



Syrah Resources Ltd (SYR.ASX)

Carry that weight

Event:

- 2Q 2024 report; Earnings and price-target changes.

Investment Highlights:

- China over-supply depresses sales.** 2Q 2024 Balama graphite sales were only 10kt vs FSBe 19kt and March quarter's 20kt. Persistent oversupply of low-cost synthetic graphite in China resulted in SYR not shipping at all to the country during the quarter.
- Coarse flake bucks the trend.** While sales volumes underwhelmed, Balama achieved a realised price of US\$735/t CIF - above our US\$454/t estimate and the March quarter's US\$670/t - from stronger coarse flake prices and a greater mix of coarse vs fines shipments (75:25 vs FSBe 80:20).
- Vidalia – first sales expected early 2025.** The company provided guidance on timing of Vidalia sales - expected early 2025 (FSBe late 2024). Given the depressed market's strain on its cash flow, the SYR stated curtailing ramp-up of Vidalia 11.25ktpa plant, aiming to sync it closer to timing and visibility of first commercial sales. The company expects Vidalia's costs to be "materially" lower in the September quarter with lower development and ramp-up costs.
- Cash US\$82M vs FSBe US\$94M.** Cash was lower than our estimate chiefly due to lower Balama sales and Vidalia ramp-up costs. Cash burn pre-receipts for Group were US\$45M (US\$24M Vidalia, US\$19M Balama, US\$2M corporate). Receipts were US\$13M inclusive BTR New Energy Material sale of prior quarter.
- DFC loan "imminent" - cannot come soon enough.** SYR stated that the DFC US\$150M loan – which was expected to close by June – would be achieved "shortly". This will mostly cover Balama working capital, and means the company's current unrestricted cash (US\$41M) is more likely to back-stop restricted cash (also US\$41M) covering Vidalia debt and working capital.
- Tier 1 US customer binding offtake to come.** The company mentioned it had concluded a commercial agreement with Tier 1 US customer for the Vidalia 45ktpa plant (Stage 3), expected to be announced shortly. Such a contract should assist debt funding for the Stage 3 plant being negotiated with DoE.

Earnings and Valuation:

- Earnings changes.** We have delayed our expectation of recovery in global graphite markets to 1H 2025 from 2H 2024. We increase our forecast adj. NPAT for FY24e to -US\$65M from -US\$72M mostly due to Vidalia costs capitalised vs expensed, partially offset by weaker Balama sales. For FY25e we reduce to -US\$30M from -US\$9M due to cut in Balama and Vidalia sales.
- Risked valuation (0.3x NPV₁₀ nominal) falls to \$0.63 from \$0.87,** driven by reduced Vidalia and Balama sales volumes in 2024 and 2025 and increased risk of future dilution due to fall in share price.

Recommendation:

- We maintain our Buy and cut our 12-month price target to \$0.63 from \$0.87, based on risked valuation.** Catalysts include: 1) Further offtakes for Balama and Vidalia; 2) First commercial Vidalia sale; 3) Improving graphite markets; 4) Increasing Balama sales; 5) Closing of DFC loan; 6) Funding and FID for Vidalia 45ktpa; and 7) Corporate activity.

Disclosures

The analyst owns 73,690 SYR shares. Foster Stockbroking, staff, and Cranport own <1% of SYR shares on issue.

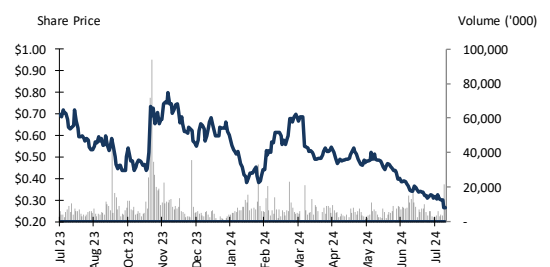
Foster Stockbroking received fees from assisting SYR in the A\$98M equity raise at \$0.55 in March 2024.

Recommendation	Buy			
Previous	Buy			
Risk	Medium			
Price Target	\$0.63			
Previous	\$0.87			
Share price (A\$)	\$0.270			
ASX code	SYR			
52 week low-high	\$0.2625-0.9319			
Valuation - risked (A\$/share)				
Methodology	risked NPV			
Capital structure				
Shares (M)	1,035			
Market cap (A\$M)	279			
Net cash (debt) (A\$M)	-189			
Performance rights (M)	16			
Diluted EV (A\$M)	473			
Ave daily volume ('000)	7,772			
Earnings US\$M y/e Dec				
	FY23a	FY24e	FY25e	FY26e
Sales	48	43	139	211
EBITDA adj	-44	-53	-13	30
NPAT reported	-83	-65	-30	10
NPAT adj	-67	-65	-30	12
EPS adj. \$*	-0.10	-0.07	-0.03	0.01
PE x	nm	nm	nm	16.4x
EV/EBITDA x	nm	nm	nm	3.3x
* Adj = underlying				
Substantial shareholders				
AustralianSuper Pty Ltd				32.9%
Paradice Investment Management Pty Ltd				7.0%
Citigroup Gobl Markets Australia Pty Ltd				5.7%
Bruce N Gray				5.3%

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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