



27 March 2018

Corp

Ticker ACP:AIM

Mining

Shares in issue (m) 242.6
Next results FY Mar

Price 2.0p

Target price Under review
Upside n/a

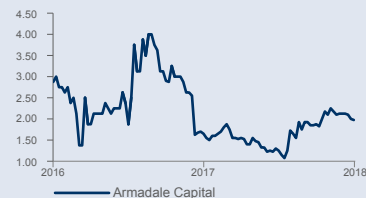
Market cap £4.8m

Net debt/(cash) £0.5m
Other EV adjustments £0.0m
Enterprise value £5.3m

What's changed? From To

Adjusted EPS - --0.3
Target price U/R

Share price performance



%	1M	3M	12M
Actual	-8.1	5.3	19.7

Company description

Armadale is an investment company focused on natural resource projects in Africa

Martin Potts

Director of Research
mpotts@finncap.com
020 7220 0544

Sales desk 020 7220 0522

Trading desk 020 7220 0533

* denotes corporate client of finncap

▶ Armadale Capital*

Mahenge scoping study released

Armadale Capital has announced that it has completed the Scoping Study for its Mahenge graphite project in southern Tanzania. The Scoping Study was based on a 400,000 tonnes per year open pit mining operation, producing 49,000 tonnes per year of high quality graphite. The study delivered a robust economic return including an unrisks post-tax IRR of 89% and an unrisks post-tax NPV of US\$239m. This is an excellent result, reflecting the high-grade nature of the orebody. At this point in time we do not have a target price for Armadale.

- ▶ **The study is based on mining a high-grade area (averaging 12.5% Total Graphitic Carbon) comprising around 25% of the 51.1 Mt resource at Mahenge.** The total capital cost of the project is US\$35.0m and the project has a payback period of only 1.2 years. At the planned production rate the mine would have an operating life of 32 years.
- ▶ **The company now plans a Feasibility Study to be completed in early 2019, following which it will commit to build the mine.**
- ▶ **Tanzania is known to host several high-grade graphite deposits including at least two in the vicinity of Armadale's Mahenge project.** However, recent fiscal and legislative changes in Tanzania have had a negative impact on the development of these mines.

Key estimates Year end: Dec		2015A	2016A	2017E	2018E	2019E
Revenue	£m	0.0	0.0	0.0	0.0	0.0
Adj EBITDA	£m	-0.6	-0.7	-0.8	-0.8	-0.8
Adj EBIT	£m	-0.6	-0.7	-0.8	-0.8	-0.8
Adj PBT	£m	-0.7	-0.7	-0.8	-0.8	-0.8
Adj EPS	p	-1.9	-0.6	-0.3	-0.3	-0.3
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2015A	2016A	2017E	2018E	2019E
EV/EBIT (adj)	x	-8.7	-7.8	-6.6	-6.6	-6.6
P/E (adj)	x	-1.0	-3.2	-6.0	-6.0	-6.0
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-31.0%	-24.8%	-36.6%	-37.6%	-37.6%
Pre-tax ROCE	%	-11.0%	-7.9%	-8.8%	-8.6%	-8.4%

Mahenge scoping study released

Income statement		2016A	2017E	2018E	2019E
Year end: Dec					
Sales	£m	0.0	0.0	0.0	0.0
Gross profit	£m	0.0	0.0	0.0	0.0
EBITDA (adjusted)	£m	-0.7	-0.8	-0.8	-0.8
EBIT (adjusted)	£m	-0.7	-0.8	-0.8	-0.8
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.0	0.0	0.0	0.0
PBT (adjusted)	£m	-0.7	-0.8	-0.8	-0.8
Total adjustments	£m	-0.2	0.0	0.0	0.0
PBT (stated)	£m	-0.9	-0.8	-0.8	-0.8
Tax charge	£m	0.0	0.0	0.0	0.0
Minorities	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	-0.9	-0.8	-0.8	-0.8
Adjusted earnings	£m	-0.7	-0.8	-0.8	-0.8
Shares in issue (year end)	m	148.9	242.6	242.6	242.6
EPS (stated)	p	-0.6	-0.3	-0.3	-0.3
EPS (adjusted, fully diluted)	p	-0.6	-0.3	-0.3	-0.3
DPS	p	0.0	0.0	0.0	0.0

Cash flow		2016A	2017E	2018E	2019E
Year end: Dec					
EBITDA	£m	-0.7	-0.8	-0.8	-0.8
Net change in working capital	£m	0.2	0.0	0.0	0.0
Other operating items	£m	0.3	0.0	0.0	0.0
Cash flow from op. activities	£m	-0.1	-0.8	-0.8	-0.8
Cash interest	£m	0.0	0.0	0.0	0.0
Cash tax	£m	0.0	0.0	0.0	0.0
Capex	£m	-1.0	-1.0	-1.0	-1.0
Free cash flow	£m	-1.2	-1.8	-1.8	-1.8
Acquisitions / disposals	£m	0.2	0.0	0.0	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	1.0	2.0	2.0	2.0
Other	£m	0.0	0.0	0.0	0.0
Net change in cash flow	£m	-0.0	0.2	0.2	0.2
Opening net cash (debt)	£m	0.4	0.3	0.6	0.8
Closing net cash (debt)	£m	0.3	0.6	0.8	1.0

Balance sheet		2016A	2017E	2018E	2019E
Year End: Dec					
Tangible fixed assets	£m	8.8	8.8	8.8	8.8
Goodwill & other intangibles	£m	0.0	0.0	0.0	0.0
Other non current assets	£m	0.0	0.0	0.0	0.0
Net working capital	£m	-0.3	-0.3	-0.3	-0.3
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	0.0	0.0	0.0	0.0
Gross cash & cash equivs	£m	0.1	0.6	0.8	1.0
Capital employed	£m	8.6	9.1	9.3	9.5
Gross debt	£m	0.5	0.0	0.0	0.0
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	8.1	9.1	9.3	9.5
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	£m	8.6	9.1	9.3	9.5

Growth analysis		2016A	2017E	2018E	2019E
Year end: Dec					
Sales growth	%	n/m	n/m	n/m	n/m
EBITDA growth	%	-12.8%	-20.0%	0.0%	0.0%
EBIT growth	%	-12.5%	-17.9%	0.0%	0.0%
PBT growth	%	-4.2%	-15.8%	0.0%	0.0%
EPS growth	%	67.6%	46.7%	0.0%	0.0%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2016A	2017E	2018E	2019E
Year end: Dec					
Gross margin	%	n/m	n/m	n/m	n/m
EBITDA margin	%	n/m	n/m	n/m	n/m
EBIT margin	%	n/m	n/m	n/m	n/m
PBT margin	%	n/m	n/m	n/m	n/m
Net margin	%	n/m	n/m	n/m	n/m

Cash flow analysis		2016A	2017E	2018E	2019E
Year end: Dec					
Cash conv'n (op cash / EBITDA)	%	n/m	n/m	n/m	n/m
Cash conv'n (FCF / EBITDA)	%	178.0%	219.4%	225.0%	225.0%
U/lying FCF (capex = deprn)	£m	-0.2	-0.8	-0.8	-0.8
Cash quality (u/l FCF / adj earn)	%	22.1%	94.4%	100.0%	100.0%
Investment rate (capex / deprn)	x	87.7	n/m	n/m	n/m
Interest cash cover	x	n/a	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2016A	2017E	2018E	2019E
Year end: Dec					
Net working capital / sales	%	n/m	n/m	n/m	n/m
Net working capital / sales	days	n/m	n/m	n/m	n/m
Inventory (days)	days	n/m	n/m	n/m	n/m
Receivables (days)	days	n/m	n/m	n/m	n/m
Payables (days)	days	n/m	n/m	n/m	n/m

Leverage analysis		2016A	2017E	2018E	2019E
Year end: Dec					
Net debt / equity	%	4.1%	no debt	no debt	no debt
Net debt / EBITDA	x	n/a	n/a	n/a	n/a
Liabilities / capital employed	%	5.2%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2016A	2017E	2018E	2019E
Year end: Dec					
Adjusted return on equity	%	-8.5%	-8.8%	-8.6%	-8.4%
RoCE (EBIT basis, pre-tax)	%	-7.9%	-8.8%	-8.6%	-8.4%
RoCE (u/lying FCF basis)	%	-1.8%	-8.3%	-8.6%	-8.4%
NAV per share	p	5.5	3.7	3.8	3.9
NTA per share	p	5.5	3.7	3.8	3.9

Mahenge scoping study released

Research

Mark Brewer	020 7220 0556	mbrewer@finncap.com	Guy Hewett	020 7220 0549	ghewett@finncap.com
David Buxton	020 7220 0542	dbuxton@finncap.com	Nik Lysiuk	020 7220 0546	nlysiuk@finncap.com
Lorne Daniel	020 7220 0545	ldaniel@finncap.com	Mark Paddon	020 7220 0541	mpaddon@finncap.com
Andrew Darley	020 7220 0547	adarley@finncap.com	Martin Potts	020 7220 0544	mpotts@finncap.com
Harold Evans	020 7220 0552	hevans@finncap.com	Alex Pye	0207 220 0554	apye@finncap.com
Jeremy Grime	020 7220 0550	jgrime@finncap.com	Roger Tejwani	020 7220 0548	rtejwani@finncap.com
Raymond Greaves	020 7220 0553	rgreaves@finncap.com	Jonathan Wright	020 7220 0543	jwright@finncap.com

Corporate Broking

Sultan Awan	020 7220 0592	sawan@finncap.com	Simon Johnson	020 7220 0525	sjohnson@finncap.com
Andrew Burdis	020 7220 0524	aburdis@finncap.com	Alice Lane	020 7220 0523	alane@finncap.com
Richard Chambers	020 7220 0514	rchambers@finncap.com	Emily Morris	020 7220 0511	emorris@finncap.com
Camille Gochez	020 7220 0518	cgochez@finncap.com	Stephen Norcross	020 7220 0513	snorcross@finncap.com
Mia Gardner	020 7220 0512	mgardner@finncap.com	Tim Redfern	020 7220 0515	trefern@finncap.com
Nikita Jain	020 3772 4652	njain@finncap.com	Abigail Wayne	020 7220 0594	awayne@finncap.com

Sales

Stephen Joseph	020 7220 0520	sjoseph@finncap.com	Louise Talbot	020 3772 4651	ltalbot@finncap.com
Tony Quirke	020 7220 0517	tquirke@finncap.com	Malar Velaigam	020 7220 0526	mvelaigam@finncap.com
Sunila de Silva	020 7220 0521	sdesilva@finncap.com	Rhys Williams	020 7220 0522	rwilliams@finncap.com

Investor Relations

Lianne Tucker	020 7220 0527	ltucker@finncap.com	Lisa Welch	020 7220 0519	lwelch@finncap.com
Lucy Nicholls	020 7220 0528	lnicholls@finncap.com			

Sales Trading

Kai Buckle	020 7220 0529	kbuckle@finncap.com	Danny Smith	020 7220 0533	dsmith@finncap.com
Mark Fidgen	020 7220 0536	mfidgen@finncap.com	Oliver Toleman	020 7220 0531	otoleman@finncap.com
David Loudon	020 7220 0530	dloudon@finncap.com			

Market Makers

Steve Asfour	020 7220 0539	sasfour@finncap.com	James Revell	0207 220 0532	jrevell@finncap.com
Russell Jackson	020 7220 0538	rjackson@finncap.com	Ben Tonnison	020 7220 0535	btonnison@finncap.com

Investment Companies

Johnny Hewitson	020 7220 0558	jhewitson@finncap.com	Mark Whitfeld	020 3772 4697	mwhitfeld@finncap.com
Monica Tepes	020 3772 4698	mtepes@finncap.com			

*denotes finnCap is contractually engaged and paid by the issuer to produce this material on an ongoing basis and it is made available at the same time to any investment firms wishing to receive it.

A marketing communication under FCA Rules, this document has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This research cannot be classified as objective under finnCap Ltd research policy. Visit www.finncap.com

The recommendation system used for this research is as follows. We expect the indicated target price to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected share price performance of +/-10%, a 'Buy' indicates an expected increase in share price of more than 10% and a 'Sell' indicates an expected decrease in share price of more than 10%.



60 New Broad Street
London EC2M 1JJ

Tel 020 7220 0500

Fax 020 7220 0597

Email info@finncap.com

Web www.finncap.com

finnCap is registered as a company in England with number 06198898.

Authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange

Approved and issued by finnCap Ltd for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to Professional customers. Retail customers who receive this document should ignore it. finnCap Ltd uses reasonable efforts to obtain information from sources which it believes to be reliable, but it makes no representation that the information or opinions contained in this document are accurate, reliable or complete. Such information and opinions are provided for the information of finnCap Ltd's clients only and are subject to change without notice. finnCap Ltd's salespeople, traders and other representatives may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to or inconsistent with the opinions expressed herein. This document should not be copied or otherwise reproduced. finnCap Ltd and any company or individual connected with it may have a position or holding in any investment mentioned in this document or a related investment. finnCap Ltd may have been a manager of a public offering of securities of this company within the last 12 months, or have received compensation for investment banking services from this company within the past 12 months, or expect to receive or may intend to seek compensation for investment banking services from this company within the next three months. Nothing in this document should be construed as an offer or solicitation to acquire or dispose of any investment or to engage in any other transaction. finnCap Ltd is authorised and regulated by the Financial Conduct Authority, London E14 5HS, and is a member of the London Stock Exchange.