



Blackstone

Diversified Minerals / Switzerland

Important battery R&D progress

Latest - 25/08/2020

Blackstone Resources reported some milestones in its high-potential battery division. These were promising developments – especially given the global economy’s unwavering focus on a clean environment. While competition in the battery space is intensifying and material operating cash flows at Blackstone are yet to materialise, the group has so far done well – especially from a financing perspective, and the recent progress should help ease realisation of all-important government aid/grants.

Fact

In early August 2020, Blackstone Resources announced some battery R&D milestones at its German subsidiary, i.e. Blackstone Resources GmbH. As a result, the group’s share price skyrocketed >700% in the subsequent trading sessions, although it retreated significantly in the following weeks.

Analysis

According to management, the following were achieved in July 2020:

- 1/ the world’s first battery cells with thick printed electrodes were successfully manufactured and tested; these printed batteries are claimed to have higher energy density (>20%) vs. traditional lithium-ion batteries;
- 2/ manufacturing was undertaken using environment friendly electrodes vs. chemical electrodes – which have risk of high inflammation – used in lithium-ion batteries; and
- 3/ now large-scale assembly line plans under implementation to produce the above -discussed batteries / cells at high speed.

Interestingly, apart from the above achievements, the group is simultaneously also testing the printing of solid-state battery cells. As a reminder, the group’s R&D initiatives are being undertaken by Fraunhofer IFAM, i.e. the German research pioneer.

These are promising and timely developments, especially as the pandemic-struck world economy’s focus on a cleaner environment remains largely unchanged. Moreover, such developments help reinforce chances of Blackstone successfully securing government financial aid for further strengthening its research initiatives.

Although, on the competitive side, the developments are equally fast-paced. With a growing demand for longer-lasting EV batteries, and many industry pioneers claiming (near) success in launching “million mile” batteries, the activity in this space is set to intensify further in the coming months/quarters.

Impact

As the recent battery developments bode well for the group’s ‘longer-term’ prospects, our NAV and DCF estimates reset materially higher – up 31% and 57%, respectively. Our target price has increased significantly, and the recommendation has changed to a ‘BUY’. As most divisions are yet to initiate operations and/or attain meaningful scale, the NAV – with >290% upside – is a



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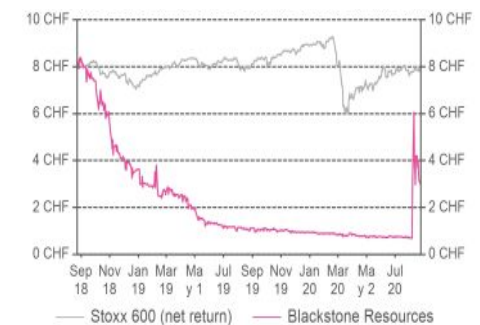
This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 86.1%
Target Price (6 months)	CHF 5.58
Share Price	CHF 3.00
Market Cap. CHFM	128
Price Momentum	STRONG
Extremes 12Months	0.69 ▶ 6.05
Bloomberg	BLS SW Equity
Reuters	BLS.S



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PERF	1w	1m	3m	12m
Blackstone Resources	-28.2%	295%	311%	186%
Metals & Mining	-2.36%	0.94%	15.2%	7.21%
STOXX 600	0.43%	0.97%	9.02%	-0.14%

Last updated: 25/08/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	12.8	5.38	5.95	2.45
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-84.5	50.5	4.44	1.92
Adjusted EPS (CHF)	0.13	0.56	0.50	1.22
Growth in EPS (%)	n/a	337	-9.53	143
Dividend (CHF)	0.00	0.00	0.00	0.00
Sales (CHFm)	0.02	63.2	334	561
EBITDA/R margin (%)	ns	5.96	13.2	17.6
Attributable net profit (CHFm)	5.31	23.8	21.5	52.3
ROE (after tax) (%)	26.7	64.5	26.0	31.1
Gearing (%)	123	44.0	14.6	6.79

[Company Valuation](#) - [Company Financials](#)

better measure to gauge the group's long-term potential (assuming most business plans materialise as targeted by management).

Sales by Geography

Valuation Summary

Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	CHFM	0.02	63.2	334
Change in sales	%	ns	ns	428
Change in staff costs	%	24.1	382	64.9
EBITDA	CHFM	-1.73	3.77	44.2
EBITDA(R) margin	%	ns	5.96	13.2
Depreciation	CHFM	-0.52	-1.32	-20.6
Underlying operating profit	CHFM	-2.25	2.44	23.6
Operating profit (EBIT)	CHFM	5.47	24.6	23.6
Net financial expense	CHFM	-0.36	-0.57	-0.28
of which related to pensions	CHFM		0.00	0.00
Exceptional items & other	CHFM	-0.06	0.00	0.00
Corporate tax	CHFM	-0.11	0.00	-1.16
Equity associates	CHFM	0.00	0.00	0.00
Minority interests	CHFM	0.37	-0.26	-0.57
Adjusted attributable net profit	CHFM	5.37	23.8	21.5
NOPAT	CHFM	3.83	17.3	16.5

Cashflow Statement

EBITDA	CHFM	-1.73	3.77	44.2
Change in WCR	CHFM	2.43	-3.50	-21.4
Actual div. received from equity holdi...	CHFM	0.00	0.00	0.00
Paid taxes	CHFM	-0.11	0.00	-1.16
Exceptional items	CHFM	0.06	0.00	0.00
Other operating cash flows	CHFM	-0.84	0.00	0.00
Total operating cash flows	CHFM	-0.19	0.27	21.6
Capital expenditure	CHFM	-0.17	-7.39	-73.4
Total investment flows	CHFM	2.28	-7.39	-27.0
Net interest expense	CHFM	-0.36	-0.57	-0.28
Dividends (parent company)	CHFM	0.00	0.00	0.00
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	0.13	0.00	0.00
Total financial flows	CHFM	-1.30	9.22	5.83
Change in cash position	CHFM	0.80	2.10	0.50
Free cash flow (pre div.)	CHFM	-0.72	-7.70	-52.0

Per Share Data

No. of shares net of treas. stock (year...	Mio	42.7	42.7	42.7
Number of diluted shares (average)	Mio	42.1	42.7	42.7
Benchmark EPS	CHF	0.13	0.56	0.50
Restated NAV per share	CHF			
Net dividend per share	CHF	0.00	0.00	0.00

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 3.64	35%	● Umicore
NAV/SOTP per share	CHF 11.8	20%	■ Johnson Matthey
EV/Ebitda	CHF 6.00	20%	■ Boliden
P/E	CHF 6.00	10%	■ Anglo American
Dividend Yield	CHF 0.00	10%	■ Eramet
P/Book	CHF 3.00	5%	■ Glencore
TARGET PRICE	CHF 5.58	100%	

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	CHFM	95.8	95.8	95.8
Total intangible	CHFM	95.8	95.8	95.8
Tangible fixed assets	CHFM	12.5	18.6	71.4
Financial fixed assets	CHFM	0.00	0.00	0.00
WCR	CHFM	-1.09	2.41	23.8
Other assets	CHFM	1.14	1.14	1.14
Total assets (net of short term liab.)	CHFM	109	119	193
Ordinary shareholders' equity	CHFM	25.0	48.9	117
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM	48.1	48.4	48.9
Provisions for pensions	CHFM	0.07	-0.12	-0.25
Other provisions for risks and liabilities	CHFM	0.00	0.00	0.00
Total provisions for risks and liabilities	CHFM	0.07	-0.12	-0.25
Tax liabilities	CHFM	7.16	7.16	7.16
Other liabilities	CHFM			
Net debt (cash)	CHFM	28.7	14.2	19.9
Total liab. and shareholders' equity	CHFM	109	119	193

Capital Employed

Capital employed after depreciation	CHFM	107	117	191
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Profits & Risks Ratios

ROE (after tax)	%	26.7	64.5	26.0
ROCE	%	3.57	14.8	8.64
Gearing (at book value)	%	123	44.0	14.6
Adj. Net debt/EBITDA(R)	x	-16.6	3.78	0.45
Interest cover (x)	x	-6.27	4.25	82.4

Valuation Ratios

Reference P/E (benchmark)	x	12.8	5.38	5.95
Free cash flow yield	%	-1.03	-6.01	-40.6
P/Book	x	2.80	2.62	1.09
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	CHFM	70.0	128	128
+ Provisions	CHFM	0.07	-0.12	-0.25
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	28.7	14.2	19.9
+ Leases debt equivalent	CHFM	0.00	0.00	0.00
- Financial fixed assets (fair value)	CHFM	0.59	0.59	0.59
+ Minority interests (fair value)	CHFM	48.1	48.4	48.9
= EV	CHFM	146	190	196
EV/EBITDA(R)	x	-84.5	50.5	4.44
EV/Sales	x	ns	3.01	0.59

Analyst : Varun Sikka, Changes to Forecasts : 25/08/2020.