AIC Mines Limited

Soft result with limited access to Eloise Deeps, as eyes move to DRM

A softer result from A1M (-14% / +8% vs OMLe: prod. / AISC) with lower grades stemming from limited access to the Eloise Deeps, and low trucking availability impacting performance. We highlight that both factors have now been rectified and we believe the Company will recoup some of the delayed grade this quarter as higher margin material is prioritised. Recent drilling results and the discovery of Lens 6 re-affirms our thesis of near-mine exploration potential at Eloise, which previous owners did not exploit given balance sheet constraints and motivation. All eyes now turn to Demetallica (ASX: DRM) and their upcoming Resource update. DRM's board recently rejected A1M's bid given their belief the bid doesn't fully reflect the upcoming resource growth. Given DRM has already put out an Exploration Target (13-15mt at 1.3%-1.5% Cu) we believe A1M's bid accurately captures this value.

1Q23 Result: Soft out of the gates

- A1M's 1Q23 result was softer than expected at the production line (-14% vs OMLe) as Eloise was impacted by access restrictions to high-grade Eloise Deeps ore (dewatering) and lower truck availability. The cost line was impacted accordingly (+8%) despite a partial offset by lower capital spend. Despite this result, A1M have maintained FY23 guidance and we expect stronger results through FY23 as higher-grade material is targeted. The cash balance came in softer than expected (-4%) however the production figure was offset by lower capital spend and an $8m working capital unwind.

All eyes on DRM

- The bid for Demetallica remains open with the DRM Board recently rejecting the offer as they await their updated Resource following recent drilling (due end of October). DRM have publicly stated their Exploration Target of 13-15mt at 1.3% - 1.5% Cu, so unless the Resource comes in higher than this, we don't see what further upside this release could present. We highlighted the synergies present with this deal in our Scenario Analysis note here.

Valuation and Estimates

- We incorporate the result and adjust our price deck, production estimates and capital spend across the short-term. Cumulatively, these changes result in a 42% increase to our FY23 earnings, primarily the result of the lower AUD forecast offsetting any minor negative production revisions.

- Our Target Price increases incrementally to A$0.75/sh and we retain our Speculative Buy Recommendation.

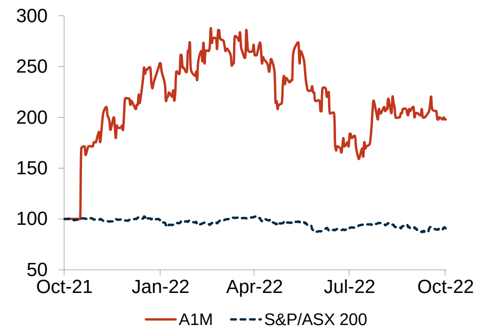
Year-end June ($)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue ($m)	-	106.5	153.8	153.6	152.7
EBITDA ($m)	(6.8)	37.6	50.7	39.6	39.1
EBIT ($m)	(6.8)	27.2	24.9	13.1	12.6
Reported NPAT ($m)	(4.4)	24.4	24.9	11.1	8.8
Reported EPS (c)	(6.8)	7.9	8.0	3.6	2.8
Normalised NPAT ($m)	(6.1)	26.8	24.9	11.1	8.8
Normalised EPS (c)	(9.5)	8.7	8.0	3.6	2.8
EPS Growth (%)	-	-	(8.1)	(55.3)	(20.8)
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
EV/EBITDA (X)	-	3.3	2.1	2.3	1.6
Normalised P/E (x)	-	5.6	6.1	13.7	17.2
Normalised ROE (%)	-	54.7	23.0	8.3	6.0

Source: OML, Iress, AIC Mines Limited

Last Price
A$0.49
Target Price
A$0.75 *(Previously A$0.70)*
Recommendation
Speculative Buy
Risk
Higher

Copper	
ASX Code	A1M
52 Week Range ($)	0.25 - 0.71
Market Cap ($m)	151.6
Shares Outstanding (m)	312.5
Av Daily Turnover ($m)	0.0
3 Month Total Return (%)	7.8
12 Month Total Return (%)	98.0
Benchmark 12 Month Return (%)	-9.2
NTA FY23E (¢ per share)	40.2
Net Cash FY23E ($m)	43.2

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY23E	FY24E
NPAT (C) ($m)	19.2	15.2
NPAT (OM) ($m)	24.9	11.1
EPS (C) (c)	6.0	4.4
EPS (OM) (c)	8.0	3.6

Source: OML, Iress, AIC Mines Limited

Paul Kaner
Senior Research Analyst
(03) 96084124
pkaner@ords.com.au

Will Thurlow
Research Associate
(02) 8216 6623
wthurlow@ords.com.au

Figure 1: Model summary

All AUD unless noted

Year End June 30

Key Details		
Target Price	$/sh	0.75
Recommendation		Speculative Buy
Risk Assessment		Higher
Share Price	$/sh	$0.49
2022E Dividend	$/sh	$0.00
NAV	$/sh	$0.47
Implied Total Return	%	55%
P/NAV	x	1.0x
No Shares	m	312
Market Cap	M $	$152
Enterprise Value	M $	$129

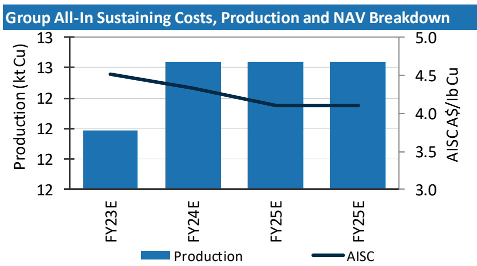
Prices & Exchange Rates		FY22	FY23E	FY24E	FY25E	LT - 2026E
Copper Price	US$/lb	4.3	3.8	3.9	3.9	3.5
Gold Price	US$/oz	1834	1707	1800	1800	1700
Exchange rate	AUD:USD	0.73	0.67	0.72	0.73	0.73

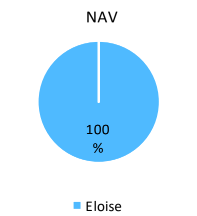
Production, Sales, Costs & Guidance		FY22	FY23E	FY24E	FY25E	FY25E
Eloise	Kt Cu	8.3	12.2	12.6	12.6	12.6
Total Copper Production	Kt Cu	**8.3**	**12.2**	**12.6**	**12.6**	**12.6**
Guidance	*Kt Cu*		*~12.5*			
Total Copper Sold	Kt Cu	**7.8**	**11.5**	**12.1**	**12.1**	**12.1**
Total C1 Cash Cost	A$/lb	2.5	3.2	3.3	3.3	3.3
Total All-in Sustaining Cash Cost	A$/lb	**4.1**	**4.5**	**4.3**	**4.1**	**4.1**
Guidance	*A$/lb*		*~4.5*			

Capex Breakdown		FY22	FY23E	FY24E	FY25E	FY25E
Sustaining Capex	M $	19.3	27.2	20.0	14.0	14.0
Expansionary Capex	M $	5.9	15.1	2.0	0.0	0.0
Exploration	M $	5.4	4.4	3.5	3.5	3.5
Total	**M $**	**30.6**	**46.7**	**25.5**	**17.5**	**17.5**

Attributable Reserves & Resources	Cu (kt)	EV ($/kt)
Proven/Probable Reserve (P&P)	36	$3.6
Measured/Indicated Resource (M&I)	66	$2.0
Inferred Resource	49	$2.6
Total Resource	115	$1.1

Group All-In Sustaining Costs, Production and NAV Breakdown





Net Asset Value (Attrib)	DR (%)	($m)	A$/Sh	NAV (%)
Operating Value				
Eloise	8%	$109	$0.35	100%
Total		**$109**	**$0.35**	**100%**
Listed investments		$1	$0.00	
Exploration (assets)		$20	$0.06	
Cash		$22	$0.07	
Corporate G&A		($11)	($0.03)	
Debt		$0	$0.00	
Other		$6.8	$0.02	
Total Net Asset Value		**$148**	**$0.47**	
P/NAV			**1.03x**	

Ratio Metrics		FY22	FY23E	FY24E	FY25E
Earnings - Adjusted	$/sh	$0.09	$0.08	$0.04	$0.03
P/E Multiple	x	5.6x	6.1x	13.7x	17.2x
CFPS (CFO)	$/sh	$0.11	$0.20	$0.14	$0.14
FCFPS (CFO-capex-expl.)	$/sh	$0.01	$0.05	$0.06	$0.08
P/CF Multiple	x	4.6x	2.4x	3.4x	3.5x
FCF Yield	%	1.5%	10.1%	12.4%	16.8%
Dividends Per Share	$/sh	$0.00	$0.00	$0.00	$0.00
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%
Gearing (ND: ND+E)	%	(45.3%)	(52.5%)	(78.9%)	(132.5%)
Return on Equity (ROE)	%	29.8%	19.8%	7.9%	5.7%
Return on Capital (ROIC)	%	21.7%	15.6%	6.3%	4.6%

P&L Statement		FY22	FY23E	FY24E	FY25E
Revenue	M $	$107	$154	$154	$153
Operating Costs	M $	($69)	($103)	($114)	($114)
EBITDA	**M $**	**$38**	**$51**	**$40**	**$39**
D&A	M $	$10	$26	$27	$27
EBIT	**M $**	**$27**	**$25**	**$13**	**$13**
Other Income/Expenses	M $	($0)	$0	$0	$0
EBT	**M $**	**$27**	**$25**	**$13**	**$13**
Taxes	M $	$0	$0	$2	$4
Net Income - Adjusted	**M $**	**$27**	**$25**	**$11**	**$9**
Adjustments	M $	$2	$0	$0	$0
Net Income - Reported	**M $**	**$24**	**$25**	**$11**	**$9**
Weighted average diluted shares	M	310	312	312	312

Cash Flow Statement		FY22	FY23E	FY24E	FY25E
Cash Flows from Operating Activities					
Net Income	M $	$27	$25	$11	$9
D&A	M $	$10	$26	$27	$27
Taxes Paid	M $	$0	$0	$2	$4
Non Recurring/Other	M $	($3)	$8	$0	$0
Operating Cash Flow	**M $**	**$34**	**$59**	**$40**	**$39**
Changes in Working Capital	M $	($1)	$3	$5	$4
Net Operating Cash flow	**M $**	**$33**	**$62**	**$44**	**$43**
Cash Flows From Investing Activities					
Capital Expenditure	M $	($25)	($42)	($22)	($14)
Other	M $	($15)	($4)	($4)	($4)
Net Investing Cash Flow	**M $**	**($40)**	**($47)**	**($26)**	**($18)**
Cash Flows From Financing Activities					
Equity Issues (net of costs)	M $	$40	$0	$0	$0
Net Borrowings	M $	$0	$0	$0	$0
Dividends Paid & Other	M $	($9)	($0)	$0	$0
Net Financing Cash Flow	**M $**	**$31**	**($0)**	**$0**	**$0**
Increase (Decrease) in Cash	M $	$24	$15	$19	$25
Cash at End of Year	**M $**	**$28**	**$43**	**$62**	**$87**
Operating Free Cash Flow	M $	$8	$20	$22	$29
Free Cash Flow	M $	($7)	$15	$19	$25

Balance Sheet		FY22	FY23E	FY24E	FY25E
Cash & Equivalents	M $	$28	$43	$62	$87
Other Current Assets	M $	$23	$24	$24	$24
PP&E & Mining Interests	M $	$38	$55	$50	$38
Other Long Term Assets	M $	$34	$37	$40	$43
Total Assets	**M $**	**$124**	**$159**	**$176**	**$192**
Current Liabilities	M $	$20	$20	$20	$20
Long Term Debt	M $	$0	$0	$0	$0
Other Long Term Liabilities	M $	$14	$14	$16	$19
Total Liabilities	**M $**	**$33**	**$33**	**$35**	**$38**
Shareholder Equity	M $	$90	$126	$141	$153
Total Liabilities & Shareholder Equity	**M $**	**$124**	**$159**	**$176**	**$192**

Source: Company reports, OMLe

Result reconciliation

- Softer result (vs OMLe) from A1M coming in 14% lower than our production figure which flowed through to the AISC line (8% vs OMLe). Grade (1.8% Cu vs OMLe: 2.1% Cu) was the main driving factor here with limited access to the higher-grade Eloise Deeps (+3% Cu) due to dewatering capacity – whilst low truck availability also impacted performance. Both of these factors have been subsequently addressed and we expect the next quarter will demonstrate substantial improvement as Deeps access is re-established and higher-grade material is fed back through the mill. FY23 guidance was left unchanged, necessitating improved production across the remaining 3 quarters to recover this quarters softer result.
- The bid for Demetallica (ASX: DRM) remains open with the DRM Board recently rejecting the offer as they await their updated Resource following recent drilling (due at the end of October) – DRM have publicly stated their Exploration Target of 13-15mt at 1.3% - 1.5% Cu, so unless the Resource comes in higher than this we don't see what further upside this release could present. We highlighted the synergies present with this deal in our Scenario Analysis note here.

Figure 2: Result summary of the quarter vs our previous period estimates

		Actual			OMLe	Actual	Beat / Miss
Payable production & Sales	**Unit**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Sep-22**	**(%)**
Eloise	Kt Cu	2.31	2.72	2.94	2.937	2.53	-14%
Total	**Kt Cu**	**2.31**	**2.72**	**2.94**	**2.94**	**2.53**	**-14%**
Copper sales	Kt Cu	1.82	3.07	2.88	2.94	2.33	-21%
Achieved Copper Price	A$/lb Cu	n/a	n/a	5.30	5.63	5.17	-8%
All-in Sustaining Cost*							
Eloise	A$/lb Cu	3.05	4.42	4.70	4.97	5.4	8%
Total	A$/lb Cu	**2.60**	**3.00**	**2.20**	**4.97**	**5.4**	**8%**
Capex breakdown							
Capital expenditure (sustaining + growth)	A$m	6.7	10.4	16.2	17.8	16.6	-7%
Exploration + corporate	A$m	2.4	3.0	2.2	1.9	3.2	73%
Balance sheet							
Cash	A$m	29	34	28	23	22.1	-4%
Debt	A$m	0	0	0	0	0.0	n.a.
Net Debt (Cash)	A$m	-29	-34	-28	-23	-22.1	-4%

Source: Company reports, OMLe

Key takeaways:

- **Production – 2,530t Cu (payable)**: Payable copper production was 14% softer than expected (vs OMLe: 2,937t Cu), as the quarter was impacted by lower truck availability and dewatering of the Eloise Deeps (preventing access), which impacted mine production and grade respectively.
  - Mill throughput was in-line with estimates (-1%)
  - Head grade was 14% weaker (1.8% Cu vs OMLe: 2.1% Cu) on the lower than planned contribution of the higher-grade Eloise Deeps material (+3% Cu)
  - The truck rebuilds are on-going (x2) with replacement trucks brought onsite to supplement the fleet until their return.
- **Copper Sales – 2,334t Cu**: Copper sales were 20% weaker than expected (vs OMLe: 2,937t Cu), reflecting lower production and shipment/ payment timing.
- **AISC – A$5.35/lb Cu**: The lower production figure reported through to the AISC line, with was 8% higher than estimated (OMLe: A$4.97/lb Cu)
  - All-in costs were similarly higher than expected at A$6.93/lb Cu (+13% vs OMLe) reflecting the lower production result despite incrementally lower total capital spend.
  - The company notes that there are signs of price moderation to diesel and concentrate transport costs (in-line with data we monitor), which if sustained and realised will help moderate costs in future periods.
- **Capital Expenditure – A$16.6m**: 7% lower than estimated (OMLe: A$17.8m), with the tailings storage facility (TD5) tracking under budget.
- **FY23 Guidance**: Appears unchanged for FY23, with the company noting that it expects production volumes to lift for the remaining 3 quarters
- **Balance sheet**: Cash at quarter end of A$22.1m was 4% lighter than estimated, as a positive ~A$8m working capital unwind and lower capital expenditure worked to offset the lower production/ sales results.
  - The Company currently has a cash-backed $6.8 million performance bond in place with Queensland Treasury. A1M plans to replace the cash-backed bond and fund the increased amount (i.e. $9.5 million) by way of a secured financing facility, at commercial interest rates. The financing facility will effectively free up the $6.8 million currently held against the performance bond, improving AIC Mines' working capital position.
- **Exploration/ growth**:
  - **Eloise / near-mine:** Recent drilling results extending the Macy North lens and the discovery (ann: 30/9/22) of lens 6 at Eloise deeps (including: 27.6m at 4.14% Cu) is encouraging and highlights the near-mine (along strike) prospective nature of this deposit that has been previously starved of exploration capital.
  - **Lamil JV:** The company completed the Stage 1 earn-in agreement with Rumble Resources, providing a 50% interest in the project. The milestone triggered the issuance of AIC shares (~544k) to Rumble, and the simultaneous subscription of ~962k shares in Rumble at a cost of A$250k.

Figure 3: FY23 company guidance summary

Eloise Guidance	Unit	FY22	Company Guidance	Change (%)	Prev OMLe	New OMLe	vs Prev OMLe (%)
Copper Production	kt Cu	n/a	12.5	0%	12.5	12.2	-3%
Gold Production	koz Au	n/a	6.0		6.1	5.8	-2%
AISC	A$/lb Cu	n/a	4.5	0%	4.5	4.5	0%
AIC	A$/lb Cu	n/a	5.0	0%	5.1	5.1	-2%
Sustaining capital	A$m		29.5	0%	29.3	27.2	1%
Growth capital	A$m		16.0	0%	16.0	15.1	0%

Source: Company reports, OMLe

Earnings and valuation impact

- We incorporate the result and make the following adjustments to our model:
    - **Commodity pricing:** We update our short-term forward-looking FX and gold estimates, reflecting the (lower) current environment and climbing back to our longer-term forecasts by the end of 2023.
    - **Throughput:** We make a minor downward revision to Dec-22 production reflecting the truck fleet undergoing re-builds / usage of hire trucks (generally older / lower availability units)
    - **Mine grade:** We increase the head grade for Dec-22 to reflect a greater focus on higher grade Eloise Deeps material in the short-term
    - **Capital**: Sustaining and growth capital are updated reflecting incurred spend during the quarter, and lower than originally guided costs for the TSF construction (running under budget)
- These changes drive a 42% increase to our FY23 earnings, as our updated price deck (notably the AUD forecast) materially offsets the negative impact of this quarters production result and the minor downward revisions to overall FY23 estimated production (-3% copper production).
- Our target price increases incrementally to A$0.75/sh and we retain our Speculative Buy recommendation.

Figure 4: Our changes

		FY21 Actual	FY22E Current	FY22E Previous	FY22E Change	FY23E Current	FY23E Previous	FY23E Change	FY24E Current	FY24E Previous	FY24E Change
Underlying Net Profit	A$m	-6.1	26.8	26.8	*0%*	24.9	17.5	*42%*	11.1	9.2	*21%*
Underlying EPS	¢	-9.5	8.7	8.7	*0%*	8.0	5.6	*42%*	3.6	2.9	*21%*
CFPS	¢	-1.7	10.5	10.5	*0%*	19.9	17.2	*16%*	14.2	13.6	*4%*
Copper Production	kt Cu	N/A	8.3	8.3	*0%*	12.2	12.5	*(3%)*	12.6	12.6	*0%*
AISC	A$/lb Cu	N/A	4.1	4.1	*0%*	4.5	4.5	*0%*	4.3	4.3	*0%*
NAV	**A$/share**		**0.49**	**0.44**	*12%*						
12 Month TP:	**A$/share**		**0.75**	**0.70**	*7%*						

Source: Company reports, OMLe

Catalysts, comps and relative performance

Catalysts

- **Successful takeover of DRM:** On 19 September 2022 AIC Mines proposed an off-market takeover of Demetallica (DRM), who own the neighbouring Jericho deposit and surrounding tenements. The offer was priced at a 68% premium to the prior closing price of DRM. We believe the offer makes strategic sense for both companies given the synergistic benefits associated with Eloise (and the established mill). Our sensitivity analysis supports this notion (Eloise NAV increases ~A$30m) and any news flow regarding the proposed offer gaining material traction with DRM shareholders is likely to be positively received. Similarly, material news flow from DRM (i.e. upcoming Jericho R&R update) could provide a positive catalyst for A1M.

- **Ongoing exploration results:** The Eloise project is minerally endowed, providing potential upside via reserve and resource growth and / or replacement. Accordingly, any news flow regarding evaluation of additional resources found along strike (i.e. the West Corridor, East Corridor or via step out drilling in the Far West Corridor) is likely to be well received as it provides for increased ore source optionality, reducing the reliance upon the Eloise Deeps. We draw confidence from the recent discovery of Lens 6 in the Eloise Deeps as evidence of the potential exploration upside.

Comps

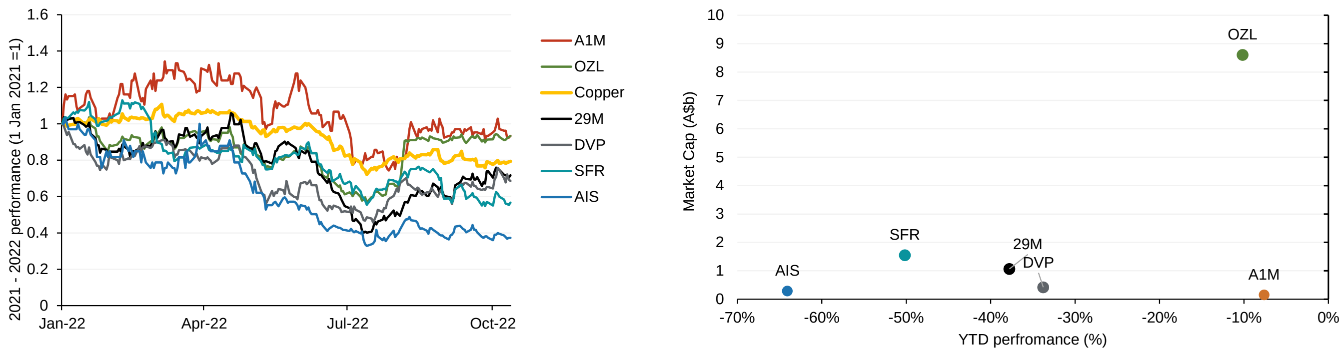
Figure 5: A1M comps across our coverage list

			OML Estimates					OML Valuation				
Company	Ticker	Market Cap ($m)	Recommen-dation	Risk	Price ($/sh)	Target price ($/sh)	Implied TSR (%)	P/NAV (x)	EV/EBITDA (x) FY23e	P/E (x) FY23e	P/CF (x) FY23e	FCF yield (%) FY23e
Aeris Resources	AIS	280	Buy	Higher	0.41	0.85	110%	0.5	1.2	3.0	1.5	2.7%
AIC Mines	A1M	152	Spec. Buy	Higher	0.49	0.75	55%	1.0	2.6	6.1	2.4	10.1%
Average								**0.8**	**1.9**	**4.6**	**2.0**	**6.4%**

*Source: Company reports, OMLe. *AIS yet to report 4Q22 results.*

Relative performance (12-months)

Figure 6: A1M relative performance vs ASX peers (Cu producers / developers)



Source: Company reports, OMLe

Valuation and risks

Valuation

Our A$0.75/share target price is based on a 50:50 blended DACF and NAV valuation. Our target multiples of 6x DACF and 1x NAV are in line with other emerging producers and commensurate with mine life, margin and overall risk profile. Our target price and 55% TSR supports our Speculative Buy rating.

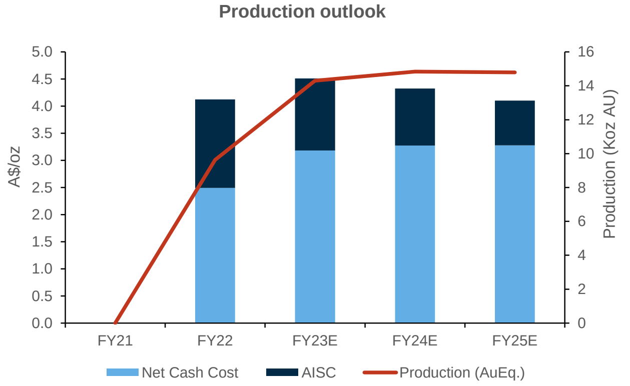
- NAV: Sum-of-the-parts (SOTP) NAV incorporates life-of-mine DCFs on Eloise, discounted at a ~8% WACC. Additional SOTP items include: exploration value, cash and bullion and corporate G&A. We utilise a 1x P/NAV multiple, in line with historical trading of emerging producers, and apply no risk weighting to any of the projects.
- DACF: Debt-adjusted cash flow multiple of 6x in line with our ASX emerging peers coverage when considering production, mine life and reserve growth potential.

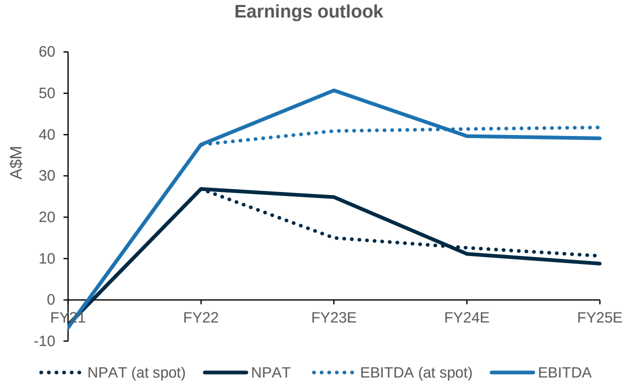
Risks

- Copper price and currency: The most significant risk to our forecasts remains the copper price. Our estimates assume a long-term price of ~US$3.5/lb, with LT USD:AUD to average ~73c.
- Seismicity associated with Eloise Deeps: Given the depth of current underground mining and the using of sub-level caving, seismicity is expected and, in our view, currently well managed. However, large fault slippages in the proximal amphibolite could lead to significant production downtime in the seismically vulnerable deeps section of the mine. The company is improving their knowledge base of this risk through the recent hire of a structural Geologists which could help better understand stress movements and improve risk mitigation. Notably this is not a risk unique to Eloise, with many Australian underground operations managing seismic risks as standard business practice.
- Resource/reserve delivery: Inferred material in the underground mine plan to form part of the reserve. We believe this conversion is likely and have incorporated a portion of this material in our base case. Our confidence in this materials inclusion is based upon the fact it is contiguous to the existing reserve, of similar grade and would require minimal additional capex to exploit.
- COVID-19, labour and supply pressures: Any further pressures and/or COVID-19-related disruptions (i.e. productivity) could see downside risk to our estimates. Similarly, supply-chain related pressures may also driven downside if critical parts are unable to be sourced in a time efficient manner.

A1M key charts

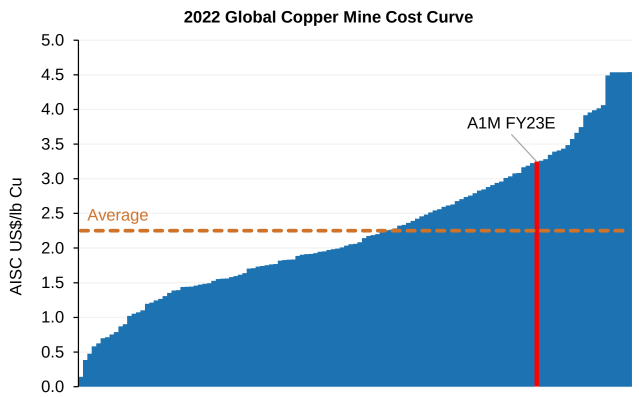
Figure 7: We expect production and earnings improving in FY23

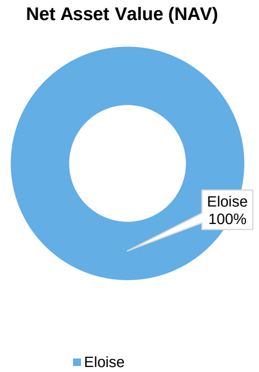




Source: Company reports, OMLe

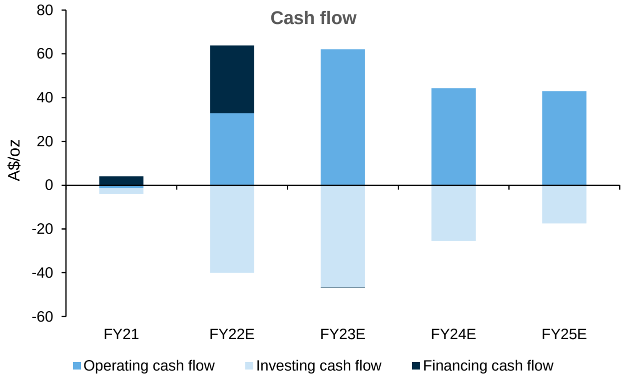
Figure 8: A1M FY23E cost curve positioning (LHS) and OML current NAV assumptions (RHS)

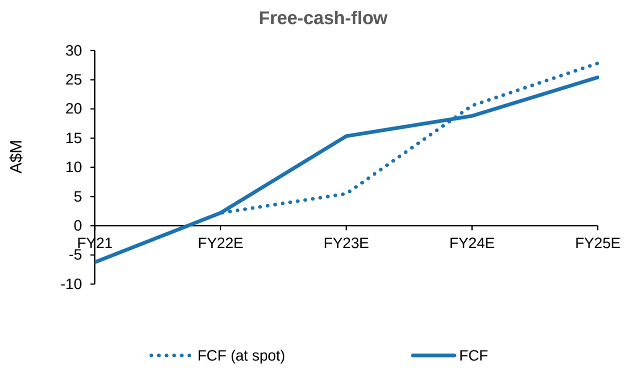




Source: Company reports, OMLe, CRU, Trafigura

Figure 9: OML cash-flow outlook – we see FCF increasing after an FY23 investment phase





Source: Company reports, OMLe

AIC Mines Limited

Speculative Buy

PROFIT & LOSS (A$m)	2021A	2022A	2023E	2024E	2025E
Revenue	-	106.5	153.8	153.6	152.7
Operating costs	6.8	68.9	103.1	114.0	113.6
Operating EBITDA	**(6.8)**	**37.6**	**50.7**	**39.6**	**39.1**
D&A	0.0	10.4	25.8	26.5	26.5
EBIT	**(6.8)**	**27.2**	**24.9**	**13.1**	**12.6**
Net interest	0.0	(0.2)	-	-	-
Pre-tax profit	**(6.8)**	**27.0**	**24.9**	**13.1**	**12.6**
Net tax (expense) / benefit	(0.7)	0.2	-	2.0	3.8
Significant items/Adj.	(1.7)	2.4	-	-	-
Normalised NPAT	**(6.1)**	**26.8**	**24.9**	**11.1**	**8.8**
Reported NPAT	**(4.4)**	**24.4**	**24.9**	**11.1**	**8.8**
Normalised dil. EPS (cps)	(9.5)	8.7	8.0	3.6	2.8
Reported EPS (cps)	(6.8)	7.9	8.0	3.6	2.8
Effective tax rate (%)	10.6	0.7	-	15.1	30.0
DPS (cps)	-	-	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	64.0	310.3	312.5	312.5	312.5

CASH FLOW (A$m)	2021A	2022A	2023E	2024E	2025E
Net Interest (paid)/received	0.0	(0.1)	-	-	-
Income tax paid	-	-	-	-	(0.9)
Other operating items	0.2	(3.3)	8.2	-	-
Operating Cash Flow	**(1.2)**	**32.8**	**62.1**	**44.3**	**42.9**
Other investing items	99.9	(11.5)	-	-	-
Investing Cash Flow	**97.0**	**(40.1)**	**(46.7)**	**(25.5)**	**(17.5)**
Inc/(Dec) in borrowings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other financing items	(0.6)	(9.0)	(0.3)	-	-
Financing Cash Flow	**4.0**	**31.0**	**(0.3)**	**-**	**-**
Net Inc/(Dec) in Cash	99.9	23.8	15.1	18.8	25.4

BALANCE SHEET (A$m)	2021A	2022A	2023E	2024E	2025E
Cash	4.3	28.1	43.2	62.0	87.4
Receivables	0.1	1.1	1.1	1.1	1.1
Inventory	-	5.0	5.0	5.0	5.0
Other current assets	2.7	17.1	17.4	17.4	17.4
PP & E	0.0	26.1	26.1	26.1	26.1
Investments	1.7	38.5	54.9	50.4	37.9
Financial Assets	-	6.8	10.3	13.1	15.9
Intangibles	-	-	-	-	-
Other non-current assets	-	-	-	-	-
Total Assets	**8.8**	**123.7**	**159.0**	**176.1**	**191.8**
Short term debt	-	-	-	-	-
Payables	0.7	17.4	17.4	17.4	17.4
Other current liabilities	-	-	-	-	-
Long term debt	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-
Total Liabilities	**0.8**	**33.5**	**33.5**	**35.5**	**38.4**
Total Equity	**8.0**	**90.2**	**125.5**	**140.6**	**153.4**
Net debt (cash)	(4.3)	(28.1)	(43.2)	(62.0)	(87.4)

DIVISIONS	2021A	2022A	2023E	2024E	2025E

KEY METRICS (%)	2021A	2022A	2023E	2024E	2025E
Revenue growth	-	-	44.4	(0.1)	(0.6)
EBITDA growth	-	-	34.9	(21.9)	(1.3)
EBIT growth	-	-	(8.6)	(47.4)	(4.0)
Normalised EPS growth	-	-	(8.1)	(55.3)	(20.8)
EBITDA margin	-	35.3	33.0	25.8	25.6
OCF /EBITDA	21.0	96.2	106.4	111.9	112.0
EBIT margin	-	25.5	16.2	8.5	8.2
Return on assets	-	21.8	15.6	6.3	4.6
Return on equity	-	54.7	23.0	8.3	6.0

VALUATION RATIOS (x)	2021A	2022A	2023E	2024E	2025E
Reported P/E	-	6.2	6.1	13.7	17.2
Normalised P/E	-	5.6	6.1	13.7	17.2
Price To Free Cash Flow	-	68.3	9.9	8.1	6.0
Price To NTA	3.9	1.7	1.2	1.1	1.0
EV / EBITDA	-	3.3	2.1	2.3	1.6
EV / EBIT	-	4.5	4.4	6.8	5.1

LEVERAGE	2021A	2022A	2023E	2024E	2025E
ND / (ND + Equity) (%)	(114.7)	(45.3)	(52.5)	(78.9)	(132.5)
Net Debt / EBITDA (%)	63.4	(74.7)	(85.2)	(156.5)	(223.6)
EBIT Interest Cover (x)	357.4	171.1	-	-	-
EBITDA Interest Cover (x)	355.7	236.4	-	-	-

SUBSTANTIAL HOLDERS	m	%
FMR Investments Pty Ltd	26.0	8.3%
Josef El-Raghy	10.7	3.4%
El Raghy Kriewaldt Pty. Ltd.	8.3	2.7%

VALUATION	
Cost of Equity (%)	9.4
Cost of debt (after tax) (%)	5.5
WACC (%)	**8.3**
Equity NPV ($m)	**147.8**
Equity NPV Per Share ($)	**0.47**
Multiples valuation method	P/DACF
Multiples	6.1
Multiples valuation	0.84
Multiples valuation method	P/NAV
Multiples	1.1
Multiples valuation	0.64
Target Price ($)	0.75
Valuation disc. / (prem.) to share price (%)	54.6

Institutional Research

Malcolm Wood	Head of Institutional Research	+61 2 8216 6777	mwood@ords.com.au
Nicolas Burgess	Senior Research Analyst	+61 3 9602 9379	nburgess@ords.com.au
James Casey	Senior Research Analyst	+61 3 9602 9265	jamescasey@ords.com.au
Phillip Chippindale	Senior Research Analyst	+61 2 8216 6346	pchippindale@ords.com.au
Paul Kaner	Senior Research Analyst	+61 3 9608 4124	pkaner@ords.com.au
Dylan Kelly	Senior Research Analyst	+61 2 8216 6417	dkelly@ords.com.au
Ian Munro	Senior Research Analyst	+61 3 9608 4127	ian.munro@ords.com.au
John O'Shea	Senior Research Analyst	+61 3 9608 4146	joshea@ords.com.au
Leanne Truong	Senior Research Analyst	+61 2 8216 6367	ltruong@ords.com.au
Rushil Paiva	Research Analyst	+61 3 9608 4155	rpaiva@ords.com.au
Tim Elder	Research Associate	+61 7 3214 5565	telder @ords.com.au
Milo Ferris	Research Associate	+61 2 8216 6691	mferris@ords.com.au
Dylan Jones	Research Associate	+61 3 9608 4104	djones@ords.com.au
William Thurlow	Research Associate	+61 2 8216 6623	wthurlow@ords.com.au
Benjamin Yun	Research Associate	+61 2 8216 6646	byun@ords.com.au

Institutional Sales (Australia)

Angus Esslemont	Head of Institutional Equities	+61 2 8216 6363	aesslemont@ords.com.au
Jim Bromley	Institutional Equities Sales	+61 2 8216 6343	jbromley@ords.com.au
Stephen Jolly	Institutional Equities Sales	+61 2 8216 6424	sjolly@ords.com.au
Isaac Morris	Institutional Equities Sales	+61 2 8216 6370	imorris@ords.com.au
Scott Ramsay	Institutional Equities Sales	+61 3 9608 4100	sramsay@ords.com.au
Matt White	Institutional Equities Sales	+61 3 9608 4133	mwhite@ords.com.au
Zac Whitehead	Institutional Equities Sales	+61 2 8216 6350	zwhitehead@ords.com.au
Brendan Sweeney	Operator	+61 2 8216 6781	bsweeney@ords.com.au

Institutional Sales (Hong Kong)

Chris Moore	Institutional Equities Sales	+61 2 8216 6362	cmoore@ords.com.hk

Ord Minnett Offices

Adelaide
Level 5
100 Pirie Street
Adelaide SA 5000
Tel: (08) 8203 2500

Bendigo
Level 1
103 Mitchell Street
Bendigo VIC 3550
Tel: (03) 4433 3400

Brisbane
Level 31
10 Eagle Street
Brisbane QLD 4000
Tel: (07) 3214 5555

Buderim (Sunshine Coast)
1/99 Burnett Street
Buderim QLD 4556
Tel: (07) 5430 4444

Canberra
101 Northbourne Avenue
Canberra ACT 2600
Tel: (02) 6206 1700

Geelong
16 Aberdeen Street
Geelong West VIC 3218
Tel: (03) 4210 0200

Gold Coast
Level 7
50 Appel Street
Surfers Paradise QLD 4217
Tel: (07) 5557 3333

Hobart
Ground Floor
85 Macquarie Street
Hobart TAS 7000
Tel: (03) 6161 9300

Mackay
45 Gordon Street
Mackay QLD 4740
Tel: (07) 4969 4888

Mildura
128 Lime Avenue
Mildura VIC 3500
Tel: (03) 9608 4111

Melbourne
Level 22
35 Collins Street
Melbourne VIC 3000
Tel: (03) 9608 4111

Newcastle
426 King Street
Newcastle NSW 2300
Tel: (02) 4910 2400

Perth
Level 27
108 St Georges Terrace
Perth WA 6000
Tel: (02) 4910 2400

Head Office
Sydney
Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000
Tel: (02) 8216 6300
www.ords.com.au

International
Hong Kong
1801 Ruttonjee House
11 Duddell Street
Central, Hong Kong
Tel: +852 2912 8980
www.ords.com.hk

Guide to Ord Minnett Recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.	
SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.