AIC Mines Limited

A1M begins regional consolidation play…

A1M's proposed ~A$36m scrip acquisition of DRM makes strategic sense to us given the synergistic benefits associated with Eloise. To better understand the potential value this adds to A1M we have run a scenario where we incorporate the Jericho deposit into our Eloise valuation. This scenario sees our mine life assumption increase to 10 years (prev. 6 years) with peak production of 24kt Cu pa (prev. ~12.5kt cu) and a commensurate ~16% reduction in operating unit costs. On this basis, our NAV for Eloise increases ~A$30m. Notably each additional year of production from the Eloise and Jericho deposits further increases our NAV by ~$29m. Considering these results, the additional exploration appeal, and the mitigating effects to the mine life / Eloise Deeps risks, we view the proposed deal positively. We await its potential closure and / or acceptances prior to incorporating it into our base case. Recommendation and TP unchanged.

Proposed ~A$36m DRM acquisition

- On Monday A1M announced a ~A$36m scrip off-market takeover offer for DRM – representing a 68% premium to their prior closing price. The offer closes 7 November 2022. DRM's key asset is the Chimera Project: inclusive of the Jericho, Sandy Creek and Altia deposits.
- The Jericho deposit contains 9.1Mt at 1.45% Cu and 0.30g/t Au (130kt Cu and 88koz Au contained) and is located 4kms south of A1M's Eloise deposit. An updated resource estimate is expected late October 2022.

Scenario model confirms logic in acquisition

- We previously highlighted that regional consolidation makes strategic sense to improve ore source optionality at Eloise and reduce reliance on the Deeps, whilst simultaneously achieving synergies with the existing Eloise Mill. Our scenario analysis confirms this logic – increasing our mine life by 4 years, peak copper production by 92% and a 16% reduction in operating unit costs (at peak prod.). Our modelling suggests a ~$30m uplift in our NPV, suggesting the bid price is not unreasonable. This uplift does not consider exploration upside and the potential reduced risk profile.

Earnings and valuation impact

- We do not include the proposed DRM acquisition at this stage pending DRM's recommendation and/or shareholder acceptances and therefore our Speculative Buy Recommendation and A$0.70/sh TP remains unchanged.

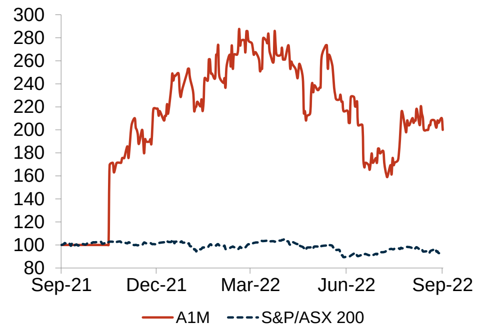
Year-end June ($)	FY-	FY21A	FY22E	FY23E	FY24E
Revenue ($m)	-	-	106.5	153.2	151.6
EBITDA ($m)	-	(6.8)	37.6	44.8	37.7
EBIT ($m)	-	(6.8)	27.2	17.5	11.1
Reported NPAT ($m)	-	(4.4)	24.4	17.5	9.2
Reported EPS (c)	-	(6.8)	7.9	5.6	2.9
Normalised NPAT ($m)	-	(6.1)	26.8	17.5	9.2
Normalised EPS (c)	-	(9.5)	8.7	5.6	2.9
EPS Growth (%)	-	-	-	(35.1)	(47.7)
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
EV/EBITDA (X)	-	-	3.3	2.7	2.7
Normalised P/E (x)	-	-	5.7	8.7	16.7
Normalised ROE (%)	-	-	54.7	17.0	7.5

Source: OML, Iress, AIC Mines Limited

Last Price
A$0.49
Target Price
A$0.70
Recommendation
Speculative Buy
Risk
Higher

Copper	
ASX Code	A1M
52 Week Range ($)	0.25 - 0.71
Market Cap ($m)	152.8
Shares Outstanding (m)	311.7
Av Daily Turnover ($m)	0.1
3 Month Total Return (%)	-7.5
12 Month Total Return (%)	100.0
Benchmark 12 Month Return (%)	-6.1
NTA FY22E (¢ per share)	29.1
Net Cash FY22E ($m)	28.1

Relative Price Performance



Source: FactSet

Consensus Earnings	FY22E	FY23E
NPAT (C) ($m)	23.1	17.3
NPAT (OM) ($m)	26.8	17.5
EPS (C) (c)	8.0	5.6
EPS (OM) (c)	8.7	5.6

Source: OML, Iress, AIC Mines Limited

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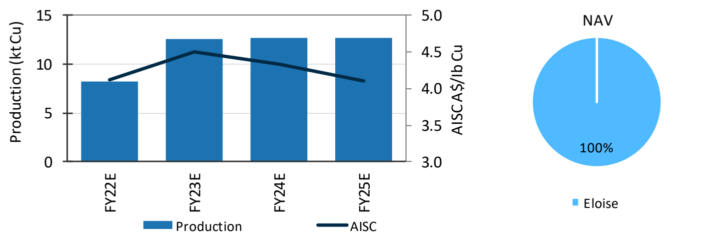
Figure 1: A1M operating and financial summary

All AUD unless noted

Key Details						
Target Price	$/sh	0.70				
Recommendation		Speculative Buy				
Risk Assessment		Higher				
Share Price	$/sh	$0.49				
2022E Dividend	$/sh	$0.00				
NAV	$/sh	$0.44				
Implied Total Return	%	43%				
P/NAV	x	1.1x				
No Shares	m	312				
Market Cap	M $	$153				
Enterprise Value	M $	$125				
Prices & Exchange Rates		**FY21**	**FY22E**	**FY23E**	**FY24E**	**LT - 2026E**
Copper Price	US$/lb	3.6	4.3	3.9	3.9	3.5
Gold Price	US$/oz	1848	1834	1841	1800	1700
Exchange rate	AUD:USD	0.75	0.73	0.72	0.73	0.73
Production, Sales, Costs & Guidance		**FY21**	**FY22E**	**FY23E**	**FY24E**	**FY25E**
Eloise	Kt Cu	N/A	8.3	12.5	12.6	12.6
Total Copper Production	Kt Cu	**N/A**	**8.3**	**12.5**	**12.6**	**12.6**
Guidance	*Kt Cu*			*~12.5*		
Total Copper Sold	Kt Cu	**N/A**	**7.8**	**12.0**	**12.1**	**12.1**
Total C1 Cash Cost	A$/lb	N/A	2.5	3.1	3.3	3.3
Total All-in Sustaining Cash Cost	A$/lb	**N/A**	**4.1**	**4.5**	**4.3**	**4.1**
Guidance	*A$/lb*			*~4.5*		
Capex Breakdown		**FY21**	**FY22E**	**FY23E**	**FY24E**	**FY25E**
Sustaining Capex	M $	0.0	19.3	29.3	20.0	14.0
Expansionary Capex	M $	0.0	5.9	16.0	2.0	0.0
Exploration	M $	5.5	5.4	3.5	3.5	3.5
Total	**M $**	**5.5**	**30.6**	**48.8**	**25.5**	**17.5**

Attributable Reserves & Resources	Cu (kt)	EV ($/kt)
Proven/Probable Reserve (P&P)	30	$4.1
Measured/Indicated Resource (M&I)	33	$3.8
Inferred Resource	71	$1.8
Total Resource	104	$1.2

Group All-In Sustaining Costs, Production and NAV Breakdown



Net Asset Value (Attrib)	DR (%)	($m)	A$/Sh	NAV (%)
Operating Value				
Eloise	8%	$92	$0.30	100%
Total		**$92**	**$0.30**	**100%**
Listed investments		$1	$0.00	
Exploration (assets)		$20	$0.06	
Cash		$28	$0.09	
Corporate G&A		($11)	($0.04)	
Debt		$0	$0.00	
Other		$7	$0.02	
Total Net Asset Value		**$137**	**$0.44**	
P/NAV			**1.12x**	

Year End June 30

Ratio Metrics		FY21	FY22E	FY23E	FY24E
Earnings - Adjusted	$/sh	($0.09)	$0.09	$0.06	$0.03
P/E Multiple	x	-5.2x	5.7x	8.7x	16.7x
CFPS (CFO)	$/sh	($0.02)	$0.11	$0.17	$0.14
FCFPS (CFO-capex-expl.)	$/sh	($0.10)	$0.01	$0.02	$0.05
P/CF Multiple	x	-28.4x	4.7x	2.9x	3.6x
FCF Yield	%	(19.9%)	1.4%	3.1%	11.0%
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)	%	(114.7%)	(45.3%)	(39.6%)	(62.7%)
Return on Equity (ROE)	%	(75.5%)	29.8%	15.1%	7.1%
Return on Capital (ROIC)	%	(68.6%)	21.7%	11.7%	5.6%
P&L Statement		**FY21**	**FY22E**	**FY23E**	**FY24E**
Revenue	M $	$0	$107	$153	$152
Operating Costs	M $	($7)	($69)	($108)	($114)
EBITDA	**M $**	**($7)**	**$38**	**$45**	**$38**
D&A	M $	$0	$10	$27	$27
EBIT	**M $**	**($7)**	**$27**	**$18**	**$11**
Other Income/Expenses	M $	$0	($0)	$0	$0
EBT	**M $**	**($7)**	**$27**	**$18**	**$11**
Taxes	M $	($1)	$0	$0	$2
Net Income - Adjusted	**M $**	**($6)**	**$27**	**$18**	**$9**
Adjustments	M $	($2)	$2	$0	$0
Net Income - Reported	**M $**	**($4)**	**$24**	**$18**	**$9**
Weighted average diluted shares	M	64	310	312	312
Cash Flow Statement		**FY21**	**FY22E**	**FY23E**	**FY24E**
Cash Flows from Operating Activities					
Net Income	M $	($6)	$27	$18	$9
D&A	M $	$0	$10	$27	$27
Taxes Paid	M $	($1)	$0	$0	$2
Non Recurring/Other	M $	$0	($3)	$4	$0
Operating Cash Flow	**M $**	**($7)**	**$34**	**$49**	**$38**
Changes in Working Capital	M $	$5	($1)	$5	$5
Net Operating Cash flow	**M $**	**($1)**	**$33**	**$53**	**$42**
Cash Flows From Investing Activities					
Capital Expenditure	M $	($0)	($25)	($45)	($22)
Other	M $	($3)	($15)	($3)	($4)
Net Investing Cash Flow	**M $**	**($3)**	**($40)**	**($49)**	**($26)**
Cash Flows From Financing Activities					
Equity Issues (net of costs)	M $	$5	$40	$0	$0
Net Borrowings	M $	$0	$0	$0	$0
Dividends Paid & Other	M $	($1)	($9)	$0	$0
Net Financing Cash Flow	**M $**	**$4**	**$31**	**$0**	**$0**
Increase (Decrease) in Cash	M $	($0)	$24	$5	$17
Cash at End of Year	**M $**	**$4**	**$28**	**$33**	**$50**
Operating Free Cash Flow	M $	($1)	$8	$8	$20
Free Cash Flow	M $	($4)	($7)	$5	$17
Balance Sheet		**FY21**	**FY22E**	**FY23E**	**FY24E**
Cash & Equivalents	M $	$4	$28	$33	$50
Other Current Assets	M $	$3	$23	$23	$23
PP&E & Mining Interests	M $	$2	$38	$56	$52
Other Long Term Assets	M $	$0	$34	$37	$39
Total Assets	**M $**	**$9**	**$124**	**$149**	**$164**
Current Liabilities	M $	$1	$20	$20	$20
Long Term Debt	M $	$0	$0	$0	$0
Other Long Term Liabilities	M $	$0	$14	$14	$16
Total Liabilities	**M $**	**$1**	**$33**	**$33**	**$35**
Shareholder Equity	M $	$8	$90	$116	$129
Total Liabilities & Shareholder Equit	**M $**	**$9**	**$124**	**$149**	**$164**

Source: Company reports, OMLe

Strategic consolidation that makes sense

On Monday, A1M made an all-scrip off-market takeover offer for all the shares in Demetallica Limited (ASX: DRM) valuing DRM at ~A$36m – representing a 68% premium to the last closing price (16 September). Should the deal consummate, the Combined Group will consolidate a 100% interest in the Eloise mining / processing infrastructure and the copper resources at the Chimera project. Combining these assets will allow for the Jericho copper deposit (Resource: 9.1Mt at 1.45% Cu and 0.30g/t Au) to be developed and mined it in the most efficient manner utilising A1M's processing infrastructure. We feel that this is a favourable outcome for both shareholder sets when incorporating the synergies associated with Eloise and the more challenging development path were DRM to proceed alone.

Scenario model confirms bid justification

To better understand the bid price and value of the project we have modelled a scenario where we incorporate the development and mining of Jericho into our base case Eloise DCF. Our scenario sees first ore from Jericho enter the Eloise processing plant from FY25 (post expansion to 1.4mtpa from 750ktpa), extending Eloise's mine life by 4 years (from 6 to 10). At peak copper production by mid FY27 we see a 92% uplift in copper production to 24ktpa (from ~12.5ktpa), whilst simultaneously realising a 16% reduction in operating unit costs. At these peak production metrics, we view the operation as being placed closer to the middle of the cost curve, with C1 cash costs of ~A$3.25/lb and all-in sustaining costs of ~A$3.70/lb.

Assessing the project on a NAV basis, with a WACC of 8% and a LOM average copper price of A$5.00/lb, we see a NAV uplift of ~A$30m. This scenario is based on disclosed resource estimates, utilising our own mining, development, and capital assumptions. We also assess the upside for each additional year of production from both the Eloise and Jericho deposits (contingent on additional resource discovery), and find that there is a A$29m uplift for an additional year of full production from both deposits (together at 1.4Mt).

Furthermore, we conduct sensitivity analysis (Figure 9) against our Jericho incorporated scenario, assessing the NAV sensitivity against copper price and capital cost. On this basis, the project is reasonably robust against capital cost changes, whilst copper price variances drive the largest delta.

Figure 2: Base case NAV

Net Asset Value (Attrib)	DR (%)	($m)
Operating Value		
Eloise	8%	$92
Total		**$92**
Listed investments		$1
Exploration (assets)		$20
Cash		$28
Corporate G&A		($11)
Debt		$0
Other		$7
Total Net Asset Value		**$137**

Source OMLe

Figure 3: Scenario NAV – incl. Jericho

Net Asset Value (Attrib)	DR (%)	($m)
Operating Value		
Eloise	8%	$119
Total		**$119**
Listed investments		$1
Exploration (assets)		$20
Cash		$28
Corporate G&A		($11)
Debt		$0
Other		$7
Total Net Asset Value		**$164**

Source: OMLe

Model Assumptions

OML base case:

- Peak throughput: 640ktpa
- 6-year LOM
- Average LOM head grade: 2.1% Cu
- Base case operating NAV: **A$92m**

Scenario: Jericho incorporated

We model the Jericho deposit as an underground mine, with a 3-year ramp up period, and a peak production rate of 750ktpa. As the Jericho deposit presently has an inferred resource published, we have converted the 9.1Mt at 1.45% Cu to ~4.4Mt at 1.6% Cu (diluted and recovered). We have also modelled a further 1.5Mt of production (at 2.1% Cu) from Eloise. Capital costs for the project have been estimated in alignment to recent comparable scenarios within the industry, in addition to high-level estimates for capital development requirements to bring the deposit into production. A debt facility of A$40m was assumed to provide adequate funding requirements whilst maintaining a minimum quarterly cash balance of A$15m.

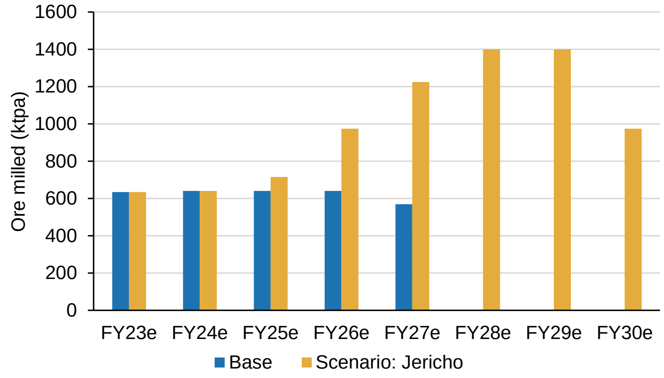
Assumptions

- Peak throughput: 1.4Mtpa
  - Eloise: 650ktpa
  - Jericho: 750ktpa
- 10-year LOM, assuming:
  - Additional Eloise resource to reserve conversion of 1.5Mt at 2.1% Cu
  - Jericho resource to reserve conversion of 4.4Mt at 1.6% Cu
- Average LOM head grade: 1.9% Cu
- Capital profile:
  - Growth capex: A$64m
  - Sustaining development capex (to CY27): A$25m
  - Debt drawdown: A$40m (drawn over 2Q24 to 1Q25)
- Jericho commences production from March 2025:
  - 3-year ramp-up to 750ktpa
- Operating NAV: **A$119m**

Incremental NAV uplift for each year of additional production

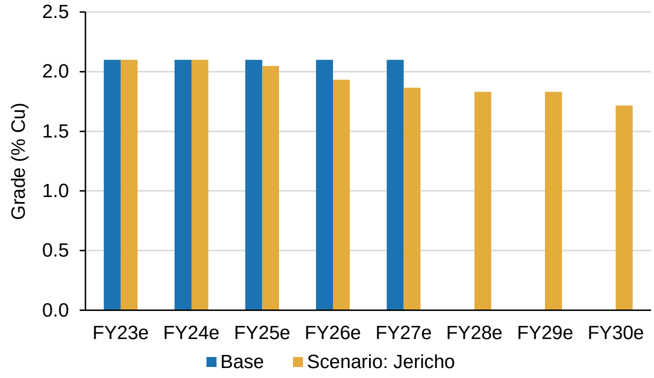
- Eloise: additional year of 650kt at 2.1% Cu:
  - Period realised: 2Q30 to 1Q31
  - NAV uplift: A$22m
- Jericho: additional year of 750kt at 1.6% Cu:
  - Period realised: 3Q32 to 2Q33
  - NAV uplift: A$7m
- Cumulative NAV uplift for each deposit extending by 1 year: A$29m

Figure 4: Ore Milled



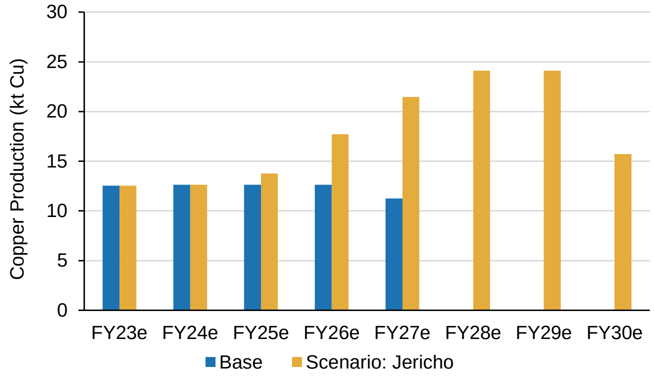
Source OMLe

Figure 5: Head Grade



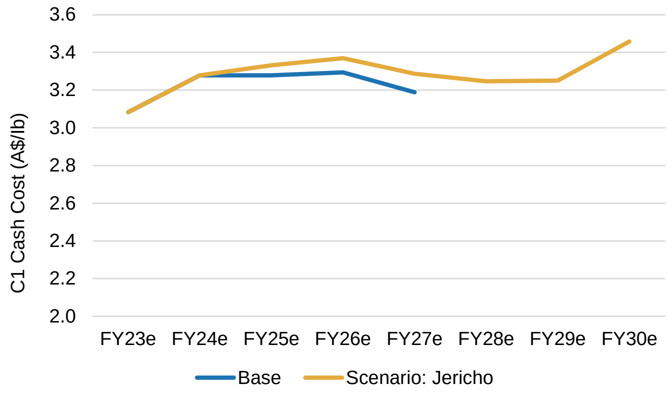
Source OMLe

Figure 6: Copper production



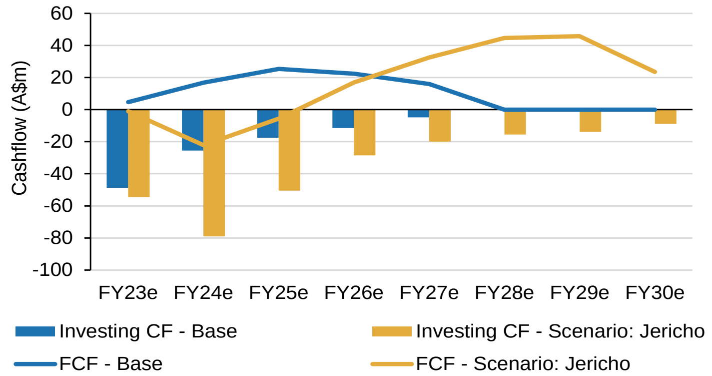
Source OMLe

Figure 7: C1 cost



Source OMLe

Figure 8: Cash flow – investing and FCF



Source OMLe

Scenario Sensitivity

Figure 9: NAV (A$m) copper price and capital cost sensitivity

		Copper Price (AU$/lb)				
		4.00	4.50	5.00	5.50	6.00
Growht Capital Cost (A$m)	-20%	-43	40	130	214	298
	-10%	-48	34	124	208	293
	0%	-54	29	119	203	287
	+10%	-60	23	113	197	282
	+20%	-65	17	107	191	276

Source: OMLe

Deal closure (offer closes 7 November 2022)

We do not include the proposed DRM acquisition at this stage pending DRM recommendation and/or shareholder acceptances and therefore our Speculative Buy Recommendation and A$0.70/sh TP remains unchanged. We see synergistic benefits that make this bid reasonable, without the Eloise mill and A1M's balance sheet / cash flow strength, we would struggle to see similar value in Jericho as a standalone project – considering current deposit size and economics to justify mine development and a new mill or toll-treating arrangement.

Deal metrics

- Offer type: Proposed off-market scrip takeover
- Offer open / close: opens 20 September 2022 (7pm) and closes 7 November 2022.
- Offer value: 1 share in A1M for every 1.5 shares held in DRM
- Offer premium:
  - 68% premium to the closing price 16 September 2022
  - 58% premium to the 30-day VWAP, as of 16 September 2022
  - 35% premium to the DRM IPO issue price of A$0.25 (commenced trading 26 May 2022)
- Offer relates to all DRM shares on issue as of 7pm 20 September 2022 (register date), and any shares issued during the offer period that arise via the exercise of DRM options or performance rights that exist by the register date

Catalysts, comps and relative performance

Catalysts

- **Target Statement from DRM (due imminently)**: highlighting recommendation to shareholders.
- **Consistent delivery of quarterly operational performance** from Eloise. Annual target 12.5kt @ A$3.30/lb C1 (OMLe: ~12.6kt @ ~A$3.3/lb C1).
- **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.

Comps

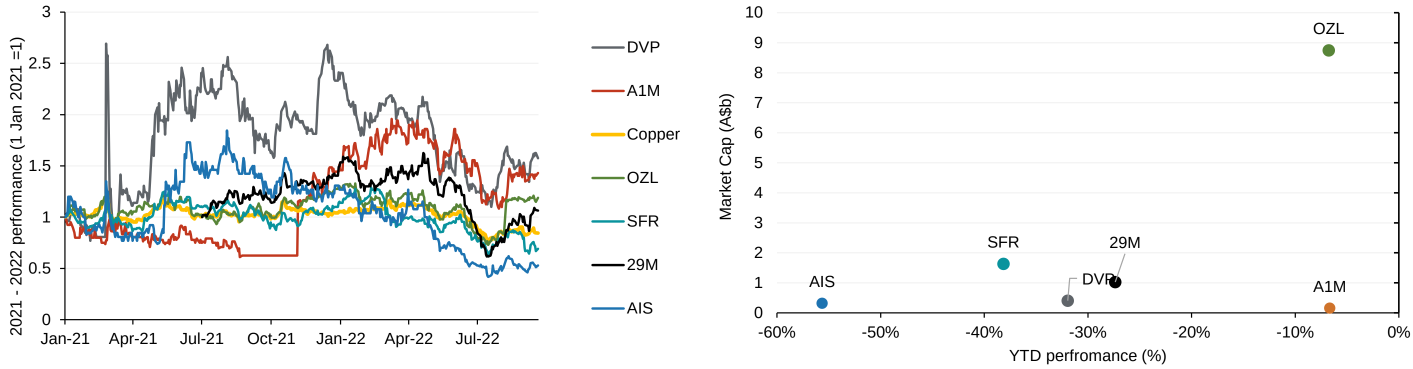
Figure 10: A1M comps across our coverage list

Ticker	Analyst	Market Cap ($m)	OML Estimates					OML Valuation				
			Recommen-dation	Risk	Price ($/sh)	Target price ($/sh)	Implied TSR (%)	P/NAV (x)	EV/EBITDA (x) FY23e	P/E (x) FY23e	P/CF (x) FY23e	FCF yield (%) FY23e
AIS	PK	345	Buy	Higher	0.50	0.70	40%	0.7	1.8	5.8	2.1	-6.1%
A1M	**PK**	**153**	**Spec. Buy**	**Higher**	**0.49**	**0.70**	**43%**	**1.1**	**2.8**	**8.7**	**2.9**	**3.1%**
								0.9	**2.3**	**7.3**	**2.5**	**-1.5%**

Source: Company reports, OMLe.

Relative performance (12-months)

Figure 11: A1M relative performance vs ASX peers (Cu producers / developers)



Source: Company reports, OMLe

Valuation and risks

Valuation

Our A$0.70/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 31% TSR supports our Speculative Buy rating.

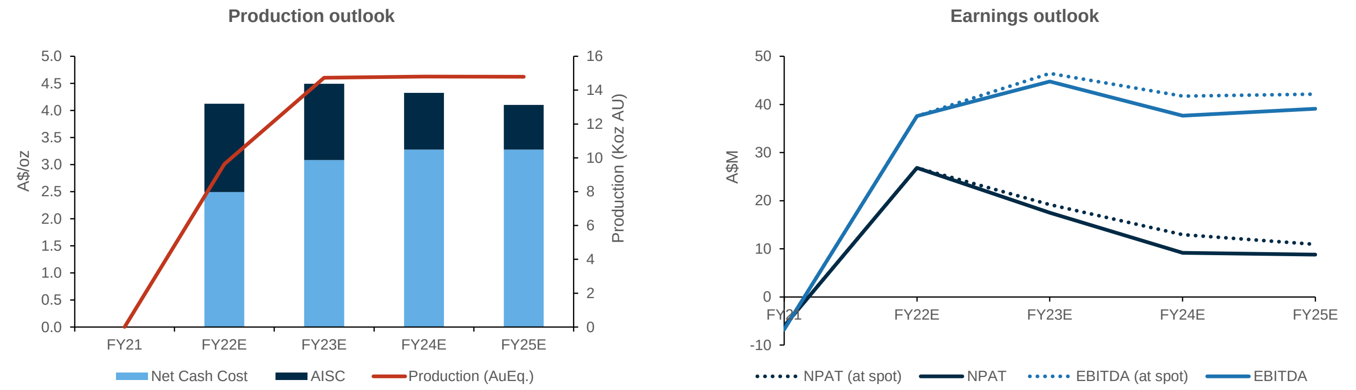
- NAV: Sum-of-the-parts (SOTP) NAV incorporates life-of-mine DCFs on Eloise, discounted at a ~8% WACC. Additional SOTP items include: exploration value, cash and bullion and corporate G&A. We utilise a 1x P/NAV multiple, in line with historical trading of emerging producers, and apply no risk weighting 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 and labour pressures: Any further pressures and/or COVID-19-related disruptions (i.e. productivity) could see downside risk to our estimates.

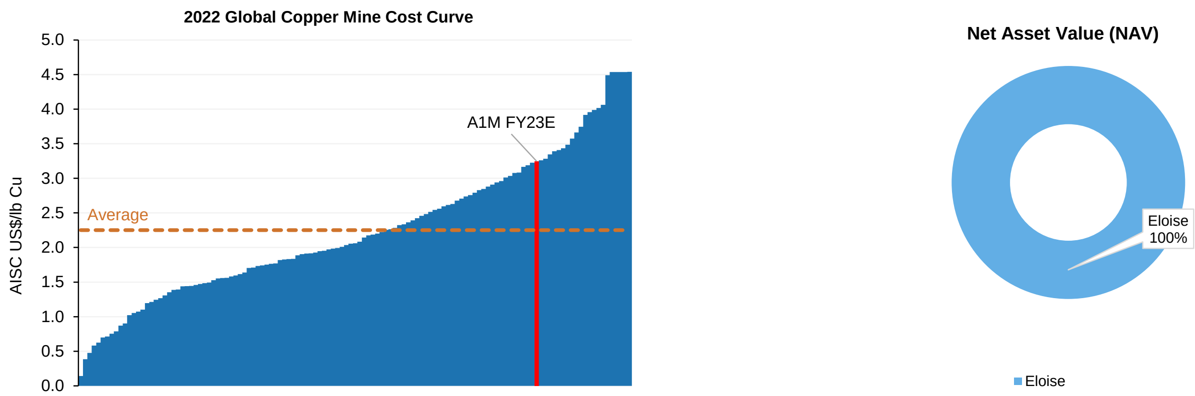
A1M key charts

Figure 12: We expect production and earnings improving in FY23



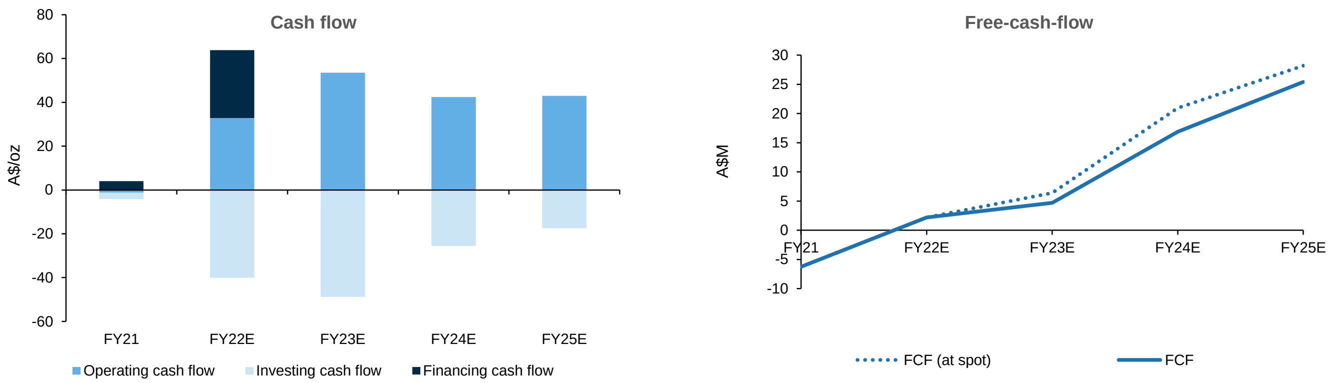
Source: Company reports, OMLe

Figure 13: A1M FY23E cost curve positioning (LHS) and OML current NAV assumptions (RHS)



Source: Company reports, OMLe, CRU, Trafigura

Figure 14: 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	2022E	2023E	2024E
Revenue	-	-	106.5	153.2	151.6
Operating costs	-	6.8	68.9	108.5	113.9
Operating EBITDA	-	**(6.8)**	**37.6**	**44.8**	**37.7**
D&A	-	0.0	10.4	27.3	26.5
EBIT	-	**(6.8)**	**27.2**	**17.5**	**11.1**
Net interest	-	0.0	(0.2)	-	-
Pre-tax profit	-	**(6.8)**	**27.0**	**17.5**	**11.1**
Net tax (expense) / benefit	-	(0.7)	0.2	-	2.0
Significant items/Adj.	-	(1.7)	2.4	-	-
Normalised NPAT	-	**(6.1)**	**26.8**	**17.5**	**9.2**
Reported NPAT	-	**(4.4)**	**24.4**	**17.5**	**9.2**
Normalised dil. EPS (cps)	-	(9.5)	8.7	5.6	2.9
Reported EPS (cps)	-	(6.8)	7.9	5.6	2.9
Effective tax rate (%)	-	10.6	0.7	-	17.8
DPS (cps)	-	-	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	-	64.0	310.3	311.7	311.7

CASH FLOW (A$m)	-	2021A	2022E	2023E	2024E
Net Interest (paid)/received	-	0.0	(0.1)	-	-
Income tax paid	-	-	-	-	-
Other operating items	-	0.2	(3.3)	4.0	-
Operating Cash Flow	-	**(1.2)**	**32.8**	**53.5**	**42.4**
Other investing items	-	99.9	(11.5)	-	-
Investing Cash Flow	-	**97.0**	**(40.1)**	**(48.8)**	**(25.5)**
Inc/(Dec) in borrowings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other financing items	-	(0.6)	(9.0)	-	-
Financing Cash Flow	-	**4.0**	**31.0**	**-**	**-**
Net Inc/(Dec) in Cash	-	99.9	23.8	4.7	16.9

BALANCE SHEET (A$m)	-	2021A	2022E	2023E	2024E
Cash	-	4.3	28.1	32.8	49.7
Receivables	-	0.1	1.1	1.1	1.1
Inventory	-	-	5.0	5.0	5.0
Other current assets	-	2.7	17.1	17.1	17.1
PP & E	-	0.0	26.1	26.1	26.1
Investments	-	1.7	38.5	56.5	52.0
Financial Assets	-	-	6.8	9.6	12.4
Intangibles	-	-	-	-	-
Other non-current assets	-	-	-	-	-
Total Assets	-	**8.8**	**123.7**	**149.2**	**164.3**
Short term debt	-	-	-	-	-
Payables	-	0.7	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**
Total Equity	-	**8.0**	**90.2**	**115.7**	**128.8**
Net debt (cash)	-	(4.3)	(28.1)	(32.8)	(49.7)

DIVISIONS	-	2021A	2022E	2023E	2024E

KEY METRICS (%)	-	2021A	2022E	2023E	2024E
Revenue growth	-	-	-	43.9	(1.1)
EBITDA growth	-	-	-	19.1	(15.9)
EBIT growth	-	-	-	(35.6)	(36.4)
Normalised EPS growth	-	-	-	(35.1)	(47.7)
EBITDA margin	-	-	35.3	29.2	24.9
OCF /EBITDA	-	21.0	96.2	110.5	112.5
EBIT margin	-	-	25.5	11.4	7.3
Return on assets	-	-	21.8	11.7	5.6
Return on equity	-	-	54.7	17.0	7.5

VALUATION RATIOS (x)	-	2021A	2022E	2023E	2024E
Reported P/E	-	-	6.2	8.7	16.7
Normalised P/E	-	-	5.7	8.7	16.7
Price To Free Cash Flow	-	-	69.0	32.5	9.1
Price To NTA	-	3.9	1.7	1.3	1.2
EV / EBITDA	-	-	3.3	2.7	2.7
EV / EBIT	-	-	4.6	6.9	9.3

LEVERAGE	-	2021A	2022E	2023E	2024E
ND / (ND + Equity) (%)	-	(114.7)	(45.3)	(39.6)	(62.7)
Net Debt / EBITDA (%)	-	63.4	(74.7)	(73.2)	(131.9)
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 ($m)	**136.5**
Equity NPV Per Share ($)	**0.44**
Multiples valuation method	P/DACF
Multiples	6.4
Multiples valuation	0.76
Multiples valuation method	P/NAV
Multiples	1.0
Multiples valuation	0.60
Target Price ($)	0.70
Valuation disc. / (prem.) to share price (%)	42.9

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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.