



VULCAN ENERGY RESOURCES LIMITED

Equity Analysis (30 September 2024)



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Vulcan Energy Resources Limited (ASX: VUL)
Equity Analysis
(30 September 2024)

Introduction

Vulcan Energy Resources Limited engages in the geothermal energy, and lithium exploration and development activities in Europe. It holds interests in the Zero Carbon Lithium project. The company was formerly known as Koppa Resources Limited and changed its name to Vulcan Energy Resources Limited in September 2019. The company was incorporated in 2018 and is based in Perth, Australia.

Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	4.520	
52 Week Low-High (AU\$)	1.950 - 5.550	
Market Capitalisation (AU\$)	856.25 million	
Outstanding Shares	188.19 million	
PE (TTM)	-	
EPS (AU\$) (TTM)	-0.289	
Dividend Yield/Frinking	0% / -	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	16.9x	57.2x
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	1.8x	-

Performance Chart



	1 month	12 months	36 months
VUL	19.89%	64.36%	-66.24%
ASX Ordinaries Index [% Change]	2.91%	17.88%	10.50%
S&P/ASX 200 Materials	12.39%	5.24%	20.96%

Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- In 1HFY24, total revenue was EUR€4.05 million against EUR€3.57 million in 1HFY23.
- In 1HFY24, the company's net loss was EUR€19.35 million against EUR€15.58 million in 1HFY23.
- Cash used in operating activities was EUR€12.51 million in 1HFY24 compared to EUR€12.99 million in 1HFY23.
- Cash used in investing activities was EUR€43.61 million in 1HFY24 compared to EUR€36.28 million in 1HFY23.
- Cash from financing activities was EUR€37.82 million in 1HFY24 compared to EUR€63.98 million in 1HFY23.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to 2HFY23, in 1HFY24:

- Total asset increased by 4.61% to EUR€310.58 million.
- Total liabilities decreased to EUR€22.23 million.
- Cash and Cash Equivalents decreased by 23.06% to EUR€60.58 million.
- Total debt decreased to EUR€4.06 million.

Ratio Analysis

Fiscal Quarters	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024
Return on Assets %	-6.88%	-7.75%	-7.84%	-8.42%	-8.24%
Return On Equity %	-11.14%	-8.30%	-8.48%	-13.90%	-13.42%
Return on Total Capital %	-7.35%	-8.36%	-8.53%	-9.05%	-8.75%
EBITDA Margin %	-129.94%	-117.65%	-117.65%	-130.75%	-130.75%
Gross Profit Margin %	84.64%	98.62%	98.62%	95.76%	95.76%
Net Income Margin %	-147.14%	-75.51%	-75.51%	-147.68%	-147.68%
Asset Turnover	0.1	0.1	0.1	0.1	0.1
Days Outstanding Inventory (Avg)	22.7	234.4	289.3	79.5	51.8
Current Ratio	9.8	4.1	4.1	4.6	4.6
Days Sales Outstanding (Average Receivables)	8.1	7.3	8.9	15	19.9
Days Payable Outstanding (Avg)	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-1047.7	-3623.1	-8118.1	-5909.8	-1503.6

Source: Koyfin, Chart Prepared by Kapitales Research

Investment Highlight

On 13 September 2024, Vulcan Energy Resources Limited has made a series of impactful changes to its Board of Directors as part of the company's strategic shift towards the execution phase of project development. These changes will ensure the Board's core competency skills and experience enable it to effectively support and guide management towards commercial production following the completion of Phase One project financing. Mr. Barker, a seasoned professional with over 30 years of experience, brings a wealth of expertise in mergers and acquisitions, capital markets, and strategic advisory. Mr Barker is poised to drive Vulcan Energy Resources Limited towards unprecedented success. Mr. Angus Barker, an experienced director with a strong background in corporate finance and public company boards, will join the Board as Non-Executive Director effective 13 September 2024.

Outlook

The company secured €40 million in investments from strategic partners, including CIMIC Group and Hancock Prospecting Pty Ltd. This strong support underscores global confidence in the lithium value chain and its Phase One Project execution. It achieved significant milestones at Vulcan's LEOP facility, with the production of LiCl commencing on April 11, 2024. The Adsorption-type Direct Lithium Extraction unit consistently delivers impressive lithium extraction efficiency of up to 90%-95%, aligning with its commercial plant expectations and financing model.

In May 2024, it launched the second phase of its project-level financing process, led by BNP Paribas. The first phase garnered significant interest from strategic and financial investors, commercial banks, and major government-backed export credit agencies. It formally discusses with Tier 1 financing partners who have expressed in-principle and non-binding interest. This includes four international banks, four export credit agencies, and continued EIB support.

Risks

The company has exposure to the following risks-

- Market Competition
- Consumer preference risk
- Operational risk
- Technological Advancements

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Vulcan Energy Resources Limited	VUL	Materials	4.520	30 September 2024	Speculative Buy	5.180	5.660	3.870

The stock of metals and mining company VUL settled at AU\$4.520 on 30 September 2024 after a minor decline from 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 20,50,100 and 200 weeks on a weekly time frame, indicating bullishness for the midterm.

The stock is trading near its central pivot (AU\$4.200), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 57, holding a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$5.180 (Previous swing resistance) and AU\$5.660 (Previous swing resistance) 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\$3.870 (previous swing support) 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

The Gross Profit Margin from the previous quarter stood at 95.76%, indicating that the company can generate profits from its products or services with a high margin of revenue left after deducting the direct costs. Company's total assets increased by 4.61%, 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 1HFY24.

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\$4.520 as of 30 September 2024 (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.