

NMT: Hub and Spoke Study Completed

NMT.ASX | NEOMETALS LIMITED | MATERIALS | LIB RECYCLING

PRICE
A\$0.52/sh

TARGET PRICE
A\$0.95/sh
(FROM A\$2.00/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

ANALYST
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NMT is building a lithium battery recycling business in partnership with SMS Group in Germany. It has a commercial demo plant that has been used to refine the process such that it should be able to offer customers guaranteed recycling performance that meets the EU high standards of recycling. The likely partnership model means that end customers keep control of the raw materials, thereby significantly reducing long term commodity supply risk. The August study estimates that every 21ktpa greenfield plant capex is ~Euro377m and EBITDA in order Euro80m pa. NMT solves a very large problem for EV industry, and strategic value should not be underestimated.

Study on integrated plant completed

NMT released the study on the Hub, following the Spoke study late last year. The integrated capex is ~Euro377m and we estimate generates EBITDA in order Euro80m on spot prices (less on base estimates). This is in line with our previous assumptions, and so we have made only small adjustments, although we have reduced our valuation and price target considerably and brought it closer to the current shareprice.

The Hub design produces 9.3ktpa of nickel sulphate hexahydrate, 4.3ktpa of cobalt sulphate heptahydrate and 1.6ktpa of lithium fluoride crystals (LiBelectrolyte feedstock) and a range of other metal and by-products from a LiB feed with NMC622 chemistry.

High level of performance

The EU battery regulations are now looking towards industry recovery target of 90/95% (for Ni, Co, Cu) and 50/80% for lithium. The plant can achieve this performance (+95% for base metals and 83.5% for lithium).

Revenue royalty model a possibility

NMT/SMS (Primobius) is unique in offering customers a solution for lowest cost raw materials, and very high guaranteed recovery rates in exchange for a royalty. Competitor offerings imply selling the raw materials back to the customer, which means that the customer shares less of the economics of recycling. So, upon commercialisation (ie now), the expectation is that there may be a fast customer take up of the Primobius plants because of the better economics for customers.

Speculative Buy recommendation

There have been clear learnings from the demo plant & MB into the commercial plants. This should help customer confidence in delivery and should help with the plant rollout. The timing of the rollout and capital requirements for NMT are uncertain and that's the biggest detractor for the stock at the moment. The release today suggests fid in early CY24. Key risks are execution and commodity prices.

Catalyst

- Final Investment Decision - January 2024
- FEED Complete - August 2024
- Permitting Complete - December 2024
- Commence Construction - early 2025
- Commence Commissioning - 2H CY26

Share Price	0.52
Price Target	0.95
Valuation (DCF)	1.04
WACC	12.0%
Terminal Growth	0%
Shares on issue	556
Market Capitalisation	289.2
Enterprise Value	264.6
Cash (30 Jun 23a)	24.6
Debt (30 Jun 23a)	-

Key Financial Metrics	23F	24F	25F
Revenue (A\$m)	nm	nm	nm
EBITDA (A\$m)	nm	nm	nm
EBITA (A\$m)	nm	nm	nm
Reported NPAT (A\$m)	nm	nm	nm
Normalised NPAT (A\$m)	nm	nm	nm
Operating Cashflow (A\$m)	nm	nm	nm
Capex (A\$m)*	nm	nm	nm
Op. Free Cashflow (A\$m)	nm	nm	nm
Revenue Growth (%)	nm	nm	nm
EBITDA Growth (%)	nm	nm	nm
Norm. NPAT Growth (%)	nm	nm	nm
Normalised EPS (Ac)	nm	nm	nm
Norm. EPS growth (%)	nm	nm	nm
PER (x)	nm	nm	nm

Performance



Source: Euroz Hartleys

Figure 1: Study Outcomes

Table 1: Key Hub and Spoke ECS Metrics

Metrics	Shredding Spoke	Refining Hub
Hub Annual Throughput / Capacity	21,000tpa	12,000tpa Black Mass ⁶ feed
Hub Annual Production ⁷ : Hydrated nickel sulphate: NiSO ₄ .6H ₂ O(s) Hydrated cobalt sulphate: CoSO ₄ .7H ₂ O(s) Lithium fluoride: LiF(s) Manganese sulphate: 32% w/w MnSO ₄ (aq) Copper metal/cathode Ammonium sulphate: (NH ₄) ₂ SO ₄ (s)	12,000tpa Black Mass	9,300tpa 4,300tpa 1,600tpa 7,000tpa (liquid) 40tpa 23,400tpa
Capital Cost (including 20% Contingency for Spoke and 15% Contingency for Hub) ⁸	€102.5M ⁹ (US\$113.5M) ⁹	€275M (US\$303M)
Annual Operating Costs	€27.1M (US\$30M)	€56M (US\$61M)
Unit Operating Costs	€1,292 ⁹ (US\$1,430) ⁹	€2,644/tpa (US\$2,926/tpa) of LiB fed into a matching Primobius Spoke
Workforce	239	82

Source: NMT

Figure 2: Timetable

Indicative Commercial Rollout Timeline

JunQ 2023	SepQ 2023	DecQ 2023	MarQ 2024	JunQ 2024	Sep2024
Complete Hub process improvement demo trial <input checked="" type="checkbox"/> Progress Hub ECS <input checked="" type="checkbox"/>	Deliver Hub ECS Receipt of MB Spoke PO	Receipt of MB Spoke PO Commence MB Spoke installation** Deliver AACE Class 3 engineering on integrated ~50tpd Spoke and Hub Offer Stelco 50tpd Spoke*	Progress detailed engineering for integrated ~50tpd Spoke and Hub plant Complete MB Spoke installation Complete MB Hub installation**	Deliver detailed engineering for integrated ~50tpd Spoke Progress detailed engineering integrated ~50tpd Spoke and Hub Complete MB Hub installation	Commence installation of ~50tpd Spoke for Stelco* Progress detailed engineering integrated ~50tpd Spoke and Hub plant
Stelco Feedstock and Offtake Negotiations					
* Subject to Primobius GmbH and Neometals Limited Board of Directors Approvals ** Subject to PO issue by Mercedes ("MB")					

Source: NMT

Figure 3: EU regulation targeting very high recoveries

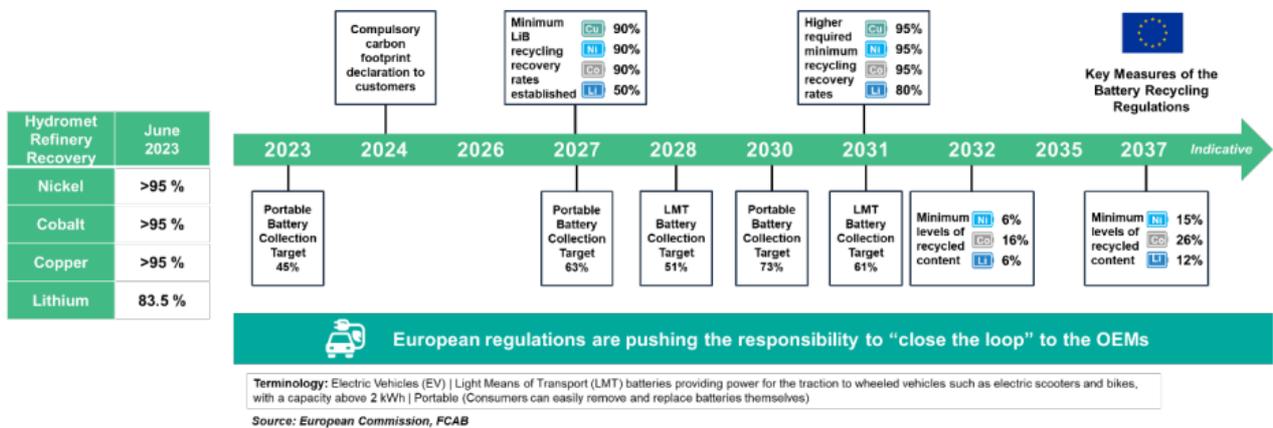


Figure 10: European Regulation Driving OEMs to “Close the Loop”

Source: NMT

Figure 4: Price target scenarios

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	50%	\$1.04	\$1.20
1.5x NAV	5%	\$1.56	\$1.80
NPV at spot commodity and fx prices	10%	\$2.26	\$2.54
Grossed up dividend yield of 10.3%	15%	\$0.00	\$0.00
Net cash	20%	\$0.04	\$0.05
Risk weighted composite		\$0.83	
12 Months Price Target		\$0.95	
Shareprice - Last		\$0.520	
12 mth total return (% to 12mth target + dividend)		83.0%	

Source: Euroz Hartleys

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Neometals Limited (NMT.ASX) | Price A\$0.52 | Target price A\$0.95 | Recommendation Speculative Buy;

Price, target price and rating as at 01 August 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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