



Syrah Resources Ltd (SYR.ASX)

Another step closer

Event:

- Vidalia Engineering and Procurement services contract.

Investment Highlights:

- Award of Engineering and Procurement to Worley Group (WOR).** Syrah Resources (SYR) announced yesterday it had awarded WOR the engineering and procurement services contract for the Vidalia 10ktpa battery anode plant expansion.
- WOR brings experience and intimate knowledge.** WOR has had experience in working with SYR previously, having provided similar engineering and procurement services to the company for the current Vidalia facility, as well as having worked with SYR on last year's BFS for the expansion. WOR also has presence in the key regions of USA, China, and Australia – which collectively encompass SYR's offices and operations and equipment suppliers to the battery anode industry.
- Construction package next major award, then FID/funding/offtake.** The next major outstanding award is for construction of Vidalia, which we expect in the 3Q. Post the award, we expect SYR will focus on finalising its FID, offtake, and funding which is targeted during the 2HCY21.
- A\$105M cash expected at end of quarter.** SYR remains well cashed up post its recent Series 3 convertible note issue, and expects to have cash of US\$81M (A\$105M) at the end of June.
- EV and steel markets remain strong as Balama ramping up.** Balama is continuing to ramp up production following its restart in March, and we expect more detail regarding production and markets in the company's June quarterly, to be released in July. The Balama restart has occurred within a positive demand environment in both EV and steel markets, which have continued to remain robust.

Valuation and earnings:

- No changes to earnings or our share valuation of \$1.74 (0.77x NPV₁₀).

Recommendation:

- We maintain our Buy and our 12-month share PT is unchanged at \$1.74, based on our risked valuation (0.77x NPV₁₀).
- Share price catalysts include: 1) Ramp-up of Balama; 2) Balama positive net cash flow; 3) Award of construction for Vidalia; 4) Offtake and financing progress for Vidalia; and 5) Vidalia FID.

Disclosures

The analyst owns 73,690 SYR shares.
 Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 582,857 SYR shares.
 Cranport Pty Ltd owns 1,709,043 SYR shares.
 Refer details end of report.
Foster Stockbroking acted as Joint Lead Manager to the A\$56M placement of 62.2M SYR shares at \$0.90 in December 2020, for which it received fees.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$1.74
Previous	\$1.74
Share price (A\$)	\$1.02

ASX code	SYR
52 week low-high	\$0.27-\$1.375
Valuation - risked (A\$/share)	\$ 1.74

Methodology risked NPV

Capital structure

Shares on Issue (M)	498
Market cap (A\$M)	508
Net cash (debt) (A\$M)	10
Performance rights (M)	17
Options (M)	2
Diluted EV (A\$M)	517
Ave daily volume ('000)	3,311

Earnings	FY20a	FY21e	FY22e	FY23e
Sales	11	74	157	214
EBITDA adj	-40	-2	35	70
NPAT reported	-61	-18	10	32
NPAT adj	-56	-18	10	32
EPS adj. \$*	-0.13	-0.04	0.02	0.06
PE x	nm	nm	41.5x	13.5x
EV/EBITDA x	nm	nm	11.2x	5.6x

* Adj =underlying

Substantial shareholders

AustralianSuper Pty Ltd	17%
Bruce N Gray	9%
Paradise Investment Management Pty Ltd	8%

Board

Shaun Verner	MD and CEO
James Askew	Non-Executive Chairman
Jose Manuel Caldeira	Non-Executive Director
Lisa Bahash	Non-Executive Director
John Beevers	Non-Executive Director
Sara Watts	Non-Executive Director

Share price graph



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