

Neometals Ltd

(NMT \$1.16) Buy

Analyst	Date	Price Target
Trent Barnett	4 th November 2022	\$2.00/sh

Barrambie

Event

NMT announced successful smelter trials for its Barrambie product;

Impact

We view Barrambie as non-core;

However, it has the potential to carry meaningful value for shareholders;

We expect financing via a BOOT (ie minimal capital requirement from NMT) and probably an eventual divestment;

Our speculative valuation for Barrambie is A\$90m (15cps) on our base estimates (US\$168/t selling prices) but increases to A\$1b (>\$1.50/sh) based on spot prices (we estimate around US\$260/t);

Selling price assumptions are speculative at this point (given the product mix uncertainty), but we expect clarification in the PFS and will tighten our valuation assumption for Barrambie then;

Action

We have a Buy recommendation on NMT. Our recommendation centres around the LIB recycling business (see our note from 15 September). We view Barrambie as non-core, but potentially meaningful shareholder value;

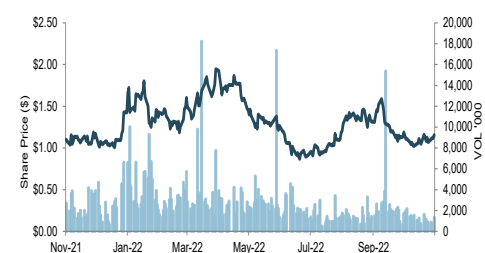
Key Catalysts

- Barrambie PFS – end CY22
- Hydromet study – end CY22
- FID on Stelco JV – early CY23

Neometals Ltd	Year End 30 June	
Share Price	1.16	A\$/sh
Price Target	2.00	A\$/sh
Valuation (DCF)	1.23	A\$/sh
WACC		12.0%
Terminal Growth		0%
Shares on issue	556 m, diluted	
Market Capitalisation	641.9	A\$m
Enterprise Value	591.1	A\$m
Cash (30 Sep 22a)	50.8	A\$m
Debt (30 Sep 22a)	-	A\$m

Key Financials	2022F	2023F	2024F
Revenue (A\$m)	0.0	5.3	6.2
EBITDA (A\$m)	-10.2	-6.2	-2.0
EBITA (A\$m)	-14.1	-10.5	-7.1
Reported NPAT (A\$m)	-12.6	-9.6	-7.2
Normalised NPAT (A\$m)	-9.1	-6.9	-5.2
Op. Cashflow (A\$m)	-9.1	-5.7	-2.6
Capex (A\$m)*	-22.9	-13.1	-94.2
Op. Free Cashflow (A\$m)	-32.0	-18.9	-96.7
Revenue Growth (%)	nm	nm	nm
EBITDA Growth (%)	nm	nm	nm
Norm. NPAT Growth (%)	nm	nm	nm
Normalised EPS (Ac)	-1.7	-1.3	-0.9
Norm. EPS growth (%)	nm	nm	nm
PER (x)	nm	nm	nm
EV:EBITDA (x)	nm	nm	nm
EV:EBIT (x)	nm	nm	nm
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%
Net Debt (A\$m)	-52.7	-33.8	-2.1
Net Debt:Equity (%)	nm	nm	nm
Interest Cover (x)	nm	nm	nm

Share Price Chart



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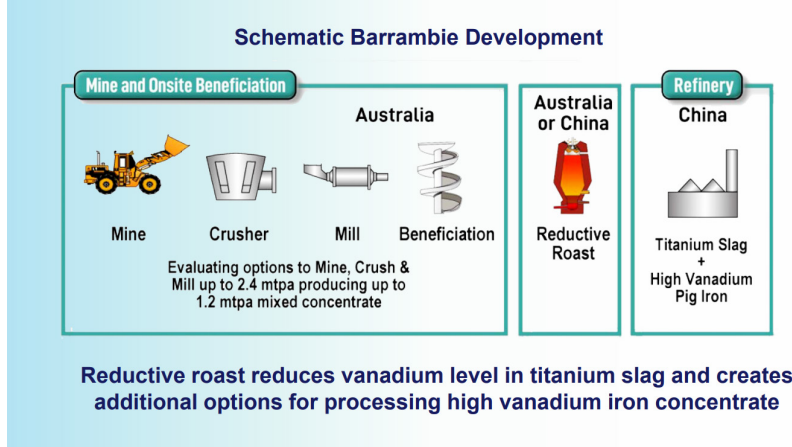
This analyst declares that he has a beneficial interest in NMT.

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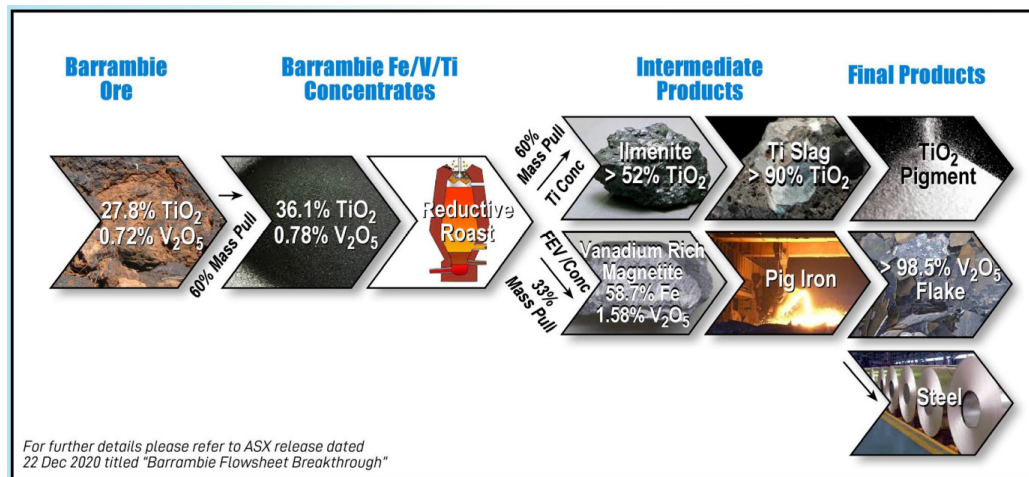
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Analysis

Barrambie potential flow sheet



Barrambie product stream



Global Mineral Resource as at 17 April 2018 ¹			
Classification	Tonnes (M)	TiO ₂ (%)	V ₂ O ₅ (%)
Indicated	187.1	9.61	0.46
Inferred	93.0	8.31	0.40
Total	280.1	9.18	0.44

High Grade V ₂ O ₅ Mineral Resource at (0.5% V ₂ O ₅ cut-off) ²			
Classification	Tonnes (M)	TiO ₂ (%)	V ₂ O ₅ (%)
Indicated	49.0	16.93	0.82
Inferred	15.9	16.81	0.81
Total	64.9	16.90	0.82

High Grade TiO ₂ Mineral Resource at (14% TiO ₂ cut-off) ²			
Classification	Tonnes (M)	TiO ₂ (%)	V ₂ O ₅ (%)
Indicated	39.3	21.18	0.65
Inferred	14.3	21.15	0.58
Total	53.6	21.17	0.63

Barrambie Project Ore Reserve Estimate 22 May 2019 ²			
Ore Reserve Category	Ore Tonnes (M)	V ₂ O ₅ (%)	TiO ₂ (%)
Probable	39.9	0.78	15.1

Cut-off based on 0.6% V2O5 cut-off (prior to dilution) and net value (revenue minus selling, processing, administration and incremental ore mining costs) > \$0/t on a diluted block-by-block basis from the parameters used in the pit optimisation.

All images sourced from NMT

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Price Target

Our price target is unchanged at \$2/shr

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	55%	\$1.23	\$1.49
1.5x NAV	10%	\$1.84	\$2.24
NPV at spot commodity and fx prices	26%	\$2.81	\$3.35
NPV6	1%	\$1.83	\$2.21
Grossed up dividend yield of 9.1%	1%	\$0.00	\$0.00
Net cash	7%	\$0.09	\$0.06
Risk weighted composite		\$1.61	
12 Months Price Target		\$2.00	
Shareprice - Last		\$1.155	
12 mth total return (% to 12mth target + dividend)		67.8%	

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Financial Statements		2023F	2024F	2025F	2026F	Performance Ratios				
		2023F	2024F	2025F	2026F	2023F	2024F	2025F	2026F	
LIB Production (100%)						Growth & Margins				
Throughput	kt	-	-	13.69	18.25	Revenue Growth	nm	18%	982%	23%
- Production		-	-			EBITDA Growth	nm	nm	nm	16%
- Li Sulphate	kt	-	-	2.5	3.4	EBIT Growth	nm	nm	nm	15%
- Co Sulphate	kt	-	-	0.9	1.2	Reported NPAT Growth	nm	nm	nm	15%
- Ni Sulphate	kt	-	-	7.6	10.1	Normalized Net Profit Growth	nm	nm	nm	15%
- Copper	kt	-	-	1.4	1.9	EBITDA margin	-116.5%	-31.3%	35.5%	33.4%
Capex	A\$m	-20	-194	-114	0	EBIT margin			23.5%	22.0%
Scandinavian Vanadium (100%)		Unit	Yr 0	Yr 1	Yr 2	Normalized net profit margin			15.6%	14.6%
V2O5	M lb			5.8	17.5	Effective tax rate	0%	0%	0%	0%
Cash Costs	US\$/lb			-6.2	-5.1	Liquidity				
Capex	A\$m		-244	-244	0	Capex/depreciation (x)	3.0	18.3	7.1	0.9
Barrambie (100%)		Unit	Yr 0	Yr 1	Yr 2	Current ratio (x)	11.5	20.0	3.3	4.9
Concentrate	Mt			1.1	1.1	Quick ratio (x)	11.2	19.6	3.2	4.8
Cash Costs	US\$/t			-149	-149	Receivable days	45.0	45.0	45.0	45.0
Capex	A\$m		-175	-175	0	Payable days	48.6	48.6	48.6	48.6
Price Assumptions						Risk Measures				
AUDUSD	US\$/A\$	0.66	0.71	0.73	0.74	Payout ratio (%)	0.0%	0.0%	0.0%	0.0%
Spod - Chemical (ie Battery)	US\$/t	4000	2200	1300	1250	Net interest cover (x)	nm	nm	12.4x	12.2x
LiOH	US\$/t	55000	24600	18000	17000	Net debt/equity (%)	nm	nm	21.3%	9.4%
LC	US\$/t	55000	24600	18000	17000	Returns				
Nickel	US\$/lb	10.0	9.0	8.5	8.3	ROIC (pre-tax)	-30.9%	-8.5%	11.0%	11.4%
Copper	US\$/lb	3.7	3.9	4.0	3.6	Return on Assets	-6.8%	-3.4%	4.9%	5.2%
Cobalt	US\$/lb	27	25	25	25	Return on Equity	na	na	7%	7%
V2O5 - 98% China	US\$/lb	8.0	8.0	8.0	8.0	Implied Asset Life (PPE/Depr.)	-2.1	7.8	13.4	14.1
V2O5 - 99.5% Rotterdam	US\$/lb	9.6	9.6	9.6	9.6	Share Data/Valuation				
Cash flow (A\$m)		2023F	2024F	2025F	2026F	Share Data				
Pro-forma EBITDA		-6.2	-2.0	24.0	27.8	Issued shares (m)	547.9	604.4	604.4	604.4
Working Capital		-0.5	-0.6	-2.9	-0.3	Weighted ave shares (m)	546.5	576.2	604.4	604.4
Cash retained in JV		0.0	0.0	0.0	0.0	Fully diluted shares (m)	547.9	576.2	604.4	604.4
Operating Cashflow		-6.7	-2.5	21.2	27.4	Basic EPS (c)	-1.7	-1.2	2.4	2.8
Income Tax Paid		0.0	0.0	0.0	0.0	YoY change (%)	nm	nm	nm	15%
Interest & Other		0.9	-0.1	-1.3	-1.5	Fully diluted EPS (c)	-1.7	-1.2	2.4	2.8
Operating Activities		-5.7	-2.6	19.9	25.9	YoY change (%)	nm	nm	nm	15%
Property, Plant & Equip.		-13.1	-94.2	-58.0	-8.1	Fully diluted normalised EPS (c)	-1.3	-0.9	1.7	2.0
Exploration and Devel.		0.0	0.0	0.0	0.0	YoY change (%)	nm	nm	nm	15%
Other		0.0	0.0	0.0	0.0	Dividend/share (c)	-	-	-	-
Investment Activities		-13.1	-94.2	-58.0	-8.1	Franking (%)	100%	100%	100%	100%
Borrowings		0.0	50.0	0.0	0.0	Gross cashflow/share (c)	-1.0	-0.4	3.3	4.3
Equity or "tbc capital"		0.0	65.0	0.0	0.0	NBV/share (\$)	0.17	0.25	0.27	0.30
Dividends Paid		0.0	0.0	0.0	0.0	NTA/Share (\$)	0.16	0.24	0.27	0.30
Financing Activities		0.0	115.0	0.0	0.0	Valuation				
Net Cashflow		-18.9	18.3	-38.1	17.8	PER (Basic) (x)	-66.1	-92.8	47.8	41.5
Balance Sheet (\$m)		2023F	2024F	2025F	2026F	PER (Fully diluted) (x)	-66.2	-92.8	47.8	41.5
Cash		35.1	53.3	15.2	33.0	PER (Fully diluted, normalized) (x)	-92.0	-128.9	66.4	57.6
Other Current Assets		1.8	2.0	9.5	11.4	P/CFPS (x)	-110.2	-258.2	35.1	26.9
Total Current Assets		36.9	55.3	24.7	44.4	Price/NBV (x)	7.0	4.7	4.3	3.9
Property, Plant & Equip.		-4.5	84.5	134.3	133.0	Price/NTA (x)	7.0	4.7	4.3	3.9
Exploration		54.1	54.1	54.1	54.1	Dividend Yield (%)	-	-	-	-
Investments/other		9.7	9.7	9.7	9.7	EV/EBITDA (x)	-95.6x	-302.0x	24.6x	21.3x
Tot Non-Curr. Assets		59.2	148.3	198.1	196.8	EV/EBIT (x)	-56.3x	-83.2x	37.2x	32.3x
Total Assets		96.2	203.5	222.8	241.2	EV/Revenue (x)	111.4x	94.7x	8.7x	7.1x
Short Term Borrowings		-	-	-	-	Other Information				
Other		3.2	2.8	7.5	9.0	Estimated free float:				92.8%
Total Curr. Liabilities		3.2	2.8	7.5	9.0	12-mth High/Low (A\$/sh)				\$1.97 - \$0.845
Long Term Borrowings		-	50.0	50.0	50.0	Average daily volume (A\$m)				3.6
Other		2.0	2.0	2.0	2.0	ASX Code				NMT
Total Non-Curr. Liabil.		2.0	52.0	52.0	52.0	Next result				Feb-23
Total Liabilities		5.2	54.8	59.5	61.1	Company Description				
Net Assets		90.9	148.7	163.3	180.2	Very advanced lithium battery recycling project in Europe.				
Net Debt (pre AASB16)		-35	-3	35	17					
Net Debt (post AASB16)		-34	-2	36	18					

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