



## Syrah Resources Ltd (SYR.ASX)

### Leader of the pack

#### Event:

- US Department of Energy offer of conditional loan commitment.

#### Investment Highlights:

- US Department of Energy (DoE) has offered a conditional commitment for a US\$107M loan** to SYR for the initial 11.25ktpa expansion of the Vidalia anode facility. The non-binding term sheet followed a period of extensive due diligence undertaken by the DoE's Loan Program Office and is conditional, subject to conclusion of outstanding due diligence items and conditions precedent (CPs). Term is up to ten years
- Amount and tenor in-line with previous estimate.** In February, SYR had stated it was seeking US\$100M-\$125M from the DoE loan program, for up to ten years. The amount of up to US\$107M is in-line with the mid-point of the range (US\$112.5M) and of same duration. Interest is fixed at similar long-term US Treasury rates, with no credit spread. SYR expects the loan to approximately comprise a US\$104M advance and US\$3M capitalised interest.
- Financial closure reiterated for end June 2022.** SYR reiterated its timeline, with the DoE's conditional offer now highlighting both parties are at the pointy end of finalisation. We understand that only some of the CPs may need to be satisfied prior to financial close, while others may be required prior to drawing the loan. SYR expects advance of the loan during the September quarter.
- Leader of the pack - First of the EV supply chain to receive DoE loan.** The DoE issued a release on its [conditional offer](#), citing SYR as the first company involved in the EV supply chain to be offered a DoE loan under the Advanced Technology Vehicles Manufacturing program, with prior recipients being automakers Nissan, Ford, and Tesla.
- The loan commitment crystallises key points that we believe made Vidalia a compelling candidate:** – The US's 100% reliance on commercial active anode material from imports, including the industry 100% dependence on China for anode precursor; SYR's ESG credentials; and SYR's full custody and integration of raw natural graphite ore (Balama) to final anode product (Vidalia) – the only outside of China.
- Surplus equity to be allocated for 45ktpa expansion.** The company reinforced its intent to utilise any surplus equity raised in February 2022 – that will not be used for the 11.25ktpa expansion in lieu of the DoE loan - for acceleration of its future expansion plans, including the 45ktpa Vidalia case.

#### Earnings and Valuation:

- No material changes to earnings or our risked valuation of \$2.37/share (0.8x NPV10).** We had previously factored the loan in our forecasts and valuation.

#### Recommendation:

- We maintain our Buy and 12-month PT of \$2.37 based on risked valuation.**
- Catalysts include:** 1) Improving Balama concentrate shipments and realised prices; 2) Closure of DOE loan; 3) Further binding offtake for balance of 11.25ktpa production, and potentially for some of 45ktpa expansion; 4) Construction progress of Vidalia; and 5) Vidalia 45ktpa BFS.

#### Disclosures

The analyst owns 73,690 SYR shares.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,080,575 SYR shares.

Cranport Pty Ltd owns 2,000,000 SYR shares.

Refer details end of report.

**Foster Stockbroking acted as Co-Lead Manager to the underwritten \$250M placement and entitlement offer of 169M SYR shares at \$1.48 in February 2022, for which it received fees.**

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$2.37			
Previous	\$2.37			
Share price (A\$)	\$1.795			
ASX code	SYR			
52 week low-high	\$0.91-\$2.13			
Valuation - risked (A\$/share)	\$ 2.37			
Methodology	risked NPV			
<b>Capital structure</b>				
Shares on Issue (M)	669			
Market cap (A\$M)	1,201			
Net cash (debt) (A\$M)	227			
Performance rights (M)	18			
Options (M)	1			
Diluted EV (A\$M)	1,008			
Ave daily volume ('000)	3,611			
<b>Earnings (US\$M)</b>				
	FY21a	FY22e	FY23e	FY24e
Sales	29	167	247	310
EBITDA adj	-37	44	97	122
NPAT reported	-57	21	49	59
NPAT adj	-52	18	45	55
EPS adj. \$*	-0.10	0.03	0.07	0.08
PE x	nm	50.0x	20.2x	17.4x
EV/EBITDA x	nm	18.7x	8.6x	6.8x

\* Adj =underlying

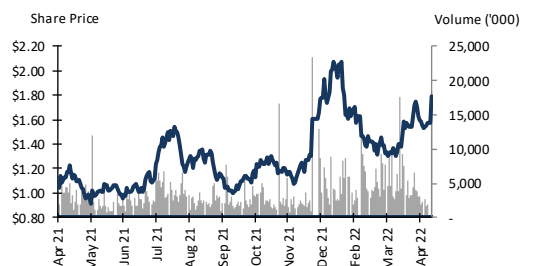
#### Substantial shareholders

AustralianSuper Pty Ltd	17%
Bruce N Gray	9%
Paradise Investment Management Pty Ltd	6%

#### 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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