EQUITY RESEARCH

PAC PARTNERS

BCI Minerals (BCI)

The valuation is leveraged to the share price

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KEY POINTS

Not many stocks get more attractive as the share price goes up, however BCI fits this definition. We assume that BCI raises $350m to fund Mardie, which is around its current market cap. As the share price goes higher, the pending raise is likely to be priced higher, reducing the dilution from the raise. Reducing the number of new shares is the single biggest driver to our valuation. For each $0.05/share of increased raising price, our un-risked DCF increases by ~$0.09/share.

We assume that $350m is raised at $0.45/share (from $0.27/share). This reduces the forecast number of new shares by 40% and results in the same amount of equity raised. $0.45/share represents a 21% discount to the closing price and looks conservative.

The raise is likely to have a large rights issue associated with it, as BCI has a supportive shareholder that owns ~40%. The rights issue provides a reason to buy ahead of the raise. Liquidity has materially improved in the past few months.

We estimate that BCI produces $34m of EBITDA from the Iron Valley mine in the current quarter. With the benchmark spot iron ore sitting at US$217.50/t, BCI is likely to generate significant cashflow in FY22. We estimate that at current spot pricing, BCI could generate ~A$170m in EBITDA. There is a general view that iron ore pricing is likely to fall, but how quickly? BCI could raise less equity and rely on iron ore cashflow to fund part of the equity for Mardie. Doing so would further reduce the dilution via a smaller than forecast raise. At this point in time, we do not factor in a smaller raise, but flag it as a probable future valuation catalyst.

Approvals and bank debt are potential near-term catalysts. A forgotten catalyst is that BCI has a 1% royalty on the fully permitted Buckland iron ore tenement (134mt reserve) that forms part of MIN's West Pilbara iron ore project. Details on this project could be announced in the near term. This asset could be sold, lowering the equity requirement.

We have made minor changes to forecasts due to changing FY21 and future iron ore price forecasts. Our price changes and royalty rates have been influenced by recent strong prices and improved disclosure from BCI. Our forecast changes are not that material.

INVESTMENT VIEW

We use DCF to value BCI and factor in a 20% discount due to approvals and funding risks. The assumed higher equity raising pricing result in an un-risked valuation of $1.29/share (from $0.88). Applying a 20% risk discount results in a price target of $1.03/share (from $0.70), ~79% above the current share price. We retain our Speculative Buy recommendation.

BCI's share price has appreciated 100% in two months. Several factors are at play, being improved disclosure on the value of the royalty stream from Iron Valley (underappreciated before the rally); the continued strength in the iron ore price and a realisation that little value was being ascribed to the Mardie project, with it getting close to FID.

If BCI continues to generate strong cashflow from Iron Valley, it may raise less than we forecast. This could result in a material uplift to our valuation. With near term catalysts (approvals and bank debt), momentum is likely to continue, in our opinion.

A rights issue means investors are better off getting set now, rather than waiting for the liquidity event. It is rare to see a valuation leveraged to the share price, such as the case at BCI. Momentum is BCI's bestie.

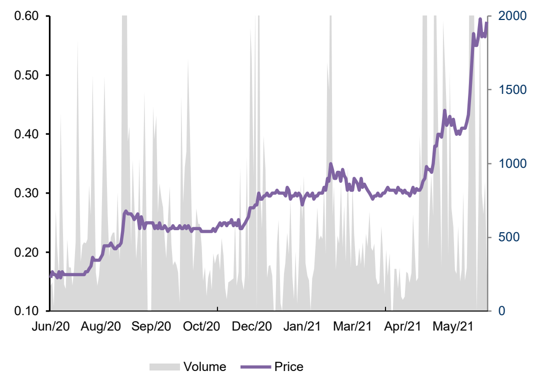
Recommendation	Speculative BUY
Previous Recommendation	Spec. Buy $0.70
Risk Rating	High
Current Share Price	$0.575
12 Month Price Target	$1.03/share
Price target Methodology	DCF
Total Return (Capital + Yield)	79%
Mardie steady state EBITDA	$260m pa
Market Capitalisation	$345m
Liquidity	$1m/day

Financial Forecasts & Valuation Metrics

BCI Y/E Jun A$m	FY20A	FY21F	FY22F	FY23F
Revenue	54.2	172.1	145.4	112.5
EBITDA	16.4	55.7	46.1	25.4
EPS Adj (c)	4.4	6.4	2.8	1.3
EPS Growth	243%	44%	-56%	-53%
DPS (c)	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	18.3	(0.2)	2.9	14.9
PE Underlying (x)	12.8	8.9	20.0	42.7
Gearing (%)	-66%	-308%	-71%	7%

Source: PAC Partners estimates

12-Month Share Price and Volume



Key Milestones

- Achieving environmental approval, expected Q3 2021
- Achieving FID, expected in late Q3 2021
- General re-rate occurring in commodity stocks
- Further trial work and optimisation studies reducing the risk of cost overruns
- Continued strength in the iron ore price
- Re-rating as the prospect of Mardie gets factored in
- Adding the Buckland 1% iron ore royalty into the valuation or BCI selling it

Iron ore booming

Iron ore pricing is yet to show any signs of abating and continues to defy expectations of a sharp decline

The average benchmark iron ore price and FX rate for Q4 to date are **US$196.30** and **US$0.772**. This equates to an average iron ore price of **A$254/t**. The current iron ore price is **US$217.50 (A$281/t)**; hence the quarter is likely to end slightly higher than the current quarter average.

Tonnes shipped are also likely to be slightly higher in Q4 vs. Q3. A shortage of truck drivers lowered 1H21 volumes vs. guidance and this has been actively being addressed by the mine operator, with a recovery expected in 4Q21. We estimate that BCI can generate ~$34m of EBITDA in 4Q21 ($37.3m for Q1-Q3 FY21).

In a recent presentation, BCI published a table of what EBITDA they would produce under different volume and benchmark pricing assumptions (using US$0.75 FX), see Figure 1. We estimate FY22 production of 7.5mt is being targeted by the mine operator.

The royalty is based on a sliding scale that increases as the iron ore price increases. The recent completion of a 40% royalty reduction has Iron Valley EBITDA very leveraged in FY22 and 4Q21

Figure 1: Iron Valley EBITDA at different prices and volumes.

Tonnes mt	US$ Iron Ore Price 62%					
	75	100	125	150	175	200
6.0	8	23	50	77	104	130
6.5	8	25	54	83	112	141
7.0	9	27	58	90	121	152
7.5	10	29	63	96	129	163
8.0	10	31	67	102	138	174

Sourcce: BCI

Based on the current spot price of US$217/t and 7.5mt, according to the table, BCI would generate ~$170m of EBITDA.

Due to the current high iron ore pricing, we now assume that Mineral Resources (MIN) decides to extend the mine plan of Iron Valley. MIN have in the past indicated that the mine life was influenced by the prevailing iron ore price, with Iron Valley sitting high on the cost curve.

Iron Valley has ~70mt of reserves left, implying a mine life of almost 10 years, however large cutbacks are required and if the iron ore price were to fall, the total reserves are unlikely to be mined. The commencement of the Wonmunna mine by MIN also competes for space at the Utah Point berth. Currently Wonmunna is permitted to operate at 5mtpa, though MIN is applying to take this to 10mtpa. It is likely that Utah Point could process 17mtpa from MIN, though with other exporters also using this berth, this would place it near capacity. We expect MIN will look to maximise the number of tonnes shipped over Utah Point, which should see the mine life extended at Iron Valley.

Extending the life of Iron Valley appears appropriate given the current iron ore price

Previously we estimated that Iron Valley ceased production at the end of FY23, we now factor in Iron Valley operating until FY30.

With FY21 almost complete, we now factor in increased pricing reflective of pricing received to date. The current high price also has us increasing our FY22 iron ore price. Forecast price changes are shown in Figure 2.

Figure 2: Commodity assumption changes

	Old			New			Difference		
$m	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Iron Valley Assumptions									
I.V. Tonnes Sold mt	6.5	7.5	7.5	6.5	7.5	7.5	0.0	0.0	0.0
Benchmark Iron Ore US$/t	162.3	127.8	110.0	172.3	138.4	120.0	10.0	10.6	10.0
I.V. Total Revenue	1,055	958	825	1,120	1,038	900	65.0	79.9	75.0
I.V. EBITDA (BCI Share)	68	58	29	71	52	32	3.5	(5.6)	2.6
BCI Royalty Rate	8.8%	6.0%	3.5%	8.6%	5.0%	3.5%	(0.2%)	(1.0%)	0.0%

Source: PAC Partners estimates

The EBITDA changes are positive, but not meaningful in relation to the share price appreciation of the past two months. In our opinion, improved disclosure around the earnings potential of the Iron Valley royalty stream at higher pricing has been the most important element of the re-rating, but several other factors such as closing in on approvals and Mardie DFS optimisation have contributed.

We note that iron ore royalty companies trade on high multiples and BCI has a quite a few royalties (though only one currently active, but it is a very high rate when pricing is high).

Dilution reduction

BCI's DCF valuation is influenced by the salt price and FX rate, however the biggest factor is the number of new shares to be issued. Reducing this via either a smaller raise or a higher price materially lifts our valuation

When we initiated on BCI, we highlighted that the most important factor in our valuation was the number of new shares to be issued to fund the Mardie project. The two factors that determine this are:

- **The size of the equity raise.** Whilst BCI has secured more NAIF debt than what we originally expected, it has also increased the size of the project in the recent optimisation study, hence lifting the amount of equity required for the project. On the positive, much higher than expected cashflow from Iron Valley is equivalent to equity and could lower the amount raised, plus BCI has $100m of cash and no debt. Undisclosed banking covenants on the debt may mean that BCI needs to raise a minimum amount, at this stage we leave the equity raise set at $350m, but note there is a high possibility that it is smaller; and
- **The price of the raise.** We previously used $0.27/share as the raise price, but now move this to $0.45/share (still a material discount to the current share price). This reduces the number of new shares issued by 40% and is a material driver to our valuation increase.

If the share price continues to rally, the raise price increases. If Iron Valley cashflow remains strong, the size of the raise can reduce. Risk is to the upside on both these factors

Our assumed $0.45/share raise price is a 20% discount to the current share price and is a realistic discount given the size of the raise. BCI has a very material near term catalyst (environmental approvals) that could see the share price continue to rally and hence improve the future raising price even more.

With the raise likely to include a large discounted rights issue, we think investors are more likely to buy ahead of the raise, rather than sell down and wait for the raise. BCI is in the enviable position that the more the share price appreciates before the raise, the higher our valuation goes. Figure 3 shows the sensitivity on our DCF valuation based on $350m raised, at different pricing.

Figure 3: Valuation sensitivity to the raising price ($350m raised)

Raising Price	$0.30	$0.35	$0.40	$0.45	$0.50	$0.55	$0.60
Un-risked DCF valuation	$0.97	$1.08	$1.19	$1.29	$1.38	$1.46	$1.54
Risked (20% discount) Valuation	$0.78	$0.86	$0.95	$1.03	$1.10	$1.17	$1.23

Source: PAC Partners estimates

A $0.05/share price increase in the raise lifts our un-risked valuation by ~$0.08/share

With a discounted rights issue probably on the agenda, investors want to be set before the liquidity event, in our opinion

Every $0.05/share increase in the raising price increases our un-risked DCF valuation by ~$0.09/share. In affect new owners can buy today knowing they get less dilution when the raise comes, plus get to participate in a likely discounted rights issue. In our opinion, there is minimum downside from owning BCI before the likely capital raise. This is not something you see too often. In effect, if BCI's share price continues to rally, our valuation is set to rise.

ANOTHER POTENTIAL CATALYST

MIN has indicated that it intends to start construction on its West Pilbara iron ore project in August. This implies that MIN should announce details around this project in the near term.

The importance of this to BCI is that one of the deposits that forms part of the project is the Buckland deposit. BCI sold this to MIN, but still retains a 1% revenue royalty. The deposit has a reserve of 134mt at 58% Fe, a resource of 283mt and is fully permitted.

A forgotten royalty stream that could be in the news soon could further reduce the dilution for a future raise

BCI could potentially sell this royalty earnings stream (and reduce the size of the equity raise) or alternatively when the project has more certainty, the market can value the royalty, which could also help lift BCI's share price (and subsequent raising price). Figure 4 shows the potential of the Buckland royalty using different assumptions. There is also $14m of milestone payments.

Figure 4: Buckland royalty stream value

Assumptions	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Avg. benchmark I/O price (US$/t)	65	75	85	65	75	85
A$:US$ FX	0.75	0.75	0.75	0.75	0.75	0.75
No. tonnes (m)	134	134	134	283	283	283
58% grade discount	10%	10%	10%	10%	10%	10%
Life of Mine royalty @ 1% $m	**105**	**121**	**137**	**221**	**255**	**289**

Source: PAC Partners

For example, assuming a long-term iron ore price of US$75m and assuming only the reserves are mined, the royalty is worth ~$121m to BCI (before the time value of money discount).

Forecast Changes

Our forecast changes are not that material, but positive

We have left our Mardie forecasts unchanged.

Our forecast changes centre around changes to the iron ore price and FX rate, detailed in Figure 2 earlier. Our forecast changes impact EBITDA for FY21 to FY23 by $4m / -$6m and $3m respectively, see Figure 2. BCI indicated that at the end of April 2021, they had $100m cash on hand and no debt. This implies the EV is $245m.

Figure 5: Forecast Changes

	Old			New			Difference		
$m	**FY21F**	**FY22F**	**FY23F**	**FY21F**	**FY22F**	**FY23F**	**FY21F**	**FY22F**	**FY23F**
Revenue									
Iron Valley	162.7	143.8	103.1	172.1	145.4	112.5	9.3	1.6	9.4
Mardie	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	**162.7**	**143.8**	**103.1**	**172.1**	**145.4**	**112.5**	**9.3**	**1.6**	**9.4**
Iron Valley	67.8	57.5	28.9	71.3	51.9	31.5	3.5	(5.6)	2.6
Mardie	(10.0)	0.0	0.0	(10.0)	0.0	0.0	0.0	0.0	0.0
Corporate	(5.6)	(5.8)	(6.1)	(5.6)	(5.8)	(6.1)	0.0	0.0	0.0
EBITDA	**52.2**	**51.7**	**22.8**	**55.7**	**46.1**	**25.4**	**3.5**	**(5.6)**	**2.6**
Depreciation	(0.1)	(0.4)	(0.7)	(0.1)	(0.4)	(0.7)	0.0	(0.0)	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total EBIT	**49.9**	**48.7**	**19.5**	**53.3**	**43.1**	**22.1**	**3.5**	**(5.6)**	**2.6**
Net Interest	3.2	3.6	(0.1)	3.2	3.6	(0.2)	0.1	0.0	(0.0)
Tax	(14.8)	(14.6)	(5.4)	(15.8)	(13.1)	(6.1)	(1.0)	1.6	(0.7)
Abnormals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported NPAT	38.2	37.6	13.9	40.7	33.6	15.8	2.6	(4.0)	1.9
UNPAT Adj. Mardie	**48.2**	**37.6**	**13.9**	**50.7**	**33.6**	**15.8**	**2.6**	**(4.0)**	**1.9**
Underlying EPS (cps)	**4.6**	**2.2**	**0.8**	**6.4**	**2.8**	**1.3**	**1.8**	**0.6**	**0.5**

Source Pac Partners

PEER COMPS

A key plank of our investment thesis is what is BCI worth once it achieves steady state production at Mardie. Based on our analysis, BCI is potentially a $2.6bn company. BCI's closest peer (Compass Minerals) trades on an FY21F EV/EBITDA multiple of 10.0x. Applying that to $260m (BCI's guided optimised DFS guided number) of EBITDA from Mardie is an EV of $2.6bn. Debt and future equity need to be subtracted to get to a present equity value, which implies ~$1.5bn of equity (and assumes no major project complications occur).

BCI will have a higher number of shares on issue than present, but when you note that it has an EV of just $245m, it has huge upside potential.

We include Deterra to give perspective on what iron ore royalties can be worth

We have included Deterra (DRR) in our peer comps for the first time, essentially an iron ore royalty company. Whilst its iron ore royalties are with BHP and over a much larger asset, the royalty rate at Iron Valley is much higher. The key takeaway from DRR is the high multiples (11.3x FY22 EV/EBITDA). BCI also has an iron ore royalty agreement with RIO, though appears some time off being activated.

Compass Minerals is a very close peer to BCI (once BCI is producing) and shows where BCI could trade at in the future

Figure 6: Peer Comps

	Share	Mkt	Gearing	Net	EV/EBITDA (x)		PER (x)	
	Price A$	Cap A$m	ND/ND+E	Debt A$m	FY21F	FY22F	FY21F	FY22F
Deterra Royalties	4.39	2,341			18.8x	11.3x	29.3x	17.2x
Compass Mineral	77.65	2,640	90%	1,499	10.0x	8.6x	26.0x	19.2x
K & S AG	14.40	3,559	57%	5,487	7.1x	7.7x	n/m	n/m
Average					**8.6x**	**8.1x**	**26.0x**	**19.2x**

Source: CapIQ and PAC Partners

Salt does not have the technical risk of most other commodities, has a relative stable price, utilises an infinite resource with minimum variability and is not well understood by Australian investors as it represents the only ASX listed salt project. In addition, salt processing is an exercise in logistics and BCI have a tier one logistics cost structure.

Investment view and valuation

We use DCF to value BCI. DCF captures Mardie, Iron Valley and ascribes a value for future iron ore royalties of $20m not yet in operation.

DCF

Reflective of BCI's progress in securing approvals and funding, we apply a 20% discount to our DCF valuation (unchanged).

Incorporating a higher assumed raising price to fund the Mardie project is a material driver of the DCF valuation. The other driver is the assumed increased life of the Iron Valley mine.

Our un-risked DCF valuation moves to $1.29/share (from $0.88).

Our target price of $1.03 equates to ~79% upside from the current share price

Figure 7: DCF valuation

Present value of cashflows FY21 to FY30	(488)
Present value of terminal year cashflow	1,902
Net Cash at 1H21A	78
NPV of royalties, risk discounted 75%	20
Present value of equity	1,513
Diluted Shares on issue (post raisings)	1,175
Present value per share	**$1.29**
20% discount factor	-$0.26
Discounted DCF Valuation	**$1.03**

Source: PAC Partners

We set our price target in line with our discounted DCF valuation, which results in a price target of $1.03/share (from $0.70). This is 79% higher than the current share price. We retain our Speculative Buy recommendation.

INVESTMENT VIEW

BCI has two large near term catalysts, being:

- Environmental approval; and
- Providing details of the remaining debt funding.

BCI's share price has appreciated 100% in the past two months. The main drivers are to be:

- A strong share market;
- The release of the optimised feasibility study;
- The strong iron ore price; and
- The much larger than market expected EBITDA coming from Iron Valley in times of high iron ore pricing.

There is also a high possibility due to the existing $100m of cash and likely strong cash inflows from iron ore, that the equity raise is smaller than we forecast, which would lower the dilution upon the raise. If the above-mentioned catalysts occur, they could help fuel the current momentum in the share price, which would also help lower dilution via a higher raise price.

Our forecast TSR of 81% has high appeal. In our opinion, BCI has momentum, and we expect there is a good possibility that this continues in the near term.

Financial Model

BCI Minerals Share Price ($) 0.575 Mkt Cap: ($m) 345 Speculative Buy

PROFIT & LOSS ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Operating Revenue	**54.2**	**54.2**	**172.1**	**145.4**	**112.5**
EBITDA	(2.6)	16.4	55.7	46.1	25.4
Depreciation	(0.1)	(0.6)	(0.1)	(0.4)	(0.7)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	**(5.2)**	**13.2**	**55.6**	**45.7**	**24.7**
Net Interest	0.6	0.3	3.2	3.6	(0.2)
Income tax expense	1.5	(3.8)	(15.8)	(13.1)	(6.1)
UNPAT pre abnormal	**(3.1)**	**9.7**	**43.0**	**36.2**	**18.4**
Abnormal Items	16.0	2.0	0.0	0.0	0.0
Reported NPAT	**12.9**	**11.7**	**43.0**	**36.2**	**18.4**
Normalised NPATA	**5.1**	**17.9**	**50.7**	**33.6**	**15.8**

BALANCE SHEET ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Cash	33.7	41.5	338.9	163.1	13.1
PP&E	0.2	2.8	52.9	215.8	503.8
Debtors & Inventory	22.3	16.2	64.7	51.8	34.9
Intangibles	23.5	18.5	23.5	23.5	23.5
Other assets	50.7	57.0	38.1	35.6	15.0
Total Assets	**130.4**	**136.1**	**518.2**	**489.8**	**590.4**
Borrowings	0.0	0.0	(10.8)	(42.5)	50.8
Trade Creditors	18.1	18.3	37.9	29.1	20.3
Other Liabilities	8.7	13.7	27.9	6.4	6.7
Total Liabilities	**26.8**	**32.0**	**55.0**	**(7.0)**	**77.8**
Shareholder Equity	**103.6**	**104.1**	**463.3**	**496.8**	**512.6**

CASHFLOW ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Operating EBITDA	**(2.6)**	**16.4**	**55.7**	**46.1**	**25.4**
Interest & Tax Paid	2.1	0.5	(12.6)	(9.5)	(6.3)
Working Cap.	(5.7)	(12.5)	(14.8)	(17.3)	8.3
Operating CF	**(6.2)**	**4.4**	**28.3**	**19.3**	**27.4**
Maintenance Capex	(0.2)	(3.3)	(0.2)	(0.2)	(0.2)
Expansion Capex	27.0	6.8	(52.5)	(163.2)	(270.5)
Free Cashflow (FCF)	**20.6**	**7.8**	**(24.3)**	**(144.1)**	**(243.3)**
Ord & Pref Dividends	0.0	0.0	0.0	0.0	0.0
Net Other	0.0	0.0	332.5	0.0	0.0
Net Cashflow	**20.6**	**7.8**	**308.2**	**(144.1)**	**(243.3)**

DIVISIONAL P&L ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Iron Valley	54.2	54.2	172.1	145.4	112.5
Mardie	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.4	2.9	2.5	0.2
Total Revenue	**54.7**	**54.6**	**174.9**	**147.9**	**112.7**

DIRECTORS	%		%
Brian O'Donnell	0.1%	Jenny Bloom	0.0%
Alwyn Vorster	0.9%	Michael Blakiston	0.0%
Garret Dixon	0.0%		
		Total	**1.0%**

KEY RATIOS	FY19A	FY20A	FY21F	FY22F	FY23F
EBITDA Margin (%)	-4.8%	30.3%	32.4%	31.7%	22.6%
EBIT Margin (%)	-9.6%	24.4%	32.3%	31.4%	21.9%
NPAT Margin (%)	23.8%	21.6%	25.0%	24.9%	16.3%
ROE (%) y/e	-3.0%	9.3%	8.5%	6.6%	3.0%
ROA (%) y/e	-5.4%	14.0%	29.7%	13.2%	3.8%
ROIC (%) Av.	-6.5%	17.2%	49.5%	19.7%	5.2%
NTA per share ($)	0.13	0.14	0.73	0.79	0.82
Eff Tax Rate (%)	32.9%	28.0%	28.0%	28.0%	28.0%
EBIT Interest Cover (x)	NM	NM	nm	nm	60.1
Gearing ND/ND+E (%)	(48%)	(66%)	(308%)	(71%)	7%
OPCF / EBITDA (%)	237%	27%	51%	42%	108%

VALUATION METRICS	FY19A	FY20A	FY21F	FY22F	FY23F
Dil. Normalised EPS (c)	1.3	4.4	6.4	2.8	1.3
Dil. Reported EPS (c)	3.3	2.9	5.1	2.8	1.3
Dil. Normalised PE (x)	**44.5**	**13.0**	**9.0**	**20.2**	**43.1**
Dil. Reported PE (x)	**17.7**	**19.8**	**11.2**	**20.2**	**43.1**
Enterprise Value ($m)	311	303	-5	139	382
EV / EBITDA (x)	**-119.8**	**18.5**	**-0.1**	**3.0**	**15.0**
EV / EBITA (x)	**-59.6**	**22.9**	**-0.1**	**3.0**	**15.5**
EV / EBIT (x)	**-59.6**	**22.9**	**-0.1**	**3.0**	**15.5**
Price / NTA (x)	4.3	4.0	0.8	0.7	0.7
DPS (c)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0%	0%	0%	0%	0%
Free Cash / Share (cps)	5.2	1.9	(3.1)	(12.2)	-20.6
Price / FCF PS (x)	11.0	29.6	n/m	-4.7	-2.8
Net Debt / EBITDA (x)	13.0	(2.5)	(6.3)	(4.5)	1.5

GROWTH PROFILE (YoY)	FY19A	FY20A	FY21F	FY22F	FY23F
Sales ($m)	62%	0%	218%	-16%	-23%
EBITDA ($m)	-82%	-732%	240%	-17%	-45%
EBIT ($m)	-70%	-353%	320%	-18%	-46%
Adj. NPAT ($m)	-137%	250%	183%	-34%	-53%
Adj. EPS (c)	-136%	243%	44%	-56%	-53%
DPS (c)	0%	0%	0%	0%	0%

DCF VALUATION			
PV of Cashflows FY20-29	(488)	Risk Free Rate	5.0%
PV of Term Year Cashflow	1,902	Equity Risk Premium	5.0%
Other	0	Equity Beta (x)	1.10
Net Cash at 1H21A	78	Cost of Equity	10.5%
PV of Equity	1,513	WACC	7.0%
PV of Equity per share	**$ 1.29**	Terminal Growth	2.5%

SUBSTANTIAL HOLDERS	%		%
Wroxby Pty Ltd	39.5%	Sandon Capital	6.1%

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RECOMMENDATION CRITERIA

Investment View
PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20% – 5%	<5%

Risk Rating
PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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