

Bacanora Lithium Ltd

15:47 06 Jun 2019

VSA Capital ups Bacanora Lithium target price to 114p per share from 100p, reiterates 'buy'

VSA Capital has raised its target price for Bacanora Lithium PLC (LON:BCN) to 114p per share, up from 100p previously, and reiterated a 'buy' rating on the stock following publication of the feasibility study (FS) for its Zinnwald project in Germany.

In a note to clients, the broker's analysts noted that the AIM-listed group confirmed that it now has two advanced lithium projects capable of directly supplying battery grade product into the rapidly growing supply chain with robust economics and attractive returns.

READ: Bacanora Lithium keen to list Zinnwald separately as feasibility study puts value at €428m

They noted: "The FS indicates a post-tax NPV8 of €270m, annual EBITDA of €58.5m and initial capex of €159m with annual lithium fluoride production of 5.1ktpa and 32ktpa SOP production."

The analyst added: "Our DCF analysis which assumes production commencing in 2024 produces an NPV8 of €209m and an attributable value to BCN of £49m using a 0.5x development risk factor; which on its own indicates upside to the current market cap of £38m".

They pointed out that lithium fluoride is one of the lesser known components of the battery supply chain although is one of two key lithium salts used to produce LiPF₆ which is used in 95% of all battery electrolyte.

The analysts noted that Europe currently has around 20GWh of battery manufacturing capacity although this is expected to rise tenfold by 2028 as automotive manufacturers respond to Government legislation phasing out ICE vehicles by 2040.

They said, at the moment, Europe imports all of its battery grade lithium and despite a handful of projects making progress, Zinnwald will fill an important niche in the supply chain which would otherwise mean exporting Li₂CO₃ or LiOH for conversion to LiF - a high value product which currently trades above €22,000/t.

Sonora strategic investment

The analysts pointed out that Bacanora Lithium in May announced a proposed strategic investment by Chinese lithium major, Ganfeng Lithium in the group's Sonora project in Mexico for an initial £21.96m.

They said that investment "underpins our positive view on the Sonora project and provides Ganfeng with partial offtake rights, acquisition rights at project level, board representation as well as investment in the topco."

The analysts also noted that Ganfeng will provide technical support, further reducing the execution risk as well as offering the potential to access cheaper Chinese equipment indicating that this strategic investment is potentially highly

Price: 27.035p

Market Cap: £36.35M

1 Year Share Price Graph



June 2018 December 2018 June 2019

Share Information

Code: BCN

Listing: AIM

52 week High Low
91.00p 12.50p

Sector: Mining

Website: www.bacanoraminerals.com

Company Synopsis:

Bacanora Lithium plc is an AIM listed lithium development company focused on Mexico.

Author:

Proactive Investors Ltd

+44 (0)207 989 0813

action@proactiveinvestors.com

beneficial to both parties.

They concluded: "With confirmation that BCN now has two high quality projects capable of delivering battery grade lithium products whilst generating attractive economic returns, the current share price deeply undervalues the company's potential, in our view."

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.