

Quick Comment

Hazer Group Ltd (HZR \$0.32) Speculative Buy

Analyst	Date	Price Target
Seth Lizee	31 st March 2020	\$0.85/sh

CDP Capex Budget Approved, COVID-19 Impact

Key Points

- HZR's board of directors have approved the \$16.5m capex budget for the Commercial Demonstration Plant ("CDP");
- The approval follows the completion of sufficient detailed engineering activities and receipt of initial bids for key sub-packages from a range of vendors;
- This announcement trails the \$9.41m binding funding agreement HZR executed with ARENA earlier this month;
- HZR have also advised of the impact to date from COVID-19:
 - Negotiations of biogas supply, project development, and binding hydrogen offtake agreements have progressed slower than anticipated due to COVID-19;
 - HZR's board will evaluate the risks of the current situation on the project given the potential impact to: global supply chains, access to contractors, and being able to secure the balance of funding on acceptable terms;
 - We further highlight HZR's robust \$9.6m cash balance which we believe is sufficient to see it through this time of uncertainty;
- HZR continues progress commercial agreements through 2Q'20 with a FID decision targeted mid-2020, and 1Q'21 project commissioning target maintained;
- We maintain our speculative Buy recommendation and \$0.85/sh price target;

Investment Thesis

The global hydrogen market is currently worth +US\$130bn and is forecast to grow to US\$2.5Tn by 2050. HZR is currently the only pure hydrogen play listed on the ASX. HZR continues to deliver on milestones as shown today, however, the emergence of COVID-19 risks delaying certain timelines. Despite this we note HZR is sufficiently funded to weather this period of uncertainty. Looking at the big picture if HZR can gain third party validation in the form of these agreements/technical milestones we feel investors will impute more value towards HZR and its ability to disrupt the hydrogen markets

Hazer Group Ltd (HZR)

Share Price	0.32	A\$/sh	Enterprise Value	26.8	A\$/m
Price Target	0.85	A\$/sh	Debt	0.0	A\$/m
Valuation	0.88	A\$/sh	Cash	9.6	A\$/m
Shares on issue	113.6	m(dil)	Largest Shareholder	Min Res	9.6%
Market Capitalisation	36.4	A\$m			

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.