

Hazer Group Ltd

(HZR \$0.24) Speculative Buy

EUROZ

Analyst	Date	Price Target
Seth Lizee	15 th February 2019	\$0.85/sh

Half Year Update – On track

Investment case

HZR has released its half yearly report which remained broadly in line with our expectations, we remain optimistic it will continue on track with it's milestones.

HZR remains on track to meet operational duration and product quality hurdles for their FBR Plant by mid CY'19. This will precede the announcement of product offtake, funding and location of HZR's demonstration plant. We estimate these milestones to be met in the next 3-6 months with commissioning of HZR's demonstration plant estimated by mid CY'20. In parallel, HZR's graphite focused development path funded by Mineral Resources (MIN) is on track for pilot plant commissioning by end Q1 2019

If HZR can gain third party validation in the form of these agreements/technical milestones we feel investors will impute more value on HZR's ability to disrupt two huge global industries. The hydrogen market is worth US +\$130 Billion annually and the graphite market worth US +\$14 Billion annually (HZR Investor presentation Nov'18)

We maintain our Speculative BUY recommendation with a 12 month price target of \$0.85/sh.

Key points

Hazer progressing on track and well-funded to continue

- Completion of the initial Front-End Engineering and Design (FEED) study for a small scale commercial demo plant have delivered positive results to move ahead as planned;
- Concept study for commercial scale HZR plant completed;
- HZR fluidised Bed Reactor (FBR) pilot plant has been relocated to Kwinana;
- MIN PTR pilot plant anticipated to complete construction and commissioning in Q1 2019;
- Pro-forma cash balance of ~A\$6.558m.
 - A\$1.64m R&D cash rebate received for FY18

Key Catalyst Going forward

1. **Completion of plant testing** – with capacity targets met (stage 1) HZR is now focused on improving product purity (stage 2) and maintaining operations for durations of greater than 24hrs (stage 3). Euroz estimates this to be achieved by mid CY'19 based on stage 1 time, recommissioning is anticipated sometime this month.
2. **Offtake/Funding** – this is the single biggest catalyst in our view. Offtake will provide further third party validation for potential commercial application of the HZR. HZR has outlined a target capital cost of ~\$A10million (Dec'Q18) for the CDP. We expect this to occur in June Half 2019.
3. **Commissioning of the MIN 1tpa pilot plant** – this will be the first large scale proof of concept for the HZR technology, plant on track to be recommissioned in Q1'19

Hazer Group Ltd	Year End 30 June	
Share Price	0.24	A\$/sh
Price Target	0.85	A\$/sh
Valuation	0.88	A\$/sh

Shares on issue	97.3m, undiluted	
Options on issue	44.7	m
Market Capitalisation - undiluted	23.4	A\$m
Enterprise Value	16.8	A\$m
Debt	0	A\$m
Cash (Pro-forma)	6.6	A\$m

Turnover	223k	sh/day
12 Mth Hi-Lo	0.46 - 0.19	A\$/sh
Balance date	June 30th	

Directors & Management

Geoff Ward	CEO
Dr Andrew Cornejo	CTO
Emma Waldon	CFO
Tim Goldsmith	Chairman
Simon Rushton	NED
Danielle Lee	NED
Dr Andrew Harris	NED

Shareholders

Mineral Resources (MIN.ASX)	10.6%
Andrew Cornejo	6.9%
Point at Infinity Pty Ltd	6.7%

Company details

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Share Price Chart



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(HZR \$0.24) Speculative Buy

Corporate

- Pro-Forma Cash balance of \$6.558m (Pro-forma - Dec'Q18)
- Well-funded into FY19

Valuation

- We maintain our 12 month price target for HZR of \$0.85/sh. Using previously outlined methodology.

EZL High level comparables Valuation		
	A\$m	A\$/sh*
Comparable EV	118.1	0.83
+ Unpaid Capital from Opt.	0.0	0.00
- Debt	0.0	0.00
+ Cash	6.6	0.05
Total	124.7	0.88
*Fully diluted		
Price target		0.85

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