



Syrah Resources Ltd (SYR.ASX)

Samsung - potential Vidalia customer signs MoU

Event:

- **Samsung MoU for Vidalia; Balama binding offtakes.**

Investment Highlights:

- **Another Vidalia offtake MoU – targeting up to 10ktpa from 2026.** SYR yesterday announced a non-binding MoU with Samsung SDI for active anode material (anode) offtake from Vidalia. Under the MoU, the parties will continue testing and evaluation, with an aim to finalise by no later than 10 July 2024, a binding offtake agreement of up to 10ktpa from Vidalia commencing 2026.
- **Positive progress.** We understand SYR has been in discussion with Samsung for some time and the progression to an MoU highlights a willingness to progress the relationship further with a view to potential binding offtake.
- **Geopolitical environment conducive.** Samsung is an existing South Korean battery producer that sources its pre-cursor anode material mostly from China. However, it is establishing battery facilities in the US (e.g. JV with Stellantis). Together with financial incentives provided by IRA to source non-China critical material such as anode, we believe this is a factor behind the MoU.
- **Floating price as opposed to fixed a key benefit.** A key feature of the MoU is price being tied to a floating mechanism, for example a benchmark such as weekly quoted prices relating to anode or its pre-cursors. This is a step up from SYR's initial offtake with Tesla which incorporated a fixed price. The Samsung MoU allows SYR to fully exploit the upside from the tight graphite we envisage in future years as demand begins to outstrip forecast supply.
- **Non-binding & binding agreements account for at least 100% of 45ktpa Vidalia.** The Samsung MoU (for up to 10ktpa) adds to the previous LG Energy Solutions MoU (at least 10ktpa) and Tesla binding offtake (25ktpa), which collectively up to 45ktpa offtake – the capacity of the Vidalia Further Expansion. This is before considering the Blue Oval SK JV (Ford-SK On) MoU which did not specify volume.
- **Recent Balama offtakes diversify customer risk.** SYR last week announced binding offtakes for Balama graphite concentrate with two anode developers - Graphex Technologies (Graphex) and Westwater Resources (Westwater) – each which have anode projects in the US targeting production in 2024. This critically diversifies Balama customer risk away from its major customer China.
- **Adds to Balama capacity utilisation.** Targeted anode output from Graphex's Michigan plant is 15ktpa, and from Westwater's 40.5ktpa in 2028 from 7.5ktpa in 2025. Assuming 50% yield, the plants would collectively require 110ktpa concentrate, or about 28% of Balama capacity. Adding Vidalia 45ktpa anode plant's requirement of 75ktpa concentrate, increases it to >50% utilisation.

Earnings and Valuation:

- **No changes to our earnings forecasts, or our risked SYR share valuation (0.5x NPV₁₀) of \$1.47.**

Recommendation:

- **We maintain our Buy and 12-month price-target of \$1.47 based on risked valuation.** Catalysts include: 1) Further binding offtake; 2) Improving graphite markets; 3) Balama restart; 3) Commissioning of 11.25ktpa Vidalia; and 4) Funding and FID for Vidalia 45ktpa.

Disclosures

The analyst owns 73,690 SYR shares, and Foster Stockbroking and other staff own 199,000 SYR shares. Cranport owns 1,500,000 SYR shares. Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$1.47
Previous	\$1.47
Share price (A\$)	\$0.65
ASX code	SYR
52 week low-high	\$0.625-\$2.69
Valuation - risked (A\$/share)	
Methodology	risked NPV
Capital structure	
Shares pro-forma (M)*	790
Market cap (A\$M)*	514
Net cash (debt) pro-forma (A\$M)*	2
Performance rights (M)	16
Diluted EV (A\$M)	522
Ave daily volume ('000)	4,146

*Assumes conversion of Series 1 and 3 notes

Earnings US\$M y/e Dec	FY22a	FY23e	FY24e	FY25e
Sales	106	71	185	245
EBITDA adj	-20	-37	22	52
NPAT reported	-26	-50	-8	21
NPAT adj	-32	-50	-8	21
EPS adj. \$*	-0.05	-0.06	-0.01	0.02
PE x	nm	nm	nm	25.3x
EV/EBITDA x	nm	nm	13.0x	5.5x

*Adj =underlying

Substantial shareholders

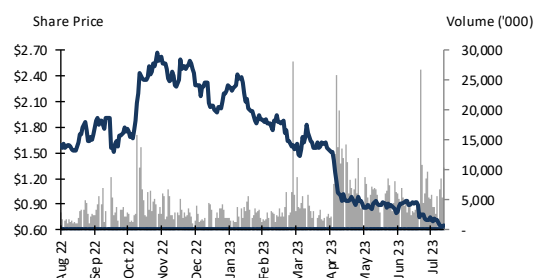
AustralianSuper Pty Ltd*	29%
Paradise Investment Management Pty Ltd	7%
Bruce N Gray	6%

*Assumes conversion of Series 1 and 3 notes

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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