



Adventus Mining Corporation

(ADZN-V)
SECTOR: Mining

STOCK PRICE C\$0.84
RATING **BUY**
TARGET PRICE C\$2.50
RISK Very High

COPPER RALLY PRESENTING OPPORTUNITY FOR COPPER DEVELOPERS

Ready to Recover

OUR TAKE: Despite making progress at its projects, ADZN has fallen 50% since July, most recently due to untimely selling by a major shareholder, unrelated to company events. As the copper market continues to show strength, we believe investor interest will increasingly include developers with promising projects. We believe ADZN presents an attractive entry point ahead of key catalysts starting in December.

HIGHLIGHTS

- ◆ **Copper reached a 29-month high, and is up 22.3% since mid-March.** While the most recent rise was helped in part by automated momentum-driven trading from speculative funds, Chinese demand remains strong enough to maintain demand growth despite much slower recoveries and lockdowns in Europe and the U.S. Meanwhile, supply has been constrained due to Covid-19 as well as from labor and social unrest in Chile and Peru, the two largest copper-producing countries in the world. We note Peru's currency has fallen to a record low amid political chaos and the largest protests in Lima in decades, and that further disruptions could impact logistics for copper concentrate in the country.
- ◆ **ADZN has missed the rally.** Copper stocks have outperformed, with the Global X Copper Miners ETF up 99.1% since mid-March, and companies like HBM, FM, and LUN at 52-week highs. However, the rally has not been fully reflected in earlier stage companies, including ADZN, which has fallen by 50% since July, 2020, when the Company completed a financing for C\$35M at C\$1.27/sh. ADZN now has a market capitalization of C\$108M, with ~C\$35M in cash and C\$5M in equities, for an EV of \$55M. The Company is fully funded for a construction decision at El Domo, and drilling activity, with 7 rigs turning.
- ◆ **Untimely stock sales have not helped...** ADZN was impacted by sales from a major shareholder, which sold its entire position of 12M shares in September due to liquidity issues, and has in turn caused other shareholders to sell as a result of the underperformance of the stock. Meanwhile, the stock of Salazar Resources Ltd. (SRL:TSXV, Not Rated), the Company's Ecuadorian partner, is trading at an 8-year high.
- ◆ **...But work at El Domo is making progress.** At the El Domo project, the feasibility study is on track and below budget for completion in 4Q21, and the EIA is expected to be submitted to the government in the summer of 2021, on a path to production in 2024. All aspects of the feasibility study are trending towards an improvement from the PEA, in particular, capex and opex are expected to decrease, and economics will be enhanced by better metallurgy. At current prices, based on PEA parameters, El Domo has an after-tax IRR of ~50%, After-tax NPV_{8%} ~\$384M, with the first four years of mine life generating ~\$400M in free cash flow from a NSR metal mix of 40% copper, 35% gold, 15% zinc and 10% silver.
- ◆ **And regional programs are underway.** Adventus is also active on regional projects, including 10,000m+ of exploration drilling at Curipamba over the next 15 months, and up to 10,000 m of drilling at the Pijili and Santiago projects over the next 15 months. Adventus believes the projects within its Exploration Alliance could develop into copper porphyry districts.
- ◆ **Steady stream of news on projects.** Adventus has planned a bi-weekly press release program between now and the end of 2021. Starting in December, the company will highlight some of the El Domo feasibility study improvements, in addition to news on 42 infill and step-out holes at the project. In addition to updates on the feasibility study and EIA, there will be regular drilling news from regional programs. We also note that the Irish 2021 zinc drilling program is fully funded by South 32.

RECOMMENDED ACTION

We recommend accumulating shares at current prices.

- ◆ We believe upcoming catalysts will help to re-rate the stock, leading up to the El Domo feasibility study in 4Q21.

KEY STATISTICS AND METRICS

52-Week High/Low, (C\$/sh)	\$1.60 / \$0.52
YTD Performance	12%
Dividend Yield	nil
Shares O/S	128.8M (basic)/ 135.1M (F/D)
Market Capitalization	\$83M
Cash	\$28M
Debt	\$0M
Working Capital	\$27M
Enterprise Value	\$55M
Daily Volume (3-month avg)	107,890
Currency	US\$ unless noted

*Balance sheet figures reflect last reported period

HAYWOOD ESTIMATES (USD)

	2024E	2025E	2026E
Revenue, \$M	\$0	\$199	\$237
EBITDA, \$M	(\$2)	\$157	\$190
Earnings, \$M	(\$14)	\$118	\$145
Operating Cash Flow, \$M	(\$13)	\$119	\$146
EPS	(\$0.06)	\$0.49	\$0.61
CFPS	(\$0.05)	\$0.50	\$0.61
FCFPS	(\$0.72)	\$0.48	\$0.59

VALUATION

Adventus Zinc is trading at a 0.31x multiple to corporate NAV_{10%}, which compares with peers at 0.52x.

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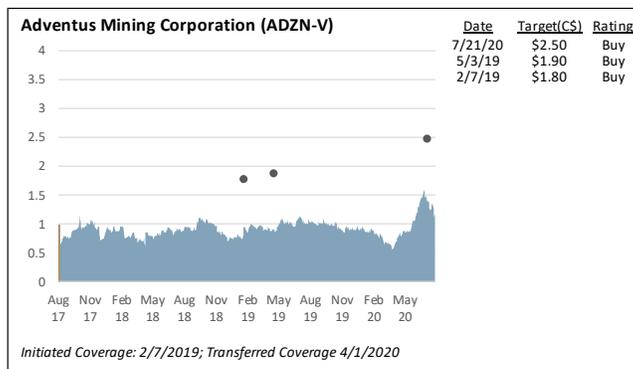
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Distribution of Ratings (as of November 23, 2020)

	%	#	IB Clients (TTM)
Buy	75.2%	79	91.7%
Hold	4.8%	5	0.0%
Sell	0.0%	0	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	19.0%	20	8.3%

Price Chart, Rating and Target Price History (as of November 23, 2020)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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