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THE LONG PULL: Sylvania Platinum (SLP.LSE)

Sylvania Platinum (SLP.LSE) is a South African PGM miner that produces ~74,000oz of PGMs annually from various chrome tailings deposits and other Run-of-Mine (or ROM) materials.

The company checks every box.

It has **half its market cap in cash with zero debt**, generates **positive profits even at cycle-low** PGM basket prices, pays a healthy **10% dividend** at trough PGM profits, and is hammering buybacks on the open market.

Finally, the company hasn't raised money from public markets since 2009.

SLP trades at a £73M EV as of this writing. At current trough PGM prices (\$1,500/oz), the company will generate 40% of its EV in cash *this year*. It will pay £26M in dividends this year as the remaining cash accumulates on the balance sheet.

Here's the crazy part. The company can generate £199M in free cash flow over three years. That's *after* accounting for £98M in cumulative shareholder returns via buybacks and dividends (134% yield!).

In other words, our 132% shareholder yield is likely a floor, not a ceiling, for capital returns.

I know what you're thinking ... *Why does this opportunity exist??* I see three main reasons:

- 1) The stock trades on the LSE, and [nobody wants to invest](#) in LSE companies
- 2) It's a PGM miner at cycle lows
- 3) It's a smaller company at a £157M market cap

Opportunities like SLP exist for those willing to roll up their sleeves and do fundamental work in bombed-out, capital-starved markets.

But first, let's unpack the latest PGM catalyst: **emissions standards**.

Biden Admin Triggers PGM Catalyst

I wrote about the [macro bull case for PGMs](#) in February's Sibanye-Stillwater (SBSW) write-up, so I won't repeat it here.

But the TL;DR bull case goes something like this.

On the demand side ... ICE cars will survive longer than people think, plug-in hybrid demand will increase, and EV growth will stall as governments reduce subsidies and OEMs halt production due to rising costs and unfavorable economics.

On the supply side ... low PGM prices will force miners to stop production, put mines on care and maintenance, and reduce workforces.

All of which we've seen.

Then, Biden added more fuel to the PGM bull fire. On March 20, the Biden Administration [released the most stringent tailpipe emissions standards](#) ever (emphasis added).

*“The rule delivers the **“strongest-ever vehicle pollution”** standards in US history as he touted the measure inside the Washington, DC, armory surrounded by electric vehicles.*

*‘These technology-neutral and performance-based standards give the auto industry the **flexibility to choose the combination of pollution control technologies** best suited for their customers.’”*

Did you catch that last part ... *Pollution control technologies ...* that's PGMs!

Here's what those new rules look like.

*“Under the rule, **tailpipe emissions of carbon dioxide are capped at 85 grams per mile in 2032 — down from 170 grams per mile for model year 2027.** But much of those stringency gains would come after 2030.*

*The requirements could nearly **halve fleet average emissions** over existing standards for 2026.*

*The measure also **sets limits on soot and smog-forming pollution**, with mandates the administration said would deliver cleaner air for overburdened communities near major thoroughfares.”*

US Gives Automakers Softer On-Ramp to Cut Vehicle Pollution

Greenhouse gas emission limits for cars and light trucks

Model Year	Previously proposed CO2 target	Final rule
2027	152 grams/mile	170 grams/mile
2028	131	153
2029	111	136
2030	102	119
2031	93	102
2032 and later	82	85

Source: US Environmental Protection Agency

And here's the smoking gun for PGM prices ...

*“The standards are technology neutral, **giving automakers options for complying with a mix of models**, including hybrids, battery electrics and advanced gasoline vehicles.”*

Suppose you're the CEO of a major auto OEM, and I'm some government environmental lobbyist (even typing that sounds awful).

I present you with these new emissions standards and say:

“You've got three options. Option 1: you make more plug-in hybrids. Consumers love them, and you have the infrastructure/supply chain to make them profitable.

Option 2: you put more PGMs in your catalytic converters to reduce emissions. PGMs are a fraction of total COGS, and you don't need to change anything about what you're doing. Keep making those tree-killing ICE engines.

Option 3: you phase out ICE cars and plug-in hybrids to make EVs. Now I know you don't have the infrastructure to make them. And I know it would cost billions and jeopardize your entire company. And I know that China makes them for half the price. But think about how happy you'd make Greta Thunberg. What's that worth?”

You'd choose Options 1 and 2. If you've made enough money and your shareholders are rich with capital gains, you'd try Option 3.

Both options are bullish for PGMs and should increase prices to incentivize new mine supply (or turn on previously closed mines).

I pitched this idea to Octavio, who asked, "What happens if Trump gets elected and rolls back these initiatives?"

It's a "*heads I win, tails I don't lose*" situation.

A Trump victory is probably net-bullish for ICE cars, plug-in hybrids, and net-bearish for EVs. Regardless, Trump will have more significant issues than tailpipe emissions standards in his first 90-180 days.

If you remember anything from this update, make it this: **PGM prices are at cycle lows with firm catalysts to increase demand. New supply cannot quickly meet this increased demand unless we see higher PGM prices.**

SLP's Simple Operating Strategy

As I mentioned earlier, SLP produces PGMs via "dump operations."

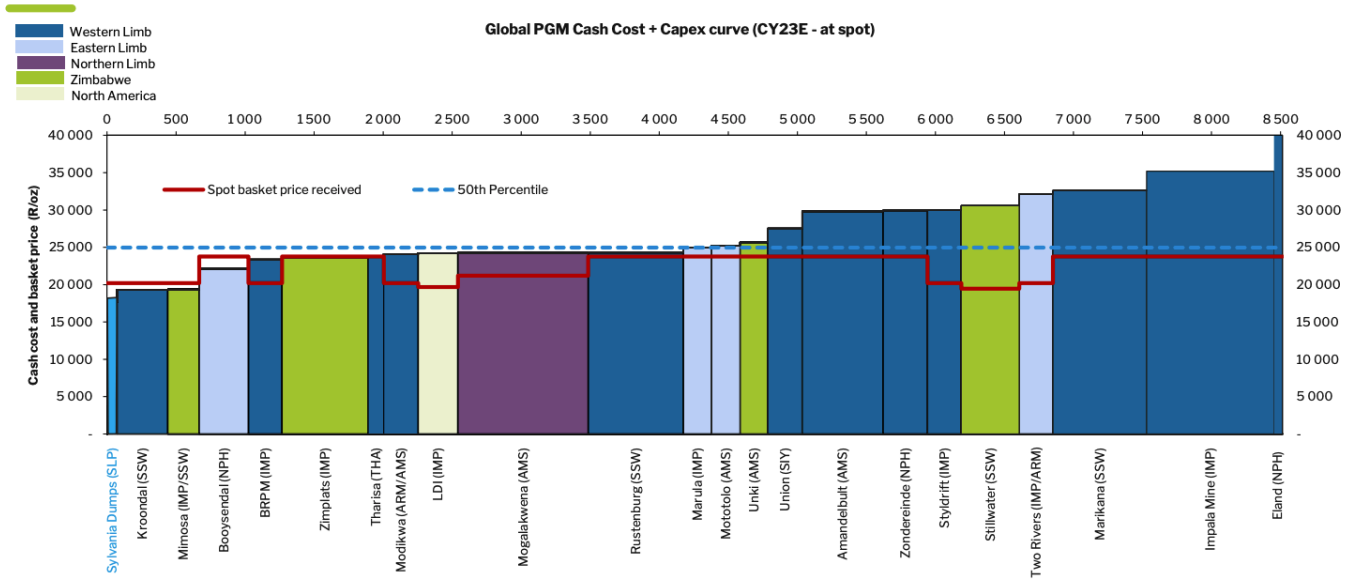
Their [latest investor presentation](#) states, "The Sylvania Dump Operations (SDO) comprise of six chrome beneficiation and PGM processing plants, treating a combination of ROM and current and historical chrome tailings at host mine-sites."

Here's how it works.

SLP goes to "host" mines and says, "You're not doing anything with these tailings and waste rock from your chrome mines. Let us pay you to take these tailings and waste off your hands. You keep your chrome, make some money from a byproduct you don't need, and we produce PGMs."

It's a simple and low-cost model compared to digging a giant open pit or cave blocking underground. And it puts SLP at the lowest end of the PGM cost curve (see below).

PGM industry cost curve



Source: Nedbank Corporate & Investment Banking Cost Curve (costs after capex) 30 Jan '24 - CY23E at Spot (R/\$18-70, Pt = \$970/oz, Pd = \$1,060/oz, Rh = \$4,425/oz; 4E Basket - ZAR 23,767/oz); and Internal company data, Sylvania financial year-end is 30 June; Sylvania FY2023 Actual Cash Cost + Capex = \$1,033/oz (R18,345/oz).

The company generates ~74,000oz of PGMs annually and plans to increase production to 85,000oz by 2026. For reference, SLP produced 6,000oz in its first year of operations in 2006.

Annual reports suggest the company has ~10 years of mine life remaining from its current assets. This doesn't include SLP's two exploration assets in Volspruit and Far Northern Limb (see below).

Exploration

Exploration assets

Volspruit

- Volspruit, located at the south of the Northern Limb of the Bushveld Complex, is a shallow PGE-Ni-Cu deposit likely to be developed as an opencast operation. Optimisation studies are underway on the project.

Far Northern Limb

- The Far Northern Limb Projects include two contiguous PGE-Ni-Cu projects, Aurora and Hacra, on the extreme north of the Northern Limb of the Bushveld Igneous Complex.
- Reinterpretation of historical work has identified the presence of T-Zone reefs across the projects resulting in a Mineral Resource being declared on a small portion of Aurora. Work continues to improve the confidence on the continuity of these reefs.

Bushveld Igneous Complex

RUSTENBURG LAYERED SUITE

- Graptolite
- Upper zone
- Main zone
- Critical, lower and marginal zones
- Horstly reef
- UGZ Chromite layer
- Platref
- Main roads
- Main river
- Younger cover rocks
- Younger diabase intrusions and carbonates

Projects: Volspruit (A), Far Northern Limb (B), Waterberg (N), Ivanplats, Anglo Platinum, Mokopane (Potgietersrus)

Let's head to our napkin model.

Estimating SLP's Production & Cash Flows

Modeling SLP is easy. Take production estimates, multiply average PGM 4E basket pricing and AISCs, subtract capex, and that's it.

Here's our three-year model.

Unit Economic Model	2024	2025	2026
PGM Production 4E (koz)	75	80	85
Avg. PGM Basket Price (4E)	\$1,500.00	\$1,800.00	\$2,100.00
Total Revenue	\$112,500.00	\$144,000.00	\$178,500.00
AISCs (\$/oz)	\$840.00	\$869.40	\$899.83
Total Costs	\$63,000.00	\$69,552.00	\$76,485.47
Net Profits	\$49,500.00	\$74,448.00	\$102,014.54
<i>Less Capex</i>	\$13,000.00	\$13,000.00	\$13,000.00
Free Cash Flow (convert to GBP)	\$28,835.00	\$48,543.92	\$70,321.48
Total Free Cash Flow	\$29	\$49	\$70
Current EV	\$73	\$73	\$73
EV Yield	39.46%	66.44%	96.24%

I'm conservative with my PGM price estimates because a) I'd rather be surprised by the upside, b) 1H 2024 production prices were \$1,300/oz, and c) SLP still prints 40% of its EV in cash at \$1,500/oz.

What about a normalized pricing environment? **SLP would generate £116M in FCF or 159% of its EV** if PGM prices traded closer to their three-year average of \$2,978/oz.

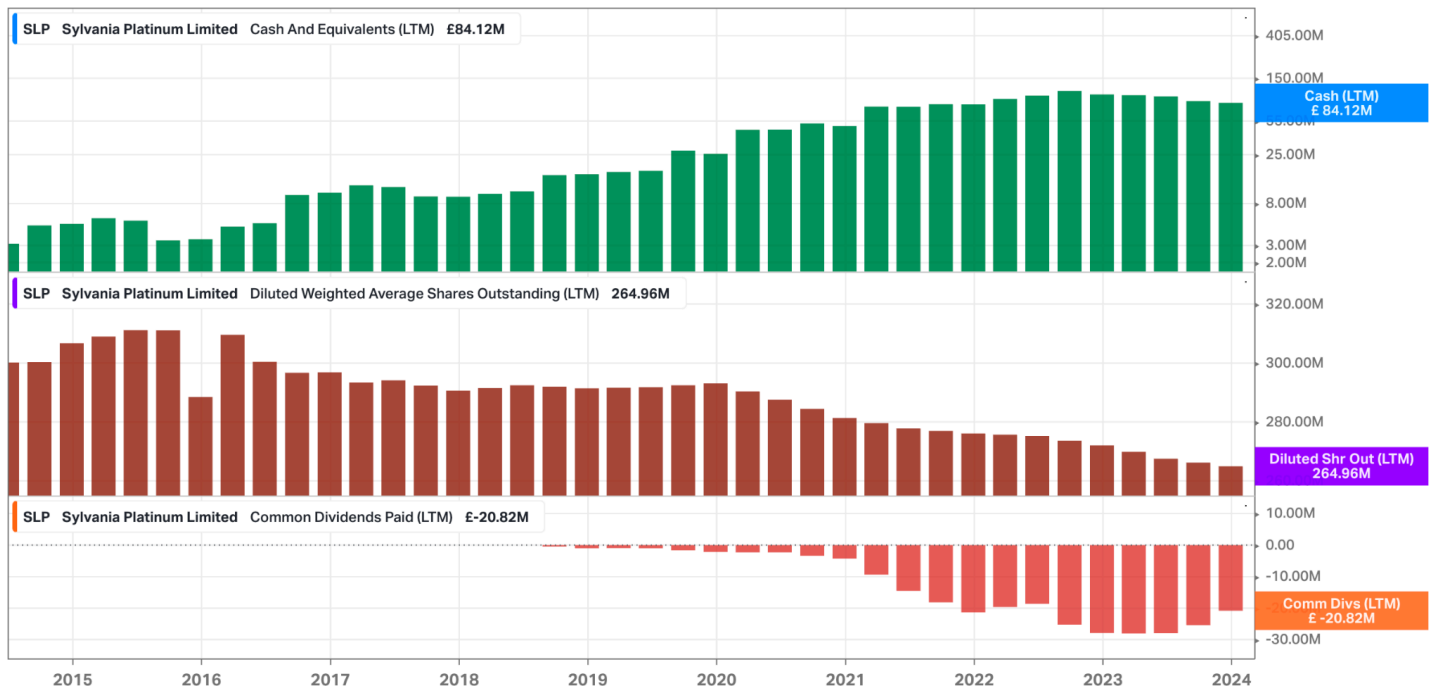
Unit Economic Model	2024	2025	2026
PGM Production 4E (koz)	75	80	85
Avg. PGM Basket Price (4E)	\$2,978.00	\$2,978.00	\$2,978.00
Total Revenue	\$223,350.00	\$238,240.00	\$253,130.00
AISCs (\$/oz)	\$840.00	\$869.40	\$899.83
Total Costs	\$63,000.00	\$69,552.00	\$76,485.47
Net Profits	\$160,350.00	\$168,688.00	\$176,644.54
<i>Less Capex</i>	\$13,000.00	\$13,000.00	\$13,000.00
Free Cash Flow (convert to GBP)	\$116,406.50	\$122,993.52	\$129,279.18
Total Free Cash Flow	\$116	\$123	\$129
Current EV	\$73	\$73	\$73
EV Yield	159.31%	168.33%	176.93%

SLP will generate a lot of cash, whether it's \$1,500/oz or \$2,800/oz. Here's how I'm thinking about capital allocation/shareholder returns.

How We Make Money: Dividends & Buybacks

SLP returns capital to shareholders via ordinary dividends and opportunistic buybacks.

The company has paid ~£86M in cumulative dividends since 2018 and bought back 46M shares since 2015.



koyfin

In its latest Annual Report, management said it would return ~£26M in dividends this year, but that's it.

Over the next three years, I assume that SLP pays ~£83M in dividends and buys back ~£14M of stock or ~22M shares (see below).

Capital Allocation	2024	2025	2026
Year-end Cash	\$113	\$131	\$170
Dividends	\$26	\$27	\$30
Debt Paydown	\$0	\$0	\$0
Buybacks	\$4	\$5	\$6
Post Allocation Cash	\$83	\$99	\$134
Market Cap to EV			
Market Cap	\$157	\$157	\$157
Cash	\$83	\$99	\$134
Debt	\$0	\$0	\$0
Enterprise Value	\$74	\$58	\$23
Cumulative Shareholder Return	2024	2025	2026
Dividend	\$26	\$27	\$30
Buyback	\$4	\$5	\$6
Debt Paydown	\$0	\$0	\$0
Total Shareholder Return	\$30	\$32	\$36
Annual Shareholder Yield	41.06%	43.79%	49.27%
Sum of 3YR Shareholder Return	\$98		
Shareholder Yield	134.12%		

Over the last ten years, SLP has averaged ~£39M in cash on the balance sheet. Carrying more cash in a trough PGM pricing environment as margins squeeze makes sense.

But what if we get a PGM bull market? How much cash do they need on the balance sheet? Probably not £84M.

Suppose they returned 100% of every dollar above their 10YR average balance of £39M, or another £45M. By 2026, shareholder returns would increase to £143M for a 195% yield.

Conclusion: Buying Cash Flow At Left-For-Dead Prices

SLP is a textbook example of buying cash-flowing assets at left-for-dead prices. The company has a runway of producing 75,000/oz+ of PGMs over the next few years and makes 50% of their EV in cash at depressed PGM 4E basket pricing.

There's zero bankruptcy risk as 53% of its market cap is in cash with no debt.

The company has a history of returning cash to shareholders via dividends and buybacks.

Finally, the monthly chart offers a great entry point for getting long. ***Please note that this stock is illiquid, so be patient while accumulating your position.***



SLP is a Trifecta Setup:

- **Fundamentals:** 50% FCF yield at trough PGM prices with a history of capital returns.
- **Sentiment/Positioning:** PGMs remain one of the most hated corners of commodity markets, yet supply/demand market inflecting bullish as traders stay largely short.
- **Technicals:** A failed bear breakout on the monthly chart offers an ideal risk/reward setup for a long-term hold.