EQUITY RESEARCH

BCI Minerals (BCI)

Iron Ore Flying, Mardie Bigger and Better

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KEY POINTS

In our opinion, BCI appears poised to rally. Please reach out if you would like us to arrange a meeting.

BCI's delivered record EBITDA from Iron Valley in 3Q21 ($20m). This is significantly above our expectations and we have lifted our 2H21F Iron Valley earnings by $22m. 4Q21 stands to be much stronger than 3Q21, with a higher iron ore price, a likely higher royalty rate per tonne, potentially higher volumes sold and the completion of a 40% royalty reduction late in Q3 to further drive Q4.

If we were to use spot price iron ore pricing for FY22, BCI would be trading at less than 1.0x Iron Valley EV/EBITDA. To us, this implies that the market is assuming that either:

- The Mardie project does not get funding and stalls, or
- Investors are waiting for the capital raise to get set. We think BCI is likely to use a rights issue, investors should think about building a position before the raise.

BCI recently published an optimised study (OS) for its Mardie salt and SOP project. Essentially, this lifts salt production by 20% and SOP production by 30%, costing an extra $106m of capex.

The larger output better utilises some of the fixed cost infrastructure such as the port. In our opinion, the OS adds significant value to BCI. The new guided steady state production EBITDA is $260m pa (from $197m).

BCI has several near-term catalysts:

- Securing Ministerial approval that will allow construction to start on the main evaporation ponds, expected next quarter; and
- Announcing details of the debt funding packages. BCI already has NAIF in for $450m. A tier one bank has agreed to participate and is assisting with the syndication of debt. Completion of above should allow BCI to announce FID.

Compass Minerals is BCI's closest peer. For FY21, it is trading at 11.1x EV/EBITDA, highlighting the potential value of Mardie when it is operating, implying a long-term valuation of $2.5 – 3.0bn (11x the forecast steady state production EBITDA). The current EV is $110m. With first production not until late FY24 or early FY25, BCI should grow into its valuation potential. Although it would have more shares on issue, the upside is still enormous.

We have lifted our iron ore price forecasts and the royalty rate received by BCI. This increases our EBITDA forecasts by $22m / $19m and $2m respectively between FY21-FY23. Our Mardie forecasts also increased, but from FY25 onwards.

INVESTMENT VIEW

We use DCF to value BCI and apply a 20% discount due to approvals and funding risk (though getting close to resolution on both we feel). The higher forecasts (iron ore and Mardie due to higher volumes) result in an un-risked valuation of $0.88/share (from $0.67). **Applying a 20% risk discount results in a price target of $0.70/share (from $0.53), an impressive 126% above the current share price.**

With the potential for very high returns, near term catalysts, the low execution risk of salt as a commodity relative to other commodities and the very low value ascribed to Mardie, BCI ticks all the boxes.

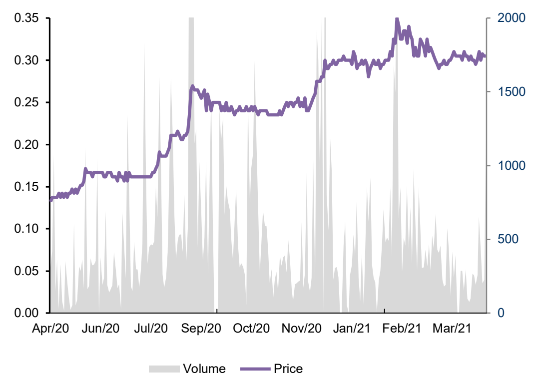
Recommendation	Speculative BUY
Previous Recommendation	Spec. Buy $0.53
Risk Rating	High
Current Share Price	$0.31
12 Month Price Target	$0.70/share
Price target Methodology	DCF
Total Return (Capital + Yield)	80%
Mardie steady state EBITDA	$260m pa
Market Capitalisation	$186m
Liquidity	$0.1m/day

Financial Forecasts & Valuation Metrics

BCI Y/E Jun A$m	FY20A	FY21F	FY22F	FY23F
Revenue	54.2	162.7	143.8	103.1
EBITDA	16.4	52.2	51.7	22.8
EPS Adj (c)	4.4	4.6	2.2	0.8
EPS Growth	243%	3%	-52%	-63%
DPS (c)	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	8.8	(3.1)	(0.4)	9.8
PE Underlying (x)	7.0	6.8	14.0	37.8
Gearing (%)	-66%	-307%	-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 Q2 or 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

Mardie Optimisation Study

Salt projects are essentially an exercise in transport logistics. The bigger the project, the better utilisation of infrastructure and the higher the return

20% LARGER PROJECT EQUATES TO HIGHER RETURNS

At the time of publishing the DFS, BCI did not incorporate additional land purchased just prior to the release of the DFS. The project is now forecast to produce 5.35mtpa of salt (from 4.4mt) and 140ktpa of SOP (from 120kt), post increasing the project footprint.

The increase is achieved by the addition of 19km^2 of additional evaporation and crystalliser ponds and a repositioning of the salt crystalliser ponds. This has led to a capex increase of $106m, (we assume $130m with some additional working capital) though some of the capex increase is due to higher forecast wage costs (the labour market is tight in WA).

The securing of $450m of debt funding from NAIF and the likely near term securing of the remaining debt from banks (a tier one bank is assisting debt finalisation) adds more certainty that the project secures funding. In our opinion, a larger project makes sense, as it better leverages the infrastructure, particularly the port. A summary of the optimised project is contained in Figure 1.

As seawater is an infinite and stable raw material input, there is low technical risk in producing salt. SOP is more technical, but BCI is following an established processing methodology. We like the fact the salt price has low volatility and the potential for production hiccups are lower than most other resource projects

Figure 1: BCI optimised Mardie Project

Key Project Parameters		DFS (1 July 2020)	OFS (21 April 2021)
Production Rate	Salt (>99.5% NaCl)	4.4Mtpa	5.35Mtpa
	SOP (>52% K2O)	120ktpa	140ktpa
Operating Life	Years	Minimum 60 years[1]	Minimum 60 years[1]
Production Processes	Evaporation ponds	9 (74km^2)	9 (88km^2)
	Salt crystallisers	34 (11.4km^2)	42 (16.1km^2)
	SOP crystallisers	18 (4.4km^2)	20 (5.6km^2)
	Salt plant and SOP plant	700tph salt; 110tph KTMS	800tph salt; 150tph KTMS
Port Facility	Trestle jetty	2.3km	2.4km
	Dredged channel	4.5km	4.4km
	Shiploader	3,000tph	3,000tph
Shipping	Transhipping	12,000dwt self-propelled, self-unloading transhipper	12,000dwt self-propelled, self-unloading transhipper
	Oceangoing vessels	Up to 160dwt vessels loaded 28km offshore	Up to 160dwt vessels loaded 28km offshore
Personnel (onsite and offsite rosters)	Construction: peak workforce	470	490
	Operations: steady-state	190 (120 BCI; 70 contractors)	220 (129 BCI; 91 contractors)
Economics (real, 2021$)[2]	Total capital costs	$807M[3]	$913M[3]
	Early construction capital	$28M	$63M
	Main construction capital	$779M	$850M
	Salt all-in sustaining costs (AISC)	$20.3/t FOB	$21.5/t FOB
	SOP AISC	$310/t FOB	$337/t FOB
	Pre-tax NPV_7 (ungeared)[4]	$1,197M	$1,670M
	Annual EBITDA	$197M	$260M
	NPV_7 to Capex	1.5x	1.8x
		Significant value upside via optimisation and expansion options	Significant value upside via expansion options

Source: BCI

The steady state guided EBITDA is now $260m (from $197m).

On paper, BCI's SOP operations are mid-range in terms of estimated costs. Given the cost absorption by producing salt and coastal location, it surely must be the lowest cost SOP project in Australia

OTHER PROJECT CHANGES

Other key points to note from the optimised study are:

- Operating costs for both salt and SOP are up marginally, see Figure 1;
- BCI guidance for FID remains at mid-2021 (subject to approvals and debt funding). We currently assume they raise capital late in FY21 (unchanged), but note this could well be Q1 FY22;
- SOP production is up almost 30% (20% for salt). This is driven by larger KTMS ponds and utilises higher recovery rates (based on test work);

- Further engineering studies have been completed around the building of the 2.4km jetty and 4.4km channel. Construction of this infrastructure has a higher chance of cost overruns than other parts of the project. Additional studies reduce the risk of cost overruns;
- BCI is now guiding that approvals to commence construction of the ponds is expected to be granted in Q3 2021 (previously Q2 2021). There will be residual approvals required, with the last approval expected in Q2 2022. The critical path of the project is to construct the pumps and pond one (to allow evaporation to commence).
- The new areas incorporated in the optimisation study will require approval, but are expected to be received before construction is scheduled to commence in those areas (in 1H 2022). Approvals remain a risk of delaying the project, though the main ones look like they are close (noting the $450m of NAIF funding is evidence the Government wants the project to proceed);

The level of early works underway is a sign that BCI is highly confident that the project proceeds

- Due to extensive early works, the date of first shipment guided is ~3 months earlier than the DFS. We have elected not to change the date of first shipment in our forecasts (currently early FY25);
- No update was provided on a partner to share the port infrastructure. This is likely to be a valuable asset once built and if iron ore remains at an elevated price, it is sure to find a partner. We do not factor in a partner; and
- The project has a range of BOO/T contracts to award. In our opinion, most of these falls into the skillset of Mineral Resources (MIN) and given their close relationship, they have a high probability of being involved in parts of the project, in our opinion. We see this as a positive.

The optimisation study has added significant value to the project, in our opinion

Overall, the optimisation study provides for significantly higher returns and better utilises some of the infrastructure required for the project. Sometimes the market sees an increase in capex as a negative, but in the current market, securing capital for a large project is much easier than 12 months ago, and BCI have made the project more appealing.

IRON VALLEY UPGRADE

MIN reduced their FY21 iron ore volume guidance in their Q3 update by ~1.5mt. The main reason was a shortage of truck drivers; hence we assume that the majority of the impact is at Iron Valley. On a recent site visit to MIN, we got the impression that hiring/training of new drivers was going well, and we assume the shortage of truck drivers is resolved shortly. We lower FY21 our forecast iron ore volumes for Iron Valley to 6.5mt (from 7.5mt).

Even though MIN downgraded its iron ore volumes for the 2H21, the Iron Valley EBITDA of $20m is a huge number and above everyone's expectations

MIN has also indicated that it expects to release a 10-year mine plan in late 2021. This should give more clarity on the mine life of Iron Valley. Whilst it has a resource of ~70mt, MIN may utilise other mines once the material mined from the recent large cutback is exhausted, or it could do another cutback and mine the total resource. A lot probably hinges on what port access is awarded. We continue to assume Iron Valley operates to the end of FY23, though it could potentially provide upside if it operates for longer (potential best case 9-year mine life).

The removal of the 40% discount, the likely growth in volumes and the increasing iron ore price in 4Q21, the current quarter is likely to be huge and could be around $30m EBITDA.

The real positive for Iron Valley is the iron ore price. During Q3, BCI generated $20m of EBITDA. This brings the total EBITDA for FY21 YTD to $38m. The first $25m of EBITDA generated by BCI is subject to a 40% discount. For Q4, the 40% discount is now removed. In addition, BCI royalty operates on a sliding scale, the higher the A$ iron ore price, the higher the royalty rate. In our opinion, the Q4 EBITDA is likely to be huge, we estimate ~$30m, noting that so far in Q4 the iron ore price has moved higher again.

This also sets BCI up to have a very strong FY22 from Iron Valley and if you annualise our forecast Q4 Iron Valley EBITDA, BCI is trading at less than 1.0x EV/EBITDA.

Figure 2: Key Iron Ore Assumption Changes

Iron Valley Assumptions									
I.V. Tonnes Sold mt	7.5	7.5	7.5	6.5	7.5	7.5	(1.0)	0.0	0.0
Benchmark Iron Ore US$/t	134	113	101	162	128	110	28.0	14.9	8.9
I.V. Total Revenue	1,007	847	758	1,055	958	825	47.5	111.4	67.0
BCI Royalty Rate	7.0%	4.5%	3.5%	8.8%	6.0%	3.5%	1.8%	1.5%	0.0%

Source Pac Partners

OTHER Q3 SNIPPETS

Approvals is the next significant catalyst and it should move the share price

- Cash balance of $76m (EV of $110m);
- EPA review is in the final stages for the main approvals. Upon completion it will go to the minister for sign off; and
- Early works are progressing, BCI is acting as though the approvals will be granted.

Our Mardie forecast change don't impact earnings until FY25, the earnings changes shown in Figure x relate only to Iron Valley.

Our earnings changes can be summarised as follows:

- Due to the higher capex, we now assume BCI raises $350m of equity at $0.27/share (from $287m);
- We have incorporated the higher guided operating costs, capex and production volumes. We have left salt and SOP pricing unchanged; and
- We factor in higher short earnings from Iron Valley. This is driven by a higher assumed royalty rate and a higher iron ore price (partially offset by lower volumes in FY21).

We now forecast steady state EBITDA of $230m. This is below the $260m guided by BCI due to using lower salt commodity price forecasts.

Our forecast changes impact EBITDA for FY21 to FY23 by $17m / $15m and $2m respectively, see Figure 3. BCI indicated that at the end of 2Q21, they had $76m cash on hand and no debt.

We assume that Iron Valley only operates to the end of FY23. We believe it is likely to operate longer and offers upside for BCI. MIN is publishing its 10-year mining plan later in 2021 and we will look to review our assumptions at that point

Figure 3: Forecast Changes

	Old			New			Difference		
$m	**FY21F**	**FY22F**	**FY23F**	**FY21F**	**FY22F**	**FY23F**	**FY21F**	**FY22F**	**FY23F**
Revenue									
Iron Valley	136.2	114.3	94.8	162.7	143.8	103.1	26.6	29.4	8.4
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	**136.2**	**114.3**	**94.8**	**162.7**	**143.8**	**103.1**	**26.6**	**29.4**	**8.4**
Iron Valley	45.5	38.1	26.5	67.8	57.5	28.9	22.3	19.4	2.3
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	**29.9**	**32.3**	**20.4**	**52.2**	**51.7**	**22.8**	**22.3**	**19.4**	**2.3**
Depreciation	(0.0)	(0.3)	(0.6)	(0.1)	(0.4)	(0.7)	(0.1)	(0.1)	(0.1)
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total EBIT	**27.3**	**29.4**	**17.2**	**49.9**	**48.7**	**19.5**	**22.5**	**19.3**	**2.2**
Net Interest	2.8	2.6	(1.1)	3.2	3.6	(0.1)	0.4	1.0	0.9
Tax	(8.4)	(9.0)	(4.5)	(14.8)	(14.6)	(5.4)	(6.4)	(5.7)	(0.9)
Abnormals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported NPAT	21.7	23.0	11.6	38.2	37.6	13.9	16.5	14.6	2.3
UNPAT Adj. Mardie	**31.7**	**23.0**	**11.6**	**48.2**	**37.6**	**13.9**	**16.5**	**14.6**	**2.3**
Underlying EPS (cps)	**3.1**	**1.4**	**0.7**	**4.6**	**2.2**	**0.8**	**1.4**	**0.8**	**0.1**

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 $2.5- $3.0bn company. BCI's closest peer (Compass Minerals) trades on an FY21F EV/EBITDA multiple of 11.1x. Applying that to $230m of EBITDA is $2553m or $2886m if you use the optimised study EBITDA of $260m.

It is bit of a no brainer that assuming BCI get Mardie to steady state, it is likely to command a very high Enterprise Value. The only ingredient needed is patience, as BCI should in theory grow into its valuation potential as it hits milestones and ramps up production

BCI will have a higher number of shares on issue than present, but when you note that it has an EV of just $110m, and indicates to us one of either two things:

- The market is sceptical that Mardie proceeds or are assessing it as having little value; or
- They are waiting for the capital raise before bidding up BCI's share price or buying on market.

BCI has huge upside potential, in our opinion. Securing the major approvals is a material upcoming catalyst and we recommend owning it before then.

With a large shareholder in the Stokes family, the upcoming capital raise is likely to have a large rights issue associated with it. Again, this is a reason to get set early. Whilst one can argue to wait for the raise, we recommend building a position before the raise.

Figure 4: 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**
Compass Mineral	89.27	3,033	79%	1,875	11.2x	10.4x	27.7x	22.4x
K&SAG	14.40	2,747	61%	5,499	7.7x	7.1x	n/m	n/m
Average					**9.5x**	**8.7x**	**27.7x**	**22.4x**

Source: CapIQ and PAC Partners

Investment view and valuation

We use DCF to value BCI. DCF captures Mardie, Iron Valley and ascribes a value for future iron ore royalties 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 the larger Mardie project is a material driver of the DCF valuation and the significantly higher than expected iron ore earnings also assists.

Our un-risked DCF valuation moves to $0.88/share (from $0.67).

Our target price of $0.70/share equates to 126% upside from the current share price and has materially increased due to the larger Mardie project

Figure 3: DCF valuation

Present value of cashflow s FY21 to FY30	(491)
Present value of terminal year cashflow	1,882
Net Cash at 1H21A	78
NPV of royalties, risk discounted 75%	20
Present value of equity	1,490
Diluted Shares on issue (post raisings)	1,694
Present value per share	**$0.88**
20% discount factor	-$0.18
Discounted DCF Valuation	**$0.70**

Source: PAC Partners

We set our price target in line with our risk adjusted DCF valuation, which results in a price target of $0.70/share (from $0.53). This is 126% higher than the current share price. We retain our Speculative Buy recommendation and expect once environmental approvals are obtained and more details are provided on the remaining debt funding, BCI should deliver a bump in its share price.

INVESTMENT VIEW

BCI has two near term catalysts, being:

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

Salt is not as in vogue as the battery minerals, but the project has many attributes that appear underappreciated:

BCI is one of the few commodity stocks still to rally and in our opinion, has a tier one project. It has a shareholder with a blocking stake, making it hard to takeover

- Processing salt from sea water has execution low risk;
- Mardie is a materials handling exercise and its location and SOP by-product credits make it a tier one project with >60-year life, in our opinion;
- It has upcoming catalysts and the NAIF $450m involvement lowers the funding risk;
- Whilst the project takes time to get to steady state production, the time frame is not that dis-similar to most mining projects;
- There are assets of value not incorporated in our valuation, being potential for Iron Valley to run well past FY23 and for the Mardie Port to secure a partner (this would provide an annuity earnings stream);
- One could argue that BCI is trading on the value of its Iron Valley iron ore operations alone (i.e., its EV is less than 1.0x Iron Valley FY22 EBITDA at spot iron ore prices). This implies the market is concluding that Mardie does not proceed (i.e., does not get funding). With a 40% shareholder likely to underwrite the raise, this risk appears overstated; and
- We think BCI is very cheap and is likely to offer investors very good long term returns that are hard to match, particularly if it becomes a $2.5bn company in say 5-years-time.

Our forecast TSR of 126% has high appeal and our modelling indicates the increased project size defined in the optimisation study adds significant value.

We recommend building a position before approvals are granted and before the raise, as a large rights issue is a distinct possibility. Mardie fits the mould of a tier one project with relatively low commodity price and execution risk relative to other commodity projects, plus it seems materially undervalued to us, with many other commodity stocks having a material re-rate recently.

Financial Model

BCI Minerals Share Price ($) 0.310 | Mkt Cap: ($m) 186 | Speculative Buy

PROFIT & LOSS ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Operating Revenue	**54.2**	**54.2**	**162.7**	**143.8**	**103.1**
EBITDA	(2.6)	16.4	52.2	51.7	22.8
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**	**52.1**	**51.3**	**22.1**
Net Interest	0.6	0.3	3.2	3.6	(0.1)
Income tax expense	1.5	(3.8)	(14.8)	(14.6)	(5.4)
UNPAT pre abnormal	**(3.1)**	**9.7**	**40.4**	**40.2**	**16.5**
Abnormal Items	16.0	2.0	0.0	0.0	0.0
Reported NPAT	**12.9**	**11.7**	**40.4**	**40.2**	**16.5**
Normalised NPATA	**5.1**	**17.9**	**48.2**	**37.6**	**13.9**

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	61.3	51.2	32.0
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**	**514.8**	**489.3**	**587.5**
Borrowings	0.0	0.0	(8.5)	(44.2)	50.1
Trade Creditors	18.1	18.3	35.8	28.8	18.6
Other Liabilities	8.7	13.7	26.8	6.4	6.7
Total Liabilities	**26.8**	**32.0**	**54.1**	**(9.0)**	**75.3**
Shareholder Equity	**103.6**	**104.1**	**460.7**	**498.3**	**512.2**

CASHFLOW ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Operating EBITDA	**(2.6)**	**16.4**	**52.2**	**51.7**	**22.8**
Interest & Tax Paid	2.1	0.5	(11.7)	(11.1)	(5.6)
Working Cap.	(5.7)	(12.5)	(14.5)	(17.4)	9.3
Operating CF	**(6.2)**	**4.4**	**26.0**	**23.2**	**26.5**
Maintenance Capex	(0.2)	(3.3)	(0.2)	(0.2)	(0.2)
Expansion Capex	27.0	6.8	(52.5)	(163.2)	(270.6)
Free Cashflow (FCF)	**20.6**	**7.8**	**(26.6)**	**(140.1)**	**(244.2)**
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**	**305.9**	**(140.1)**	**(244.2)**

DIVISIONAL P&L ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Iron Valley	54.2	54.2	162.7	143.8	103.1
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**	**165.6**	**146.3**	**103.3**

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%	32.1%	35.9%	22.1%
EBIT Margin (%)	-9.6%	24.4%	32.0%	35.7%	21.4%
NPAT Margin (%)	23.8%	21.6%	24.8%	28.0%	16.0%
ROE (%) y/e	-3.0%	9.3%	8.0%	7.3%	2.6%
ROA (%) y/e	-5.4%	14.0%	28.4%	14.9%	3.4%
ROIC (%) Av.	-6.5%	17.2%	46.6%	22.4%	4.6%
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	61.2
Gearing ND/ND+E (%)	(48%)	(66%)	(307%)	(71%)	7%
OPCF / EBITDA (%)	237%	27%	50%	45%	116%

VALUATION METRICS	FY19A	FY20A	FY21F	FY22F	FY23F
Dil. Normalised EPS (c)	1.3	4.4	4.6	2.2	0.8
Dil. Reported EPS (c)	3.3	2.9	3.6	2.2	0.8
Dil. Normalised PE (x)	**24.0**	**7.0**	**6.8**	**14.0**	**37.8**
Dil. Reported PE (x)	**9.5**	**10.7**	**8.5**	**14.0**	**37.8**
Enterprise Value ($m)	152	144	-162	-22	222
EV / EBITDA (x)	**-58.5**	**8.8**	**-3.1**	**-0.4**	**9.8**
EV / EBITA (x)	**-29.1**	**10.9**	**-3.1**	**-0.4**	**10.1**
EV / EBIT (x)	**-29.1**	**10.9**	**-3.1**	**-0.4**	**10.1**
Price / NTA (x)	2.3	2.2	0.4	0.4	0.4
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	(2.5)	(8.2)	-14.4
Price / FCF PS (x)	6.0	15.9	n/m	-3.8	-2.2
Net Debt / EBITDA (x)	13.0	(2.5)	(6.7)	(4.0)	1.6

GROWTH PROFILE (YoY)	FY19A	FY20A	FY21F	FY22F	FY23F
Sales ($m)	62%	0%	200%	-12%	-28%
EBITDA ($m)	-82%	-732%	218%	-1%	-56%
EBIT ($m)	-70%	-353%	294%	-2%	-57%
Adj. NPAT ($m)	-137%	250%	169%	-22%	-63%
Adj. EPS (c)	-136%	243%	3%	-52%	-63%
DPS (c)	0%	0%	0%	0%	0%

DCF VALUATION			
PV of Cashflows FY20-29	(491)	Risk Free Rate	5.0%
PV of Term Year Cashflow	1,882	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	1,490	WACC	7.0%
PV of Equity per share	**$ 0.88**	Terminal Growth	2.5%

SUBSTANTIAL HOLDERS	%		%
Wroxby Pty Ltd	39.6%	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%

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