



Genmin Ltd (GEN.ASX)

Funding outlook appearing more favourable

Event:

- Funding sensitivity analysis; Price target change.

Investment Highlights:

- Offtake partners in financing mix.** Since our last report, GEN has been focussed on advancing its Baniaka project to FID, including advancing negotiations with its four China offtake MoU partners, two of which are included in financing discussions. Given the size and clout of the parties – Baowu Resources, Jianlong Group, China Minmetals Corporation, and Hunan Iron & Steel – debt will likely comprise a significant portion of funding. We currently assume US\$270M funding required (capex, working capital, corporate) via 67:33 debt: equity mix.
- Performance rights conditions incentive to deliver financing soon.** GEN CEO will be granted 2M performance rights vesting in four equal tranches. The first three are for executing: 1) binding offtake for at least 15M; 2) mining convention; and 3) financing agreements – all by 30 September 2024. We believe this signals confidence of FID and news flow within next few months. Final tranche vests on commencing production by 30 September 2025.

Earnings and Valuation:

- Risked share valuation (0.3x NPV₁₀ nominal) increases to \$0.61 from \$0.49 on lower dilution.** We had previously assumed GEN equity for capex funding to be raised at \$0.10 share price, but given recent rally, this now appears less likely. We now assume it will be undertaken at around the current share price. As a result, our EPS forecasts increase from assuming lower share dilution.
- Sensitivity analysis to equity funding.** We have run various valuation scenarios (refer matrix below) assuming: 1) different prices at which equity is raised; and 2) the mix of debt: equity used. These show significant uplift should GEN minimise equity funding relative to our 33:67 equity: debt mix. Any equity may also be strategically invested by offtaker(s), potentially at premium to share price.

GEN valuation sensitivity to equity funding

		Debt:Equity split (%)			
		50:50	67:33	80:20	90:10
Price of equity raise	\$0.10	\$0.39	0.49*	\$0.61	\$0.77
	\$0.12	\$0.45	\$0.54	\$0.66	\$0.82
	\$0.15	\$0.51	0.61**	\$0.73	\$0.87
	\$0.18	\$0.57	\$0.67	\$0.78	\$0.91
	\$0.20	\$0.61	\$0.70	\$0.81	\$0.92

*Prior base case valuation

**New base case valuation

Source: Foster Stockbroking estimates

Recommendation:

- We maintain our Buy and increase our 12-month price target to \$0.61 from \$0.49, in-line with our risked valuation.
- Key catalysts for the share price include: 1) Binding offtake agreements; 2) Finalisation of financing; 3) FID; 4) Commencement of construction; 5) Expansion, pellet feed VIU, and mine optimisation studies.

Disclosures

The analyst owns 207,000 GEN shares and 100,000 GEN options exercise \$0.20 expiry 31 March 2026. Foster Stockbroking and other staff own 14,623,618 GEN shares and the following GEN options: 250,000 exercise US\$0.15 expiry 31 July 2024; 2,500,000 exercise \$0.442 expiry 7 March 2026; and 6,403,332 exercise \$0.20 expiry 31 March 2026. Cranport owns 17,843,078 GEN shares and 2,000,000 GEN options exercise \$0.20 expiry 31 March 2026. Refer details end report.

Foster Stockbroking received fees from acting as Joint Lead Manager to GEN's \$23.4M equity raise at \$0.10 in March 2024.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$0.61			
Previous	\$0.49			
Share price (A\$)	\$ 0.15			
ASX code	GEN			
52 week low-high	\$0.088-\$0.1778			
Valuation - risked (A\$/share)	\$ 0.61			
Methodology	risked NPV			
Capital structure				
Shares on Issue (M)	685			
Market cap (A\$M)	103			
Net cash (debt) (A\$M)	9			
Options (M)	123			
Performance rights (M)	3			
Diluted EV (A\$M)	113			
Ave daily volume ('000)	307			
Earnings y/e Dec US\$M	FY23a	FY24e	FY25e	FY26e
Sales	0	0	143	526
EBITDA adj	-11	-9	27	106
NPAT reported attrib.	-13	-9	15	59
NPAT adj attrib.	-13	-9	15	59
EPS adj. \$*	-0.03	-0.01	0.01	0.04
P/E	na	na	14.9x	3.7x
EV/EBITDA	na	na	12.9x	0.5x

* Adj =underlying

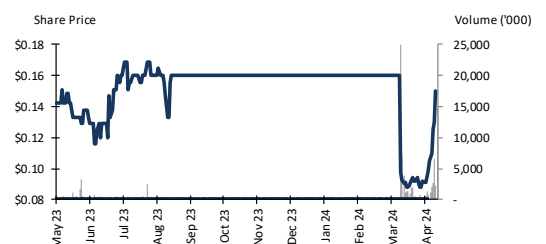
Substantial shareholders

Ndovu Capital & Tembo Capital Mining Fund	48%
Cranport Pty Ltd	6%

Board

Michael Arnett	Non-Executive Chairman
Giuseppe (Joe) Ariti	Managing Director & CEO
John Hodder	Non-Executive Director
Salvatore Amico	Non-Executive Director
Brian van Rooyen	Non-Executive Director

Share price graph



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Genmin (GEN)

Full Year Ended 31 December

Profit and Loss US\$M	2023a	2024e	2025e	2026e
Revenue	0	0	143	526
Operating costs	11	9	116	420
EBITDA adj.	-11	-9	27	106
D&A	0	0	6	21
EBIT adj.	-11	-9	21	84
Net Interest exp / (income)	2	0	3	16
PBT adj.	-13	-9	18	68
Tax exp / (benefit)	0	0	0	0
NPAT before minorities adj.	-13	-9	18	68
Minority	0	0	3	9
NPAT attributable adj.	-13	-9	15	59
EPS diluted adj. (\$)	-0.03	-0.01	0.01	0.04

Cashflow US\$M	2023a	2024e	2025e	2026e
EBITDA adj.	-11	-9	27	106
Change in WC	2	0	-3	-6
Net interest	0	0	-3	-16
Tax	0	0	0	0
Share based expense	0	0	0	0
Other	0	0	0	0
Operating Cashflow	-9	-9	20	83
Purchase of PP&E	0	-116	-116	-2
Acquisitions	0	0	0	0
Capitalised expenses	-3	-3	-3	-3
Investments	0	0	0	0
Other	0	0	0	0
Investing Cashflow	-3	-118	-118	-5
Equity issue	0	99	0	0
Debt proceeds	5	50	131	0
Debt repayments	0	0	0	0
Other	0	-2	0	0
Financing Cashflow	5	147	131	0
Net Cashflow	-7	20	33	78

Balance Sheet US\$M	2023a	2024e	2025e	2026e
Cash	0	20	54	132
Receivables	0	0	12	43
Inventories	0	0	6	22
PPE	1	117	227	207
Capitalised expl'n	45	45	45	45
Intangibles	0	0	0	0
Other	1	7	10	1
Total Assets	48	189	353	450
Accounts payable	5	1	10	35
Provisions	5	0	5	17
Debt	5	50	181	181
Other	12	15	17	9
Total Liabilities	23	66	212	241
Capital & reserves	64	172	172	172
Retained earnings	-40	-49	-34	25
Attributable Equity	25	123	138	197
Minorities	0	0	3	12
Total Equity	25	123	141	209

Financial metrics	2023a	2024e	2025e	2026e
EBIT margin	na	na	15%	16%
EBITDA margin	na	na	19%	20%
Interest cover (EBIT/net interest) x	na	na	na	5
RoA	na	na	8%	21%
RoE	na	na	14%	41%
Sales growth	na	na	na	268%
EPS growth	88%	-70%	-217%	299%
Gearing (ND/ND+E)	16%	19%	48%	20%

Valuation multiples	2023a	2024e	2025e	2026e
P/E x	na	na	14.9	3.7
EV/EBITDA x	na	na	12.9	0.5

Company Valuation				
DCF, WACC 10% nominal				
Segment	Unrisked	Unrisked	Risked	Risked
	A\$M	A\$/sh	A\$M	A\$/sh
Baniaka Reserves 5Mtpa	387	\$0.44	309	\$0.18
Indicated ex-Reserves	264	\$0.30	177	\$0.11
Inferred Resources	137	\$0.16	69	\$0.04
Exploration Target	13	\$0.01	7	\$0.00
Deltas:	0	\$0.00	0	\$0.00
10Mtpa Baniaka	422	\$0.48	211	\$0.13
Pellet feed price VIU	233	\$0.27	117	\$0.07
Mine optimisation cost savings	221	\$0.25	111	\$0.07
Working capital & corporate	-140	-\$0.16	-140	-\$0.08
Future equity	129	\$0.15	129	\$0.08
Options in-money-at val'n	26	\$0.03	26	\$0.02
Net cash	9	\$0.01	9	\$0.01
Total	1,701	\$1.94	1,023	\$0.61
Shares now M	685		685	
Future equity M*	67		861	
Performance rights M	3		3	
Options-in-money at val'n M	123		123	
Total	878		1,673	

*Unrisked assumes equity raised at valuation, risked assumes raised at near share price.

Commodity Assumptions	2023a	2024e	2025e	2026e	
Prices:					
Iron ore 62% China CFR	US\$/t	112	111	99	96
A\$	US\$/t	0.66	0.67	0.67	0.68
Shipments:					
Iron ore	Mt	0.0	0.0	1.3	5.0

JORC Resources	Ore Mt	Fe %
Indicated	229	42.8%
Inferred	530	34.0%
Total	759	36.7%

JORC Reserves	Ore Mt	Fe %
Total	101	46.9

Capital structure	M
Ordinary shares	685
Performance rights	3
Options	123

Source: Company; Foster Stockbroking estimates



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Specific disclosure: Foster Stockbroking received fees for acting as Joint Lead Manager to GEN's \$23.4M equity raising at \$0.10 in March 2024, and may also place any entitlement offer shortfall for which it would receive fees.

Specific disclosures: As at close of business on 6 May 2024, Foster Stockbroking and other staff (excluding the analyst) own 14,623,618 GEN shares and the following GEN options: 250,000 exercise US\$0.15 expiry 31 July 2024; 2,500,000 exercise \$0.442 expiry 7 March 2026; and 6,403,332 exercise \$0.20 expiry 31 March 2026. Cranport Pty Ltd owns 17,843,078 GEN shares and 2,000,000 Gen options exercise \$0.20 expiry 31 March 2026. The position may change at any time and without notice. Foster Stockbroking and its employees may from time to time own securities the subject of the report, and trade them in ways different from those discussed in research. Foster Stockbroking may also make a market in securities the subject of the report, including buying and selling securities on behalf of clients.

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