

DEEP YELLOW LIMITED

Equity Analysis (21 August 2023)



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Deep Yellow Limited (ASX: DYL)

Equity Analysis

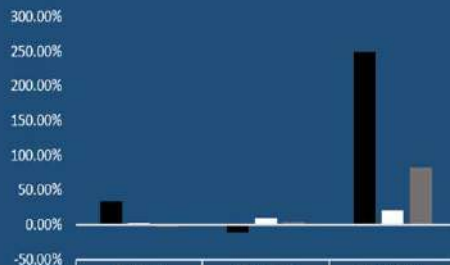
(21 August 2023)

Introduction

Deep Yellow Limited, based in Subiaco, Australia, is a uranium exploration firm and its subsidiaries operate in Namibia. The company owns a 100% stake in the Reptile project spanning 896 km², a 65% interest in the 599 km² Nova Joint Venture, and an 85% stake in the 190 km² Yellow Dune Joint Venture. The company also engages in iron ore exploration and property investment. Established in 1985, Deep Yellow Limited is a key player in the industry.

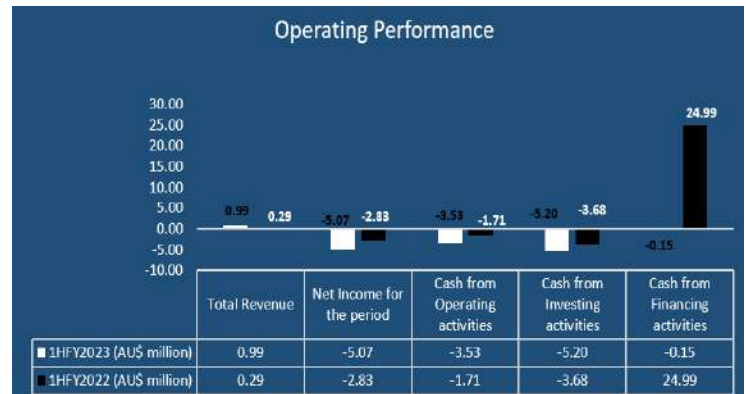
Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	0.885	
52 Week Low-High (AU\$)	0.475 -1.255	
Market Capitalisation (AU\$)	651.73 million	
Outstanding Shares	757.84 million	
PE (TTM)	-	
EPS (AU\$) (TTM)	-0.017	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	-	-
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	1.5x	3.5x

Performance Chart



	1 month	12 months	36 months
DYL (% Change)	33.00%	-11.00%	250.00%
Asx Ordinaries Index (% Change)	-3.00%	10.00%	21.00%
S&P/ASX 200 Energy	-3.00%	4.00%	82.00%

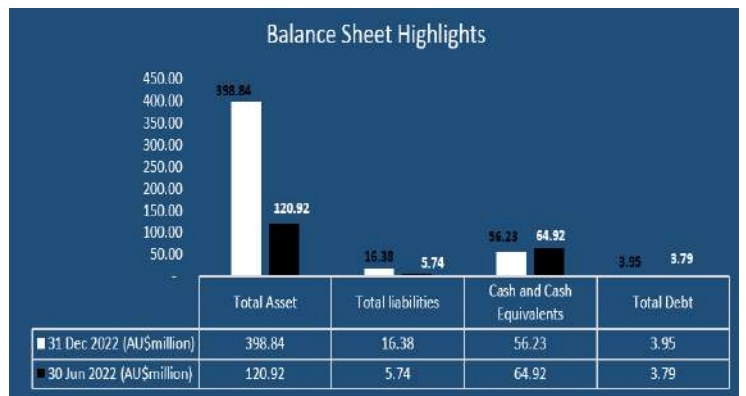
Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- In 1HFY23, total revenue was AU\$0.99 million against AU\$0.29 million in 1HFY22.
- In 1HFY23, the company's net loss was AU\$5.07 million against the net loss of AU\$2.83 million in 1HFY22.
- Cash used in operating activities was AU\$3.53 million in 1HFY23 compared to cash used AU\$1.71 million in 1HFY22.
- Cash used in investing activities was AU\$5.20 million in 1HFY23 compared to cash used AU\$3.68 million in 1HFY22.
- Cash used in financing activities was AU\$0.15 million in 1HFY23 compared to cash generated was AU\$24.99 million in 1HFY22.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to 30 June 2022, on 31 December 2022:

- Total asset increased by 229.85% to AU\$398.84 million.
- Total liabilities increased to AU\$16.38 million.
- Cash and Cash Equivalents decreased by 13.39% to AU\$56.23 million.
- Total debt increased to AU\$3.95 million.

Ratio Analysis

Fiscal Quarters	1Q FY2022	2Q FY2022	3Q FY2022	4Q FY2022	1Q FY2023	2Q FY2023
Return on Assets	-3.45%	-3.16%	-4.37%	-4.30%	-2.44%	-1.59%
Return On Equity %	-5.32%	-4.86%	-6.91%	-6.94%	-4.07%	-2.65%
Return on Total Capital	-3.48%	-3.19%	-4.42%	-4.37%	-2.51%	-1.64%
EBITDA Margin %	-	-	-	-	-	-
Gross Profit Margin %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net Income Margin %	-	-	-	-	-	-
Asset Turnover	-	-	-	-	-	-
Inventory Turnover (Average Inventory)	-	-	-	-	-	-
Current Ratio	78.0	78.0	32.3	32.3	5.8	5.8
Days Sales Outstanding (Average Receivables)	-	-	-	-	-	-
Days Payable Outstanding (Avg)	-	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-	-	-	-

Source: Koyfin, Chart Prepared by Kapitales Research

Recent Update

On 14 August 2023, Deep Yellow Limited had successfully finished an extensive 656-hole drill initiative spanning 36,647 meters at the Mulga Rock Project in Western Australia's Great Victoria Desert. This program included 423 aircore holes for 21,853 meters aimed at enhancing the resource classification for uranium and critical minerals. Additionally, 233 aircore holes for 14,794 meters were drilled to determine grade variability and provide material for metallurgical analysis. Deep Yellow intends to unveil an updated Mineral Resource Estimate (MRE) encompassing uranium and critical minerals in Q4 CY2023, alongside drill results that will shape a revised Definitive Feasibility Study (DFS) featuring critical minerals recovery.

Outlook

Deep Yellow Limited holds a crucial role in achieving global carbon emission targets through its focus on nuclear power. The company's commitment to nuclear energy aligns with rising demand, but limited uranium supply has spiked prices, urging new production. Deep Yellow's advantage lies in advanced projects and exploration. As nuclear power gains traction, the uranium sector is poised for growth. With anticipated nuclear demand spikes from FY 2030-2060, Deep Yellow's prospects look promising. Key projects like Tumas, Mulga Rock, and Alligator River enhance resources and exploration. This positions Deep Yellow for a prominent role in the future of nuclear energy.

Risks

The company has exposure to the following risks

- Operational risk
- Technological risk
- Environmental risk
- Market Competition

Technical Analysis



Source: TradingView, Analysis by Kapitaless Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Deep Yellow Limited	DYL	Energy	0.885	21 August 2023	Speculative Buy	1.050	1.120	0.750

The stock of energy company DYL settled at AU\$0.885 on 21 August 2023 after a surge of nearly 2.9% from the previous day's closing. It is currently trading between its 52-week price levels.

The stock price is trading above the significant exponential moving averages (EMA) of 20, 50, and 200 days on a daily time frame, indicating bullishness for the near term.

The stock is trading above the central pivot (AU\$0.835), holding a bullish momentum on a daily time frame chart.

RSI (14 days) is at 65, holding a bullish momentum above 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\$1.050 (previous swing resistance) and AU\$1.120 (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\$0.750 (200-day EMA) to protect their investments in case of an unfavourable 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 favourable direction.

Investment Summary

Current ratio for 2QFY23 stood at 5.8x, implying that the company possess better capabilities to meet its short-term obligations. The company has increased its cash used in investing activities in 1HFY23, implying that it is increasing its capital expenditure for its future operations.

The Gross Profit Margin for 2QFY23 stood at 100.00% indicates that the company has a strong ability to generate profits from its products or services, with a high margin of revenue left after deducting the direct costs.

The company's total assets increased by 229.85%, it means that the company's overall value and resources have expanded, indicating a positive development in its financial condition and potential for improved profitability.

Compared to the previous corresponding period, it has shown robust growth in its total revenue in 1HFY23.

Over the past one month and three year, the company's stock has outperformed ASX Ordinaries and S&P/ASX 200 sector.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.885 as of 21 August 2023 (after-market hours).

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Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.