

Renergen Ltd  
**Funding (Almost) Secured**

Share Code: REN – Market Cap: R5.0bn – PE: -139x – DY: 0.0%

12m Target Price	7491cps
Share Price	3890cps
Implied Return	92%

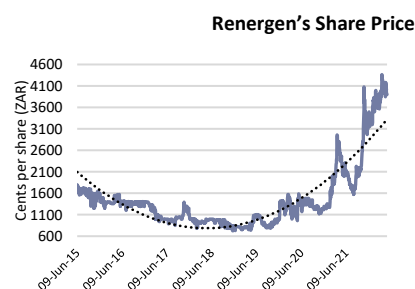
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**Phase 2 Debt Funding: Quantum Points to Larger Phase 2**

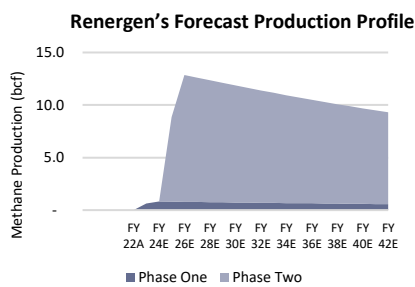
- Renergen has signed a Retainer Letter with the US International Development Finance Corporation (DFC) for Phase 2 debt funding of up to \$500m. The DFC provided debt of \$40m in Phase 1.
- Added to this, Renergen has received multiple Letters of Intent to co-lend alongside the DFC of up to \$700m in senior debt.
- The lenders are currently conducting a due diligence to finalize their offers &, assuming a positive outcome, it leaves Renergen in the enviable position to pick and choose its debt funding.
- These lines of debt are up to \$1.6bn in potential funding that—when combined with potential equity funding from [Ivanhoe Mines](#) & the [CEF](#)—points a clear path to a fully-funded Phase 2.
- Renergen is now targeting 65% gearing & the implications of the amounts are that Phase 2 will be materially larger than originally envisioned; we originally assumed a c.R12bn capex cost for Phase 2, but the above figures imply >R15bn – Gas projects tend to get returns to scale & a c.25% larger size may produce >25% more gas.
- If we assume a c.\$1bn Phase 2, & Ivanhoe (capped to c.\$250m) & CEF (c.R1bn) both follow through for their equity *and* Renergen management draw down on their debt with a 65% gearing (drawing c.\$650m), this implies that there remains equity funding of c.\$45m or c.R700m (c.1-for-10 rights issue at current prices).

**Valuation and Implied Return: Updated for latest spot prices**

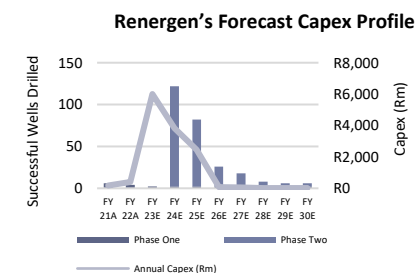
While Phase 2 size is rising, output upgrades & the Ivanhoe & CEF equity needs to be pinned down for us to correctly model. For now, we have kept the size of Phase 2 flat, assumed debt is drawn down at the end of FY 23E (but interest capitalized till FY 25E), Ivanhoe & CEF follow their full equity rights, 11.5m REN shares are placed during FY 23E, & Phase 2 production starts during FY 25E (9 months) with steady-state in FY 26E – this produces a fair value of 6337cps (previously: 6344cps) & 12m TP of 7491cps (previously: 7501cps).



Sources: Profile Media, Blue Gem Research



Source: Blue Gem Research



Source: Blue Gem Research

Production:	FY 19	FY 20	FY 21A	FY 22A	FY 23E	FY 24E	FY 25E	FY 26E
LNG - Phase One (Giga Joules)	-	-	-	-	456,250	894,250	876,365	858,838
LNG - Phase Two (GJ)	-	-	-	-	-	-	8,760,000	13,140,000
Helium - Phase One (thousand cubic feet)	-	-	-	-	11,662	22,857	22,400	21,952
Helium - Phase Two (mcf)	-	-	-	-	-	-	268,136	402,204
Gas Reserves:								
Natural Gas - 1P (billion cubic feet)	40.8	40.8	215.1	215.1	214.5	213.6	204.8	191.9
Helium - 1P (bcf)	1.0	1.0	7.2	7.2	7.2	7.0	6.7	6.3
Financials (R'000's):								
Revenue	2,987	2,635	1,925	2,637	248,980	488,001	4,196,587	6,046,195
Net Profit (Parents)	-44,976	-52,619	-42,620	-33,750	97,553	203,766	1,308,014	2,042,146
HEPS (cps)	-47.3cps	-46.0cps	-36.3cps	-27.7cps	63.6cps	71.2cps	456.9cps	713.4cps
Price Earnings (x)	-82.2x	-84.7x	-107.2x	-140.3x	61.2x	54.6x	8.5x	5.5x
Return on Assets (%)	-19%	-8%	-5%	-3%	1%	2%	18%	23%

Sources: Renergen, Profile Media, BLM, MHA, various company reports & Blue Gem Research workings & assumptions



**BLUE GEM RESEARCH**

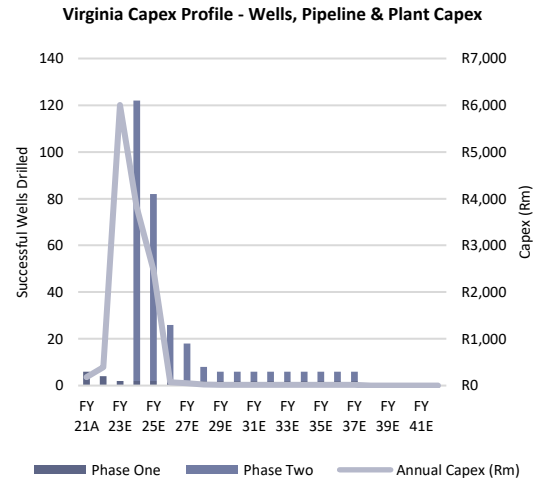
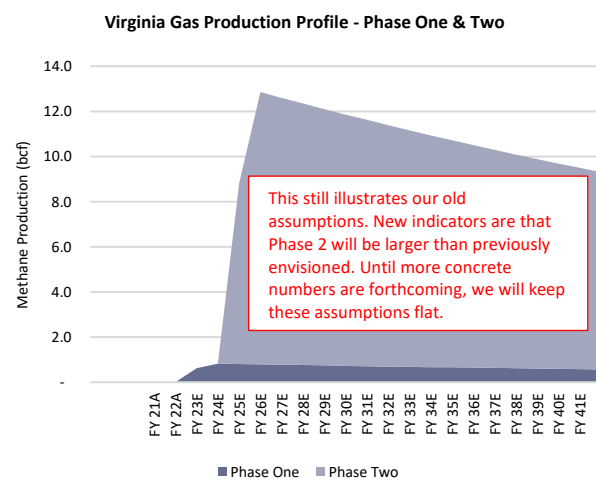
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Summary & Forecast:	FY 19	FY 20	FY 21A	FY 22A	FY 23E	FY 24E	FY 25E	FY 26E
<b>Production:</b>								
LNG - Phase One (Giga Joules)					456,250	894,250	876,365	858,838
LNG - Phase Two (GJ)					-	-	8,760,000	13,140,000
Helium - Phase One (thousand cubic feet)					11,662	22,857	22,400	21,952
Helium - Phase Two (mcf)					-	-	268,136	402,204
<b>Gas Reserves:</b>								
Natural Gas - 1P (billion cubic feet)	40.8	40.8	215.1	215.1	214.5	213.6	204.8	191.9
Natural Gas - 2P (bcf)	139.0	139.0	407.0	407.0	406.3	405.5	396.7	383.8
Natural Gas - 3P (bcf)	284.2	284.2	600.1	600.1	599.5	598.6	589.8	576.9
Helium - 1P (bcf)	1.0	1.0	7.2	7.2	7.2	7.0	6.7	6.3
Helium - 2P (bcf)	3.4	3.4	13.6	13.6	13.6	13.4	13.1	12.7
Helium - 3P (bcf)	6.9	6.9	20.0	20.0	20.0	19.8	19.5	19.1
<b>Financials (R'000's):</b>								
Revenue	2,987	2,635	1,925	2,637	248,980	488,001	4,196,587	6,046,195
Gross Profit	-210	-667	-917	-775	213,208	440,828	3,754,263	5,402,372
Operating Profit	-46,014	-67,305	-46,773	-38,361	187,328	403,607	3,595,087	5,241,696
<b>Net Profit (Parents)</b>				<b>-33,750</b>	<b>97,553</b>	<b>203,766</b>	<b>1,308,014</b>	<b>2,042,146</b>
Issued Shares (000's)				123,934	176,646	286,258	286,258	286,258
Weighted Shares (000's)				121,709	153,428	286,258	286,258	286,258
EPS (cps)				-27.7	63.6	71.2	456.9	713.4
HEPS (cps)	-47.3	-46.0	-36.3	-27.7	63.6	71.2	456.9	713.4
Price Earnings (x)	-82.2x	-84.7x	-107.2x	-140.3x	61.2x	54.6x	8.5x	5.5x
Total Assets	225,110	626,491	780,271	1,164,694	7,645,692	11,472,772	13,013,030	15,392,512
Property, Plant & Equipment	37,757	350,824	475,558	807,027	7,092,853	11,314,805	13,464,762	13,083,164
Intangible Assets	70,494	89,223	112,155	154,023	159,383	486,343	706,103	775,783
Equity	164,233	247,230	206,408	286,312	3,241,263	3,470,444	5,000,449	7,365,037
<b>Return on Equity (%)</b>	<b>-27%</b>	<b>-21%</b>	<b>-21%</b>	<b>-12%</b>	<b>3%</b>	<b>6%</b>	<b>26%</b>	<b>28%</b>
Total Liabilities	60,877	379,261	573,954	878,382	4,404,429	8,002,327	8,012,581	8,027,475
Total Debt	39,647	351,182	534,293	773,056	4,370,003	7,966,951	7,966,951	7,966,951
<b>Return on Assets (%)</b>	<b>-19%</b>	<b>-8%</b>	<b>-5%</b>	<b>-3%</b>	<b>1%</b>	<b>2%</b>	<b>18%</b>	<b>23%</b>
<b>Return on Capital (%)</b>	<b>-33%</b>	<b>-11%</b>	<b>-6%</b>	<b>-3%</b>	<b>1%</b>	<b>2%</b>	<b>15%</b>	<b>21%</b>

6-months of Phase 1 in FY 23E, ramp-up of Phase 2 in FY 25E & steady-state in FY 26E onwards (Phase 2 has higher helium yields than Phase 1). Spot prices kept flat at current prices.

Ivanhoe Mines subscribes for 25% in FY 23E & 55% in FY 24E; a further 11.5m REN shares are placed at the start of FY 24E (at spot less 5% discount). CEF 10%-stake is taken out of minorities & interest is capitalized until production begins in FY 25E.

**Production & Revenue Profile:**



Sources: Renergen, Profile Media, Bloomberg, BLM, MHA, various company reports & Blue Gem Research workings & assumptions

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*\*Market prices in this report predominantly set to Closing Price for REN shares noted on 7 June 2022; Argonon Helium token price taken as spot price on 7 June 2022.*

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