ShawandPartners
Financial Services

10 Top Small Cap Ideas for 2024

Shaw and Partners Sector Report

Small Caps to rally in 2024 – Shaw and Partner's 10 best ideas

Company	Current Price	Target Price
A1M	$0.34	$0.80
ANG	$0.33	$0.43
AUT	$0.53	$1.20
C79	$7.89	$7.80
GTK	$5.90	$6.50
MMI	$0.02	$0.06
MRM	$1.60	$2.30
PEN	$0.10	$0.25
RDY	$3.50	$5.00
SLX	$3.80	$5.80

Small Cap Bear Market to end in 2024

A two-year bear market for small cap equities is likely to end in 2024. In both Australian and global equity markets small caps and emerging companies have significantly under-performed their larger peers and now trade at substantial discounts. Given the macroeconomic outlook, we believe 2024 shapes up to be a strong year for small and emerging companies. A combination of falling interest rates, an improving economy, rising currency, faster growth and attractive valuations leave small caps better positioned than at any time in the past two years. In light of this, we have asked our analysts for their top 10 small cap ideas for 2024.

Top Ten Small Cap Ideas for 2024

- **AIC Mines (A1M)** is the quality junior copper producer on the ASX. The company offers investors one of the few ways to invest in a simple leveraged exposure to the copper price. We like A1M for its strong management, improving operational performance, growth from new developments and exploration upside.
- **Austin Engineering (ANG)** engages in the design and manufacture of customized dump truck bodies, buckets, and ancillary products used in the mining industry. The company reiterated its 1H24 NPAT guidance at its AGM on 12 October 2023. Conditions have improved, particularly in the iron ore sector which formed 31% of ANG's FY23 revenue.
- **FireFly Metals (AUT)** formerly known as AuTECO and with a pending stock code change to FFM. Firefly offers investors a very simple pure exposure to copper exploration. Firefly will be rich with newsflow as it drills the Green Bay copper/gold resource in Canada.
- **Chrysos (C79)** proprietary Photon Assay technology is making is mineral assays faster, more accurate and more environmentally friendly**.** C79 trades on an FY24 EV revenue multiple of 15.9x and we forecast a 3-year revenue CAGR of 57%. We see considerable upside as our $7.80 PT only assumes 240 terminal units vs a current TAM of 610.
- **Gentrack (GTK)** is rolling out its new billing software to utilities and leveraging its recent partnership with Salesforce. GTK trades on a FY24 EV/Cash EBITDA multiple of 25.8x and we forecast a 3-year cash earnings CAGR of ~20%. We see considerable upside to this growth, as we still only assume a conservative terminal margin of 25%.
- **Metro Mining (MMI)** ships bauxite to China and is trading at just 1.4x PE and 1.2x EV/EBITDA in 2024. Bauxite prices are rising due to strong demand from China and the implementation of an export ban from Indonesia.
- **MMA Offshore (MRM)** is operating in favourable conditions that could persist for years. MRM is trading at 3.6x FY25e Shaw EBITDA, compared to a historic trading range of 6-8x forward EBITDA and peers trading at an average of 5.4x FY25 EBITDA.
- **Peninsula (PEN)** is one of the cheapest uranium stocks on the ASX. The stocks trades on an EV/Resource multiple of US$1.1/lb. Boss just paid ~US$10/lb for a 30% stake in the similar Alta Mesa ISR uranium project in Texas.
- **Readytech (RDY)** trades on FY24 EV/Cash EBITDA multiple of 21.7x and we forecast a 3-year cash earnings CAGR of +30%. We believe the stock is cheap for this growth profile and believe it will re-rate.
- **Silex (SLX)** has the potential to be a generational investment. This technology is likely to revolutionise the uranium enrichment industry. There are positive catalysts in 2024 as the pilot plant proves up the technology, Cameco exercises its option to increase its stake in the GLE JV and the US implements a ban on Russian uranium imports.

Recommendation

2024 shapes up as being a strong year for small and emerging companies on a combination of falling interest rates, an improving economy, rising currency, faster growth and attractive valuations. Our 10 best ideas are: A1M, ANG, AUT, C79, GTK, MMI, MRM, PEN, RDY and SLX.

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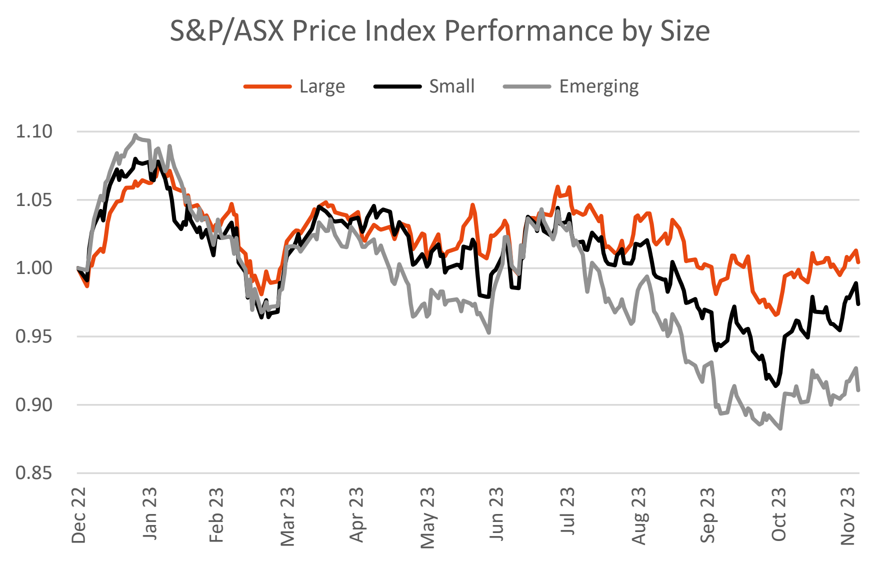
Small Caps Turning the Corner in 2024.

2023 has been a difficult year for small company investors, with the ASX Small Ordinaries year-to-date down 2.6% in price terms and flat including dividends, versus a 4.7% increase in the S&P/ASX 100 index including dividends.

Emerging companies have faced even tougher conditions, with the S&P/ASX Emerging Companies index down 9% in price terms and 7% including dividends.

Figure 1: S&P/ ASX Price Index Performance by Size



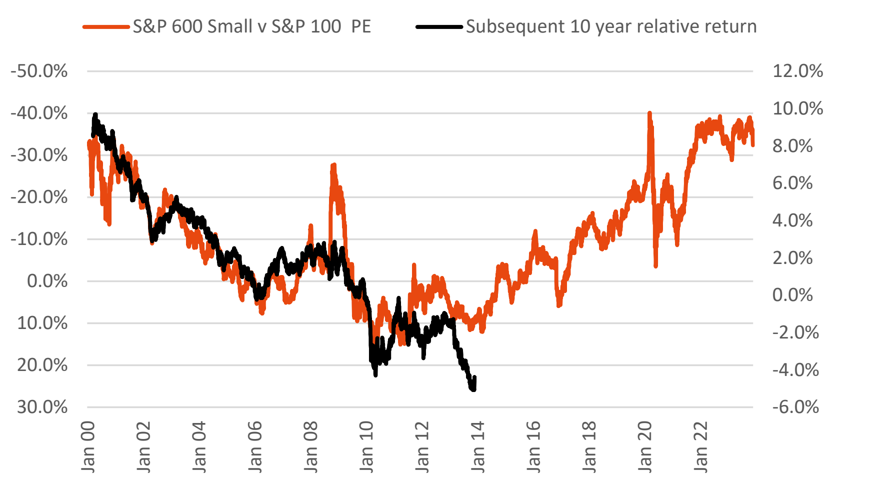
Source: FactSet, Shaw and Partners

The underperformance of small versus large companies is a global phenomenon and has resulted in small companies becoming much cheaper than their large cap peers.

In the United States, the S&P 600 Small Cap 12 month forward PE ratio is 13.2x versus 19.5x for the S&P 100 index. This valuation gap of 32.4% is in the bottom 10% since 2000 and the last time this gap was so large, small companies outperformed large companies by 10% per annum for a decade.

This contrasts to 10 years ago when Small Companies traded at a 9.4% premium to large caps and subsequently underperformed large caps by 4.6% per annum for a decade.

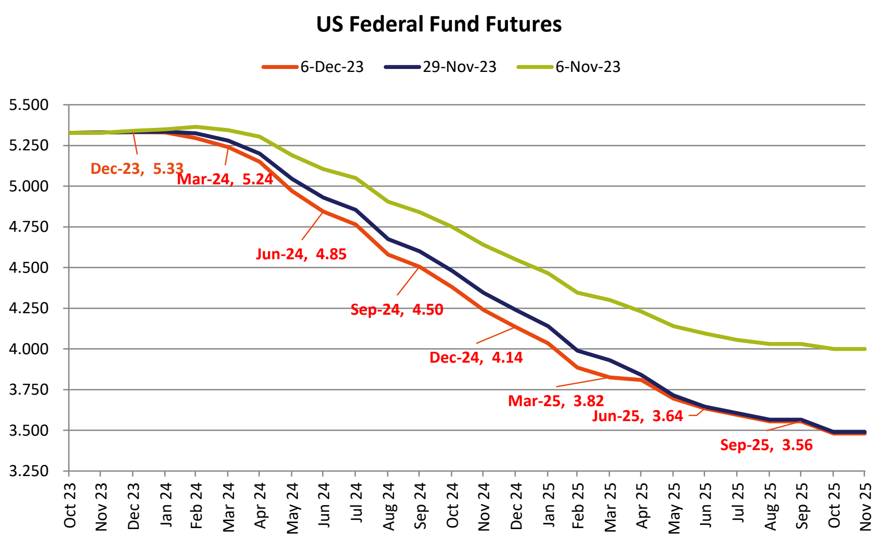
Figure 2: P/E ratio comparison of S&P600 Small and S&P 100, and subsequent 10-year relative return



Source: FactSet, Shaw and Partners

Emerging companies are typically more sensitive to changes in economic activity, so as higher interest rates have slowed economic activity in 2023, share prices have followed. The outlook for 2024, however, is for growth to recover toward the second half of the year as it is anticipated that central banks will begin cutting interest rates in the first half of the year.

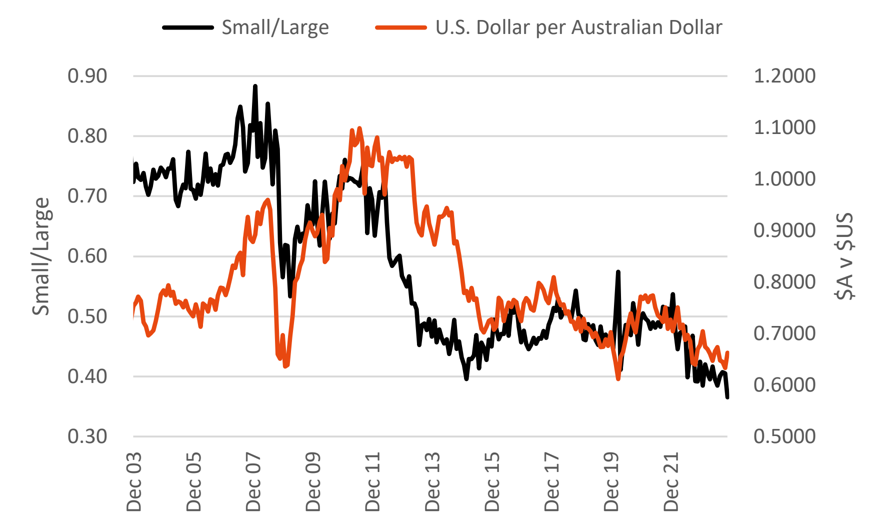
Figure 3: US Federal Fund Futures are pricing in interest rate cuts in 2024 and 2025



Source: FactSet, Shaw and Partners

Another factor in favour of small caps in 2024 is the currency. As shown, the performance of small caps versus their large cap peers correlates closely with the level of the Australian dollar against the US dollar.

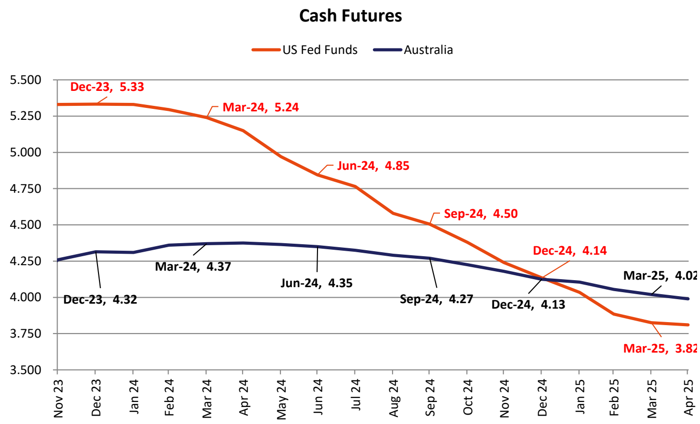
Figure 4: Performance of Australian Small Cap vs Large Cap and AUD/USD exchange rate



Source: FactSet, Shaw and Partners

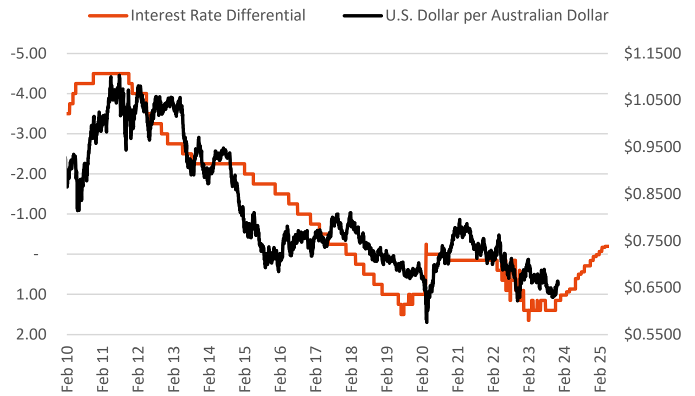
As Australian interest rates are expected to stay "higher for longer" against lower US interest rates, we should see the $A appreciate and help smaller companies outperform.

Figure 5: Comparison of US and Australian Cash Futures



Source: FactSet, Shaw and Partners

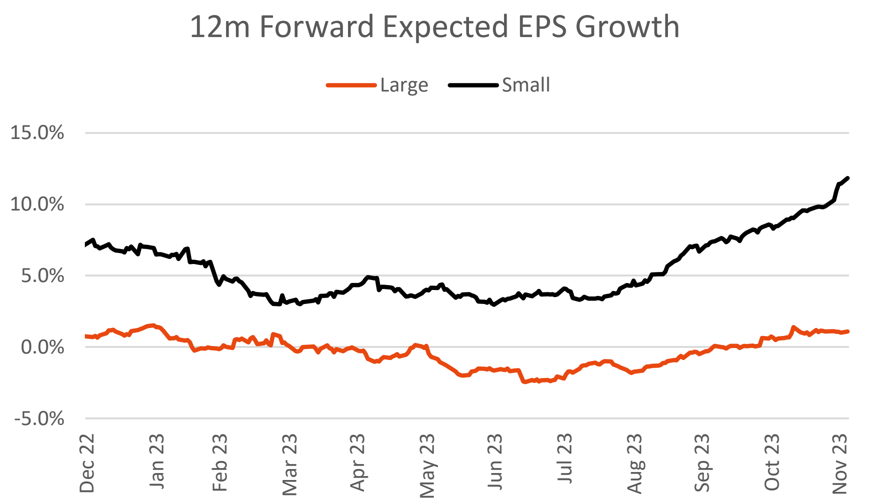
Figure 6: Interest Rate Differential between US and Australia closely tracks AUD/USD rate



Source: FactSet, Shaw and Partners

As the Australian economy improves heading into 2025, it is expected that smaller companies will grow faster than large companies. The latest consensus projections are for 11.8% growth for small cap earnings versus only 1% for larger cap earnings.

Figure 7:



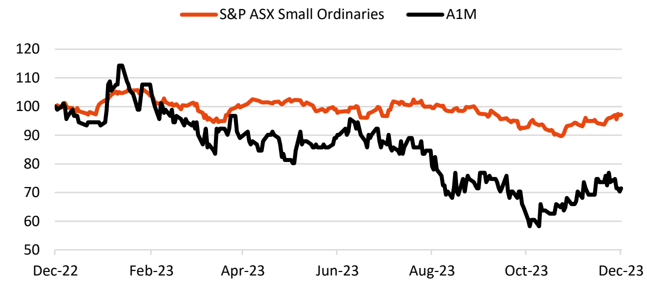
Source: FactSet, Shaw and Partners

2024 shapes up as being a strong year for small and emerging companies on a combination of falling interest rates, an improving economy, rising currency, faster growth and attractive valuations.

AIC Mines (A1M)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$0.33
Target Price	$0.80
Analyst	Peter Kormendy

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	5.34%	-6.83%	-25.76%

Source: FactSet, Shaw and Partners

What is AIC Mines and what does it do?

A1M owns the Eloise copper mine, a high-grade operating underground mine in QLD.

Why do we like the stock?

- **SepQ'23 production the best yet:** A1M recently reported an excellent September quarter, producing 3,402t of copper at an AISC A$4.94/lb. This is the highest quarterly production since AIC Mines took ownership in November 2021.
- **Building a track record of execution:** The operational team has strung three good quarters together in a row and FY24 is shaping up to be another good year. Key to success is diversity of ore sources, up to five, from two at the start of CY23.
- **Jericho to come:** The next step involves bringing the Nov'22 acquisition of Jericho into production while increasing throughput rates at Eloise processing plant to turn the combined operation into a true cornerstone asset.
- **Copper price strength ahead:** The most aggressive interest rate tightening cycle in a generation and strong USD has been a headwind for copper over the past two years. We expect these two factors to reverse in 2024. Copper is also the metal of electrification.

Why is it a top pick?

- A1M is the quality junior copper producer on the ASX. The company offers investors one of the few ways to invest in a simple leveraged exposure to the copper price.

Forecasts

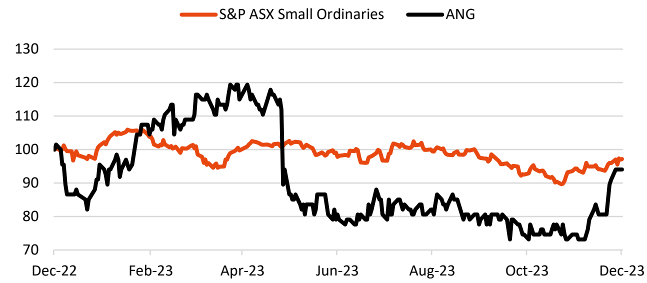
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	-1.6	5.3	11.8
Dividends (AUD) cps	0.0	0.0	3.6
PE x	-24.9	6.2	2.8
Yield %	0.0%	0.0%	10.8%
Franking %	100%	100%	100%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Austin Engineering (ANG)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$0.32
Target Price	$0.43
Analyst	Philip Pepe

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	23.01%	19.18%	-3.15%

Source: FactSet, Shaw and Partners

Tray Magnifique

- ANG engages in the design and manufacture of customized dump truck bodies, buckets, and ancillary products used in the mining industry.

Why do we like the stock?

- ANG provides customised mining equipment that can be more efficient than the equivalent equipment provided by the truck original equipment manufacturer (OEM). The strategy employed by the MD, who took over two years ago, has materially increased margins, with more still to come.

Why is it a top pick?

- In August 2023, ANG guided to 1H24 NPAT of $10m to $12m, representing growth of circa 100% versus PCP. Shaw forecasts 1H24 NPAT of $11.1m (105% growth). Guidance was reiterated at the company's AGM on 12 October 2023. Since then, conditions have improved, particularly in the iron ore sector which formed 31% of ANG's FY23 revenue. This suggests some potential upside versus our forecasts.
- The recent Mainetec acquisition and OEM contract win provides additional avenues for solid revenue growth.
- ANG remains on track to be net debt free by 30 June 2024. This would help with any potential further acquisitions and / or the reinstalment of dividends.
- Trading on an FY24 PER of 6.8x with forecast ~50% increase in FY24 NPAT.

Forecasts

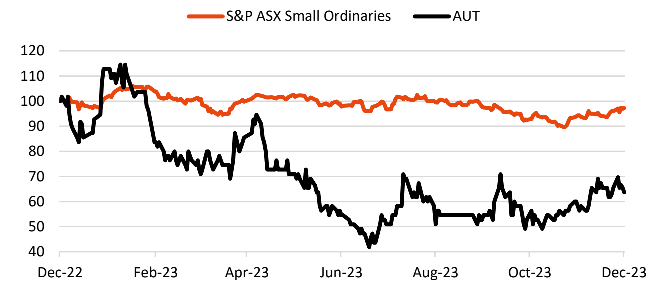
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	3.1	4.7	5.0
Dividends (AUD) cps	0.0	0.0	1.0
PE x	8.8	6.8	6.5
Yield %	0.0%	0.0%	3.1%
Franking %	0%	100%	100%

** Relative Performance compared to S&P ASX Small Ordinaries Index.*

FireFly Metals (AUT)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$0.53
Target Price	$1.20
Analyst	Peter Kormendy

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	6.38%	16.98%	-33.55%

Source: FactSet, Shaw and Partners

What is FireFly Metals and what does it do?

Formerly known as AuTECO, FireFly recently pivoted from gold to copper through the purchase of the Green Bay copper-gold project in Newfoundland, Canada.

Why do we like the stock?

- **New management team, proven track record:** Steve Parsons has rejoined as CEO and Mike Naylor as Executive Director. Both are well known to the market and have an established track record of success.
- **Growing the resource base:** Rather than re-staring production at Green Bay, new management will instead focus on drilling and growing the resource for at least the next 18 months. Exploration will focus on growth around high grade intersections (>4%) already in the database.
- **Leverage to a higher copper price:** Management will look to bring Green Bay back into production later in the decade, by which time both we and the market expect the copper price to be materially higher.
- **Copper price strength ahead:** The most aggressive interest rate tightening cycle in a generation and strong USD has been a headwind for copper over the past two years. We expect these two factors to reverse in 2024.

Why is it a top pick?

- AUT offers investors a very simple pure exposure to copper exploration.

Forecasts

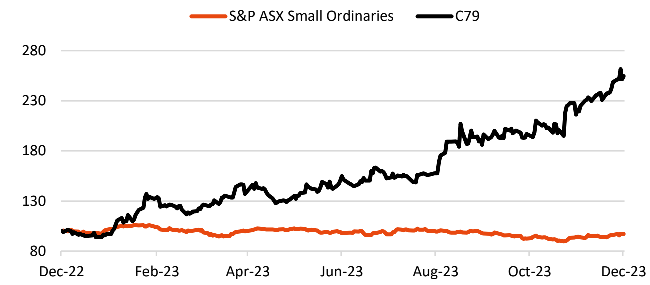
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	-0.2	-1.8	-3.4
Dividends (AUD) cps	0.0	0.0	0.0
PE x	-15.7	-27.8	-14.7
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Chrysos (C79)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$8.00
Target Price	$7.80
Analyst	Jules Cooper

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	12.11%	29.97%	157.59%

Source: FactSet, Shaw and Partners

What is C79 and what does it do?

- C79 is in the early stages of commercializing proprietary technology that makes mineral assays faster, more accurate and more environmentally friendly.

Why do we like the stock?

- **Addressing a large opportunity:** C79 has framed its potential addressable market as around 610 units. At current pricing, this suggests a TAM of well over $1bn. The incumbent technology, fire assay, is over 5,000 years old. C79 is a technology leader and has a strong first mover advantage.
- **Validated technology:** To date, C79 has deployed 22 units and counts global miners and leading lab companies as customers. Early customers are now moving quickly to contract more units. Recently C79 signed a global partnership with Barrick Gold to roll out Photon Assay globally across its portfolio. This is sending a strong message that Photon Assay is the future.
- **Track record of strong execution:** Since listing in 2021, C79 management have delivered against all key targets. This is impressive particularly in the context of its strong growth. Management have proven they can scale and have now laid the foundation for a global business.

Why is it a top pick?

- C79 trades on FY24 EV revenue multiple of 15.9x and we forecast a 3-year revenue CAGR of 57%. We see considerable upside as our $7.80 PT only assumes 240 terminal units vs a current TAM of 610 and that will grow over-time.

Forecasts

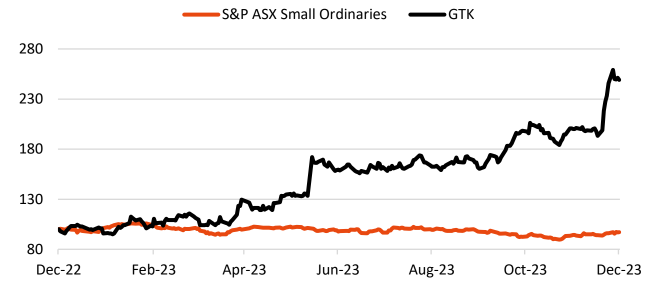
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	0.4	-0.1	6.2
Dividends (AUD) cps	0.0	0.0	0.0
PE x	nm	nm	nm
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Gentrack (GTK)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$5.98
Target Price	$6.50
Analyst	Jules Cooper

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	21.59%	55.63%	151.98%

Source: FactSet, Shaw and Partners

What is GTK and what does it do?

- GTK provides billing software to utilities and is in the early stages of rolling out its new platform to existing customers and leveraging its recent partnership with Salesforce.

Why do we like the stock?

- **A big transformation opportunity:** Gartner believe 25% of utilities globally will move to new billing providers. This is a significant opportunity given approx. 70% of those are running on SAP/Oracle systems. GTK is well positioned with the right technology, market experience and delivery capability. It is only getting started.
- **Showing early momentum:** GTK have recently signed two new deals that build our confidence, including an upgrade with Genesis in NZ, and its first new win with Salesforce in the Middle East.
- **Track record of strong execution:** Since his appointment in 2020, CEO Gary Miles and his team have laid a solid foundation for future growth. Their products are winning again, customers and employees are happy, and their confidence in the transformation opportunity is building.

Why is it a top pick?

- GTK trades on FY24 EV/Cash EBITDA multiple of 25.8x and we forecast a 3-year cash earnings CAGR of ~20%. We see considerable upside to this growth, as we still only assume a terminal margin of 25%, which arguably could be too low.

Forecasts

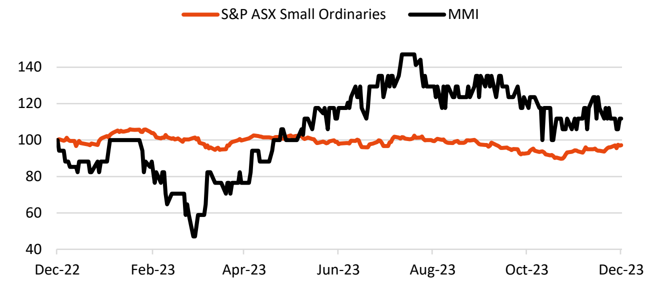
YE 30-Sep	FY23	FY24E	FY25E
Earnings cps	13.0	10.6	16.5
Dividends (AUD) cps	0.0	0.0	0.0
PE x	37.0	59.3	38.2
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Metro Mining (MMI)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$0.02
Target Price	$0.06
Analyst	Andrew Hines

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	-2.99%	-17.08%	14.58%

Source: FactSet, Shaw and Partners

What is MMI and what does it do?

- MMI operates the Bauxite Hills bauxite mine in far north Queensland. The company ships ~5Mtpa of bauxite to China and is in the process of expanding to 7Mtpa.

Why do we like the stock?

- **Bauxite market strength:** The bauxite market is strengthening due to strong demand from China at the same time as Indonesia implements export bans. China is becoming more dependent on import as it has overwhelmed its natural endowment of the commodity in much the same way it did iron ore in the past 20 years.
- **Management strength:** CEO Simon Wensley has a strong record in the industry and previously ran Rio Tinto's alumina business. He is bringing RIO discipline and resilience to the operations.
- **Economies of scale as the business expands:** In 2024 Metro is planning to ship 7Mt of bauxite. The economics are compelling with MMI's bauxite sold at ~A$60/t into China. Mining costs are expected to be ~A$18/t, freight at A$14/t and royalties and overheads at ~A$7/t. MMI should generate a margin of ~A$21/t, which implies ~A$140m EBITDA in 2024.

Why is it a top pick?

The market does not yet believe MMI can deliver of the earnings numbers we are forecasting. The stock is trading at 1.4x PE and 1.2x EV/EBITDA in 2024. As MMI delivers the results the stock will re-rate.

Forecasts

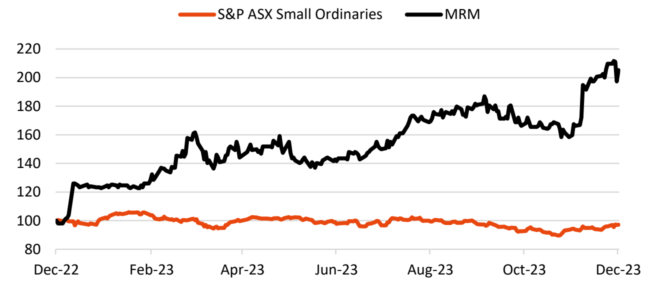
YE 31-Dec	FY22	FY23E	FY24E
Earnings cps	-1.4	0.3	1.5
Dividends (AUD) cps	0.0	0.0	1.0
PE x	-1.0	5.7	1.3
Yield %	0.0%	0.0%	52.6%
Franking %	0%	0%	100%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

MMA Offshore (MRM)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$1.90
Target Price	$2.30
Analyst	Larry Gandler

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	25.46%	13.57%	108.01%

Source: FactSet, Shaw and Partners

What is MRM and what does it do?

- MRM provides marine services to offshore wind, oil, gas and government customers. It is a niche operator with 20 vessels where the largest in the industry operates about 200 vessels.

Why do we like the stock?

- **Long cycle turns favourable:** The offshore service vessel industry is now in short supply after 8 years of surplus. The previous up-cycle lasted over 10 years. It takes years to build confidence of financial backers, restart shipbuilding capacity, and then construct new vessels. In the meantime, new demand has emerged: the industry is no longer solely reliant on the boom/bust oil industry. Offshore wind was 24% of MRM's revenue in FY23, while oil rig decommissioning and LNG are growing sources of demand. Output pricing/utilization has recovered.
- **Offshore wind underpins growth for many years:** Currently at least 3 of MRM's 20 vessels are on wind projects. Taiwan currently has 3 major wind projects to be delivered by 2024. A further 7 are targeted for 2027 in Taiwan.
- **Strong balance sheet:** MRM is projected to finish FY24 with A$0.25/share of *net cash*.

Why is it a top pick?

- MRM is operating in favorable operating conditions that could persist for years. MRM is trading at 3.6x FY25e Shaw EBITDA, compared to a historic trading range of 6-8x forward EBITDA and peers trading at an average of 5.4x FY25 EBITDA.

Forecasts

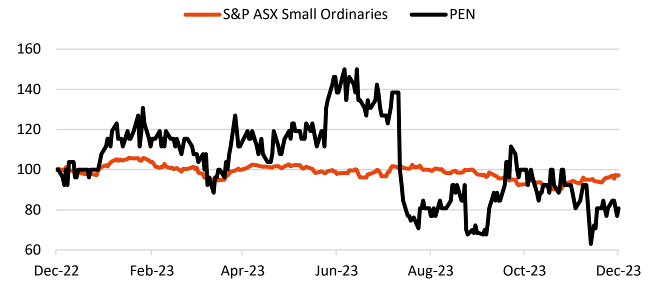
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	5.8	16.3	23.9
Dividends (AUD) cps	0.0	4.0	8.0
PE x	20.0	9.8	6.7
Yield %	0.0%	2.5%	5.0%
Franking %	0%	100%	100%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Peninsula (PEN)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$0.11
Target Price	$0.25
Analyst	Andrew Hines

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	-11.69%	18.29%	-16.42%

Source: FactSet, Shaw and Partners

What is PEN and what does it do?

- PEN is restarting uranium production from the Lance ISR (In-situ Recovery) Uranium Project in Wyoming, US. First production is expected in late 2024.

Why do we like the stock?

- **Leverage to an improving uranium market:** Nuclear energy is enjoying a renaissance around the globe as governments have realized that decarbonization of power grids requires nuclear energy. At COP28, 22 countries including the US, UK and Japan have pledged to triple nuclear power capacity by 2050. There has been little investment in uranium supply since Fukushima and as a result, uranium prices are surging higher and could spike well above US$100/lb in 2024.
- **US jurisdiction:** The US is largely dependent on imports of uranium to fuel its fleet of nuclear reactors, including from Russia. Peninsula is likely to receive strong support from the US government, including attractive debt from the US DoE.
- **Simple restart of an existing project:** Lance was in production before being placed on care-and-maintenance in the Fukushima downturn. A restart is relatively low risk.

Why is it a top pick?

- Peninsula is one of the cheapest uranium stocks on the ASX. The stocks trades on an EV/Resource multiple of US$1.1/lb. Boss just paid ~US$10/lb for a 30% stake in the similar Alta Mesa ISR uranium project in Texas.

Forecasts

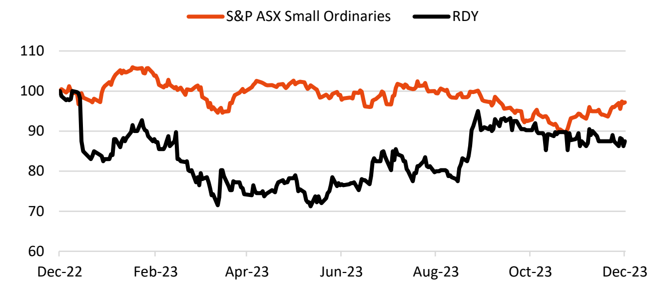
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	-0.3	0.0	-0.2
Dividends (AUD) cps	0.0	0.0	0.0
PE x	-36.3	nm	-32.4
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Readytech (RDY)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$3.50
Target Price	$5.00
Analyst	Jules Cooper

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	-5.23%	-3.54%	-9.68%

Source: FactSet, Shaw and Partners

What is RDY and what does it do?

- RDY provides core systems software to local councils and education institutions in ANZ and the UK. It is in the early stages of successfully moving into the Enterprise.

Why do we like the stock?

- **A large enterprise opportunity:** RDY estimates a serviceable addressable market for its software of nearly $1bn across its key verticals. Its vertical focus, open architecture, customer centricity and reputation for innovation is a key differentiator and appears to be resonating. Software stocks that can successfully make the transition to enterprise, tend to do well.
- **Momentum is building:** RDY signed $16m of new high-value deals in FY23, double the value of FY22 deals and almost 3x FY21. Its gross opportunity pipeline sits at a record $28m and grew on the prior year, despite the record wins. We are encouraged by the momentum and expect it will continue.
- **Track record of strong execution:** Marc Washbourne, Founder and CEO, and his team have made significant investment into RDY's enterprise capability in recent years. Success to date is validating that investment and shareholders now stand to benefit as revenue scales and drives operating leverage.

Why is it a top pick?

- RDY trades on FY24 EV/Cash EBITDA multiple of 21.7x and we forecast a 3-year cash earnings CAGR of +30%. We believe the stock is cheap for this growth profile and believe it will re-rate.

Forecasts

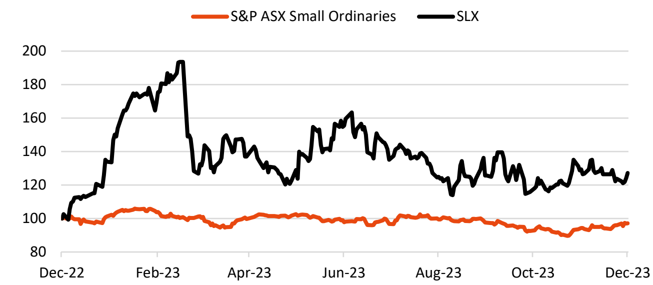
YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	9.9	11.6	16.4
Dividends (AUD) cps	0.0	0.0	0.0
PE x	33.3	29.7	21.0
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Silex (SLX)

Recommendation	Buy
Risk	High
Share Price (as at Friday 8 Dec 2023)	$3.37
Target Price	$5.80
Analyst	Andrew Hines

Share Price Chart



	1 mth	3 mth	12 mth
Relative Performance *	-4.74%	1.51%	29.99%

Source: FactSet, Shaw and Partners

What is SLX and what does it do?

- SLX is a technology company that has developed the next generation of uranium enrichment technology. The technology involves using lasers to excite uranium atoms so that the fissionable U-235 isotope can be separated from U-238.

Why do we like the stock?

- **A huge global opportunity:** As Silex proves this technology works at commercial scale, it is set to become the global standard in uranium enrichment. Most uranium is enriched in centrifuges, which is relatively inefficient, expensive and slow.
- **Support from Cameco and the US:** Silex is commercializing the technology in the GLE (Global Laser Enrichment) joint venture with Cameco. The JV is currently 75/25 Silex/Cameco but Cameco has an option to move to 51%. We expect the option to be exercised once the pilot plant trials are complete in mid-24. The US government is likely to be highly supportive as it replaces the need for Russian imports.
- **Stage 1 is a similar scale to Paladin's Langer Heinrich:** The initial project is at the Paducah Laser Enrichment Facility (PLEF). This project will produce 5Mlb/yr of uranium at a cash cost of below US$30/lb. Silex is trading at ¼ the valuation of Paladin.

Why is it a top pick?

Silex has the potential to be a generational investment. This technology is likely to revolutionise the uranium enrichment industry. There are positive catalysts in 2024 as the pilot plant proves up the technology and Cameco exercises its option.

Forecasts

YE 30-Jun	FY23	FY24E	FY25E
Earnings cps	-1.7	0.0	0.0
Dividends (AUD) cps	0.0	0.0	0.0
PE x	nm	nm	nm
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

** Relative Performance compared to the S&P ASX Small Ordinaries Index.*

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	60	94%
Hold	3	5%
Sell	1	2%

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Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 198 003	Toll Free: 1800 271 201

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