

Lynas Rare Earths Ltd (LYC)

Non-Energy Minerals

BUY

LYC A\$8.57 TARGET PRICE A\$10.23

Lynas Rare Earths (LYC) was established as an ethical and environmentally responsible producer of rare earth materials and is the world's only significant producer of separated rare earth materials outside of China. The company engages in the production of rare earth minerals, and focuses on the exploration, development, mining, and processing of rare earth deposits.

Company Data

Number of shares	902.4M
Market Capitalisation (\$m)	7,733.7
Free float (%)	99.3
12-month high/low	\$11.39/\$5.26
% S&P/ASX200	0.378%
DDM Ranking	69
% All Ordinaries	0.295%
GICS Industry Group	Other Metals/Minerals

Source: FactSet, Barclay Pearce Capital

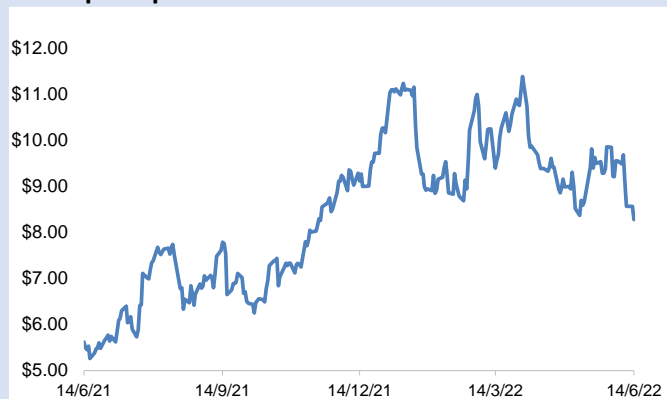
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	489.0	944.5	1,154.0	1,312.9
EBITDA (\$M)	235.0	644.6	799.0	895.5
Reported NPAT (\$M)	157.1	554.2	625.7	650.2
Adjusted NPAT (\$M)	158.9	545.9	643.4	686.7
Reported EPS (c)	18.2	58.0	60.6	59.5
Adjusted EPS (c - FD)	18.0	59.4	68.6	72.4
Adjusted EPS growth (%)	-753.7	230.3	15.5	5.5
Adjusted P/E (x)	47.6	14.4	12.5	11.8
Dividend (c/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	24.5	58.7	59.6	69.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Contract Update

On 14th of June 2022, Lynas Rare Earths Ltd (LYC) announced that the company has been awarded US\$120m contract to build a commercial Heavy Rare Earths (HRE) separation facility, with the following highlights:

Highlights:

- Wholly owned subsidiary, Lynas USA LLC, has signed a follow-on contract for approximately US\$120m with the U.S. Department of Defense (DoD);
- This is to establish a first of its kind commercial HRE separation facility in the United States;
- This mutually beneficial contract supports LYC to establish an operating footprint in the United States, including the production of separated HRE products to complement its Light Rare Earth product suite;
- As a result, U.S. industry will secure access to domestically produced HREs which cannot be sourced today and which are essential to the development of a robust supply chain for future facing industries including electric vehicles, wind turbines and electronics;
- LYC worked closely with the DoD on the Phase 1 contract for a U.S. based HRE separation facility;
- The company is delighted to have reached agreement for a full-scale commercial HRE facility;
- Construction costs for the HRE capability as submitted in June 2021 are fully covered by this DoD contract, which is sponsored and funded by the U.S. DoD Industrial Base Analysis and Sustainment (IBAS) program;
- LYC plans to co-locate the HREs separation facility with the proposed Light Rare Earth separation facility which is sponsored and half funded by the U.S. DoD Title III, Defense Production Act office;
- The facility is expected to be located within an existing industrial area on the Gulf Coast of the State of Texas and targeted to be operational in financial year 2025;
- Feedstock will be a mixed Rare Earths carbonate produced from material sourced at the Lynas mine in Mt Weld, WA; and
- LYC will also work with potential 3rd party providers to source other suitable feedstocks as they become available.

CEO comment:

- LYC CEO and MD, Amanda Lacaze, commented, "The development of a U.S. Heavy Rare Earths separation facility is an important part of our accelerated growth plan and we look forward to not only meeting the rare earth needs of the U.S. Government but also reinvigorating the local Rare Earths market. This includes working to develop the Rare Earths supply chain and value added activities."

Valuation

We are initiating research coverage on LYC with a 12-month price target of \$10.23 and with a BUY recommendation. The price target is underpinned by our valuation.



Disclaimer

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Hold	20.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	32.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)

