

# Bowen Coking Coal Ltd (BCB)

Rating: Buy | Risk: High | Price Target: \$0.32

29 August 2023

## Coal shipments step up, but cash remains tight

### Key Information

Current Price (\$ps)	0.10
12m Target Price (\$ps)	0.32
52 Week Range (\$ps)	0.08 - 0.44
Target Price Upside (%)	236.7%
TSR (%)	236.7%
Reporting Currency	AUD
Market Cap (\$m)	203
Sector	Materials
Avg Daily Volume (m)	7.0
ASX 200 Weight (%)	0%

### Fundamentals

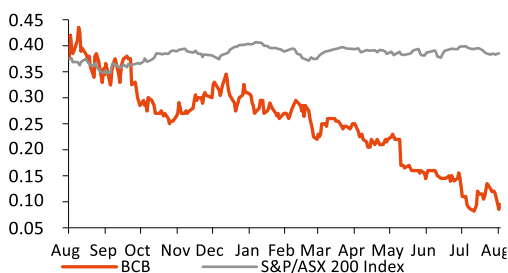
YE 20 Jun (AUD)	FY22A	FY23E	FY24E	FY25E
Sales (\$m)	12	217	495	745
NPAT (\$m)	(18)	(116)	82	125
EPS (cps)	(1.5)	(6.3)	3.9	5.7
EPS Growth (%)	nm	nm	161.3%	46.9%
DPS (cps) (AUD)	0.0	0.0	0.0	3.0
Franking (%)	0%	0%	0%	0%

### Ratios

YE 20 Jun	FY22A	FY23E	FY24E	FY25E
P/E (x)	(23.7)	(1.5)	2.5	1.7
EV/EBITDA (x)	(10.1)	(1.8)	1.5	0.8
Div Yield (%)	0.0%	0.0%	0.0%	31.6%
Payout Ratio (%)	0.0%	0.0%	0.0%	53.0%

### Price Performance

YE 20 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(10.3%)	(40.1%)	(57.0%)	(77.5%)
Absolute (%)	(13.6%)	(40.6%)	(57.8%)	(74.7%)
Benchmark (%)	(3.3%)	(0.5%)	(0.8%)	2.8%



Price performance indexed to 100

Source: FactSet

### Major Shareholders

Regal Funds Management Pty Ltd.	12.2%
LATIMORE MATTHEW	7.0%
Ilwella Pty Ltd.	6.4%
Crocodile Capital Partners GmbH	6.0%
REDELINGHUYS GERHARD	2.8%

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### Event

Bowen Coking Coal has provided a further shipping update and announced a strategic review of its operations. The good news is that shipping rates have stepped up in the September quarter and Bowen should be operating cash flow positive this quarter. However, cash remains very tight, and Bowen is negotiating extensions to its debt facilities.

In this report we examine the cash flow for the next 12 months and the key questions that investors are asking. On our base case forecasts Bowen will generate sufficient cash flow to meet its debt repayment obligations. However, there are downside scenarios in which debt repayments will need to be deferred, or additional equity could be required, and Bowen is sensibly working with its debt providers to add duration to the facilities. We maintain a BUY recommendation but reduce our price target to A\$0.32ps from A\$0.49ps.

### Highlights

- Key questions that investors are asking include:
  - Is Bowen cash flow positive?
  - Can Bowen meet its debt repayment obligations?
  - Will Bowen need further equity?
  - Is the Bluff mine viable?
- Our modelling suggests that provided coal markets do not deteriorate, and that Bowen ships coal as scheduled, then the company will generate sufficient cash flow to meet its debt repayment obligations. The good news is that coal shipments in the September quarter (179kt in July, 183kt in August) are on track with our forecast of 575kt. Our forecasts have Bowen repaying A\$68m from the Taurus loan and finishing FY24 with a cash position of A\$34m, down from A\$47m at 30-Jun-23.
- Our forecasts have coking coal unchanged from spot levels, but thermal coal strengthening to US\$200/t (from US\$150/t) by year end as we head into the northern hemisphere winter. We have run a downside scenario where coal prices retrace, and Bluff becomes unviable. In this scenario the company remains operating cash positive but will need to refinance the Taurus and New Hope debt.
- Bowen has a US\$55m facility with Taurus which at 30-June-23 was drawn to US\$51m. Bowen and Taurus agreed to defer the March 2023 and June 2023 quarterly repayments of US\$11m respectively to 31 December 2023 and 31 March 2024. There is another US\$11m payment due for the September quarter. Bowen also has a A\$70m facility with New Hope which is drawn to A\$55.6m. Bowen is currently in negotiation with Taurus and New Hope to add duration to the funding facilities.
- On our modelling the Bluff mine is marginal and has no value in our sum-of-the-parts valuation. It would not surprise us to see Bluff shut down unless coking coal prices spike higher again. Closure of Bluff could be cash flow positive as the company releases working capital from the stockpiles.
- The recent resignations of two directors (Matt Latimore and Gerhard Redelinghuys) unsettled the equity market which speculated on the reasons for the departures and whether they were related. Latimore resigned to 'pursue other interests' but the Bowen marketing JV with Latimore's M-Resources remains ongoing. We do not believe that Redelinghuys' resignation was directly linked to Latimore's departure, and he was intending to step down post his replacement as CEO by Mark Ruston. His departure was perhaps expedited by Latimore's resignation. We do not believe investors should interpret the departures as a lack of confidence in Bowen as a going concern.

### Recommendation

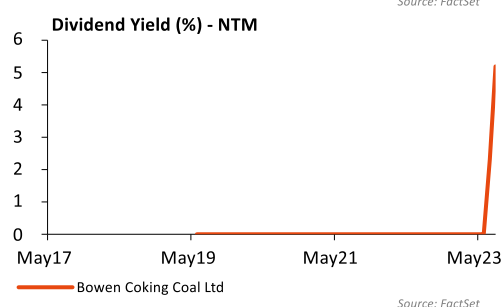
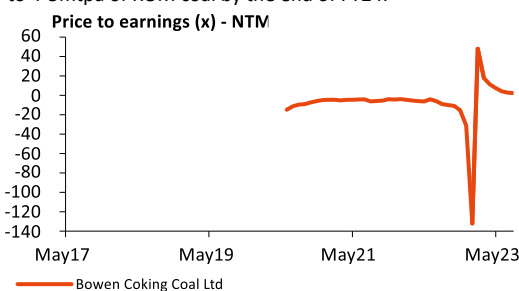
We retain our BUY recommendation but reduce our price target from 49c to 32c. We have a positive view on coal markets and Bowen has a clear pathway to positive cash flow.

**Bowen Coking Coal Ltd**  
**Materials**  
**Materials**  
**FactSet: BCB-AU / Bloomberg: BCB AU**

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.10
Target Price (\$ps)	0.32
52 Week Range (\$ps)	0.08 - 0.44
Shares on Issue (m)	2,136
Market Cap (\$m)	203
Enterprise Value (\$m)	172
TSR (%)	236.7%

**Company Description**

Bowen Coking Coal Ltd is a coking coal exploration and development company based in the Bowen Basin in Queensland. Bowen is producing from the Bluff and Broadmeadow East mines and has refurbished the 5.5mtpa Burton coal wash plant. Bowen is planning to lift production to 4-5mtpa of ROM coal by the end of FY24.



**Financial Year End: 20 June**

Investment Summary (AUD)	FY21A	FY22A	FY23E	FY24E	FY25E
EPS (Reported) (cps)	(0.4)	(1.5)	(6.3)	3.9	5.7
EPS (Underlying) (cps)	(0.4)	(1.5)	(6.3)	3.9	5.7
EPS (Underlying) Growth (%)	n/a	nm	nm	161.3%	46.9%
PE (Underlying) (x)	(18.9)	(23.7)	(1.5)	2.5	1.7
EV / EBIT (x)	(53.4)	(9.8)	(1.7)	1.6	0.9
EV / EBITDA (x)	(53.8)	(10.1)	(1.8)	1.5	0.8
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	3.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	31.6%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	53.0%
Profit and Loss (AUD) (m)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	0	12	217	495	745
Sales Growth (%)	n/a	n/a	1,726.8%	128.6%	50.3%
Other Operating Income	0	0	1	2	4
EBITDA	(3)	(17)	(96)	118	218
EBITDA Margin (%)	nm	nm	(44.4%)	23.8%	29.2%
Depreciation & Amortisation	0	(1)	(6)	(12)	(16)
EBIT	(3.2)	(17.6)	(102.2)	105.5	201.3
EBIT Margin (%)	nm	nm	(47.2%)	21.3%	27.0%
Net Interest	0	(1)	(17)	(15)	(1)
Pretax Profit	(3)	(18)	(119)	91	200
Tax	0	0	0	0	(60)
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	(30.0%)
NPAT Underlying	(3)	(18)	(116)	82	125
Significant Items	0	0	0	0	0
NPAT Reported	(3)	(18)	(116)	82	125
Cashflow (AUD) (m)	FY21A	FY22A	FY23E	FY24E	FY25E
EBIT	(3)	(18)	(102)	106	201
Payments to Suppliers	(3)	(19)	(298)	(374)	(524)
Receipts from Customers	0	0	217	495	745
Tax Paid	0	0	0	0	0
Change in Working Capital	0	0	(74)	(5)	(31)
Depreciation & Amortisation	0	1	6	12	16
Other	0	(1)	(23)	(27)	(18)
Operating Cashflow	(3)	(19)	(173)	101	189
Capex	0	(0)	(51)	(53)	(23)
Acquisitions and Investments	(3)	(3)	(3)	(3)	(3)
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	(0)	(29)	(40)	0	0
Investing Cashflow	(3)	(33)	(94)	(56)	(26)
Equity Raised / Bought Back	7	67	130	0	0
Dividends Paid	0	0	0	0	(22)
Change in Debt	0	20	46	(62)	(26)
Other	0	34	0	0	0
Financing Cashflow	7	121	176	(62)	(48)
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	1	70	(91)	(17)	115
Balance Sheet (AUD) (m)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash	3	73	(19)	(36)	79
Accounts Receivable	0	15	39	48	71
Inventory	0	6	30	41	61
Other Current Assets	0	3	3	3	3
PPE	13	11	56	96	103
Total Assets	16	107	108	151	317
Accounts Payable	1	32	17	31	44
Short Term Debt	0	9	9	9	0
Long Term Debt	0	33	79	17	0
Total Liabilities	1	89	120	72	120
Ratios	FY21A	FY22A	FY23E	FY24E	FY25E
ROE (%)	(25.4%)	(37.2%)	(127.8%)	59.4%	53.8%
Gearing (%)	(25.1%)	(59.7%)	52.1%	25.4%	(38.7%)
Net Debt / EBITDA (x)	0.9	1.8	(1.1)	0.5	(0.4)

### **Bowen cash flow building as shipments ramp-up**

Bowen coking coal was impacted by three major issues in 1H23:

1. Weakening coal prices, although these now look to have found a floor in June.
2. Poor performance of the Bluff mine which has not reached targeted production rates.
3. Logistical bottlenecks at the rail and port which have resulted in stockpiles building and a significant increase in working capital.

As a result of these pressures, the company was forced to complete a A\$50m equity raise at a price of 17cps made up of a A\$40m placement and a A\$10m SPP.

Bowen finished the June quarter with a cash position of A\$47m, with \$31m in cash received post the end of the quarter from shipments made in June.

We have revised our quarterly forecasts and conclude that providing coal prices do not fall, and Bowen can ship its coal as scheduled, then Bowen should not need further equity to ramp-up production or meet its debt repayment obligations. Our key assumptions include:

- Coking coal prices remain at current levels for the balance of FY24 – HCC at US\$250/t and ULVPCI at US\$155/t.
- Thermal coal prices strengthen to US\$200/t (Newcastle 6,000 kcal/kg) as we head into the Northern Hemisphere winter. Bowen receives 70% of the benchmark price for its thermal coal sales. We note that the benchmark thermal coal price has strengthened in the past two months to US\$150/t from recent lows of ~US\$130/t.
- Bowen continues to operate the Bluff coal mine although at a lower production than previously targeted. We assume FY24 ROM production of 685kt and Broadmeadow East winds back production in FY24 as the focus shifts to Ellensfield South to produce the bulk of the feed to Burton CHPP. We assume Ellensfield South produces its first coal in the September quarter and ramps up to full production rates of 2.2mtpa by June 2024.
- We assume Bluff continues to operate at a quarterly cash cost of ~A\$40m. We note that Bluff is marginal operation on these assumptions and Bowen may decide to shutter the mine and sell the remaining stocks (115kt at 30-June).
- We assume that costs at the Burton Complex increase in the September quarter as costs from Ellensfield South begin to be expensed. We assume that these settle out at ~A\$130/t once Ellensfield South reaches steady state. We assume \$30m of investing expenditure during the September quarter, the bulk of which is allocated to the A\$35m Ellensfield South box-cut.
- Bowen is currently in negotiation with its debt provider Taurus to again extend the payment schedule on its US\$55m facility, but for the moment we assume that Bowen continues with its US\$11m per quarter payments.

On these assumptions we estimate that Bowen will generate positive operating cash flow of A\$20-40m per quarter before capex and debt repayments.

After capex and debt repayments, we estimate that Bowen's cash balance will reduce by around A\$30m in the September quarter but will begin to generate positive free cash flow from the March 2024 quarter.

Our base case also has Bowen reporting positive EBITDA and NPAT in FY24. At the operating level our forecasts have EBITDA totalling A\$115m in FY24 after a loss of A\$87m in FY23. At the group level this translates into an NPAT result of A\$82m in FY24, up from a loss of A\$116m in FY23.

Figure 1: Bowen quarterly production and cash flow – fiscal year quarters

Bowen quarterly financials	1Q23	2Q23	3Q23	4Q23	1Q24f	2Q24f	3Q24f	4Q24f
<b>ROM production (kt)</b>								
Bluff	120	78	125	159	160	175	175	175
Broadmeadow East	0	396	344	437	440	250	150	150
Ellensfield South	0	0	0	0	75	250	500	550
<b>Total</b>	<b>120</b>	<b>474</b>	<b>469</b>	<b>596</b>	<b>675</b>	<b>675</b>	<b>825</b>	<b>875</b>
<b>Shipments (kt)</b>								
Bluff	40	0	109	134	150	175	175	150
Broadmeadow East	0	42	207	230	375	225	125	105
Ellensfield South	0	0	0	0	0	125	325	358
<b>Total</b>	<b>40</b>	<b>42</b>	<b>316</b>	<b>364</b>	<b>525</b>	<b>525</b>	<b>625</b>	<b>613</b>
<b>Coal price (US\$/t)</b>								
Benchmark HCC (US\$/t)	252	277	344	246	250	250	250	250
Benchmark 6,000 Newc (US\$/t)	434	404	254	159	140	175	200	200
AUD/USD	0.64	0.68	0.68	0.67	0.65	0.67	0.69	0.70
<b>Bowen Achieved Sales Price (US\$/t)</b>								
Bluff			232	241	155	155	155	155
Broadmeadow East			183	107	131	141	149	149
Ellensfield South			0	0	0	145	150	150
<b>Average (US\$/t)</b>			<b>200</b>	<b>156</b>	<b>138</b>	<b>147</b>	<b>151</b>	<b>151</b>
<b>Average (A\$/t)</b>			<b>293</b>	<b>234</b>	<b>212</b>	<b>219</b>	<b>219</b>	<b>216</b>
<b>Operating Costs (A\$/t of sales)</b>								
Bluff				299	233	200	200	233
Burton Complex				191	143	145	124	130
<b>Average (A\$/t)</b>				<b>231</b>	<b>169</b>	<b>163</b>	<b>145</b>	<b>155</b>
<b>P&amp;L (A\$m)</b>								
Revenue	31	8	92	85	111	115	137	132
Operating Costs	56	68	64	84	89	86	91	95
Other costs	12	6	11	4	5	5	5	5
<b>EBITDA</b>	<b>-37</b>	<b>-65</b>	<b>17</b>	<b>-3</b>	<b>18</b>	<b>24</b>	<b>41</b>	<b>32</b>
<b>Cashflow (A\$m)</b>								
Revenue	31	8	92	85	111	115	137	132
- less deferred revenue	0	0	-15	-17	0	0	0	0
<b>Receipts from customers</b>	<b>31</b>	<b>8</b>	<b>77</b>	<b>68</b>	<b>111</b>	<b>115</b>	<b>137</b>	<b>132</b>
Operating Costs	-56	-68	-64	-84	-89	-86	-91	-95
Other costs	-12	-6	-11	-4	-5	-5	-5	-5
<b>Operating cash flow</b>	<b>-37</b>	<b>-65</b>	<b>2</b>	<b>-20</b>	<b>18</b>	<b>24</b>	<b>41</b>	<b>32</b>
Capex	-31	-12	-21	-24	-30	-10	-10	-10
Debt repayments	0	-16	0	0	-17	-17	-17	-17
Other financing cashflow	23	117	3	54	0	0	0	0
<b>Free cash flow</b>	<b>-45</b>	<b>25</b>	<b>-16</b>	<b>10</b>	<b>-29</b>	<b>-3</b>	<b>14</b>	<b>5</b>
<b>Cash at period end</b>	<b>29</b>	<b>52</b>	<b>37</b>	<b>47</b>	<b>18</b>	<b>15</b>	<b>29</b>	<b>34</b>

Source: Company reports, Shaw and Partners forecasts

### Debt Facilities

Bowen has a US\$55m facility with Taurus which at 30-June-23 was drawn to US\$51m. This facility is structured as an amortisable term loan comprising five equal quarterly repayments over its term of 18mths. The first principal payment was made on 30 December 2022. During the March quarter, Bowen and Taurus agreed to defer the March 2023 and June 2023 quarterly repayments of US\$11m respectively to 31 December 2023 and 31 March 2024. There will be another US\$11m payment due for the September quarter.

Bowen also has a A\$70m debt facility with New Hope Corporation. This facility was provided by New Hope at the time of the Burton Complex acquisition and provides a bank guarantee for environmental rehabilitation under the Queensland financial provisioning regime. The facility was drawn to \$61.6m as at 31-Dec-23.

Bowen is currently in negotiation with Taurus and New Hope to add duration to the funding facilities so that Bowen is not under pressure whilst volumes ramp up and coal prices are low. The company is indicating that discussions with Taurus and New Hope are constructive and supportive, however, until the negotiations are complete, and Bowen can announce something to the market, it is likely that speculation around BCB's solvency will continue.

A lot will depend on the September quarter in terms of shipments and coal prices, but as outlined above in our quarterly modelling we do not think that solvency is an issue. The company appears to have enough cash to meet upcoming debt payments and other costs.

### Downside scenario

We have also modelled a downside scenario to stress-test the cash flow. In our downside scenario Bowen will not be able to meet its Taurus debt payments from free cash flow and will either need to extend the debt or raise additional equity to refinance. It is important to note that the company remains operating cash flow positive in the downside scenario.

In our downside case we assume:

- Bluff is shut down from 1-October-23 and the 100kt of product stockpiles are run down through the following two quarters.
- Benchmark coking coal prices retrace 20% to US\$200/t by year end.
- Thermal coal prices pull back 20% to US\$120/t (Newcastle 6,000 kcal/kg).

### Earnings Revisions

We have incorporated the changes in our quarterly modelling into our full financial model. The changes result in significant downgrades to our forecasts. We have also incorporated the dilution from the recent capital raise into our valuation and price target for the first time. As a result, our price target reduces to A\$0.32ps.

Figure 2: Earnings Revisions

Revisions	2023f			2024f			2025f			2026f		
	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Shipments (kt)	761	913	-17%	2,378	2,808	-15%	3,382	4,620	-27%	3,382	4,620	-27%
Revenue (A\$m)	217	278	-22%	495	769	-36%	745	966	-23%	597	851	-30%
EBITDA (A\$m)	-96	84	-215%	118	280	-58%	218	277	-21%	122	215	-43%
NPAT (A\$m)	-116	52	-320%	82	176	-53%	125	165	-25%	66	127	-48%

Source: Company reports, Shaw and Partners forecasts

Figure 3: Bowen quarterly production and cash flow – fiscal year quarters – downside scenario

Bowen quarterly financials	1Q23	2Q23	3Q23	4Q23	1Q24f	2Q24f	3Q24f	4Q24f
<b>ROM production (kt)</b>								
Bluff	120	78	125	159	160	0	0	0
Broadmeadow East	0	396	344	437	440	250	150	150
Ellensfield South	0	0	0	0	75	250	500	550
<b>Total</b>	<b>120</b>	<b>474</b>	<b>469</b>	<b>596</b>	<b>675</b>	<b>500</b>	<b>650</b>	<b>700</b>
<b>Shipments (kt)</b>								
Bluff	40	0	109	134	150	50	50	0
Broadmeadow East	0	42	207	230	375	225	125	105
Ellensfield South	0	0	0	0	0	125	325	358
<b>Total</b>	<b>40</b>	<b>42</b>	<b>316</b>	<b>364</b>	<b>525</b>	<b>400</b>	<b>500</b>	<b>463</b>
<b>Coal price (US\$/t)</b>								
Benchmark HCC (US\$/t)	252	277	344	246	250	200	200	200
Benchmark 6,000 Newc (US\$/t)	434	404	254	159	140	130	120	120
AUD/USD	0.64	0.68	0.68	0.67	0.65	0.67	0.69	0.70
<b>Bowen Achieved Sales Price (US\$/t)</b>								
Bluff			232	241	155	125	125	125
Broadmeadow East			183	107	131	110	107	107
Ellensfield South			0	0	0	115	112	112
<b>Average (US\$/t)</b>			<b>200</b>	<b>156</b>	<b>138</b>	<b>114</b>	<b>112</b>	<b>111</b>
<b>Average (A\$/t)</b>			<b>293</b>	<b>234</b>	<b>212</b>	<b>169</b>	<b>163</b>	<b>159</b>
<b>Operating Costs (A\$/t of sales)</b>								
Bluff				299	233	0	0	0
Burton Complex				191	143	145	124	130
<b>Average (A\$/t)</b>				<b>231</b>	<b>169</b>	<b>127</b>	<b>112</b>	<b>130</b>
<b>P&amp;L (A\$m)</b>								
Revenue	31	8	92	85	111	68	81	74
Operating Costs	56	68	64	84	89	51	56	60
Other costs	12	6	11	4	5	5	5	5
<b>EBITDA</b>	<b>-37</b>	<b>-65</b>	<b>17</b>	<b>-3</b>	<b>18</b>	<b>12</b>	<b>21</b>	<b>8</b>
<b>Cashflow (A\$m)</b>								
Revenue	31	8	92	85	111	68	81	74
- less deferred revenue	0	0	-15	-17	0	0	0	0
<b>Receipts from customers</b>	<b>31</b>	<b>8</b>	<b>77</b>	<b>68</b>	<b>111</b>	<b>68</b>	<b>81</b>	<b>74</b>
Operating Costs	-56	-68	-64	-84	-89	-51	-56	-60
Other costs	-12	-6	-11	-4	-5	-5	-5	-5
<b>Operating cash flow</b>	<b>-37</b>	<b>-65</b>	<b>2</b>	<b>-20</b>	<b>18</b>	<b>12</b>	<b>21</b>	<b>8</b>
Capex	-31	-12	-21	-24	-30	-10	-10	-10
Debt repayments	0	-16	0	0	-17	-17	-17	-17
Other financing cashflow	23	117	3	54	0	0	0	0
<b>Free cash flow</b>	<b>-45</b>	<b>25</b>	<b>-16</b>	<b>10</b>	<b>-29</b>	<b>-15</b>	<b>-6</b>	<b>-19</b>
<b>Cash at period end</b>	<b>29</b>	<b>52</b>	<b>37</b>	<b>47</b>	<b>18</b>	<b>3</b>	<b>-4</b>	<b>-22</b>

Source: Company reports, Shaw and Partners forecasts

Figure 4: Bluff forecasts and financials

Bluff (A\$m)	2021	2022	2023f	2024f	2025f	2026f	2027f	2028f	2029f	2030f	2032f
ROM Production (kt)	0	0	482	685	685	685	685	685	0	0	0
Metallurgical Coal sales (kt)	0	0	283	650	582	582	582	582	0	0	0
Thermal Coal sales (kt)	0	0	0	0	0	0	0	0	0	0	0
Total Coal Sales (kt)	0	0	283	650	582	582	582	582	0	0	0
Revenue	0	0	116	149	128	107	104	103	0	0	0
Expenses	0	0	150	140	132	104	104	103	0	0	0
EBITDA	0	0	-34	9	-4	3	0	0	0	0	0
D&A	0	0	6	6	6	6	7	7	7	7	7
EBIT	0	0	-36	5	-8	-1	-3	-4	0	0	0
HCC Coking Coal (US\$/t)	136	406	280	250	215	180	175	173	177	181	185
Thermal Coal (US\$/t)	85	233	313	179	165	120	103	97	99	101	104
AUD/USD	0.75	0.72	0.67	0.68	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Revenue (A\$/t)	0	0	411	229	219	184	179	0	0	0	0
FOB costs (A\$/t)	0	0	424	175	188	153	153	0	0	0	0
Royalties (A\$/t)	0	0	106	40	38	26	25	0	0	0	0
Total expenses (A\$/t)	0	0	531	215	226	179	178	0	0	0	0
EBITDA (A\$/t)	0	0	-120	14	-7	5	1	0	0	0	0
D&A (A\$/t)	0	0	21	9	11	11	11	0	0	0	0
EBIT (A\$/t)	0	0	-126	7	-13	-2	-6	0	0	0	0
Nominal Tax @ 30%	0	0	4	0	1	0	1	1	0	0	0
Capex	0	7	1	1	1	1	0	0	0	0	0
Cash Flow	0	-7	-31	7	-4	2	1	1	0	0	0

Source: Company reports, Shaw and Partners analysis

Figure 5: Burton Complex forecasts and financials

Burton Complex (A\$m)	2021	2022	2023f	2024f	2025f	2026f	2027f	2028f	2029f	2030f	2032f
ROM Production (kt)	0	0	1,177	2,365	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Metallurgical Coal sales (kt)	0	0	0	1,124	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Thermal Coal sales (kt)	0	0	478	604	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total Coal Sales (kt)	0	0	478	1,728	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Revenue	0	0	101	347	617	490	456	444	454	465	475
Expenses	0	0	153	220	386	363	367	379	385	390	396
EBITDA	0	0	-52	126	231	127	89	65	70	74	79
D&A	0	0	0	6	10	10	10	11	11	11	11
EBIT	0	0	-52	120	221	117	79	54	59	63	67
HCC Coking Coal (US\$/t)	136	406	280	250	215	180	175	173	177	181	185
Thermal Coal (US\$/t)	85	233	313	179	165	120	103	97	99	101	104
AUD/USD	0.75	0.72	0.67	0.68	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Revenue (A\$/t)	0	0	0	201	220	175	163	159	162	166	170
FOB costs (A\$/t)	0	0	0	100	110	110	115	120	121	123	124
Royalties (A\$/t)	0	0	0	27	28	19	16	15	16	16	17
Total expenses (A\$/t)	0	0	0	127	138	129	131	135	137	139	142
EBITDA (A\$/t)	0	0	0	73	82	45	32	23	25	27	28
D&A (A\$/t)	0	0	0	4	4	4	4	4	4	4	4
EBIT (A\$/t)	0	0	0	69	79	42	28	19	21	23	24
Nominal Tax @ 30%	0	0	5	-12	-22	-12	-24	-16	-18	-19	-20
Capex	0	0	50	52	22	2	2	2	2	2	2
Cash Flow	0	0	-97	62	187	114	64	47	50	53	57

Source: Company reports, Shaw and Partners analysis

Figure 6: Bowen Coking Coal valuation

Bowen Coking Coal Valuation	A\$m	A\$ps
Bluff	7	0.00
Burton Lenton (90%)	567	0.25
Isaac River	34	0.02
Hillalong (80%)	50	0.02
Other Assets	20	0.01
Net Cash	46	0.02
<b>Total Valuation</b>	<b>724</b>	<b>0.32</b>

Source: Company reports, Shaw and Partners analysis

## Key risks

- Commodity prices are driven by global growth and the market's expectation of growth. In the current geo-political climate there are numerous risks to global growth expectations. Issues such as rising interest rates, the Russia/Ukraine war, supply chain issues and global trade imbalances have the potential to change global growth projections.
- The coal market is severely impacted by largely unpredictable movements in Chinese policy settings. Coal prices may be adversely impacted if China implements policies that reduce its reliance on seaborne coal.
- Forecasting future commodity prices and operating costs has considerable uncertainty. Our forecasts may prove to be too optimistic on both. If coal prices continue to reduce and/or Bowen Coking Coal's costs increase faster than we expect then our cash flow forecasts will be too high.
- Climate change is requiring a de-carbonisation of global energy production. Bowen Coking Coal is largely a coking coal producer so is less impacted than thermal coal mines, but all coal producers are under increased scrutiny and regulatory approvals may be harder to achieve than expected.
- Smaller companies carry more significant 'key personnel' risk than larger organisations. If senior management depart the company then it could delay projects or exacerbate operational risks.
- Bowen Coking Coal is operating in a region that is exposed to cyclone activity. Disruption to mining, rail and/or port operations is possible during the Queensland cyclone season.

## Core drivers and catalyst

- Bowen Coking Coal Ltd is a coking coal exploration and development company based in the Bowen Basin in Queensland. The company's assets include Bluff (100%), Broadmeadow East (90%), Isaac River (100%), Lenton (90%), Burton (90%) Cooroorah (100%), Hillalong (85%) and Comet Ridge (100%). Bowen is also a joint venture partner with Stanmore Coal Limited in the Lilyvale (15% interest) and Mackenzie (5% interest) coking coal projects.
- On 4 July 2022 Bowen announced the first shipment of metallurgical coal from the Bluff Project which moved the company into production for the first time. Bowen also acquired and is refurbishing the 5.5mtpa Burton coal handling and preparation plant (CHPP). Stage 1 is complete and provides 2.7mtpa of was capacity and stage 2 will be completed in late 2023/early 2024.
- There is a clear growth pathway to production of 4-5Mtpa over the next 3 years as the company develops the Ellensfield South and Lenton resources and there are growth opportunities at Hillalong.
- Coking coal is used in the steel-making process in blast furnaces and has very different demand dynamics to thermal coal which is used to generate electricity in coal-fired power stations. Global steel production is continuing to grow in-line with global GDP, and is particularly fast growing in the developing world (e.g. India). We forecast global coking coal seaborne trade to grow from 317Mt in 2021 to 335Mt in 2025.



## Rating Classification

<b>Buy</b>	Expected to outperform the overall market
<b>Hold</b>	Expected to perform in line with the overall market
<b>Sell</b>	Expected to underperform the overall market
<b>Not Rated</b>	Shaw has issued a factual note on the company but does not have a recommendation

## Risk Rating

<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

### Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	101	91%
Hold	10	9%
Sell	0	0%

### History of Investment Rating and Target Price - Bowen Coking Coal Ltd



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