



Piedmont Lithium Ltd (PLL.ASX)

Equity raising ensures project momentum maintained

Event:

- Equity raising; valuation change; Price Target change.

Investment Highlights:

- Piedmont Lithium (PLL) announced an equity placement of US\$9.0M (A\$12.2M) at A\$0.11/share last week.** 107.6M shares were placed in first tranche, with the balance to be completed subject to a General Meeting. We had already factored in an equity raising in FY19 of similar size (US\$10M) albeit at a less dilutive price (A\$0.13). We now estimate PLL's cash end September 2018, pro-forma adjusted for the raising, is US\$12M (A\$17M).
- Funds ensure Piedmont project advances.** The purpose of the raise was to ensure the Piedmont project continued to progress, including funding of exploration and infill drilling, permitting submissions, met work, engineering including PFS, land acquisitions and corporate expenses.
- CY2019 to be a crucial year.** We envisage three core milestones next calendar year for PLL being 1) Resource upgrade(s); 2) Mining and environment permitting approvals; and 3) PFS.
- We expect a Resource upgrade both in quality and size,** including likely conversion of some or all of the Exploration Target to JORC Resources, and upgrade of Inferred to Measured and Indicated. We expect submissions for permitting by end CY18/early CY19, and approvals approximately 12 months afterwards. A PFS on the project is likely to be completed around mid CY19e.
- Larger project size key to re-rating.** We expect the company will strive to increase the Piedmont Resource size. This will likely stem from infill and exploration drilling on the existing Core property acreage, and may be enhanced from exploration on recently announced new acreage acquisition. Corporate appeal in the sector has been demonstrated for large projects (e.g. SQM-KDR, ALB-MIN) and we anticipate once Piedmont life approaches or surpasses 20 years, interest will acutely rise.

Valuation and Earnings:

- PLL valuation cut to \$0.23/share from \$0.29/share.** We reduce our NPV₁₀ valuation of PLL to \$0.23/share, from \$0.29/share. Although we had previously forecast the recent placement and our estimated future equity requirements remain unchanged, we have factored in a lower share price for future equity which has diluted our valuation.

Recommendation:

- We maintain our Speculative Buy on PLL, reducing our 12-month price target to \$0.23 from \$0.29,** based on our 1.0x price/risked NPV.
- Catalysts for the share price** include 1) Exploration results; 2) Metallurgical work; 3) Permitting; 4) Resource upgrades; 5) Reserves; and 6) PFS.

Disclosures

The analyst does not own PLL securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 227,890 PLL shares. Cranport Pty Ltd owns 1,641,818 PLL shares. Refer to disclosures at end of report for details.

Foster Stockbroking acted as Sole Lead Manager to the A\$16M placement of 100M PLL shares at \$0.16 in October 2017, and as Co-Manager to the the A\$12M placement of 111M shares at \$0.11 in December 2018. Foster Stockbroking received fees for these services. Foster Stockbroking has also provided corporate advice to PLL.

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.23
Previous	\$0.29
Valuation	\$0.23
Methodology	1.0x price/risked NPV
Share Price (A\$)	\$ 0.115
ASX Code	PLL
52 week low - high (A\$)	0.11-0.235

Capital structure	
Shares on Issue (M)*	670
Market Cap (A\$M)*	77
Net Cash/(Debt) (A\$M)*	17
EV (A\$M)*	60
Options (M)	83
Performance rights (M)	1
Fully diluted EV (\$M)*	70
12mth Ave Daily Volume ('000)	786

*Pro-Forma incl. December 2018 equity raising

Estimates y/e	Jun	2018e	2019e	2020e	2021e
Sales US\$M		0.0	0.0	0.0	31.8
EBITDA US\$M		-9.6	-9.4	-10.1	9.3
NPAT adj US\$M		-9.4	-9.2	-10.0	-40.9
EPS adj US\$		-0.02	-0.01	0.00	-0.02
EV/EBITDA x		nm	nm	nm	4.7x

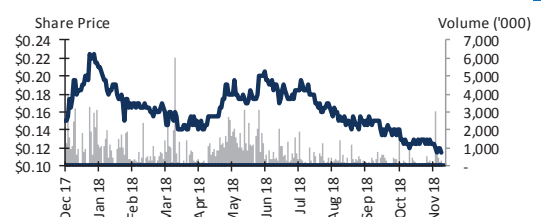
Board

Ian Middlemas	Non-Executive Chairman
Keith Phillips	Managing Director
Taso Arima	Executive Director
Jorge Beristain	Non-Executive Director
Levi Mochkin	Non-Executive Director
Jeffrey Armstrong	Non-Executive Director

Substantial shareholders

Australian Super Pty Ltd	13.3%
NASDAQ Securities Australia Pty Ltd	7.8%

Share Price Graph



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