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DEVELOP GLOBAL (DVP)

Bellevue lost; Finniss gained

RECOMMENDATION (unchanged)

BUY

*See key risks on Page 4.

PRICE
A\$6.21

TARGET (12 MONTHS)
A\$7.10 (prev. A\$6.60)

Expected return

Capital growth	14.3%
Dividend yield	0.0%
Total expected return	14.3%

Sector

Diversified Metals & Mining

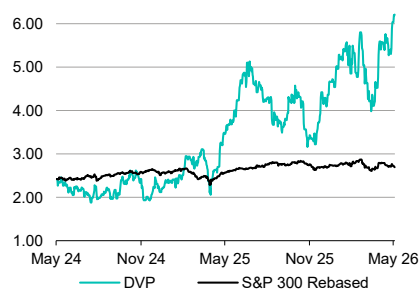
Capital structure & trading data

Enterprise value	\$2,071m
Market cap	\$2,049m
Issued capital	330m
Free float	71%
Avg. daily val. (52wk)	\$7.6m
12 month price range	A\$3.12-6.44

Price performance

	(1m)	(3m)	(12m)
Price (A\$)	5.40	5.32	3.60
Absolute (%)	15.0	16.7	72.5
Rel market (%)	18.1	19.9	68.0

Share price (A\$/sh) vs. XKO



Source: IRESS

Major contract updates: Bellevue Gold & Finniss UG

We make the following comments with respect to DVP's contract updates:

Bellevue & Finniss: DVP announced it was not successful in renewing its Bellevue Gold Mine (BGM) contract through a competitive tender process. The renewal value was \$850m over 4 years (~\$213m revenue per year). DVP will cease works at the BGM on 31 July 2026. We had assumed DVP remained on-site for the next 4 years. Concurrently, DVP announced a \$274m minimum 3-year contract (with a 2-year extension option) with Core Lithium (CXO; not rated) for capital development and production activities at its Finniss Lithium project in the Northern Territory. DVP expects to generate steady-state revenue of \$120m per year from this contract. Equipment and workforce mobilisation is scheduled to commence in June 2026, with underground mining activities to begin in July 2026. We anticipate this contract will take 2-3 quarters to ramp-up to steady-state rates.

OceanaGold contract update: DVP has commenced works under its 5-year contract at OceanaGold's Waihi North project in New Zealand (\$200m total value; ~\$40m steady-state revenue), consistent with DVP's prior guidance.

Our key takeaways: We do not see the unsuccessful BGM contract renewal as a major set-back. The unsuccessful renewal highlights DVP's disciplined approach to competitive contract tendering, ensuring achievement of internal return hurdles. DVP can re-deploy underground mining teams to Sulphur Springs to expedite capital decline works and to the upcoming Pioneer Dome development. We estimate DVP is positioning for \$1.4b of tender opportunities to replace lost BGM contract revenue. Lastly, if current spot copper, zinc and silver prices of ~US\$14,000/t, US\$3,524/t and US\$87/oz are sustained over the next 6 months, Woodlawn could generate incremental EBIT of ~\$22m (vs our current forecasts), more than offsetting a full year of lost EBIT from the BGM contract.

Investment thesis: Buy; TP \$7.10/sh (prev. \$6.60/sh)

EPS downgrades primarily reflect removal of the BGM contract over FY27-28: -29% in FY26; -8% in FY27; and -2% in FY28. Our upgraded Target Price incorporates a terminal valuation in our Mining Services DCF model. We are confident DVP can replace BGM contract revenue through conversion of an outstanding ~\$1.4b tender pipeline. In the meantime, DVP are targeting to deliver several Pioneer Dome and Sulphur Springs related catalysts this quarter that could support its share price.

Earnings estimates

Year ending 30 June	2025	2026e	2027e	2028e
Sales (A\$m)	231.5	379.2	517.1	816.8
EBITDA (A\$m)	103.4	57.1	216.8	341.8
NPAT (reported) (A\$m)	72.8	25.8	122.2	164.5
NPAT (adjusted) (A\$m)	(5.2)	25.8	122.2	164.5
EPS (adjusted) (A¢ps)	(1.9)	7.5	35.6	47.9
EPS growth (%)	nm	nm	373.5%	34.6%
P/E (x)	nm	82.5	17.4	13.0
FCF Yield (%)	-2.9%	-2.7%	-0.1%	10.3%
EV/EBITDA (x)	20.0	36.3	9.6	6.1
Dividend (A¢ps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-

Source: Bell Potter Securities estimates

Sensitivity analysis

Sensitivity analysis highlights price leverage

While we flex all commodity prices (except SC6), we emphasise that zinc and copper price movements deliver the greatest delta to DVP's valuation and EPS. For context, we forecast copper and zinc payable metal gross revenue to account for 75-80% of Woodlawn sales over FY26-28.

Figure 1: Sensitivity analysis: Financials & valuation

	Zinc / Copper price \$/t			EBITDA \$m			EPS cps			FCF \$m			Val'n
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	\$/sh
+20%	\$3,265/t / \$12,044/t	\$3,541/t / \$13,950/t	\$3,413/t / \$13,800/t	75.0	291.5	435.1	12.2	53.1	70.2	-44.5	67.2	272.2	9.07
+10%	\$3,185/t / \$11,744/t	\$3,246/t / \$12,788/t	\$3,128/t / \$12,650/t	66.0	254.2	388.4	9.9	44.4	59.1	-51.3	32.1	245.6	8.05
Base	\$3,105/t / \$11,444/t	\$2,951/t / \$11,625/t	\$2,844/t / \$11,500/t	57.1	216.8	341.8	7.5	35.6	47.9	-58.1	-3.1	218.9	7.04
-10%	\$3,025/t / \$11,143/t	\$2,656/t / \$10,463/t	\$2,560/t / \$10,350/t	48.1	179.5	295.1	5.2	26.9	36.8	-64.9	-38.2	192.3	6.02
-20%	\$2,945/t / \$10,843/t	\$2,361/t / \$9,300/t	\$2,275/t / \$9,200/t	39.2	142.1	248.4	2.8	18.1	25.7	-71.6	-73.4	165.6	5.01
Spot	\$3,187/t / \$11,943/t	\$3,524/t / \$14,000/t	\$3,524/t / \$14,000/t	68.1	277.4	436.0	10.4	49.8	70.3	-49.7	52.4	274.6	9.14

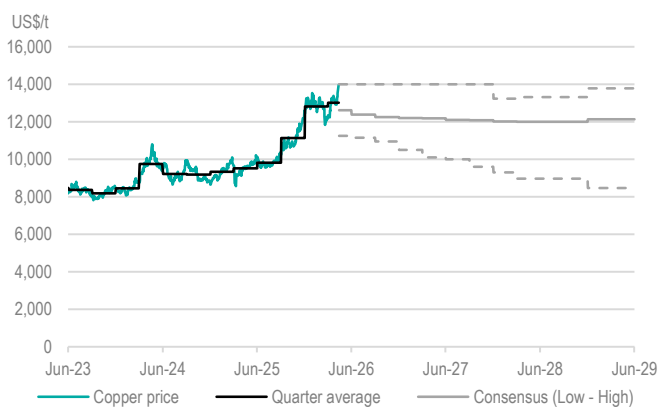
Source: Bell Potter Securities estimates

Figure 2: Sensitivity analysis: Valuation metrics

	Zinc / Copper price \$/t			EV / EBITDA x			PE x			FCF yield %			Val'n upside
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	%
+20%	\$3,265/t / \$12,044/t	\$3,541/t / \$13,950/t	\$3,413/t / \$13,800/t	27.6x	7.1x	4.8x	50.8x	11.7x	8.8x	-2%	3%	13%	46%
+10%	\$3,185/t / \$11,744/t	\$3,246/t / \$12,788/t	\$3,128/t / \$12,650/t	31.4x	8.1x	5.3x	62.9x	14.0x	10.5x	-3%	2%	12%	30%
Base	\$3,105/t / \$11,444/t	\$2,951/t / \$11,625/t	\$2,844/t / \$11,500/t	36.3x	9.6x	6.1x	82.5x	17.4x	13.0x	-3%	0%	11%	13%
-10%	\$3,025/t / \$11,143/t	\$2,656/t / \$10,463/t	\$2,560/t / \$10,350/t	43.0x	11.5x	7.0x	120.0x	23.1x	16.9x	-3%	-2%	9%	-3%
-20%	\$2,945/t / \$10,843/t	\$2,361/t / \$9,300/t	\$2,275/t / \$9,200/t	52.9x	14.6x	8.3x	219.7x	34.3x	24.2x	-4%	-4%	8%	-19%
Spot	\$3,187/t / \$11,943/t	\$3,524/t / \$14,000/t	\$3,524/t / \$14,000/t	30.4x	7.5x	4.8x	59.5x	12.5x	8.8x	-2%	3%	13%	47%

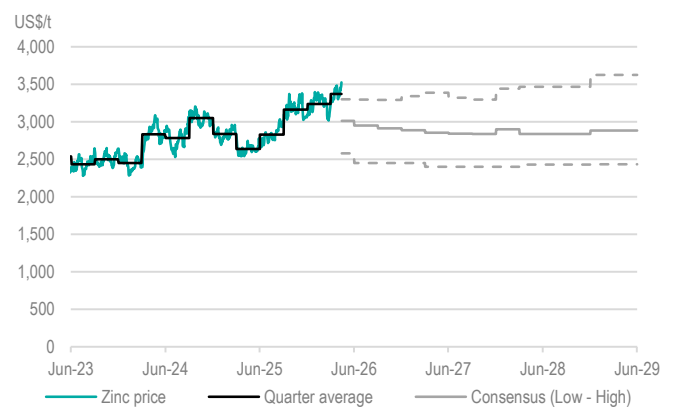
Source: Bell Potter Securities estimates

Figure 3: Historical & consensus copper price (US\$/t)



Source: Bloomberg and Consensus Economics

Figure 4: Historical & consensus zinc price (US\$/t)



Source: Bloomberg and Consensus Economics

Earnings estimates & valuation changes

Changes to earnings estimates

We have made the following model changes:

- Removed our BGM contract revenue forecasts from 1 August 2026; and
- Incorporated the new Finnis Lithium project contract from July 2026.

We have assumed lost BGM contract revenue is replaced by FY28 with contract awards in FY27. These contracts will take time to fully ramp-up, reaching steady-state rates by late FY28.

Figure 5: Changes to earnings estimates

Year ending 30 June	Previous			New			Change		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Revenue A\$m	398	619	825	379	517	817	-5%	-16%	-1%
Underlying EBITDA A\$m	70	243	347	57	217	342	-18%	-11%	-2%
Underlying NPAT A\$m	36	132	168	26	122	164	-29%	-8%	-2%
Underlying EPS Acps	10.6	38.6	49.1	7.5	35.6	47.9	-29%	-8%	-2%
Valuation A\$/sh	6.57			7.04			7%		

Source: Company data and Bell Potter Securities estimates

Sum of the parts valuation summary

We retain our Buy recommendation and upgrade our Target Price to \$7.10/sh (previously \$6.60/sh). We have incorporated a terminal valuation in our Develop Mining Services DCF model. We had previously modelled long-term expectations to the end of the Bellevue Gold Mine reserve life. We now adopt the view of Develop Mining Services being a perpetual business. We lower our WACC from 8.2% to 7.9% to account for Pioneer Dome earnings upside not accounted for in our near-term forecasts. The lower WACC also reflects the dislocation between DVP's market valuation-implied commodity price assumptions (closer to elevated spot prices) compared with our more conservative price deck.

Figure 6: DVP sum of the parts valuation

Diluted shares on issue m	Unrisked valuation \$m		Risk discount %	Risked valuation \$m		Risked valuation \$/sh	
							343m
Woodlawn	1,158		0%	1,158		3.37	
Sulphur Springs	756		10%	680		1.98	
Pioneer Dome	141		0%	141		0.41	
Pioneer Dome exploration upside	9		0%	9		0.03	
Develop Mining Services	659		0%	659		1.92	
Total value of core assets				2,647		7.72	
Other assets				8		0.02	
Corporate & admin. costs				-206		-0.60	
Enterprise value				2,449		7.14	
Net debt / (cash)				35		0.10	
Equity value				2,414		7.04	

Source: Company data and Bell Potter Securities estimates

Develop Global (DVP)

BUSINESS OVERVIEW

Develop Global (DVP) operates under a hybrid model as an underground mining contractor and operator of three mining assets: The Woodlawn Zinc-Copper Mine; The Sulphur Springs Zinc-Copper Project; and Pioneer Dome, a hard rock lithium deposit. DVP services two underground mining contracts, delivering underground development and production activities at Bellevue Gold's Bellevue Gold Mine and OceanaGold's Waihi North Project. The Woodlawn mine is a restart operation, with production resumption nearing completion, and is expected to produce payable zinc, copper, lead, gold and silver metals.

Completion of the Essential Metals acquisition in early November 2023 has diversified DVP's critical mineral exposure with the addition of the Pioneer Dome lithium project, located 130km south of Kalgoorlie in the highly prospective 'lithium corridor' of Western Australia.

VALUATION METHOD

Our DVP valuation is based on discounted cash flow models of the company's core assets and includes allowances for other assets and corporate costs. A WACC of 7.9% has been applied to our asset DCF models.

RISKS

Risks to an investment in DVP 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: 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.

**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.

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