BELL POTTER

06 September 2025

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Lynas Rare Earths (Ltd) (LYC)

Priced for perfection

Recommendation
Sell (unchanged)
Price
$14.35
Target (12 months)
$9.35 (previously $7.65)

Sector

Materials

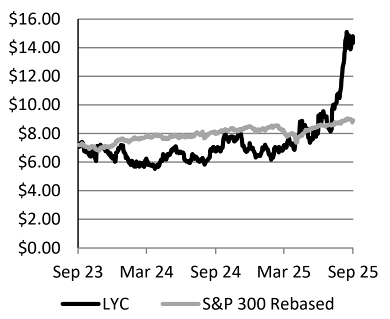
Expected Return	
Capital growth	-35%
Dividend yield	0%
Total expected return	-35%

Company Data & Ratios	
Enterprise value	$13,510m
Market cap	$14,236m
Issued capital	992m
Free float	95%
Avg. daily val. (52wk)	$47m
12 month price range	$6.16-$15.25

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	11.25	8.07	6.92
Absolute (%)	27.6	77.8	107.4
Rel market (%)	25.1	72.2	97.7

Absolute Price



SOURCE: IRESS

Onwards and downstream with a bullet proof balance sheet

LYC highlighted the *'Towards 2030'* strategy which includes two pillars **1) Harvest:** returns through optimisation of the Lynas 2025 strategy and ramping current capacity in-line with current demand and **2) Grow:** adding resource and scale, increasing separation capacity and expanding into the downstream ex-China metal and magnets sector. Following the A$750m placement the business has ~A$902m in liquidity, addressing issues of balance sheet stress and providing a platform to begin funding its strategic goals. Details on expansion potential are vague, which makes assessing the likely capital requirements of various ventures difficult. Reading between the lines: Seadrift is delayed until the US Govt comes to the table on funding, which pushes out 1.5ktpa in NdPr processing capacity, potentially Malaysia could expand downstream separation which would bring group production up to 12ktpa, however this would be later in the decade we suspect.

FY25 highlights – Higher depreciation drives a miss

LYC reported FY25 highlights: Revenue of A$557m (BPe $547m, VA cons $547m); COGS (ex Depn) of A$382m (BPe $378m, VA cons $382m); EBITDA of A$101m (BPe $96m, VA cons $99m); NPAT of A$8m (BPe $32m, VA cons $37m); and EPS of A$0.86cps (BPe A$3.46cps, VA cons A$3.53cps).

Investment Thesis: Sell, Target Price $9.35/sh

Our Target price increases to $9.35/sh (previously $7.65), and we maintain our Sell recommendation. We do recognise that the current themes pushing LYC higher are likely to persist as tailwinds over the short term. We have seen the US play its hand with the MP Materials deal; this could form a blueprint for other sovereign investments. Despite this, we believe LYC is priced for perfection, with little room for error. EPS changes in this report: FY26 -8%, FY27 -7%, FY28 -15%

Earnings Forecast

Year end 30 June	2025a	2026e	2027e	2028e
Sales (A$m)	557	1092	1767	1835
EBITDA (A$m)	101	444	1080	1142
NPAT (reported) (A$m)	8	296	848	951
NPAT (adjusted) (A$m)	8	296	848	951
EPS (adjusted) (¢ps)	0.9	29.7	85.1	95.4
EPS growth (%)	-91%	3374%	186%	12%
PER (x)	1677.1 x	48.3 x	16.9 x	15.0 x
FCF Yield (%)	-3%	0%	5%	7%
EV/EBITDA (x)	140.5 x	30.1 x	11.6 x	10.2 x
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	0%	9%	21%	19%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Forward trajectory

Onwards and downstream

LYC highlighted its *'Toward 2030'* strategy which includes two pillars 1) Harvest: returns through optimisation of the Lynas 2025 strategy and ramping current capacity in-line with current demand and 2) Grow: adding resource and scale, increasing separation capacity and expanding into the downstream ex-China metal and magnets sector. A more thorough breakdown has been provided below, along with our interpretation of what that might look like:

1. **Harvest – focuses on optimising *'Lynas 2025'***
    a. **Ramp up assets in line with customer demand and market growth –** The current capacity (10.5ktpa NdPr) is likely to be constrained to market demand. This is not a surprise, but may impact our outlook and consensus estimates for production. As it stands LYC accounts for ~9% of global production, expanding to 10.5ktpa by FY28 is a ~27% CAGR from FY25 levels. The ultimate question is – Can the ex-China market expand at that rate? If not, our numbers and consensus are at risk.
    b. **Enhance sales and pricing –** The value-add for LYC margins, which have collapsed in the depressed pricing environment (EBITDA margin 18%, down from 43% average between FY20-FY24) is the ability to achieve materially higher prices for its product suite, which now includes Dy+Tb. We've seen LYC basket price drift away from underlying NdPr prices more recently, and this is largely due to the premiums its product offering attracts.
    c. **Ensure optimal capital allocation –** As it stands, we don't see LYC instigating a dividend policy and therefore view this as capital allocation with respect to growth projects.
    d. **Enhanced government engagement –** A segregated pricing dynamic has been a pipe-dream for some time, however with the US DoD's investment in MP Materials (MP NYSE, not covered) this dream is becoming a reality. We don't think this comes in the form of Government debt, as was made evidently clear in the decision to raise equity, however may focus on enhancing the relationship with Japan over the immediate term.
2. **Grow – *'Towards 2030'***
    a. **Add resource and scale –** The focus here is on increasing recoveries at Mt Weld to create a higher-grade concentrate. Depending on the magnitude, this could impact shipping and transport costs, as well as improving unit economics across the business. The second key point is expansion to include ionic clay feedstock. This has been mentioned on and off by management over the last few years. Specifically they will target Malaysian clay resources.
    b. **Increase downstream capacity** – Expand heavy rare earth separation and expand NdPr separation capacity to 12ktpa. We currently estimate LYC is separating ~70tpa Dy and 15tpa Tb (this is a base case estimate derived from their orebody characteristics). Whilst this is not a material earnings driver, we do see the added benefit from increasing the product offering. Expansion to the 12ktpa separation rate was scheduled to be delivered by the US operations, however the outlook/ timing on that remains uncertain. If the US Government are unwilling to provide additional funding for Seadrift we suspect LYC will look to expand Malaysian separation capacity.

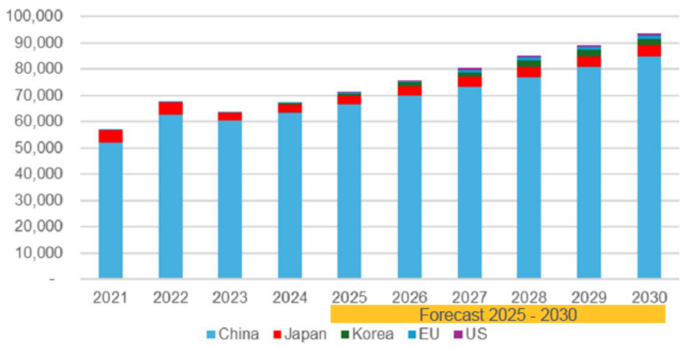
c. **Expand into the ex-China metal and magnet supply chain –** This appears to be part of the MoU with JS Link, in which both parties will seek to develop permanent magnet manufacturing in Malaysia. No further details regarding costs and timing have been provided (a separate article by Project Blue highlighted a 3ktpa NdFeB facility however this is unsubstantiated) On timing, given its part of the *'towards 2030'* campaign we would argue the company seeks to make progress on this towards the end of the decade.

Volume and margin priced for perfection

In our view, LYC earnings need to be supported by an expansion of production over the coming years in combination with increases in the achieved basket price in order to sustain the current stock price. VA consensus estimates production at 12.6ktpa NdPr by FY29.

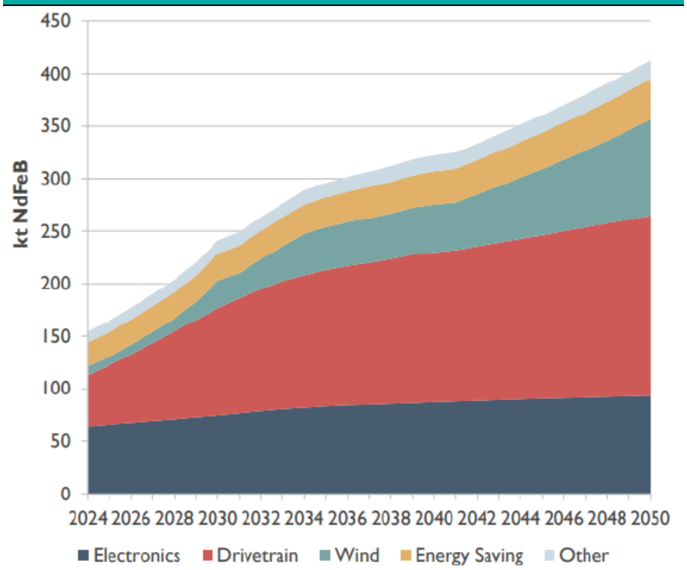
Can LYC expand production into the current market? – Project Blue estimate NdPr demand expanding from a little over ~70ktpa in 2025 to ~92ktpa by the end of the decade. If VA consensus is correct over the next 4 years, LYC will expand from ~9% of global supply to ~14%. The technical aspect of the expansion is not particularly difficult, and something we believe LYC can achieve. The challenging aspect will be matching production and demand without impacting pricing and margins. Project Blue estimates the largest driver of demand growth will be electric vehicles (red area in figure 2) however that the most significant increase in demand for NdPr is coming from expansion of the Chinese market (figure 1). There are more than 20 ex-China magnet facilities considered for development currently, with an estimated total capacity of 60ktpa NdFeb. In combination with the established Japanese market, total NdFeB capacity would be ~81ktpa, which would require ~26ktpa REO (30% NdPr, 2% DyTb). With LYC at 12ktpa and MP Materials at ~6ktpa the gap required to be filled by additional developments by the end of the decade is ~8ktpa (eg Iluka (ILU, not rated) 5.5ktpa, Arafura (ARU, not rated) 4.5ktpa) for example of the most advanced Australian projects). We believe LYC will maintain discipline in bringing additional capacity to market, optimizing production capacity and margins, however the interrelationship between the two makes maximizing one could have a negative impact on the other, ultimately resulting in earnings revisions from consensus.

Figure 1 – NdPr demand from permanent magnet market



SOURCE: COMPANY DATA, PROJECT BLUE

Figure 2 - Long-term NdFeB magnet demand



SOURCE: COMPANY DATA, PROJECT BLUE

FY Review and Earnings adjustments

Figure 3 - Reporting highlights vs BP estimates

	Units	FY22a	FY23a	FY24a	FY25e	VA Cons	FY25a	Vs Bpe
Basket Price	A$/kg	60.6	47.9	40.1	*50.6*	*50.7*	50.6	0%
YoY % growth	%	*96%*	*-21%*	*-16%*	*26%*	*27%*	*26%*	0%
Production NdPr	t	5,880	6,142	5,655	*6,558*	*6,500*	6,558	0%
YoY % growth	%	*8%*	*4%*	*-8%*	*16%*	*15%*	*16%*	0%
Revenue	A$m	920.0	739.3	463.3	*547.5*	*547.3*	556.5	2%
YoY % growth	%	*88%*	*-20%*	*-37%*	*18%*	*18%*	*20%*	11%
COGS	A$m	-291.9	-343.4	-280.0	*-377.5*	*-381.8*	-363.5	-4%
YoY % growth	%	*22%*	*18%*	*-18%*	*35%*	*36%*	*30%*	-14%
Ebitda	A$m	601.2	378.4	132.1	*96.2*	*99.2*	101.2	5%
Margin %	%	*65%*	*51%*	*29%*	*18%*	*18%*	*18%*	4%
Ebit	A$m	540.6	315.5	75.2	*29.6*	*30.5*	6.2	-79%
NPAT	A$m	540.8	310.7	84.5	*32.3*	*37.4*	8.0	-75%
EPS	A$c/sh	59.93	33.27	9.05	*3.46*	*3.53*	0.85	-75%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

- LYC reported FY25 revenue of $556.5m (BPe $547.5m VA Cons $547.3m), a 20% increase vs PcP; Cost of sales was $363.5m excluding depreciation and amortisation (BPe $377.5m and VA Cons $381.8m), up 30% vs PcP.
- EBITDA was $101.2m (BPe $96.2m and VA Cons $99.2m), a beat on our numbers and consensus. Adjusted EBITDA (after removing non-cash share-based payments and other expenses) was $110.4m.
- Overall G&A costs (excluding D&A) were higher vs PcP, ($74.8m vs $55.1m)
- Depreciation was materially ahead of our expectations ($95m vs $67m) and a material increase on FY24 ($57m), driven by a material increase in G&A depreciation.
- At the bottom line, our NPAT estimate of $32.3m wasn't conservative enough, with LYC recording $8m in NPAT (consensus was slightly higher at $37.4m).
- Operating cash flow was A$104m for FY25, a material increase on the A$35m in FY24. The largest driver in the increase here was ~A$90m in cash flow receipts and a ~A$30m decrease in tax paid.
- Capex for FY25 was $431m, with ~A$160m committed over the next 12 months.
- Repayment of borrowings increased over 2HFY25, which was the primary driver of the $41m financing cash outflow.
- Closing cash at the end of FY25 was A$166m. After the results were released LYC successfully completed an A$750m placement resulting in liquidity of ~A$902m

We make the following changes to our model and assumptions;

- Incorporate the FY25 results, which sees adjustments to our depreciation cost base and WC assumptions going forward.
- Lowered our production forecasts modestly in FY26 (-1%) and FY27 (-3%), and pushed out FY28 production increases by 12 months, lowering FY28 production by 11%.
- Adjusted our shares outstanding, accounting for the fully underwritten placement and assuming the completion of the share purchase plan.
- The resulting impact sees decreases in EPS of -8% in FY26, -7% in FY27 and -15% in FY28.

Table 1 - Earnings adjustments

	Units	Prior estimates			Current estimates			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NdPr Spot Price	US$/kg	85	124	128	85	124	128	0%	0%	0%
Other Rare earths	US$/kg	10	10	10	10	10	10	0%	0%	0%
AUD/USD	A$	0.63	0.67	0.70	0.63	0.67	0.70	0%	0%	0%
LYC Basket price	A$/kg	60	76	79	60	76	75	0%	0%	-5%
Production NdPr	tpa	8,336	10,405	11,969	8,270	10,108	10,656	-1%	-3%	-11%
Production Other rare earths	tpa	11,017	14,452	14,693	10,926	14,039	14,801	-1%	-3%	1%
Total REO production	tpa	19,353	24,857	26,662	19,197	24,147	25,457	-1%	-3%	-5%
Revenue	A$m	1,102	1,819	2,043	1,092	1,767	1,835	-1%	-3%	-10%
Sulphuric acid prices	A$/t	243	168	157	243	168	157	0%	0%	0%
Operating costs	A$/kg	34	28	30	34	29	27	0%	0%	-8%
COGS	A$m	(597)	(649)	(694)	(592)	(631)	(638)	-1%	-3%	-8%
EBITDA	A$m	449	1,114	1,293	444	1,080	1,142	-1%	-3%	-12%
D&A	A$m	(73)	(73)	(72)	(100)	(100)	(98)	39%	37%	35%
Ebit	A$m	377	1,041	1,221	343	981	1,044	-9%	-6%	-14%
NPAT (Adj)	A$m	301	855	1,054	296	848	951	-2%	-1%	-10%
EPS (Adj)	Acps	32	92	113	30	85	95	-8%	-7%	-15%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation and Recommendation

Recommendation

We increase our **Target Price to $9.35/sh (previously $7.65/sh) and maintain our Sell recommendation.**

Valuation

We have taken a blended approach to value LYC combining, i) an EV/EBITDA multiple, and ii) a sum-of-the-parts discounted cash flow (DCF) analysis applied to LYC's portfolio of production assets including: Mt Weld Mine, Kalgoorlie, Malaysia (LAMP) and the US heavy and light separation facilities (to be constructed). We have rounded our target price to the nearest 5c.

Table 2 - LYC Valuation

Approach	Weight	A$m	A$/sh
Ev/Ebitda Blended fwd	30%	$2,748	$2.76
Sum-of-the-parts DCF	70%	$6,531	$6.57
	100%	**$9,279**	**$9.34**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Table 3 - LYC sum-of-the-parts DCF valuation

	Prior valuation		Current valuation		% Variance
Ordinary Shares (basic)	**m**	**935**	**m**	**992**	**6%**
Options in the money	m	2	m	2	-13%
Diluted	**m**	**936**	**m**	**994**	**6%**
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	
Lynas Rare Earths Business (NPV 10%)	7,011	7.49	8,194	8.26	10%
Exploration	500	0.53	500	0.50	-5%
Corporate overheads	(90)	(0.10)	(90)	(0.09)	-9%
Subtotal	**7,420**	**7.93**	**8,604**	**8.67**	**9%**
Net cash (debt)	(11)	(0.01)	726	0.73	-7418%
Total undiluted	**7,409**	**7.92**	**9,330**	**9.40**	**19%**
Cash from options	0	0.00	0	0.00	0%
Total diluted	**7,409**	**7.91**	**9,330**	**9.39**	**19%**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Table 4 - LYC - EV/EBITDA valuation

	Prior valuation		Current valuation		% Variance
Metric	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**%**
FY26 EBITDA	$449		$444		-1%
FY27 EBITDA	$1,114		$1,080		-3%
Blended Forward 12 months	$493		$562		14%
Comparison multiple	13.5 x		15.0 x		0%
Enterprise value	$6,652	$7.10	$8,433	$8.49	27%
+ Net cash/ (debt)	-$11	$(0.01)	$726	$0.73	-6700%
Equity value (diluted)	$6,641	$7.09	$9,159	$9.22	38%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Lynas Operations

Overview

LYC's current operating portfolio consists of the Mt Weld mine and concentrator in Laverton, WA, a Cracking and Leaching facility in Kalgoorlie and the Lynas Advanced Materials Plant (LAMP) in Malaysia.

Mt Weld – 100%

Mt Weld consists of a conventional, open pit, mining operation with an onsite 370ktpa concentrator, located proximal to the West Australian town of Laverton. The deposit is a carbonatite intrusion, characterised typically as hosting high-grade long-life rare earth and niobium deposits. Mt Weld has been concentrating high-grade rare earth ore from the Central Lanthanide deposit since 2011. Mining is conducted in staged approaches, with the current program 4.1 underway.

Mt Weld has a current Ore Reserve of 18.6Mt @ 8.2% TREO for total contained REO of 1,527kt and a Mineral Resource Estimate of 54.7Mt @ 5.2% for 2,877kt contained REO. Given current operation trajectory we estimate Mt Weld to have a mine-life of 25 years. LYC have recently initiated an exploration project aimed at maintaining a constant 25+ year mining operation.

Lynas Advanced Materials Plant (LAMP)

Lynas Advanced Materials Plant (LAMP) is in Malaysia, in the Gebeng Industrial Estate near the region of Kuantan. LAMP was commissioned in 2012 and was specifically designed to treat concentrate from Mt Weld via three distinct steps, 1) cracking and leaching, 2) solvent extraction, and 3) product finishing.

Since commissioning, LYC have slowly ramped up production of finished product towards the name-plate capacity of 22ktpa TREO. During which time, LAMP has faced headwinds from the Save Malaysia Stop Lynas (SMSL) activist group around the processing of low-grade radioactive material. In 2020 LYC was alerted to the banning of importation of naturally occurring radioactive material (NORM) material by 1 July 2023. The consequence of this was the relocation of the cracking and leaching phase of the process to separate radioactive material from the Mt Weld concentrate prior to shipping. In October 2023, the ban was overturned, allowing LYC to continue processing lanthanide concentrate in Malaysia until March 2026. Over the next 2-3 years LYC will need to adjust and increase capacity at LAMP to accommodate treatment of the mixed rare earth carbonate material from Mt Weld and the production growth aspirations of 12,00tpa NdPr.

Investment Risks

Risks to resources sector equities include, but are not limited to:

- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Table 5 - Financial summary

ASSUMPTIONS

Year Ending June	Unit	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
COMMODITY PRICE							
NdPr oxide	US$/kg	93	61	58	85	124	128
SEG/HRE oxide	US$/kg	30	22	20	19	19	19
LYC Basket Price	A$/kg	48	40	51	60	76	75
AUD/USD	A$/US$	0.67	0.66	0.65	0.63	0.67	0.70
PRODUCTION & COST							
NdPr oxide	tpa	6,142	5,655	6,558	8,270	10,108	10,656
Other REO	tpa	9,593	5,253	3,904	10,926	14,039	14,801
Operating cost	A$/Kg REO	(29)	(38)	(41)	(34)	(29)	(27)

PROFIT AND LOSS

Year Ending June	Unit	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	A$m	739.3	463.3	556.5	1,091.9	1,766.7	1,835.3
Expense	A$m	(360.9)	(331.2)	(455.3)	(648.3)	(686.5)	(693.8)
EBITDA	**A$m**	378.4	132.1	101.2	443.6	1,080.2	1,141.5
Depreciation	A$m	(62.9)	(56.9)	(95.0)	(100.5)	(99.6)	(97.8)
EBIT	A$m	315.5	75.2	6.2	343.1	980.5	1,043.7
Net interest expense	A$m	(4.0)	(9.6)	(13.8)	(11.7)	(9.7)	(8.0)
Unrealised gains (Impairments)	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	36.4	39.8	17.4	39.2	90.0	153.6
PBT	**A$m**	347.8	105.5	9.7	370.6	1,060.8	1,189.4
Tax expense	A$m	(37.2)	(21.0)	(1.7)	(74.1)	(212.2)	(237.9)
NPAT (reported)	**A$m**	310.7	84.5	8.0	296.5	848.6	951.5
NPAT (underlying)	A$m	310.7	84.5	8.0	296.5	848.6	951.5

CASH FLOW

Year Ending June	Unit	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
OPERATING CASHFLOW							
Receipts	A$m	820.8	460.8	550.7	944.2	1,629.3	1,727.6
Payments	A$m	(397.2)	(340.0)	(389.6)	(634.1)	(618.9)	(599.6)
Tax	A$m	(14.6)	(50.8)	(20.5)	(20.7)	(151.3)	(235.3)
Net interest	A$m	(16.1)	(8.2)	(6.1)	(69.8)	(96.7)	(97.0)
Other	A$m	(6.2)	(26.9)	(30.3)	0.0	0.0	0.0
Operating cash flow	**A$m**	386.8	35.0	104.2	219.5	762.4	795.6
INVESTING CASHFLOW							
Property, plant and equipment	A$m	(595.5)	(579.3)	(430.8)	(160.0)	(40.0)	(40.0)
Mine development	A$m	(1.1)	1.8	(0.1)	0.0	0.0	0.0
Other	A$m	42.1	70.3	24.7	39.2	90.0	153.6
Investing cash flow	**A$m**	(554.5)	(507.2)	(406.2)	(120.8)	50.0	113.6
Free Cash Flow	**A$m**	(167.7)	(472.3)	(302.0)	98.7	812.4	909.3
FINANCING CASHFLOW							
Share issues/(buy-backs)	A$m	214.4	0.0	0.0	825.0	0.0	0.0
Debt proceeds/ (repayments)	A$m	(6.2)	(6.4)	(6.3)	(11.7)	(9.7)	(8.0)
Dividends	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	(9.1)	(16.2)	(39.0)	(35.4)	(17.4)	(16.4)
Financing cash flow	**A$m**	199.0	(22.5)	(45.3)	777.8	(27.2)	(24.4)
Change in cash	A$m	31.3	(494.8)	(347.3)	876.6	785.2	884.9

BALANCE SHEET

Year Ending June	Unit	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
ASSETS							
Cash & short term investments	A$m	1,011.2	523.8	166.5	1,043.0	1,828.3	2,713.1
Accounts receivable	A$m	59.6	49.7	49.0	196.7	334.1	441.9
Property, plant & equipment	A$m	1,294.5	1,920.2	2,235.3	2,294.8	2,235.2	2,177.4
Mine development expenditure	A$m	49.7	74.0	115.3	115.3	115.3	115.3
Exploration & evaluation	A$m	1.4	1.3	1.8	1.8	1.8	1.8
Other	A$m	222.3	236.0	376.3	427.4	442.1	444.9
Total assets	**A$m**	2,638.7	2,804.9	2,944.2	4,079.1	4,956.7	5,894.3
LIABILITIES							
Accounts payable	A$m	82.3	92.4	83.5	78.9	64.4	64.4
Income tax payable	A$m	25.8	0.0	0.0	53.4	114.3	116.9
Borrowings	A$m	177.4	171.8	151.3	130.9	113.4	97.0
Other	A$m	189.8	297.9	356.7	356.7	356.7	356.7
Total liabilities	**A$m**	475.3	562.1	591.5	619.9	648.9	635.1
Net Assets	A$m	2,163	2,243	2,353	3,459	4,308	5,259
SHAREHOLDER'S EQUITY							
Share capital	A$m	2,091.1	2,091.1	2,091.1	2,901.0	2,901.0	2,901.0
Reserves	A$m	(63.6)	(68.7)	33.2	33.2	33.2	33.2
Retained earnings	A$m	135.9	220.4	228.4	524.9	1,373.5	2,325.0
Total equity	**A$m**	2,163	2,243	2,353	3,459	4,308	5,259
Weighted average shares	m	934	934	934	996	996	996

FINANCIAL RATIOS

Year Ending June	Unit	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
VALUATION							
NPAT	A$m	311	85	8	296	849	951
Reported EPS	Ac/sh	33.3	9.1	0.9	29.8	85.2	95.5
Adjusted EPS	Ac/sh	33.3	9.1	0.9	29.8	85.2	95.5
EPS growth	%	-44%	-73%	-91%	3379%	186%	12%
PER	x	43.1 x	158.6 x	1677.1 x	48.2 x	16.8 x	15.0 x
DPS	Ac/sh	-	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%	0%
FCF/share	Ac/sh	(24)	(35)	(38)	6	78	95
P/FCFPS	x	-60.7 x	-41.6 x	-37.5 x	239.5 x	18.4 x	15.2 x
EV/EBITDA	x	35.4 x	105.1 x	140.5 x	30.0 x	11.6 x	10.2 x
EBITDA margin	%	51%	29%	18%	41%	61%	62%
EBIT margin	%	43%	16%	1%	31%	56%	57%
Return on assets	%	13%	3%	0%	8%	18%	17%
Return on equity	%	16%	4%	0%	9%	21%	19%
LIQUIDITY & LEVERAGE							
Net debt (cash)	$m	(834)	(352)	(15)	(912)	(1,715)	(2,616)
ND / E	%	-39%	-16%	-1%	-26%	-40%	-50%
ND / (ND + E)	%	-63%	-19%	-1%	-36%	-66%	-99%
EBITDA / Interest	x	94.0 x	13.8 x	7.3 x	37.8 x	110.8 x	143.2 x

ORE RESERVES AND MINERAL RESOURCES

Mt Weld (100%)	Mt	% TREO	Kt
Mineral Resources			
Measured	20	7.6%	1,307
Indicated	16	4.3%	633
Inferred	71	3.2%	937
Total	**107**	**5.2%**	**2,877**
Ore Reserves			
Proven	21	8.4%	1,158
Probable	11	4.5%	369
Total	**32**	**6.4%**	**1,527**

DCF VALUATION

Ordinary shares (m)						992
Options in the money (m)						2
Diluted m						**994**
	Current		+ 12 months		+ 24 months	
Sum-of-the-parts valuation	**$m**	**$/sh**	**$m**	**$/sh**	**$m**	**$/sh**
Lynas Rare Earths Business (NPV 10%)	7,685	7.75	8,194	8.26	8,124	8.19
Exploration/ other	500	0.50	500	0.50	500	0.50
Corporate overheads	(90)	(0.09)	(90)	(0.09)	(90)	(0.09)
Subtotal	8,095	8.16	8,604	8.67	8,534	8.60
Net cash (debt)	726	0.73	726	0.73	726	0.73
Total (undiluted)	**8,821**	**8.89**	**9,330**	**9.40**	**9,260**	**9.33**
Add Options in the money (m)	2		2		2	
Add cash	-	-	-	-	-	-
Total (diluted)	**8,821**	**8.89**	**9,330**	**9.39**	**9,260**	**9.32**

EV/EBITDA VALUATION

Blended forward EBITDA	564
EV/Ebitda multiple	15.0 x
EV/Ebitda valuation A$m	8,459

BLENDED VALUATION

Method	Weight	A$m	A$/sh
EV/Ebitda Blended fwd	30%	2,756	2.77
Sum-of-the-parts DCF	70%	6,531	6.57
Target price		**9,286**	**9.34**

CAPITAL STRUCTURE

Shares on issue	m	992
Escrow shares / other	m	-
Total shares on issue	**m**	**992**
Share price	**A$/sh**	**14.35**
Market capitalisation	A$m	14,236
Net cash	A$m	726
Enterprise value (undiluted)	**A$m**	**13,510**
Options outstanding (m)	m	2
Options in the money (m)	m	2
Issued shares (diluted for options)	m	994
Market capitalisation (diluted)	m	14,211
Net cash + options	A$m	-
Enterprise value (diluted)	**A$m**	**13,485**

MAJOR SHAREHOLDERS

Shareholder	%	m
Australian Super Pty Ltd	8%	79.4
State Street Global Advisors, Inc.	7%	69.5
Challenger Ltd	7%	67.2
Hancock Prospecting	7%	66.8
	29%	**282.9**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Disclosure: Bell Potter Securities acted as Co-manager to LYC's $750m Aug-25 placement and received fees for that service.

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