

LIONTOWN RESOURCES LIMITED

Equity Analysis (17 March 2023)



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Introduction

Liontown Resources Limited is an Australia-based battery metals exploration and development company. The company discovers, develops and supplies battery minerals required by the electric vehicle and energy storage industries. The Company's projects include Kathleen Valley, Buldania and Lithium Hydroxide Refinery.

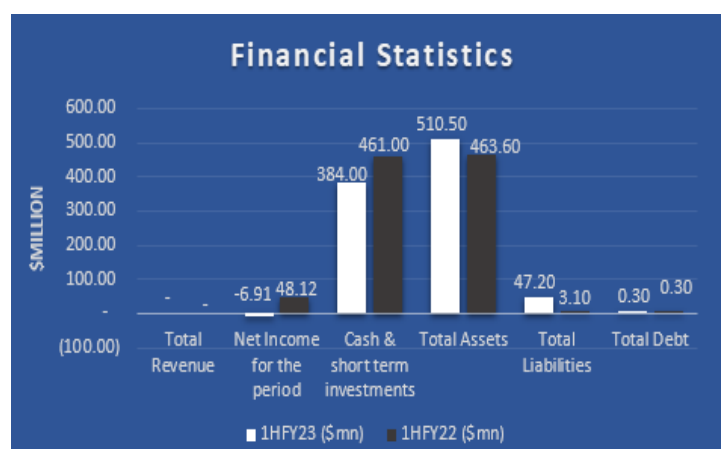
Recommendation	Buy	
Risk Profile	Moderate	
Current Market Price (AU\$)	1.650	
52-Week Low-High (AU\$)	0.875-2.220	
Market Capitalization (AU\$)	3.35 billion	
Outstanding Shares	2.20 billion	
PE (TTM)	-	
EPS (AU\$) (TTM)	-0.006	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	-	-
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	7.82	101.71

Shareholder Pattern (Mn)

Top 3	Current	31 Dec'22	30 Sep'22
Goyder (Timothy Rupert Barr)	329.68	328.53	328.53
The Vanguard Group, Inc.	46.80	46.78	46.09
State Street Global Advisors Australia Ltd.	44.78	4.77	4.75

Operating Performance

In 1HFY23 (period ended 31 December 2022), the company's net loss was AU\$6.91 million against net profit of AU\$48.12 million in 1HFY22. At the end of 1HFY23, the company had cash & short term investments of AU\$384.00 million compared with AU\$461.00 million at the end of 1HFY22. The company had AU\$0.30 million in total debt at the end of 1HFY23 compared to AU\$0.30 million at the end of 1HFY22.



Source: Refinitiv, Chart Prepared by Kapitales Research

Ratio Analysis	Industry Median	2023		2022		2021	
		Dec-22	Jun-22	Dec-21	Jun-21	Dec-20	
Gross Margin	44.3%	-	-	-	-	-	
EBITDA Margin	32.8%	-	-	-	-	-	
Pretax Margin	21.7%	-	-	-	-	-	
Net Margin	13.6%	-	-	-	-	-	
Asset Turnover	0.26	-	-	-	0.00	-	
ROE	6.6%	-1.5%	-1.6%	20.3%	-37.8%	-43.7%	
Quick Ratio	1.34	-	-	-	-	-	
Current Ratio	2.06	9.17	22.80	156.96	6.86	21.04	
Cash Cycle (Days)	26.6	-	-	-	-	-	
Assets/Equity	1.63	1.10	1.04	1.01	1.14	1.05	
Debt/Equity	0.19	0.00	0.00	0.00	0.01	0.01	
ROIC	-	-1.5%	-1.6%	20.3%	-37.7%	-43.4%	

Source: Refinitiv, Analysis by Kapitales Research

Recent Updates

1. On 03 February 2023, Liontown Resources Limited announced that it has started open pit mining operations at the Kathleen Valley Lithium Project in Western Australia. The company has successfully fires first blast at the Mt Mann Open Pit indicating the start of mining operations as planned at the Kathleen Valley Lithium Project in Western Australia. The first blast at the Mt Mann open pit marks a significant milestone in the development of Kathleen Valley. The blast area contains predominantly waste rock which will be used as bulk fill for construction of the Run of Mine (ROM) pad.
2. 20 December 2022, the company informed the market that it has entered into binding Power Purchase Agreement with Australian independent power producer Zenith Energy Pty Ltd for the supply of power to the Kathleen Valley Lithium Project in Western Australia. Zenith Energy will finance, design, construct, own, operate and maintain a 95MW hybrid power station at Kathleen Valley for an initial term of 15 years from commercial operation of the Hybrid Power Station, which is expected to coincide with the commissioning of the process plant in the first half of 2024.

Outlook

The planned start of open pit mining will generate material for construction of the Run-of-Mine pad and Tailings Storage Facility, potential Direct Shipping Ore (DSO) and a stockpile of mill feed to facilitate the start-up commissioning, and ramp up of the process plant, with first production on schedule for mid-2024. Liontown Resources is well funded with the cash balance was AU\$384 million and the AU\$300 million debt facility remains undrawn as at 31December 2022, to pursue further exploration activities.

Risks

The company has exposure to the following risks-

- Operational risks
- Environmental risk
- Compliance risk
- Financial risks

Technical Analysis



Source: Refinitiv, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Liontown Resources Limited	LTR	Materials	1.650	19 March 2023	Buy	1.890	2.070	1.380

The stock of material company LTR settled at AU\$1.650 on 17 March 2023 after a surge of 8% from the previous day's closing. It is currently trading between its 52-week price levels.

The stock is trading above the significant exponential moving averages of 20, 50, and 200 days on a daily time frame, indicating short-term bullishness. However, 20 and 50 days EMAs are trading below the 200-day EMA; once these will cross this 200-day EMA price level, then we can expect further possibilities of the uptrend.

The stock is trading above the central pivot (AU\$1.471), holding a bullish momentum on a daily time frame chart.

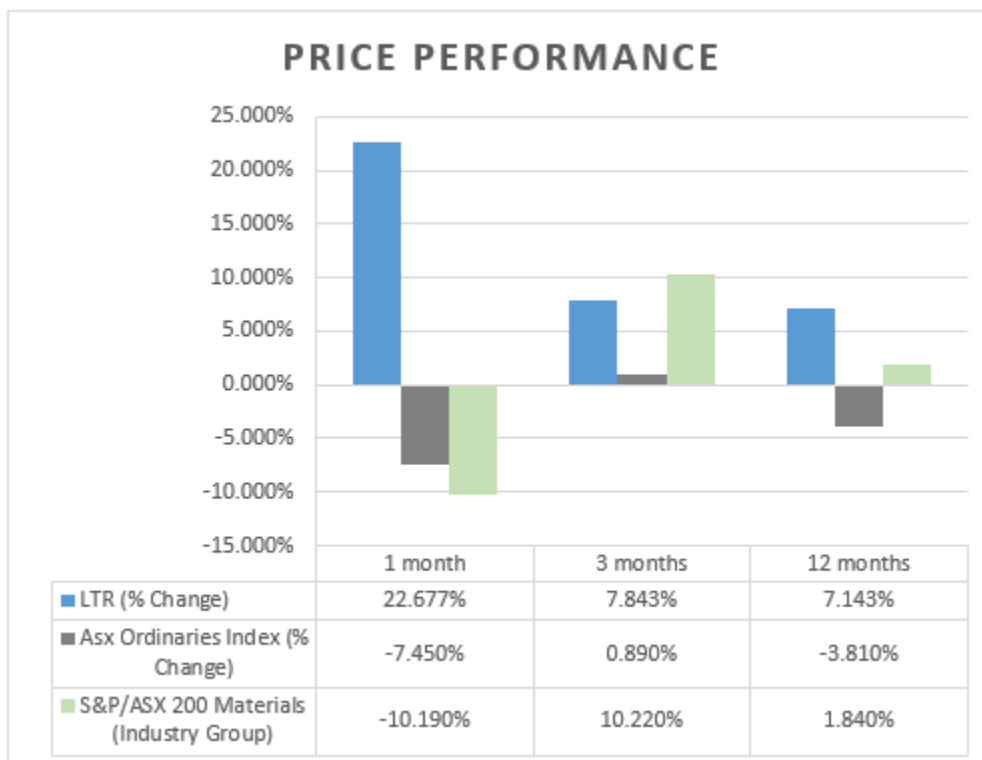
RSI (14 days) is at 58, holding a bullish momentum near the breakout zone in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$1.890 (previous swing resistance) and AU\$2.070 (pivot resistance R1) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$1.380 (previous swing support) to protect their investments in case of an unfavorable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.

Price Performance



Investment Summary

The company's current ratio for 1HFY23 stood at 9.17x, better than the industry median of 2.06x, implying that the company has better capabilities to meet its short term obligations than its peer group. Its Debt-to-Equity ratio for 1HFY23 stood at 0.00x, lower than the industry median of 0.19x, depicting reasonable leverage position of the company. Looking at the shareholder pattern, LTR's three largest shareholders have increased their stake in the company in the previous two quarters. Thus it shows their confidence in the company. The company's stock has outperformed the ASX ordinary and sector indices in one month and one-year timeframe.

Considering all the above factors and the current trading level, we recommend a "Buy" rating on the stock at the current market price of AU\$1.650 as of 17 March 2023 (after-market hours).

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