



## Syrah Resources Ltd (SYR.ASX)

DFC throws a lifeline

### Event:

- 3Q 2024 report; DFC binding loan; Price-target change.

### Investment Highlights:

- Better than expected quarter.** SYR cash outflows were lower than we expected: US\$20M vs \$US\$35M, due to lower Vidalia expenditure and positive working capital flow as Balama shipped from inventory with no production undertaken. Cash end quarter was US\$61M vs our estimate of US\$47M.
- Mining to resume this quarter.** External Balama sales were 11.8M, higher than our estimate of 9.8Mt, while realised price of US\$698/t CIF was in-line with our forecast US\$700/t. Balama gross cash outflows were US\$17M, below our estimate of US\$22M. Given low inventory, campaign mining is set to resume in the current quarter.
- Vidalia on standby, burn to reduce.** Vidalia cash outflow was only US\$7M vs our estimate of US\$16M, with completion of 11.25ktpa plant capex. SYR expects only US\$4.5M spend per quarter on Vidalia going forward, the plant on standby and able to ramp up quickly should commercial-scale orders arrive.
- US\$150M DFC loan now binding,** with SYR expecting first tranche of US\$73M drawn this month. Terms are highly favourable, including maturity 2037 and cost of US 20-year treasury plus 400bp.
- Near-term raising avoided - five quarters of funding.** With US\$211M of liquidity (US\$61M cash plus US\$150M DFC loan), we estimate SYR is funded for five quarters, assuming worst-case scenario of current market conditions persisting.
- Some negatives – Balama protests, Vidalia opex rise.** SYR cited community protests underway would inhibit any restart of Balama, and a resolution is being sought with support of Government. Vidalia operating costs for the 11.25ktpa plant have been revised up 18% to US\$4,180/t from US\$3,640/t due to learning curve from commissioning and inflation.
- Election uncertainty clouds progress.** SYR stated it agreed commercial terms with a customer for Vidalia but was not able to close the contract, citing uncertainty around US elections and regulatory guidelines. We suspect this is also impacting other potential customers it engaging with.

### Earnings and Valuation:

- Earnings changes.** We delay expected recovery in graphite and anode markets to mid from early 2025, reducing forecast adj. 2025e NPAT 2025e to -US\$47M from -US\$30M. 2024e adj. NPAT slightly changed to -US\$62M.
- Risked valuation (0.3x NPV<sub>10</sub> nominal) falls to \$0.54 from \$0.63,** driven by downgrade and higher Vidalia opex long-term, partially offset by reduced equity dilution from Vidalia 45ktpa expansion by rolling back construction start one year.

### Recommendation:

- We maintain Buy and cut our 12-month price target to \$0.54 from \$0.63,** based on risked valuation. Catalysts include: 1) First commercial Vidalia sale; 2) Improving graphite markets and Balama sales; 3) Funding and FID for Vidalia 45ktpa; and 4) Corporate activity.

### Disclosures

The analyst owns 73,690 SYR shares. Foster Stockbroking, staff, and Cranport own <1% of SYR shares on issue. Foster Stockbroking received fees from assisting SYR in the A\$98M equity raise at \$0.55 in March 2024.

Recommendation	Buy
Previous	Buy
Risk	Medium
Price Target	\$0.54
Previous	\$0.63
Share price (A\$)	\$0.29
ASX code	SYR
52 week low-high	\$0.195-0.814
Valuation - risked (A\$/share)	\$ 0.54
Methodology	risked NPV

### Capital structure

Shares (M)	1,035
Market cap (A\$M)	300
Net cash (debt) (A\$M)	-236
Performance rights (M)	16
Diluted EV (A\$M)	541
Ave daily volume ('000)	6,641

Earnings US\$M y/e Dec	FY23a	FY24e	FY25e	FY26e
Sales	48	34	112	211
EBITDA adj	-44	-41	-26	20
NPAT reported	-83	-72	-47	-4
<b>NPAT adj</b>	<b>-67</b>	<b>-62</b>	<b>-47</b>	<b>-4</b>
<b>EPS adj. \$*</b>	<b>-0.10</b>	<b>-0.07</b>	<b>-0.04</b>	<b>0.00</b>
<b>PE x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
EV/EBITDA x	nm	nm	nm	5.3x

\* Adj =underlying

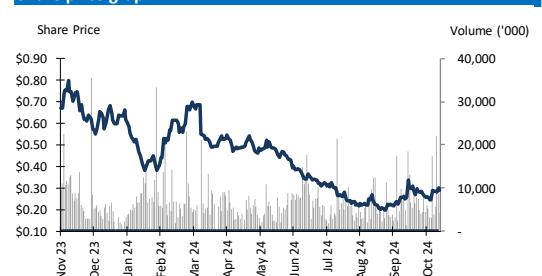
### Substantial shareholders

AustralianSuper Pty Ltd	32.9%
Paradise Investment Management Pty Ltd	7.0%
Bruce N Gray	5.3%
Citigroup Gobl Markets Australia Pty Ltd	5.2%
Vanguard Group	5.1%

### 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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