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NMT: Big catalysts ahead

NMT.ASX | NEOMETALS LIMITED | MATERIALS | LIB RECYCLING
PRICE
A\$ 0.89 /sh
TARGET PRICE
A\$ 2.00 /sh
 (UNCHANGED)

RECOMMENDATION
BUY
 (UNCHANGED)

ANALYST
TRENT BARNETT
 TBARNETT@EUROZHARTLEYS.COM

Event

NMT's four businesses units are set for catalysts this year;

Our valuation is driven by the LIB recycling business, which has the potential to be very large, especially in Europe;

The other two European assets are the vanadium recovery development in Finland and LiCl conversion development in in Portugal. The fourth asset is the Barrambie (non-core, in our view) hard rock titanium mine development in Australia;

Impact

All four business units need financing;

Given three are in Europe, it is possible that the EU Critical Materials Act is a catalyst for financing. We note that the US peer LICY.nyse recently received a conditional USA Govt grant of US\$375m. The legislative and critical raw material sourcing risks that drive the need for recycling are even higher in Europe than the US, in our view;

Action

We have a Buy recommendation. The key for NMT's battery recycling business is demonstrating it can achieve scale.

Based on our capex and opex assumptions, on spot prices the large volume integrated projects are hugely economic. On our more conservative commodity price assumptions, our NPV12 drifts back towards capex.

Our base valuation assumes a NSR royalty (and lower than recent NMT deals) on large volumes (500tpd), and fund a 25% interest in two smaller (50tpd) integrated plants (one in USA and one in Germany);

NMT solves a very large problem for the EV industry, and the strategic value should not be underestimated. Our valuations do not include such premiums yet. Key risks are execution and commodity prices.

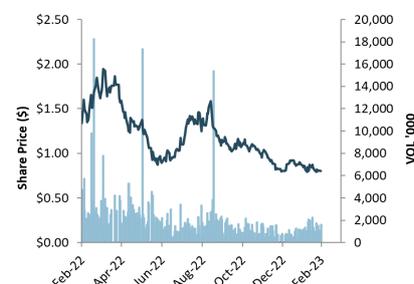
Catalyst

- EU is due to unveil its Critical Raw Materials Act: March 8-15
- EU leaders reconvene in Brussels: Late March
- Study for the hydromet circuit - mid CY23
- FID on Stelco deal - late CY23

Share Price	0.89	A\$/sh
Price Target	2.00	A\$/sh
Valuation (DCF)	1.36	A\$/sh
WACC	12.0%	
Terminal Growth	0%	
Shares on issue	556	m, dil
Market Capitalisation	495.0	A\$m
Enterprise Value	453.0	A\$m
Cash (31 Dec 22a)	42.0	A\$m
Debt (31 Dec 22a)	-	A\$m

Key Financial Metrics	23F	24F	25F
Revenue (A\$m)	5.4	6.3	121.6
EBITDA (A\$m)	-6.1	-5.9	71.9
EBITA (A\$m)	-10.4	-11.1	63.7
Reported NPAT (A\$m)	-9.4	-11.2	62.8
Normalised NPAT (A\$m)	-6.8	-8.1	45.2
Operating Cashflow (A\$m)	-5.6	-6.0	61.7
Capex (A\$m)*	-13.1	-94.2	-58.0
Op. Free Cashflow (A\$m)	-18.8	-100.2	3.7
Revenue Growth (%)	nm	nm	nm
EBITDA Growth (%)	nm	nm	nm
Norm. NPAT Growth (%)	nm	nm	nm
Normalised EPS (Ac)	-1.2	-1.4	7.5
Norm. EPS growth (%)	nm	nm	nm
PER (x)	nm	nm	11.9
EV:EBITDA (x)	nm	nm	6.3

Performance



Source: Euroz Hartleys

Figure 1: Summary Model

P&L	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Revenue	5.4	6.3	121.6	145.9
Total Costs	-11.5	-12.3	-49.7	-61.9
EBITDA	-6.1	-5.9	71.9	84.1
margin	-111%	-94%	59%	58%
- LIB Batt. Recycl.	2.1	2.2	80.1	92.7
- Scand. Vanadium	0.0	0.0	0.0	0.0
- Barrambie	0.0	0.0	0.0	0.0
- Overheads	-8.2	-8.2	-8.2	-8.6
D&A	-4.3	-5.1	-8.1	-9.5
EBIT	-10.4	-11.1	63.7	74.6
Net Interest	0.9	-0.1	-0.9	-0.2
Pre-Tax Profit	-9.4	-11.2	62.8	74.4
Tax Expense	0.0	0.0	0.0	-15.1
Normalised NPAT	-6.8	-8.1	45.2	53.6
Abnormal Items	-2.6	-3.1	17.6	5.7
Reported Profit	-9.4	-11.2	62.8	59.3
Minority	0.0	0.0	0.0	0.0
Profit Attrib	-9.4	-11.2	62.8	59.3
DPS	0.0	0.0	0.0	0.0

Balance Sheet	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Cash	35.2	50.0	53.7	112.9
Other Current Assets	1.9	2.0	16.2	19.2
Total Current Assets	37.0	51.9	69.9	132.1
Property, Plant & Equip.	-4.5	84.5	134.3	133.0
Exploration	54.1	54.1	54.1	54.1
Investments/other	9.7	9.7	9.7	9.7
Tot Non-Curr. Assets	59.2	148.3	198.1	196.8
Total Assets	96.3	200.2	268.0	328.9
Short Term Borrowings	-	-	-	-
Other	3.2	3.3	8.3	9.9
Total Curr. Liabilities	3.2	3.3	8.3	9.9
Long Term Borrowings	-	50.0	50.0	50.0
Other	2.0	2.0	2.0	2.0
Total Non-Curr. Liabil.	2.0	52.0	52.0	52.0
Total Liabilities	5.2	55.4	60.3	62.0
Net Assets	91.0	144.8	207.7	267.0
Net Debt (pre AASB16)	-35	0	-4	-63
Net Debt (post AASB16)	-34	1	-2	-62

Cashflow	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Pro-forma EBITDA	-6.1	-5.9	71.9	84.1
Working Capital	-0.5	0.0	-9.2	-1.4
Cash retained in JV	0.0	0.0	0.0	0.0
Operating Cashflow	-6.6	-5.9	62.7	82.7
Income Tax Paid	0.0	0.0	0.0	-15.1
Interest & Other	0.9	-0.1	-0.9	-0.2
Operating Activities	-5.6	-6.0	61.7	67.4
Property, Plant & Equip.	-13.1	-94.2	-58.0	-8.1
Exploration and Devel.	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Investment Activities	-13.1	-94.2	-58.0	-8.1
Borrowings	0.0	50.0	0.0	0.0
Equity or "lbc capital"	0.0	65.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Financing Activities	0.0	115.0	0.0	0.0
Net Cashflow	-18.8	14.8	3.7	59.2

Substantial S/holders	Board
David Reed	5.5%
	Steven Cole NE Chair
	Chris Reed MD
	David Reed NE
	Douglas Ritchie NE
	Natalia Streltsova NE
	Jennifer Purdie NE
	Leslie Guthrie NE

LIB Production (100%)	Unit	Jun 23	Jun 24	Jun 25	Jun 26	Jun 27
Throughput	kt	-	-	13.69	18.25	18.25
- Production						
- Li Sulphate	kt	-	-	2.5	3.4	3.4
- Co Sulphate	kt	-	-	0.9	1.2	1.2
- Ni Sulphate	kt	-	-	7.6	10.1	10.1
- Copper	kt	-	-	1.4	1.9	1.9
Capex	A\$m	-20	-194	-114	0	0

Scandinavian Vanadium (100%)	Unit	Yr 0	Yr 1	Yr 2	Yr 3
V2O5	M lb		5.8	17.5	17.5
Cash Costs	US\$/lb		-6.2	-5.1	-5.1
Capex	A\$m		-244	0	0

Barrambie (100%)	Unit	Yr 0	Yr 1	Yr 2	Yr 3
Concentrate	Mt		0.9	0.9	0.9
Cash Costs	US\$/t		-147	-147	-147
Capex	A\$m		-225	-225	0

Price Assumptions	Unit	Jun 23	Jun 24	Jun 25	Jun 26	Jun 27
AUDUSD	US\$/A\$	0.66	0.71	0.73	0.74	0.74
Spodumene - Chemical (ie Battery)	US\$/t	5500	5000	5000	4250	3000
LiOH	US\$/t	70000	70000	70000	62500	47500
LC	US\$/t	70000	70000	70000	62500	47500
Nickel	US\$/lb	10.0	9.0	8.5	8.3	8.3
Copper	US\$/lb	4.0	4.1	4.0	3.8	3.8
Cobalt	US\$/lb	27	25	25	25	25
V2O5 - 98% China	US\$/lb	8.0	8.0	8.0	8.0	8.0
V2O5 - 99.5% Rotterdam	US\$/lb	9.6	9.6	9.6	9.6	9.6

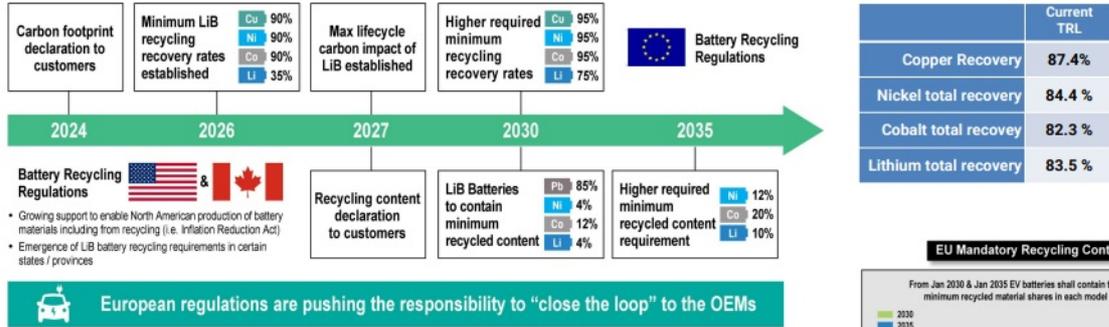
Valuation	A\$m	A\$/shr
25% LIB ~20ktpa (pre-tax NPV@12%)	83	0.13
- Stage 1: Black Mass (25% shr capex A\$36m)	0	0.00
- Stage 2: Hydromet (25% shr capex A\$46m)	83	0.14
50% royalty for LIB ~180ktpa- forced (7% NSR, NPV@6%)	699	1.14
50% royalty for LIB ~20ktpa- eg Scandanavia (10% NSR, NPV@6%)	100	0.16
59% Vanadium Slag - Scandinavia (pre-tax NPV@12%)	113	0.18
100% Barrambie - (pre-tax NPV@12%)	50	0.08
35% ELI Portugal (pos-tax NPV14%)	107	0.17
Other Assets/Exploration	20	0.03
Forwards	0	0.00
Corporate Overheads	-100	-0.16
Net Cash (Debt)	42	0.07
AASB16 Debt	0	0.00
Investments (mainly HNR.asx)	7	0.01
Tax (NPV future liability)	-305	-0.50
Options & Other Equity	0	0.00
Total	831	1.36

Source: Euroz Hartleys

Figure 2: EU regulations creating a big barrier to entry

European Regulation Driving Automakers to “Close the Loop”

AIM TO BE THE FIRST TO BE FULLY COMPLIANT WITH ALL EU BATTERY REGULATIONS FOR LIB RECYCLING, ON TRACK FOR 2026



Source: European Commission, FCAB

Source: European commission, FCAB

Source: EU Roland Berger

Source: Euroz Hartleys

Figure 3: Battery Recycling Catalysts

Indicative Commercial Rollout Timeline



*Subject to Customer Award/Primobius and Neometals Approvals

Source: NMT

Figure 4: Vanadium recovery catalysts



Source: NMT

Figure 5: ELi Lithium Processing Catalysts



Source: NMT

Figure 6: Barrambie Titanium Mine Catalysts



Source: NMT

Figure 7: Plant potential economics

US\$m	EH Capex US\$m	EH Op Costs US\$/t feedstock	Revenue US\$/t feedstock						EBITDA US\$/t		EBITDA US\$m		Payback		EH pre-tax NPV US\$m				
			Disposal		Selling		Revenue		Feedstock		NCM 811		NCM 811		NCM 811		AS/shr		
			Base (a)	Spot	Base (b)	Spot	Base (a) + (b)	Spot	Base#	Spot*	Base#	Spot*	Base#	Spot*	Discount Rate	Base#	Spot*	Base#	Spot*
Small Plants 50tpd, 18ktpa																			
Principle (capex 100% basis)																			
Stage 1 Spoke, 50tpd (aka approx 20ktpa)	102	-1600	0	1,200	2,301	2,620	2,301	3,820	701	2,220	13	41	8.0x	2.5x	12%	-1	181		
Stage 2 Hydromet, 50tpd (aka approx 20ktpa)	119	-2400	0	0	4,089	9,417	4,089	9,417	1,689	7,017	47	128	2.5x	0.9x	12%	224	714		
Integrated	221	-4000	0	1,200	6,390	12,037	6,390	13,237	2,390	9,237	60	169	3.7x	1.3x	12%	223	895		
Partner Model (NMT 25%)																			
Stage 1 Spoke, 50tpd (aka approx 20ktpa)	26										3	10	8.0x	2.5x	12%	0	45	0.00	0.11
Stage 2 Hydromet, 50tpd (aka approx 20ktpa)	30										12	32	2.5x	0.9x	12%	56	178	0.14	0.43
Integrated	55										15	42	3.7x	1.3x	12%	56	224	0.13	0.54
Royalty (~10% total revenue) - 100% basis																			
100% Stage 1 Spoke, 50tpd (aka approx 20ktpa)	0		0	0							2	4	nm	nm	6%	27	52		
100% Stage 2 Hydromet, 50tpd (aka approx 20ktpa)	0		0	0							9	18	nm	nm	6%	108	206		
100% Integrated	0		0	0							12	22	nm	nm	6%	135	258		
Royalty - NMT 50% share																			
50% Stage 1 Spoke, 50tpd (aka approx 20ktpa)	0										1	2	nm	nm	6%	13	26	0.03	0.06
50% Stage 2 Hydromet, 50tpd (aka approx 20ktpa)	0										5	9	nm	nm	6%	54	103	0.13	0.25
50% Integrated	0										6	11	nm	nm	6%	67	129	0.16	0.31
Big Plants 500tpd, 180ktpa																			
Principle (capex 100% basis)																			
Stage 1 Spoke, 500tpd (~aka approx 200ktpa)	1020	-1600	0	0	2,301	2,620	2,301	2,620	701	1,020	128	405	8.0x	2.5x	12%	-6	1810		
Stage 2 Hydromet, 500tpd (~aka approx 200ktpa)	1194	-2400	0	0	4,089	9,417	4,089	9,417	1,689	7,017	471	1281	2.5x	0.9x	12%	2240	7136		
Integrated	2214	-4000	0	0	6,390	12,037	6,390	12,037	2,390	8,037	599	1686	3.7x	1.3x	12%	2233	8946		
Partner Model (NMT 25%)																			
Stage 1 Spoke, 500tpd (~aka approx 200ktpa)	255										32	101	8.0x	2.5x	12%	-2	452	0.00	1.09
Stage 2 Hydromet, 500tpd (~aka approx 200ktpa)	298										118	320	2.5x	0.9x	12%	560	1784	1.35	4.31
Integrated	553										150	421	3.7x	1.3x	12%	558	2237	1.35	5.41
Royalty (~10% total revenue) - 100% basis																			
100% Stage 1 Spoke, 500tpd (~aka approx 200ktpa)	0		0	0							24	44	nm	nm	6%	189	361		
100% Stage 2 Hydromet, 500tpd (~aka approx 200ktpa)	0		0	0							94	176	nm	nm	6%	755	1445		
100% Integrated	0		0	0							118	220	nm	nm	6%	943	1807		
Royalty - NMT 50% share																			
50% Stage 1 Spoke, 500tpd (aka approx 200ktpa)	0										12	22	nm	nm	6%	94	181	0.23	0.44
50% Stage 2 Hydromet, 500tpd (aka approx 200ktpa)	0										47	88	nm	nm	6%	377	723	0.91	1.75
50% Integrated	0										59	110	nm	nm	6%	472	903	1.14	2.18

* spot cobalt US\$15/lb, nickel US\$11.16/lb, LiOH US\$62k/t, copper US\$3.97/lb.
 # base cobalt US\$25/lb, nickel US\$8.25/lb, LiOH US\$18k/t, copper US\$3.80/lb.

Source: EZL

Figure 8: Our price target is \$2.00

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	55%	\$1.36	\$1.50
1.5x NAV	5%	\$2.03	\$2.25
NPV at spot commodity and fx prices	24%	\$3.68	\$4.38
NPV6	1%	\$1.57	\$1.92
Grossed up dividend yield of 9.6%	1%	\$0.00	\$0.00
Net cash	15%	\$0.08	\$0.06
Risk weighted composite		\$1.74	
12 Months Price Target		\$2.00	
Shareprice - Last		\$0.880	
12 mth total return (% to 12mth target + dividend)		127.2%	

Source: Euroz Hartleys

Company disclosures

The companies and securities mentioned in this report, include:

Neometals Limited (NMT.ASX) | Price A\$0.89 | Target price A\$2.00 | Recommendation Buy;

Price, target price and rating as at 01 March 2023 (not covered)*

Additional disclosures

The analyst declares that they have a beneficial interest in: Neometals Limited (NMT.ASX)

Other disclosures, disclaimers and certificates

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