

# NMT: What could royalties be worth?

NMT.ASX | NEOMETALS LIMITED | MATERIALS | LIB RECYCLING

PRICE  
A\$0.20/sh

TARGET PRICE  
A\$0.58/sh  
(FROM A\$0.95/sh)

RECOMMENDATION  
SPECULATIVE BUY  
(UNCHANGED)

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NMT is building a lithium battery recycling business in partnership with SMS Group in Germany. The JV (called Primobius) has an advanced technology process, and the significant R&D means it can guarantee recycling performance for customers to meet the EU high standards. The planned business model allows customers keep control of their raw materials, thereby significantly reducing long term commodity supply risk and making recycling commercially attractive. NMT will earn a royalty, and hence capital requirements are minimal.

## Revenue royalty model

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, leaving the the customer with worse recycling economics. Based on a 10% revenue royalty, we calculate ~US\$6m of EBIT net to NMT for every ~20ktpa of installed hub & spoke capacity.

Figure 1: Speculative NMT valuation of royalty per share

Discounted value (at 10% pa)						
Royalty Rate	20kt pa		100kt pa		5mt pa	
	31-Dec-27	31-Dec-28	31-Dec-31	31-Dec-40	31-Dec-50	
	1.0%	\$0.00/shr	\$0.05/shr	\$0.10/shr	\$0.15/shr	\$0.35/shr
2.5%	\$0.05/shr	\$0.15/shr	\$0.20/shr	\$0.45/shr	\$0.85/shr	
5.0%	\$0.10/shr	\$0.25/shr	\$0.40/shr	\$0.85/shr	\$1.70/shr	
7.5%	\$0.10/shr	\$0.40/shr	\$0.60/shr	\$1.30/shr	\$2.55/shr	
10.0%	\$0.10/shr	\$0.55/shr	\$0.80/shr	\$1.75/shr	\$3.35/shr	
12.0%	\$0.15/shr	\$0.65/shr	\$1.00/shr	\$2.10/shr	\$4.05/shr	

Source: Euroz Hartleys.

## Reminder on integrated plants - customer economics are good

The August 2023 study estimated that every 21ktpa greenfield plant capex is ~Euro377m and EBITDA in order Eur80m pa for the plant owner. The hub & spoke 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.

## Speculative Buy recommendation

We are awaiting the rollout of the first commercial plant, which should be a very big catalyst. In the nearer term, confirmation from Mercedes-Benz to order a 2.5ktpa hub would be a catalyst. We have a Speculative Buy recommendation. There is significant upside should the technology have meaningful adoption. The company is now well capitalised for the next 18mths following an equity raise and rights issue at 19cps.

## Catalysts

- Mercedes-Benz 2.5ktpa hub order - imminent
- Mercedes-Benz 2.5ktpa commission - 2H CY24
- First order for 20ktpa commercial plant - CY24
- DFS level study on very large 200ktpa plant - 1HCY25

*Euroz Hartleys declares that it has been engaged in a capital raising during the last year. Euroz Hartleys has received a fee for these services from NMT.*

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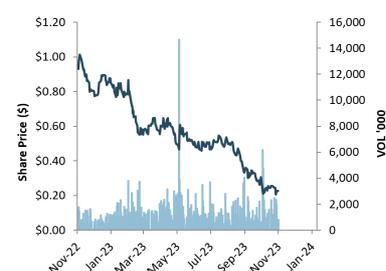
Share Price	0.195	A\$/sh
Price Target	0.58	A\$/sh
Valuation	0.80	A\$/sh

Shares on issue	678	m, dil
Market Capitalisation	132.2	A\$m
Enterprise Value	101.0	A\$m
Cash (31 Dec 23e)	31.2	A\$m
Debt (31 Dec 23e)	-	A\$m

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...	nm	nm	nm

Operating Cashflow ...	nm	nm	nm
Capex (A\$m)*	nm	nm	nm
Op. Free Cashflow (A...	nm	nm	nm
	nm	nm	nm
Revenue Growth (%)	nm	nm	nm
EBITDA Growth (%)	nm	nm	nm
Norm. NPAT Growth ...	nm	nm	nm
	nm	nm	nm
Normalised EPS (Ac)	nm	nm	nm
Norm. EPS growth (%)	nm	nm	nm
PER (x)	nm	nm	nm
EV:EBITDA (x)	nm	nm	nm

## Performance



Source: IRESS

Figure 2: 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 <sup>6</sup> feed
Hub Annual Production <sup>7</sup> : Hydrated nickel sulphate: NiSO <sub>4</sub> .6H <sub>2</sub> O(s) Hydrated cobalt sulphate: CoSO <sub>4</sub> .7H <sub>2</sub> O(s) Lithium fluoride: LiF(s) Manganese sulphate: 32% w/w MnSO <sub>4</sub> (aq) Copper metal/cathode Ammonium sulphate: (NH <sub>4</sub> ) <sub>2</sub> SO <sub>4</sub> (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) <sup>8</sup>	€102.5M <sup>9</sup> (US\$113.5M) <sup>9</sup>	€275M (US\$303M)
Annual Operating Costs	€27.1M (US\$30M)	€56M (US\$61M)
Unit Operating Costs	€1,292 <sup>9</sup> (US\$1,430) <sup>9</sup>	€2,644/tpa (US\$2,926/tpa) of LiB fed into a matching Primobius Spoke
Workforce	239	82

Source: NMT

Figure 3: Mercedes-Benz ultimate demand is equivalent to fifty ~20ktpa plants

## Mercedes-Benz: Strong Validation from a Marquee OEM

### PLANT SUPPLY, R&D TECHNOLOGY LICENSE, COLLABORATION



Mercedes-Benz



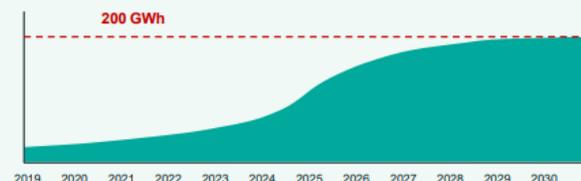
#### Cooperation agreement with Mercedes-Benz

- Primobius to supply/install/commission equipment for MB's 2,500tpa Integrated Recycling Plant in Kuppenheim, Germany (building above) on royalty-free basis
- Long-term research collaboration to recycle next generation cell formats and chemistries

\*For further information, refer to ASX release dated 13 May 2022 – "Primobius executes Co-operation Agreement with Mercedes-Benz"

\*\*Source: Mercedes-Benz Strategy Update: electric drive, July 2021

### MERCEDES-BENZ TARGET CELL PRODUCTION\*\*



#### Key Illustrative Assumptions

- ~10-year battery life
- ~4.5MWh to tonne of battery

### POTENTIAL MERCEDES-BENZ EOL LIB RECYCLING REQUIREMENTS BY 2040



900ktpa of  
batteries

Potential EOL recycling requirement by 2040 with additional volumes potentially available from production scrap



5 x 200,000tpa  
Plants

Required to process\*

\*Based on Neometals assumptions.

ASX: NMT | AIM: NMT | OTC: RDRUY | DEU: 9R9  
neometals.com.au

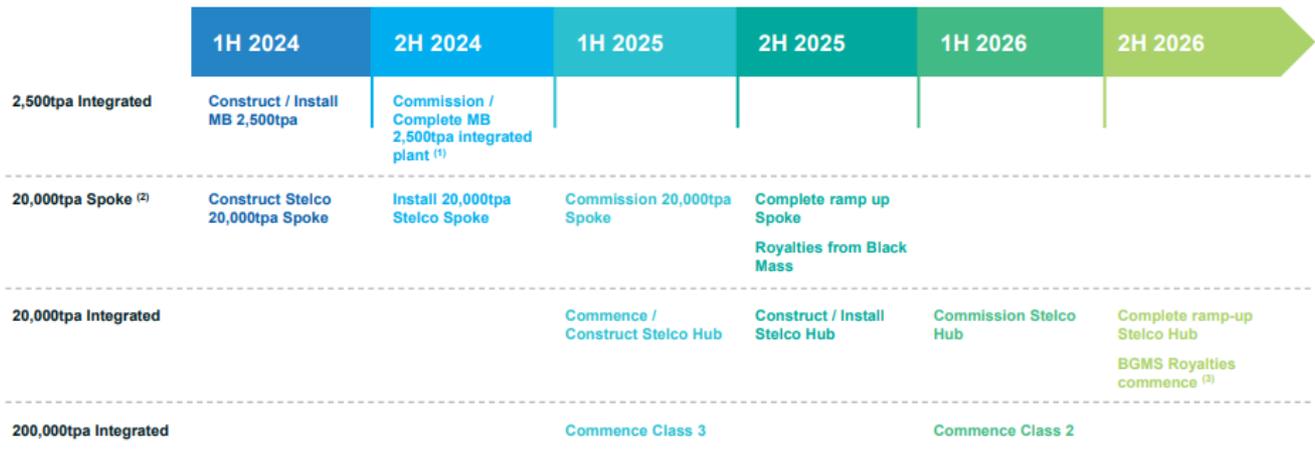
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Source:

Figure 4: Timetable

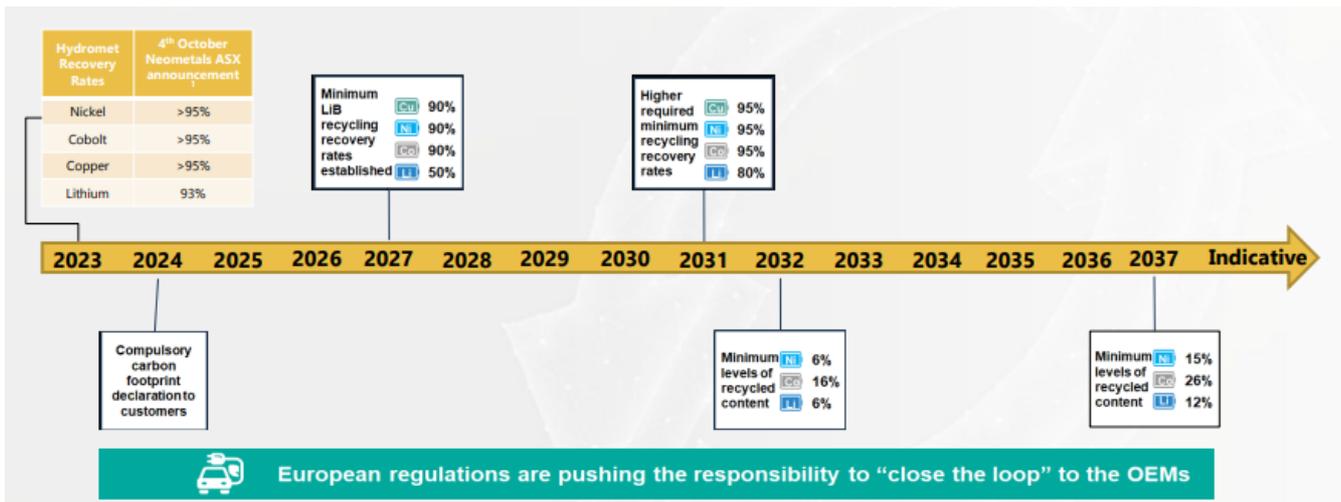
## Upcoming Catalysts and Financial Milestones

- Primobius has a 'product ready' plant offering (Spoke), is earning JV revenue now, an order book exists and is growing
- Royalty revenues start late-2025 from Stelco Spoke and late-2026 from Stelco Hub



Source: NMT

Figure 5: EU regulations



Source: HNR

Figure 6: Price target scenarios

Price Target Methodology	Weighting	Spot	12 mth out
10% royalty, 1 plant (20ktpa, CY28)	40%	\$0.10	\$0.11
10% royalty, 10 plants (200ktpa, CY31)	50%	\$0.80	\$0.88
7.5% royalty, 50 plants (1mtpa, CY40)	5%	\$1.30	\$1.43
5% royalty, 250 plants (5mtpa, CY50)	1%	\$1.70	\$1.87
Net cash	4%	\$0.05	\$0.02
<b>Risk weighted composite</b>		<b>\$0.52</b>	
<b>12 Months Price Target</b>		<b>\$0.58</b>	
Shareprice - Last		\$0.195	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>194.9%</b>	

Source: Euroz Hartleys

Figure 7: Royalty model

US\$m pa potential royalty revenue (net share to NMT)		20kt pa	100kt pa	200kt pa	1mtpa	5mtpa
		31-Dec-27	31-Dec-28	31-Dec-31	31-Dec-40	31-Dec-50
Royalty Rate	1.0%	US\$1m pa	US\$3m pa	US\$6m pa	US\$31m pa	US\$156m pa
	2.5%	US\$2m pa	US\$8m pa	US\$16m pa	US\$78m pa	US\$390m pa
	5.0%	US\$3m pa	US\$16m pa	US\$31m pa	US\$156m pa	US\$780m pa
	7.5%	US\$5m pa	US\$23m pa	US\$47m pa	US\$234m pa	US\$1170m pa
	10.0%	US\$6m pa	US\$31m pa	US\$62m pa	US\$312m pa	US\$1560m pa
	12.0%	US\$7m pa	US\$37m pa	US\$75m pa	US\$374m pa	US\$1872m pa

## Implied A\$ value per share at 20x p/e - undiscounted

		20kt pa	100kt pa	200kt pa	1mtpa	5mtpa
		31-Dec-27	31-Dec-28	31-Dec-31	31-Dec-40	31-Dec-50
Royalty Rate	1.0%	\$0.00/shr	\$0.10/shr	\$0.15/shr	\$0.80/shr	\$4.00/shr
	2.5%	\$0.05/shr	\$0.20/shr	\$0.40/shr	\$2.00/shr	\$10.05/shr
	5.0%	\$0.10/shr	\$0.40/shr	\$0.80/shr	\$4.00/shr	\$20.05/shr
	7.5%	\$0.10/shr	\$0.60/shr	\$1.20/shr	\$6.00/shr	\$30.10/shr
	10.0%	\$0.15/shr	\$0.80/shr	\$1.60/shr	\$8.00/shr	\$40.10/shr
	12.0%	\$0.20/shr	\$0.95/shr	\$1.95/shr	\$9.65/shr	\$48.15/shr

## Discounted value (at 10% pa)

		20kt pa	100kt pa	200kt pa	1mtpa	5mtpa
		31-Dec-27	31-Dec-28	31-Dec-31	31-Dec-40	31-Dec-50
Royalty Rate	1.0%	\$0.00/shr	\$0.05/shr	\$0.10/shr	\$0.15/shr	\$0.35/shr
	2.5%	\$0.05/shr	\$0.15/shr	\$0.20/shr	\$0.45/shr	\$0.85/shr
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	12.0%	\$0.15/shr	\$0.65/shr	\$1.00/shr	\$2.10/shr	\$4.05/shr

Source: Euroz Hartleys

Figure 8: Mercedes Benz Recycling



Source: [https://www.linkedin.com/posts/mercedes-benz\\_ag\\_sustainability-batteryrecycling-mercedesbenz-activity-7127324217208954880-kAHq?utm\\_source=share&utm\\_medium=member\\_desktop](https://www.linkedin.com/posts/mercedes-benz_ag_sustainability-batteryrecycling-mercedesbenz-activity-7127324217208954880-kAHq?utm_source=share&utm_medium=member_desktop)

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

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