

960mtV on an annualised basis, utilising only one of the three kilns on site.

The acquisition also unlocks the potential supply of the feedstock from the company's Mokopane vanadium project, significantly reducing the potential capital outlay and accelerating the development schedule.

By transporting a crushed, screened and dry magnetic separated ore 200 kilometres for beneficiation at the Vanchem plant, the capex bill for Mokopane is likely to be cut to US\$20mIn.

Vanchem processing facilities also provide product diversification as they produce vanadium oxides, ferrovanadium and vanadium chemicals in addition to the Vametco's Nitrovan offering.

Further growth will come with the refurbishment of the plant and by bringing all three kilns online at an estimated additional cost of US\$45mIn. This will allow the plant to reach a 4,200mtV/annum steady state.

The total expected outlay of US\$133mIn in acquisition and ramp up costs is around 45% of the required capital for a standalone development of Mokopane, according to the recent definitive feasibility study.

Accelerated production schedule

The schedule will be accelerated too, as the first Mokopane concentrate may be feeding the Vanchem plant within 12 months of the completion of the deal.

The deal secures a cash generative asset and increases Bushveld's exposure to a commodity supported by a structural deficit market dynamics.

Broker SP Angel remains a firm buyer of the shares, although it is currently in the process of updating its model and precise forecasts.

Analyst comment

Analysts at Peel Hunt said the Vanchem addition provides for a production growth factor of 1.8 times over the medium term while creating a "significantly more sustainable cash flow profile", with the acquisition offering potential for "further upside".

"We believe that BMN debt of less than US\$20m for the purchase gives the company plenty of room for expedited expansion works," analysts said.

On long-term prices, they said Vanchem's longer-term potential for underlying earnings (EBITDA) is "at least equal to that of 2018".

Marking to market for changes in ferrovanadium prices, this reduces 2019 EBITDA forecast 23% to £57mIn but increased the 2020 estimate 10% and made changes closer to 20% for the two years after.

House broker SP Angel reduced their assumed vanadium price to \$60 per kg for 2019 and 2020 due to lesser compliance with the new Chinese regulations than expected, though they expect "punishment of Chinese officials to create better compliance this year".

But they said the Vanchem acquisition offsets these lower prices.

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