

2 September 2024

## Fenix Resources Ltd (FEX)

**BUY**

**Share Price: A\$0.28**

**FY2024 – a strong base for production growth**

**Target Price: A\$0.44**

A strong set of numbers from FEX in FY24 with record iron ore sales of 1.46Mt from the flagship Iron Ridge mine. A cash balance of A\$77m sees the group well positioned to progress its production growth initiatives. We forecast production increasing to 2.6Mt in FY25F as Shine and Beebyn-W11 ramp up, with further growth to 4.2Mt for the full FY26F. We calculate FEX will be exporting +6Mt of iron ore (internal and third party) by FY26F and rapidly establishing itself as a significant bulk commodities logistics provider in Western Australia's Mid-West region (Figure 1). BUY, TP revised to A\$0.44/sh (prev. A\$0.47/sh) on revised Beebyn-W11 margins and shares in issue.

### FY24 results – strong YoY performance (Figure 2)

- Record iron ore sales of 1.46 million wet metric tonnes (wmt) up 7% YoY (FY23: 1.36Mwmt)
- Revenue A\$259m, +32% YoY (FY23: A\$197m) split A\$240m from iron ore sales plus maiden revenue of A\$19m from logistics/port services to third parties
- EBITDA A\$73m, +37% YoY (FY23: A\$54m).
- NPAT A\$34m, +15% YoY (FY23: A\$29m).
- Cash A\$77m (pre-reported) flat YoY despite an investment intensive year; investment spend of A\$40m in FY24 vs A\$7m in FY23.
- Borrowings doubled to A\$42m (FY23: A\$21m) – no corporate debt, with borrowings comprised entirely of lease liabilities and asset-backed chattel mortgages. The increase largely reflects FEX expanding its road haulage fleet ahead of the start of new mining operations at Shine and Beebyn-W11.
- No dividend declared (Petra est. A\$0.03/sh) vs FY23 annual DPS of A\$0.02 (A\$13.9m). FEX has adopted a conservative stance in light of (i) recent iron ore price volatility with August month prices rising and falling by US\$10/t, (ii) funding requirements for the current growth initiatives, and (iii) the potential for additional funding requirements for acquisitions.

### TP sensitivity to the iron ore price

- Our NPV<sub>s</sub>-derived valuation of A\$0.44/sh assumes an iron ore price of US\$110/t in CY24 (US\$101/t in 2H CY24), US\$100/t in CY25 and US\$90/t L/T (Figure 3).
- A ±10% change in the iron ore price impacts our target price by ±40%; at constant spot iron ore prices of US\$102.30/t, our target price lifts to A\$0.64/sh (Fig. 4).

### Key Dates Ahead

- Dec. Q'24 – First shipments from Shine Iron Ore Mine.
- Mar. Q'25 – First shipments from Beebyn-W11 Mine.

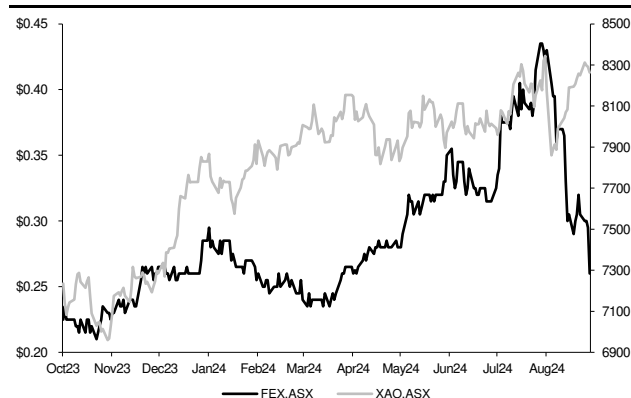
### Company Data

Shares – ordinary (M)	720.6
Options/Rights (M)	76.4
Diluted for options/rights (M)	797
Market capitalisation (\$M)	198
12 month low/high (\$)	0.21/ 0.45
Average monthly turnover (\$M)	34.5
GICS Industry	Metals & Mining

### Financial Summary (fully diluted/normalised)

Year End June	FY24A	FY25F	FY26F	FY27F	FY28F
Revenue (\$M)	259.2	389.9	573.7	445.7	320.6
Costs (\$M)	-191.8	-303.5	-466.6	-386.8	-300.2
EBITDA (\$M)	67.4	86.4	107.1	58.9	20.3
NPAT (\$M)	33.6	45.6	51.8	25.9	6.0
EPS (cps)	4.9	6.2	7.0	3.5	0.8
EPS growth (%)	-50%	28%	12%	-50%	-77%
PER (x)	8.5	6.7	5.9	11.9	51.5
Op. Cashflow (\$M)	59.6	43.1	74.0	55.4	25.2
OCFPS (cps)	8.6	5.9	10.0	7.5	3.4
POCFPS (x)	4.8	7.0	4.2	5.5	12.4
Enterprise Value (\$M)	264	270	239	232	236
EV / EBITDA (x)	3.9	3.1	2.2	3.9	11.6
Payout ratio (%)	na	32%	29%	43%	124%
Dividends (cps)	0.0	2.0	2.0	1.5	1.0
Yield (%)	na	5%	5%	4%	2%
Franking (%)	100%	100%	100%	100%	100%

### FEX – performance over one year



### Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.



## Analysis

### Fenix Resources (FEX)

Year End June

Share price (A\$)	0.28
Issued Shares (m)	721
Market Cap (A\$m)	198
Options/Rights (m)	76.4 (incl. 34.9 Perf. Rights + 12.5m Options to MGX)
Dilution (m)	0
Fully Diluted no. of Shares (m)	797

P&L Statement (A\$m)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
Revenue	259.2	389.9	573.7	445.7	320.6	320.6
Costs	(191.8)	(303.5)	(466.6)	(386.8)	(300.2)	(300.2)
<b>EBITDA</b>	<b>67.4</b>	<b>86.4</b>	<b>107.1</b>	<b>58.9</b>	<b>20.3</b>	<b>20.3</b>
Depreciation & Amortisation	(24.4)	(25.0)	(30.0)	(20.0)	(10.0)	(10.0)
<b>Operating profit</b>	<b>43.0</b>	<b>61.4</b>	<b>77.1</b>	<b>38.9</b>	<b>10.3</b>	<b>10.3</b>
NOI	5.8	6.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>49</b>	<b>67</b>	<b>77</b>	<b>39</b>	<b>10</b>	<b>10</b>
Interest income	2.0	2.3	2.4	3.7	3.9	3.7
Interest expense	(2.3)	(4.7)	(5.6)	(5.6)	(5.6)	(5.6)
Tax expense	(15.0)	(19.5)	(22.2)	(11.1)	(2.6)	(2.6)
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>33.6</b>	<b>45.6</b>	<b>51.8</b>	<b>25.9</b>	<b>6.0</b>	<b>6.0</b>
EPS Reported (A\$c)	4.9	6.3	7.0	3.5	0.8	0.8
DPS - Declared (A\$c)	0.0	2.0	2.0	1.5	1.0	1.0
Avg. no. of shares (m)*	691	728	736	736	746	756
YE no. of shares (m)*	721	736	736	736	756	756

Cash Flow Statement (A\$m)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
EBITDA	67.4	86.4	107.1	58.9	20.3	20.3
Investment in working capital	11.9	(23.9)	(11.0)	7.6	7.5	0.0
Tax expense	(19.7)	(19.5)	(22.2)	(11.1)	(2.6)	(2.6)
<b>Operating Cash Flow</b>	<b>59.6</b>	<b>43.1</b>	<b>74.0</b>	<b>55.4</b>	<b>25.2</b>	<b>17.8</b>
Capex (growth)	(30)	(38)	(15)	(25)	(10)	(10)
Exploration	(6)	(2)	(2)	(2)	(2)	(2)
Capex (sustaining)	(4)	(6)	(8)	(7)	(6)	(6)
<b>Investing Cash Flow</b>	<b>(40)</b>	<b>(45)</b>	<b>(25)</b>	<b>(34)</b>	<b>(18)</b>	<b>(18)</b>
Net interest received / (paid)	0.3	(2.4)	(3.1)	(1.9)	(1.7)	(1.8)
Debt drawdown / (repayment)	20.6	10.0	10.0	0.0	0.0	0.0
Dividends	(13.7)	(7.4)	(14.8)	(13.0)	(9.4)	(7.6)
Equity raised / (repaid)	21.6	0.0	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>28.2</b>	<b>0.2</b>	<b>(8.0)</b>	<b>(14.9)</b>	<b>(11.1)</b>	<b>(9.4)</b>
Minority interest / Other	(47.0)	6.0	0.0	0.0	0.0	0.0
<b>Inc/(Dec) in Cash</b>	<b>0.7</b>	<b>4.1</b>	<b>41.0</b>	<b>6.5</b>	<b>(3.9)</b>	<b>(9.6)</b>

Balance Sheet (A\$m)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
Cash & Equivalents	77.0	81.1	122.1	128.7	124.8	115.1
Receivables	22.4	35.1	51.6	40.1	28.9	28.9
Inventories	7.5	15.6	22.9	17.8	12.8	12.8
Other Current Assets	0.7	0.7	0.7	0.7	0.7	0.7
PPE and Explo/Dev.	128	148	143	157	165	173
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	31.2	31.2	31.2	31.2	31.2	31.2
<b>Total Assets</b>	<b>267</b>	<b>312</b>	<b>372</b>	<b>376</b>	<b>364</b>	<b>362</b>
Payables and other CL	39.9	44.2	57.2	46.3	35.8	35.8
Short Term Debt / Lease Liabilities	13.3	13.3	13.3	13.3	13.3	13.3
Long Term Debt/Lease Liabilities	28.6	38.6	48.6	48.6	48.6	48.6
Other Non Current Liabilities	7.3	7.3	7.3	7.3	7.3	7.3
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities incl NCI	89.1	103.5	126.4	115.5	105.0	105.0
Equity	178	208	245	260	259	257
<b>Total Liabilities and Equity</b>	<b>267</b>	<b>312</b>	<b>372</b>	<b>376</b>	<b>364</b>	<b>362</b>

Ratios	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
P/E (x)	5.6	4.4	3.9	7.8	33.9	34.8
Debt/Equity	23.6%	24.9%	25.2%	23.8%	23.9%	24.1%
ROE (%)	18.9%	23.6%	22.8%	10.2%	2.3%	2.3%

Iron ore price & FX	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
Iron ore (US\$/dmt, 62% Fe, CFR)	120	101	95	90	90	90
<b>ARP (US\$/dmt, CFR)</b>	<b>126</b>	<b>101</b>	<b>94</b>	<b>88</b>	<b>85</b>	<b>85</b>
FEX premium / (discount)	5.1%	0.4%	-0.7%	-2.4%	-5.3%	-5.3%
AUD:USD	0.66	0.67	0.68	0.69	0.70	0.70
FEX ARP (A\$/dmt, CFR)	193	151	139	128	122	122

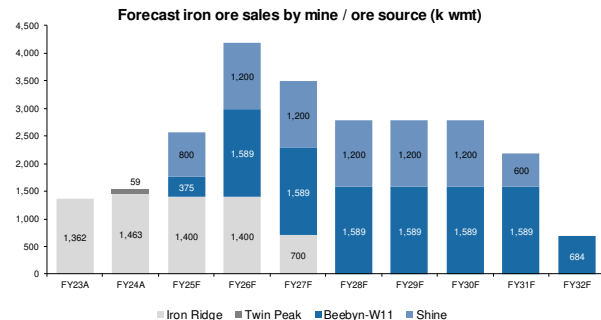
  

Iron ore shipped (k wmt)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
<b>Group</b>	<b>1,522</b>	<b>2,575</b>	<b>4,189</b>	<b>3,489</b>	<b>2,789</b>	<b>2,789</b>
...Iron Ridge	1,463	1,400	1,400	700	0	0
...Beebyn-W11 (Right to Mine)	0	375	1,589	1,589	1,589	1,589
...Shine	0	800	1,200	1,200	1,200	1,200
...Twin Peaks (Ore Purchase)	59	0	0	0	0	0

Costs (A\$/dmt, CFR)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
Mining / processing /site	26	28	29	31	34	34
Road haulage / Port	55	42	39	36	36	36
<b>C1 costs</b>	<b>82</b>	<b>70</b>	<b>67</b>	<b>67</b>	<b>69</b>	<b>69</b>
Shipping	28	30	30	29	29	29
Royalties & Profit Sharing	19	17	16	15	15	15
Other	1	1	2	2	2	2
AISC	130	119	115	113	114	114

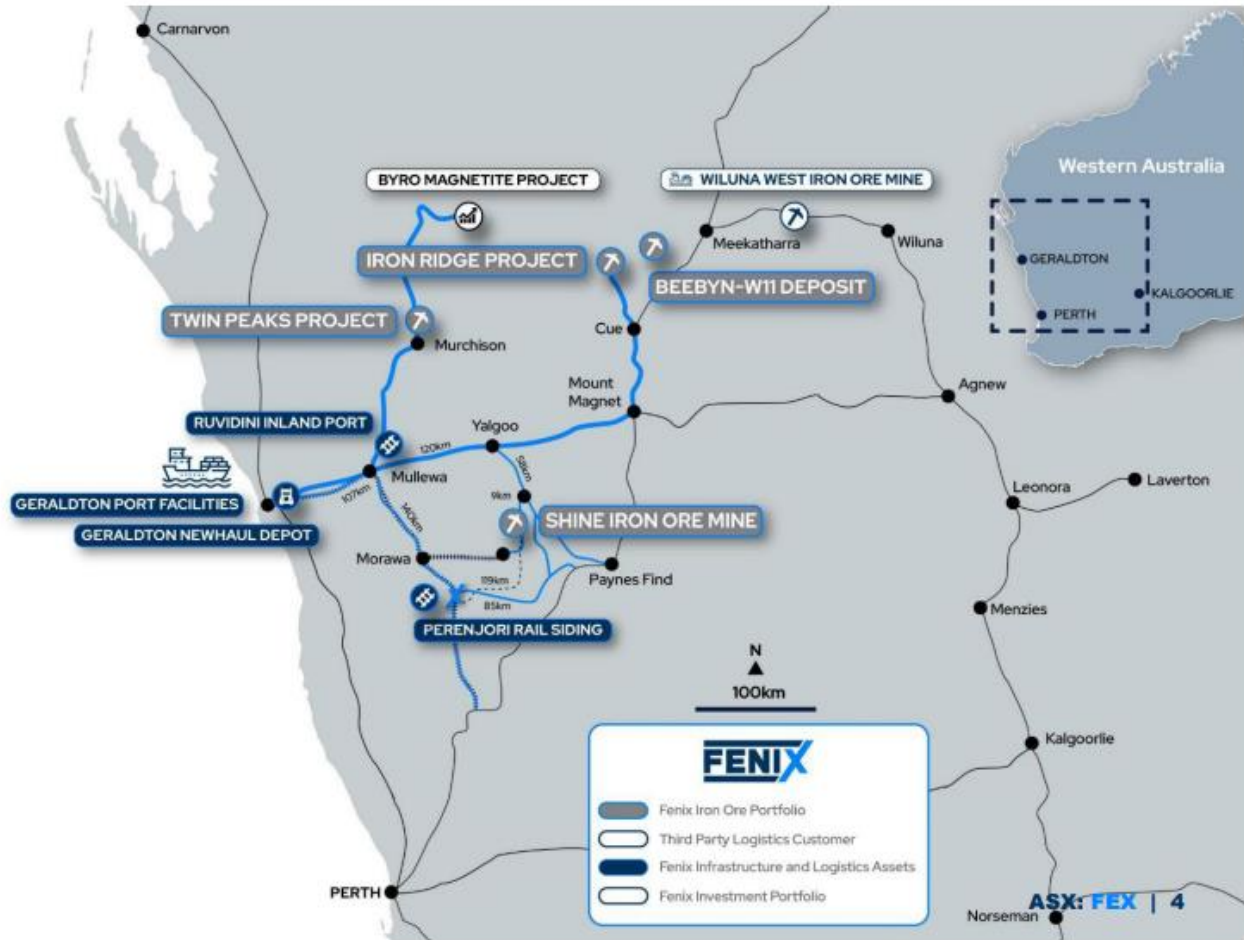
C1 costs (US\$/dmt)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
<b>AISC (US\$/dmt, CFR)</b>	<b>85</b>	<b>47</b>	<b>46</b>	<b>46</b>	<b>48</b>	<b>48</b>
AISC margin (A\$ dmt, CFR)	63	32	24	15	8	8
AISC margin (%)	33%	21%	18%	12%	6%	6%



Valuation	(A\$m)	(A\$/sh)
Iron Ridge mine inventory NPV8 (4.9M wmt)	121	0.16
Beebyn-W11 mine inventory NPV8 (10.5M wmt)	26	0.03
Shine mine inventory NPV8 (7.4M wmt)	40	0.05
Twin Peak 0.5Mt Ore Purchase Agreement (nominal)	4.5	0.01
<b>Total iron ore mine inventory NPV8 (22.2M wmt)</b>	<b>191</b>	<b>0.25</b>
Iron ore Resource outside of inventory (9.3M wmt)	20	0.03
Port and rail assets	25	0.03
Fleet & haulage infrastructure	35	0.05
Third party haulage & logistics contracts	17	0.02
Corporate	(15)	(0.02)
Hedge book NPV8	1.5	0.00
Enterprise value	274	0.36
Net cash / (debt) (FY26F)	60	0.08
<b>Equity value</b>	<b>335</b>	<b>0.44</b>

\* Shares diluted for 34.9 million shares in Contingent Milestone Payments outstanding to Newhaul as part of FEX's June 2022 acquisition of Newhaul's 50% interest in the haulage JV (20m shares already issued in June 2023 for delivery of 3Mt ore hauled). Note: part issue when aggregate 6Mt hauled, with final issue when aggregate 10Mt hauled.

Figure 1: FEX’s mining and logistics assets in Mid-West Western Australia



Source: Company

Figure 2: Key-financial line items – interim and full-year for FY23 and FY24

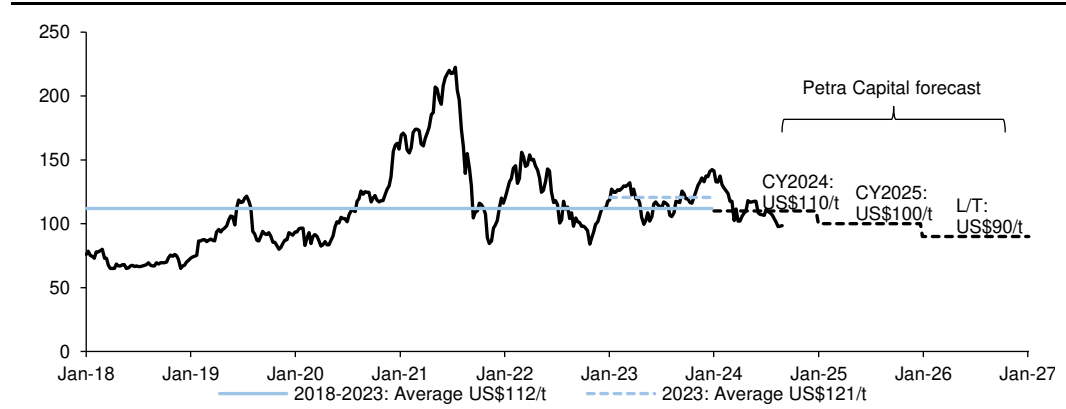
	1H FY23	2H FY23	1H FY24	2H FY24	FY23A	FY24A	YoY % ch.	Petra FY24F
Revenue (A\$m)	85	112	127	132	197	259	32%	282
EBITDA (A\$m)	20	33	43	31	54	73	37%	94
NPAT (A\$m)	11	18	22	12	29	34	15%	43
Operating cash flow (A\$m)	-16	32	29	41	16	70	329%	59
Investing cash flow (A\$m)	-2	-5	-22	-18	-7	-40	480%	-41
FCF (A\$m)	-18	27	7	23	9	30	219%	18
Cash (A\$m)	49	76	63	77	76	77	1%	77
Debt (A\$m)	21	21	28	42	21	42	96%	28
Net cash / (debt) (A\$m)	28	55	36	36	55	36	-35%	49
Iron ore sales (k wmt)	659	703	705	758	1,362	1,463	7%	1,463
ARP (US\$/dmt)	103.3	121.5	127.1	122.8	112.7	124.9	11%	127.1
C1 cash cost (A\$/wmt FOB)	81.3	81.7	77.1	78.7	81.5	77.9	-4%	77.9

Note: Sales, ARP, costs for Iron Ridge Mine

Source: Company, Petra Capital forecasts

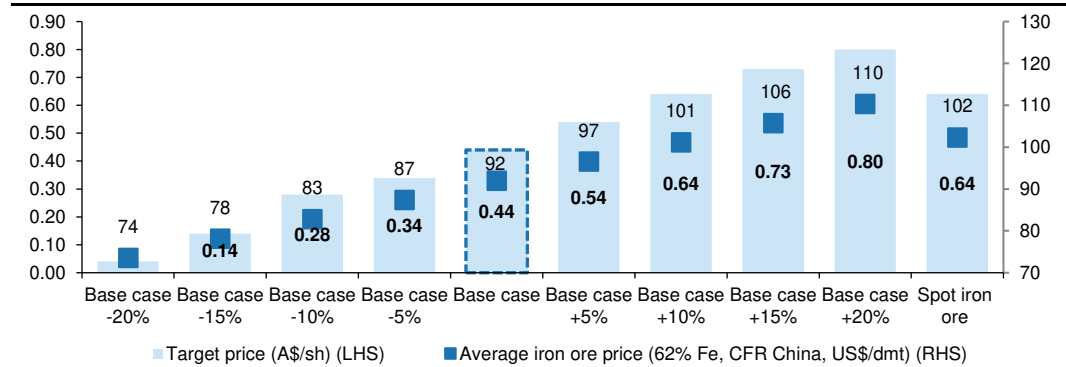
FY24 full-year revenue of A\$259m was below our forecast A\$282m. We attribute the variation to two shipments in the June quarter dispatched late in the period. Differences between full-year ARP and quarterly disclosed ARP also occur due to quotation period adjustments which are difficult to quantify.

**Figure 3: Benchmark iron ore price 2018-present (62% Fe, CFR China US\$/t) & Petra forecast**



Source: Iress, Petra Capital forecasts

**Figure 4: Target price sensitivity to the benchmark iron ore price**



Source: Petra Capital forecasts

### Summary of Changes

- Modelling updated for FY24 actuals and revised number of shares in issue.
- Upwardly revised operating costs at Beebyn-W11, revised (lower) dividend payout profile.

**Figure 5: Summary of Changes (FY24F-FY26F)**

		FY25F			FY26F			FY27F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	389.9	394.8	-1.2%	573.7	573.7	0.0%	445.7	445.7	0.0%
EBITDA	A\$m	86.4	88.1	-1.9%	107.1	110.1	-2.7%	58.9	61.9	-4.8%
EBIT	A\$m	67.4	69.1	-2.4%	77.1	80.1	-3.7%	38.9	41.9	-7.2%
NPAT	A\$m	45.6	47.6	-4.3%	51.8	55.3	-6.4%	25.9	29.2	-11.3%
EPS	A\$/sh	6.3	6.8	-7.4%	7.0	7.7	-9.0%	3.5	4.1	-13.9%
DPS	A\$/sh	2.0	3.9	-48%	2.0	3.6	-44%	1.5	2.5	-40%
Valuation	A\$m	<b>335</b>	<b>346</b>	<b>-3.3%</b>						
Price target	A\$/sh	<b>0.44</b>	<b>0.47</b>	<b>-5.8%</b>						
Iron ore sales	Kt	2,575	2,575	0%	4,189	4,189	0%	3,489	3,489	0%
Iron ore (CFR)	US\$/t	101	101	0%	95	95	0%	90	90	0%
AUD/USD	#	101	101	0%	94	94	0%	88	88	0%
ARP (CFR)	A\$/t	151	151	0%	139	139	0%	128	128	0%
AISC	A\$/t	119	119	0%	115	114	1%	113	112	1%

Source: Petra Capital forecasts.



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