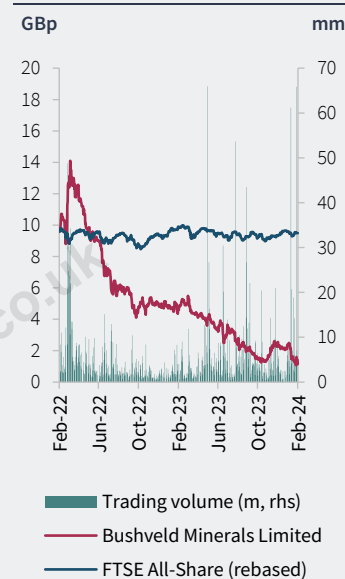
We value BMN using a DCF model for the company's operations. This supports our valuation of £0.06/share. The short-term focus should be on securing the outstanding funds from SPR and whether the operational progress can be maintained and guidance met, while the various elements of the restructuring are completed.

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GICS Sector	Materials
Ticker	BMN.LN
Market cap 2-Feb-24 (GB£m)	33
Share price 2-Feb-24(GBp)	1.43
Target Valuation (GBp)	6.0

+320%

Upside to £0.06/share target valuation



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Vanchem kiln



Source: H&P

~15 minute highly exothermic reaction producing Nirtovan product



Source: H&P

Vanchem flake production



Source: H&P

Nirtovan product



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