



## New Century Resources Limited (NCZ.ASX)

Carrying Operational Momentum into FY23

### Event:

- Century operations update; solar power MoU.

### Investment Highlights:

- Strong start to FY23 Century operations:** Century set a new monthly production record since restart in July with 12,109t zinc metal at 51% recovery. Operational momentum has carried on into August with 11,768t zinc metal at 50% recovery. No further detail disclosed at this stage on what is driving the improvement.
- Improved recoveries are also encouraging,** noting that incremental zinc recovery improvement had already improved to 48.0% in FY22Q4a, and has been above 50% for the prior two months. No FY23 production guidance at this stage, no update provided on unit costs at this stage.
- Renewable solar power supply MoU signed:** NCZ has also announced a non-binding MoU with APA Group for the supply of up to 8MW solar power to the Century Mine from the 88MW Mica Creek Solar Farm, which is under construction, and operational by late FY23. The solar power alternative has the potential to reduce carbon emissions from power generation by up to 10%.
- Cash and concentrate of \$108M at June end and no debt.**

### Earnings and Valuation:

- We have unchanged FY23-FY24e NPAT to \$45M and \$71M,** with unchanged FY23-24 zinc assumptions of US\$1.43/lb and US\$1.34/lb on FY23 production of 124kt zinc with the addition of In Situ production in both lead and zinc in FY24e.
- Sustained improvement in production and recovery represent near term upside risk to our FY23 assumptions should bright FY23 start be maintained.** We continue to model 46% recovery at Century tailings and maintain C1 cost of ~US\$0.90/lb in FY23-24 for now, though continued volume lift would drive unit cost improvements. NCZ will also look to continue efficiency and operational improvements to offset inflationary pressures.
- We have an unchanged valuation for NCZ of \$4.30/share,** as the company works toward incorporating the In Situ Century extension and Mt Lyell option. We continue to be encouraged by the most recent operational update demonstrating improving metrics.

### Recommendation:

- We reiterate our Buy recommendation for NCZ with a PT of \$4.30/share (no change),** in line with our DCF valuation. We maintain the view the market is ascribing nil value to the exciting green copper option that Mt Lyell presents – nor the mine life extension from the In Situ expansion for that matter, even as strong zinc prices underwrite near term cash generation from its Century operation.
- NCZ's environmental credentials strengthened by solar power energy source,** and earned through its Century asset management, and we think will be further highlighted as it develops green copper project Mt Lyell.
- Key catalysts for the stock** include: 1) ongoing operational performance at Century and upcoming In Situ expansion; 2) continued strength in base metal prices; 3) updates on Mt Lyell Resource and Reserve, feasibility study release in 2H22, and option exercise; and 4) exploration updates.

### Disclosure

The analyst does not own NCZ securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own NCZ securities. Cranport Pty Ltd owns 471,384 NCZ shares.

**Foster Stockbroking provides equity capital markets and corporate advice to NCZ and has received consideration for this service.**

Refer to end of report for details.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$4.30
Previous	\$4.30
Share Price (A\$)	\$1.44
ASX Code	NCZ
52 week low - high (A\$)	1.44-2.74
Capital structure	
Shares on Issue (M)	131.0
Market Cap (A\$M)	189
Net Cash/(Debt), A\$M, est.	108
EV (A\$M)	81
12mth Av Daily Volume ('000)	140

Y/e Jun A\$	2021a	2022a	2023e	2024e
Sales, \$M	278.0	408.3	406.7	541.0
EBITDA, \$M	73.5	41.6	108.8	176.9
NPAT, \$M	-10.8	-28.3	44.8	71.0
EPS adj, c	-14.6	-25.6	33.9	53.7
PER, x	nm	nm	63.7	40.2

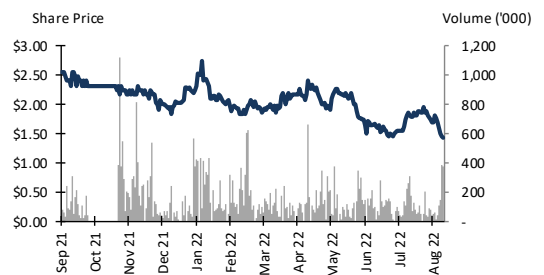
### Board

Robert McDonald	Chairman
Patrick Walta	Managing Director
Nick Cernotta	Non-Executive Director
Kerry Gleeson	Non-Executive Director
Peter Watson	Non-Executive Director

### Major Shareholders

Sibanye Stillwater Ltd	20.0%
Luminus Management LLC	17.5%
Luxor Capital Group LP	12.1%

### Share Price Graph



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