

Equity Research | GRANGEX: Final regulatory hurdle cleared to materialise the world's first CO₂-free iron ore mine

The Land and Environmental Court has now granted GRANGEX the permit for mining operations at Dannemora, meaning that no regulatory hurdles remains. Next steps are now to complete the financing, and continue the procurement and preparations for the start of construction in the autumn with a planned start of production in 2025. Along with the offtake agreement with Anglo American signed in March, GRANGEX has now taken two major steps to de-risk the case, which combined with a slight mix change in the upcoming SEK 1.9bn financing, motivate a hike in our fair value to SEK 80-150 (72-94) in 12-24 months.

Last regulatory hurdle cleared

Through its wholly owned subsidiary Dannemora Iron AB, GRANGEX has now, in less than a year from submitting the application, received approval for its environmental impact assessment and permit for mining and water operations at the Dannemora mine. As there were no reservations or supplements, there are no more regulatory hurdles to pass in order to start mining operations at Dannemora. This also means that the risk from an investor perspective has been reduced significantly.

Clear roadmap to production start in H1'25

With this announcement, GRANGEX now enters the construction phase where the key events will be to empty the mine of water, make room for the new underground crusher, and continue the procurement and preparations for the start of construction.

Simultaneously, GRANGEX will need to complete the financing for the construction phase. We now expect the company to raise another SEK 1.9bn in Q3'23 in a mix of SEK 500m in new equity and SEK 1400m in a mix of co-investments from strategic investors, project financing and secured debt. This is a slightly different volume and mix than the our previous estimate of SEK 1.8bn (SEK 300m in new equity and SEK 1500m in debt), after the SEK 100m capital injection from Anglo American.

At this point however, it is still uncertain what the final structure will look like, but it will likely affect the Levered Equity Value for GRANGEX's current shareholders. All in all, we still find support for an Unlevered Net Present Value largely in line with the NPV presented in the company's DFS. Given the completion of the financing during H2'23, we expect production start in H1'25.

Major de-risking motivate a hike in fair value

Looking at valuation potential for equity investors, we continue to find support for an Unlevered NPV for Dannemora of SEK 2.2bn after tax. With a 13% return requirement for equity investors, and



8% interest for debt holders, the updated mix gives a 8.1% (7.4%) WACC in our unlevered DCF approach. The Unlevered approach gives a SEK 690m in Equity Value attributable to current shareholders. Applying a Levered DCF after tax approach, using only the Cost of Equity (13%) as discount rate, this gives SEK 762m attributable to current shareholders.

Moreover, current iron ore prices suggest a price of USD 150+/t for 68% iron ore ([USD 136/t for 65%](#) plus USD 8 for each additional ppt), which is above ours and the company's USD 129/t model estimate. And with a strong structural support for rising prices for high grade iron ore, and SEK +650m in additional NPV for each USD +10 in iron ore prices above USD 129/t, we find considerable further valuation upside with rising prices. All in all, we now find support for a fair value of around SEK 80-150 (72-94) per share in 12-24m.

Read the full report here: https://www.emergers.se/grangex_230/

Contact

Johan Widmark
johan@emergers.se

About Emergers

This is a press release from Emergers.

DISCLAIMER

Information provided here or on Emergers' website emergers.se is not intended to be financial advice. Emergers receives compensation for writing about the company in question. The company has been given the opportunity to influence factual statements before publication, but forecasts, conclusions and valuation reasoning are Emergers' own. Articles of analysis shall not be construed as a recommendation or solicitation to invest in the companies described. Emergers cannot guarantee that the conclusions presented in the analysis will be met. Emergers cannot be held liable for either direct or indirect damages caused by decisions made on the basis of information in this analysis. Investors are encouraged to seek additional information as well as consult a financial advisor prior to any investment decision.

For more information and complete terms, please see emergers.se.

Attachments

[Equity Research | GRANGEX: Final regulatory hurdle cleared to materialise the world's first CO₂-free iron ore mine](#)