Majestic Corporation Plc

Turning trash into treasure

Share Price: GBP0.40

Aquis: MCJ

Sector: Industrials

14 November 2023

Majestic Corporation Plc ("Majestic") is a metals recycling company, listed on the Access Segment of London's Aquis Exchange. Through its wholly owned subsidiary, Majestic Corporation Limited, it recycles precious and non-ferrous metals from obsolete mechanical and industrial material. It has facilities and offices globally and uses a network of partners to source, acquire, store, and process the material and then resupply it to refineries for reconstitution and resupply into the global supply chain. It processes over 30,000 metric tonnes a year, has long-term relationships throughout its industry and is one way for investors to play the rising thematic of decarbonisation and nationalistic approaches towards metal supply chains.

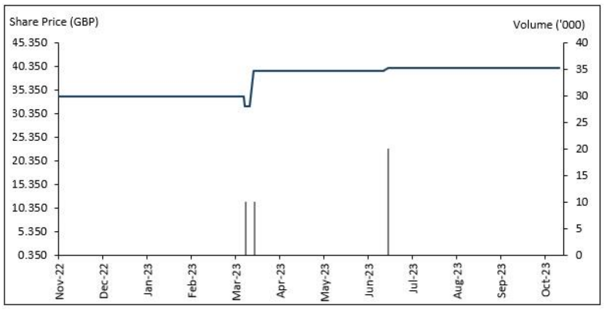
Market cap. (GBPm)	8.0
# shares outstanding (m)	20.0
# shares fully diluted (m)	8.0
Market cap ful. dil. (GBP)	20.0
Free float	15.5%
52-week high/low	40.0 / 32.0
Avg. 12M daily volume ('1000)	0.2
Website	www.Majestic-corp-investor.com

Source: Company, Pitt Street Research

Contributing to the world's decarbonisation push

Recycling metals is an important part of the circular economy by reducing carbon emissions from the world's manufacturing industry. By repurposing used metals, as part of a circular economy, there will be less need for greenhouse gas-intensive mining to source new metals. The rise of electric vehicles and exponential growth in production of electronic devices will mean more metals will be required, but the environmental impact will be reduced if recycled metals are employed.

Share price and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

Several attractive features for investors

Majestic may be a small company, but still has great potential. It deals directly with smelters and is well known in its industry. It has a significant global footprint, utilising procurement warehouse locations in the USA and the UK, as well as long-term suppliers in Italy, Lithuania, Mexico and Australia and processing facilities in Malaysia. Furthermore, Majestic is a profitable business, having made US$397,000 in FY22 (even with one-off IPO costs of nearly US$400,000) and US$862,000 in 1HY23. The company has successfully paid down its debt. Beyond benefiting from decarbonisation, we expect Majestic to also gain from resource nationalism and increasing regulation that mandates the recycling of metals.

Valuation metrics	
Methodology	Market Cap/Sales
Valuation range (GBP per share)	0.56-0.71

Source: Pitt Street Research

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Valuation range of GBP 0.56-0.71 per share

We have valued Majestic at GBP 0.56 per share and GBP 0.71 per share, using a peer-weighted Market Cap to Sales approach. The key risks, outlined in further detail on p.12, include geopolitical risks, regulations, supply chain disruptions and macroeconomic disruptions.

Table of Contents

Key reasons to look at Majestic.

1) **Majestic has a worldwide footprint.** It has offices and either owns or utilises warehouses in the UK, USA, Malaysia, Italy, Mexico, Australia and Hong Kong. This puts it in a prime position to benefit from industry trends in a way it would be unable to without this major footprint.
2) **Majestic is set to benefit from ESG decarbonisation**. The recycling of metals, in other words the creation of a circular economy, is one of the key mechanisms through which the world can reduce its carbon emissions, given its heavy reliance on raw commodities to use as inputs. Electric vehicles and personal electronic devices require increased volumes of precious and base metals such as palladium and copper, which will mean industrial firms wanting to reduce their carbon emissions from increased production will have to use recycled materials.
3) **Set to benefit from resource nationalism**. Individual nations are seeking to secure their own sources of commodities, rather than relying on other countries that may potentially be hostile and have power to disrupt supply chains on a whim. As a company with a global footprint, Majestic can gain from this trend in a way that companies established in just one or two countries cannot.
4) **Majestic and affiliates have crucial environmental and ISO certifications.** The USA facilities have achieved ISO 14000, ISO45001 and R2V3, the UK has achieved ISO 9001, ISO 14000 and ISO 45001, Malaysia has achieved SW110, ISO 9001, ISO 14000 and ISO 45001 and Hong Kong has achieved ISO 9001 and AQSIQ. These all depict to would-be customers and to investors that the company really walks the walk when it comes to product quality and sustainability.
5) **Strong financials.** Majestic is a profitable company having recorded a US$397,000 profit in FY22 - a figure impacted by US$375,000 of IPO costs - a profit of US$862,000 in HY23. This shows investors that the company's core business is strong, even amidst volatile commodity markets.
6) **Majestic has significantly reduced its debt.** According to its HY23 report, the company has paid down US$2.3m of its debt during the period. This is ideal timing for the company, as interest rates settle at a new and higher normal than the 2010s.
7) **Future growth plans.** Majestic has big ambitions for future growth. In particular, it plans to significantly expand the UK facility to the extent where it expects to increase sales by 400%. It intends to buy its own facilities in the UK, USA and Malaysia over the next five years.
8) **Quality leadership team.** Majestic has a high-quality management team with a diverse range of skills and experience, both specific to the metals recycling industry and the broader commercial world. The current team has built the business into what it is today and have confidence that the current team can continue to lead the business in the next stage of its growth. We note that CEO Peter Lai has a majority stake in the business, a fact that should give investors' confidence that their interests and that of the company's management are aligned.
9) **We believe Majestic is undervalued** at its current market value. We have valued the company at GBP 0.56 (Great British Pounds) per share in our base case and GBP 0.71 per share in our bull case. The key catalyst for the creation of shareholder value is increased revenues and profits for the company, which we expect to happen from the favourable industry tailwinds outlined in this report.

Introducing Majestic

Majestic is a specialist precious metals and non-ferrous metals recycler.

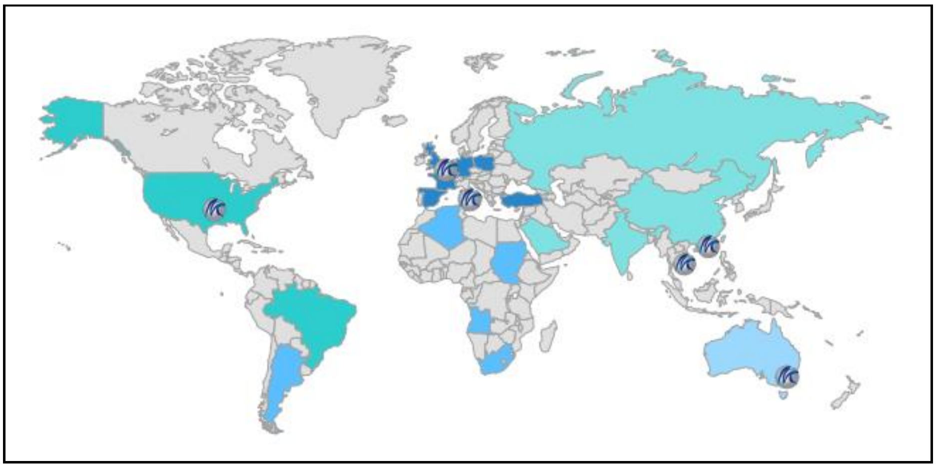
Majestic Corporation Plc (AQUIS: MCJ) is a specialist precious metals and non-ferrous metals recycler. It recycles metals from a wide variety of sources including from catalytic convertors, printed circuit boards, legacy electrical and electronic equipment and industrial metal residues left over from manufacturing – in all instances sourcing directly from the producer. After procuring and processing the metals, the recycled metal is supplied to refineries for reconstitution and resupply into the global supply chain (Figure 1).

Majestic was formed in 2018 when US, EU and China had imposed tariffs of metal imports and China implemented its so-called National Sword Policy which banned imports on metals for scrap recovery. Majestic Corporation Plc listed its shares in the AQSE Growth Market in London in early 2022.

Majestic prides itself on working with major smelters & refineries in a transparent and discrete manner and only offering the highest quality services at competitive prices. Its smaller size means it is more rigid and can manoeuvre faster than larger companies with less expenses. The company offers flexible metals recovery terms and conditions, which enables clients to hedge to minimise market fluctuation risks. The refinery has a cutting-edge on-site laboratory with the latest analysing machinery for automotive catalytic converters including XRF and ICP analysers.

The company has a particular focus on the UK market. This is because of the opportunity the company saw there and because after the long-awaited process, it was granted permits and licenses to operate it business. The UK has also been one of the most resource nationalist countries with respect to critical minerals, launching its first-ever critical minerals strategy in 2022 and refreshing it in 2023.

Figure 1: Majestic's global presence



Source: Company

UNEP estimates that 54 million metric tonnes of e-waste are produced annually, up to 7kg for every person on earth.

Majestic's 3 segments

Majestic has 3 segments:

E-waste recycling – Majestic recycles metals from e-waste, such as from professional devices like printed circuit boards to consumer items such as small domestic appliances, IT and telecommunication equipment. Leaving e-waste in landfill can be even more harmful to the environment than other types of waste left in landfill, because e-waste tends to have chemicals and hazardous materials that can be resealed into the environment when not properly disposed. E-waste is becoming an increasingly large problem – the UN Environment Programme (UNEP) estimates that 54 million metric tonnes of e-waste are produced annually, up to 7kg for every person on Earth. Only 17% of this e-waste is recycled and the amount of waste has been projected to double by 2050 is nothing is done. By recycling the metals (which can be base, precious or PGE metals), they are prevented from ending up in landfill and the metals can find a new lease of life.

Catalytic Converters – This segment processes Steel and Ceramic Catalytic converters. These are emission-controlling devices built into today's generation of automobiles that convert harmful pollutants into less harmful emissions before they leave the car's exhaust system. There are several reasons why Majestic has a division dedicated to recycling just from one type of technology. First, they are one of the most fruitful sources of precious metals such as Platinum, Palladium and Rhodium. Second, Majestic has developed its own Technology Platform to process Catalytic Converters. Despite the rise of electric vehicles, there is still a place for this segment. Keep in mind that current electric grid, ecosystem of chargers and the cost do not support as many cars as are on the road now, let alone those that are projected in the future. Also keep in mind that there will still be a place for metals in electric vehicles – for instance, a typical hydrogen fuel cell will use 60 grams of Platinum, three times as much as traditional internal combustion engines.

Base metals recycling – This segment recycles base metals such as copper. The most common source of these metals is in wires and cables. It is a lucrative business for Majestic given copper's high conductivity, resistance to corrosion and consequently premium selling price that can add up quite quickly when large amounts of wires are recycled. And that's before investors even consider the rise of electric vehicles and the importance of copper to them – the typical electric vehicle uses 3 times as much copper as typical internal combustion vehicles. There will also be an increased need for aluminium, all EVs are made of this material.

Majestic's advantages

Majestic has several favourable traits for investors, most particularly the potential the tailwinds facing its industry (outlined in the section). But looking at the company in its own right, there are several advantages it has over its peers in the metals recycling space.

Niche Focus – Majestic is able to focus on niche markets that larger competitors may overlook and under-service, given its size. This provides unique value to customers that would otherwise go unserved. Majestic is able to offer a more personalised customer service and can respond to changes the customer needs in ways that larger companies cannot.

Cost Efficiency – Majestic operates with a smaller overhead and a more streamlined process, to compete on pricing and value.

Sustainability – Majestic's commitment to sustainability can help it attract customers who share the same principles or want to share the same principles.

Direct to smelters – While Majestic's model is to operate as a third party between smelters and companies requiring its recycled metal, it is advantaged through dealing with smelters directly and thereby negotiating the deal best for its bottom line.

Majestic made a profit of US$397,000 in FY22 and US$862,000 in HY23.

Majestic is a financially strong company.

Majestic is a profitable company, having recorded a US$397,000 profit in FY22 (which is calendar year 2022 for Majestic), even with $375,000 of IPO costs. The company followed this up with a profit of US$862,000 in 1HY23. Granted, these figures are lower than the prior corresponding periods – the company made a $854,000 profit in FY21 and a $980,000 profit in 1HY22.

This occurred for three reasons. First, one-off IPO costs of US371,000 that will not be reflected in future results. Second, because the company significantly reduced its debt burden during the period – a prudent move in our view given that interest rates will seemingly be higher for longer than what may have been anticipated 12 months ago. And third, because of macroeconomic headwinds including the Russia-Ukraine war and weaker economic activity. However, the fact that the company was able to remain profitable despite paying down its debt and facing adverse macroeconomic conditions can provide shareholders with confidence that the company's core operations are strong and that it can grow its profits in the months ahead.

The metals recycling industry and its favourable tailwinds

Metals recycling is driven by consumption in several industries including construction, automobiles, electronics, green energy, defence & aerospace. Traditionally, metals have been procured from primary sources and there has been little attention towards recycling. Yet all the while, metals have (and still can be) indefinitely recycled. In other words, they can be re-processed via mechanical treatment and re-introduced to the production process to make new metals. This reduces the amount of waste that goes into landfill and the amount of primary raw materials required.

Common metals can divided into 2 categories: Ferrous and non-ferrous. Ferrous metals contain iron (Fe), with the most prominent example being steel and steel alloys. Steel is the most used metal in the world and is employed on various appliances from consumer devices to large pieces of infrastructure such as railways and bridges. Non-ferrous metals do not contain iron and the two most used are aluminium and copper. Others include lead, zinc, nickel, titanium, cobalt, chromium, precious metals and platinum-group metals. There are 3 trends impacting the industry that Majestic is set to benefit from.

By repurposing used metals, there will be less need for greenhouse gas-intensive mining to source new metals.

Part of the world's decarbonisation push

Recycling metals is an important part of reducing carbon emissions from the world's manufacturing industry and creating a so-called circular economy. A circular economy, products are either recycled, remanufactured or re-used after they have served their initial purpose. This minimises pressure on the environment and helps tackle global challenges such as climate change, biodiversity loss, waste and pollution.

Repurposing used metals is a key part of this given their importance to everyday consumer goods. By repurposing used metals, there will be less need for greenhouse gas-intensive mining to source new metals. This will become more important as electronic vehicles and personal electronic devices become more prominent, there will be an increased need for metals that form a part of them, most notably palladium and copper. As observed earlier, a typical electric vehicle uses 3 times as much copper as internal combustion engine vehicles. There will also be an increased need for aluminium, all EVs are made of this material. In regard to e-waste, 54 million metric tonnes of e-waste are produced annually, up to 7kg for every person on Earth, and the amount of waste has been projected to double by 2050 is nothing is done.

Majestic is committed to the decarbonisation push. It was admitted to the United Nations Global Compact back in mid-April. It is a voluntary initiative founded in 2000, connecting 17,000 companies globally that aims to promote sustainable and socially responsible business practice. Majestic's acceptance into this compact should be taken by investors to be a sign of its commitment to sustainability and corporate responsibility. The ten principles of the UN Global Compact don't just include environmental sustainability but also labour standards, human rights and anti-corruption measures.

Majestic also published its first ESG report at the end of 2022. It plans to adopt over 50% renewable energy composition at future locations, in line with an overarching hybrid energy strategy.

Individual nations are taking a more nationalistic approach to their minerals procurement.

Resource nationalism presents opportunities

Individual nations are taking a more nationalistic approach to their minerals procurement. In other words, they seeking to secure their own sources of commodities (or source them from close allied nations), rather than relying on other countries and running the risk of supply chains being disrupted on a whim for various reasons, whether diplomatic tensions or a breakdown in existing logistics that see.

This is particularly the case in respect of so-called critical minerals that are essential for the functioning of modern technologies, economies or national securities. According to Deloitte, the UK (Majestic's flagship market) will need four times as many critical minerals as it does today[1].

Nonetheless, adjusting to a new normal of resource nationalism is easier said than done especially when a country cannot currently meet existing demand and where one or two countries hold a dominant position of the supply chain. Most relevant for Majestic (given its focus on palladium-rich catalytic converters) is that Russia produces 30-40% of the world's palladium and its invasion of Ukraine has led to Western countries seeking alternative sources of palladium. With Majestic's ability to recycle converters, it is the better alternative compared to searching for new major deposits.

[1] https://www2.deloitte.com/uk/en/pages/energy-and-resources/articles/critical-minerals-strategy.html

Majestic can gain from the trend for the following reasons. First, because recycling of metals is a key ingredient to creating a so-called 'circular economy' where metals are constantly reused. Indeed, Deloitte has told its clients that a circular economy is crucial to ensure the UK's Critical Minerals Strategy is successful. 'This would include efficient recovery and recycling centres capable of extracting minerals, as well as designing equipment for the energy transition with circular economy principles in mind[2],' analysts said.

Second, because Majestic has a global footprint and therefore can gain in a way that companies established in just one or two countries cannot. It can serve multiple countries that want to utilise their own critical minerals. Third, Majestic has a specific focus on certain countries that are realigning their critical mineral supply chains, particularly the US and UK. And Fourth, it specialises in many of the minerals that are considered critical such as PGE, copper and nickel.

E-waste regulations drive growth

Europe has led the way in regulations for E-waste, or Waste Electrical and Electronic Equipment (WEEE) recycling. For over 20 years, it has had formal regulation on recycling in the form of set collection, recycling and recovery targets for all types of electrical goods. The most recent form of the regulation (the WEEE Directive) was implemented in 2012. Producers have a responsibility to provide information on re-use and treatment for recycling of their products, identifying sub-assemblies as well as hazardous chemicals. This information must be communicated to treatment/recycling facilities, in user manuals, electronically, or online.

There are similar regulations in other jurisdictions too. Roughly half of the US States have so-called 'Take Back' programs where producers will collect and treat e-waste at their own expense. In Canada, every producer of in-scope electrical and electronic products must register, declare and pay monthly eco-fees in the applicable provinces, and territories. Regulations surrounding E-waste will be beneficial for Majestic because it will make companies and consumers consider how they can recycle WEEE goods in a way they would not otherwise have to.

Majestic's opportunity in the UK

Between April and September 2023, Deeside's revenue was GBP1.6m, putting it on track to achieve GBP2m for the full fiscal year.

Majestic has big expansion plans over the next few years, it plans to significantly expand the UK facility. It intends to buy its own facilities in the USA and Malaysia over the next five years.

The Deeside facility has been operation for less than 12 months but has achieved solid growth results. Between April and September 2023, its revenue was GBP1.6m, putting it on track to achieve GBP2m for the full fiscal year.

Currently, the Deeside Facility is owned by affiliate company Telecycle Europe Limited which Majestic intends to buy in the new year and build a prominent, detached production/warehouse facility on a 3.75 acre site. This property could serve as a Battery Recycling, Printed Circuit Board Recycling & Sampling Plant. The UK market will be particularly important for Majestic given its resource nationalism on critical minerals.

Comparable companies

We have considered companies that engage in the recycling of metals and are listed on Western public exchanges. Although some of these companies have 'Steel' in their names, the majority recycle a wide diversity of metals and not just steel (Figure 2).

Figure 2: Comparable Companies

Company	Location	Ticker	Market cap (US$m)	Market Cap to Sales	Website
Sims	Australia	ASX:SGM	1,570.0	0.37	www.simsmm.com.au
US Steel	US	NYSE:X	7,640.0	0.55	www.ussteel.com
Steel Dynamics	US	NDQ:STLD	18,480.0	1.00	www.stld.steeldynamics.com
Nucor	US	NYSE:NUE	37,620.0	1.20	www.nucor.com
Reliance Steel & Aluminum	US	NYSE:RS	15,400.0	1.08	www.rsac.com
Cleveland Cliffs	US	NYSE:CLF	8,680.0	0.53	www.clevelandcliffs.com
Alcoa	US	NYSE:AA	4,650.0	0.61	www.alcoa.com
Timken Steel	US	NYSE:TMST	915.6	0.46	www.timkensteel.com
Olympic Steel	US	NDQ:ZEUS	599.6	0.36	www.olysteel.com
Radius Recycling	US	NDQ:RDUS	661.9	0.37	www.radiusrecycling.com
Commercial Metals	US	NYSE:CMC	5,300.0	0.69	www.cmc.com
Majestic Corporation	UK	AQUIS:MJC	9.8	0.37	www.majestic-corp.com

Source: S&P Capital IQ, Pitt Street Research

Sims (ASX:SGM). Sims Limited engages in buying, processing, and selling ferrous and non-ferrous recycled metals in Australia, Bangladesh, China, Turkey, the United States, and internationally. It is involved in the collection, processing, and trading of iron and steel secondary raw materials; and other metal alloys and residues, principally aluminium, lead, copper, zinc, and nickel bearing materials.

United States Steel (NYSE:X). United States Steel Corporation produces and sells flat-rolled and tubular steel products primarily in North America and Europe.

Steel Dynamics (NDQ:STLD). Steel Dynamics, Inc., together with its subsidiaries, operates as a steel producer and metal recycler in the United States.

Nucor (NYSE:NUE). Nucor Corporation engages in manufacture and sale of steel and steel products. Its Steel Product offerings include hollow structural section steel tubing products, electrical conduits, steel racking, steel joists and joist girders, steel decks, fabricated concrete reinforcing steel products, cold finished steel products, steel fasteners, metal building systems, insulated metal panels, steel grating and expanded metal products, and wire and wire mesh products primarily for use in non-residential construction applications.

Reliance Steel & Aluminum (NYSE:RS). Reliance Steel & Aluminum Co. operates as a diversified metal solutions provider and the metals service center company in the United States, Canada, and internationally. The company distributes a line of approximately 100,000 metal products, including alloy, aluminum, brass, copper, carbon steel, stainless steel, titanium, and specialty steel products; and provides metals processing services to general manufacturing, non-residential construction, transportation, aerospace, energy, electronics and semiconductor fabrication, and heavy industries. It sells its products directly to original equipment manufacturers, which primarily include small machine shops and fabricators.

Cleveland-Cliffs (NYSE:CLF). Cleveland-Cliffs Inc. operates as a flat-rolled steel producer in North America. The company offers hot-rolled, cold-rolled, electrogalvanized, hot-dip galvanized, galvannealed, aluminized, galvalume, enameling, and advanced high-strength steel products; stainless steel products; plates; and grain oriented and non-oriented electrical steel products. It also provides tubular components, including carbon steel, stainless steel, and electric resistance welded tubing. In addition, the company offers tinplate products, such as electrolytic tin coated and chrome coated sheet, and tin mill products; tooling and sampling; raw materials; ingots, rolled blooms, and cast blooms; and hot-briquetted iron products. Further, it owns five iron ore mines in Minnesota and Michigan. The company serves automotive, infrastructure and manufacturing, distributors and converters, and steel producers. Cleveland-Cliffs Inc. was formerly known as Cliffs Natural Resources Inc. and changed its name to Cleveland-Cliffs Inc. in August 2017. The company was founded in 1847 and is headquartered in Cleveland, Ohio.

Alcoa (NYSE:AA). Alcoa Corporation, together with its subsidiaries, produces and sells bauxite, alumina, and aluminum products in the United States, Spain, Australia, Iceland, Norway, Brazil, Canada, and internationally. The company operates through three segments: Bauxite, Alumina, and Aluminum. It engages in bauxite mining operations; and processes bauxite into alumina and sells it to customers who process it into industrial chemical products, as well as aluminum smelting and casting businesses. The company offers primary aluminum in the form of alloy ingot or value-add ingot to customers that produce products for the transportation, building and construction, packaging, wire, and other industrial markets.

TimkenSteel Corporation (NYSE:TSMT). TimkenSteel Corporation engages in manufacture and sale of alloy steel, and carbon and micro-alloy steel products in the United States and internationally. It offers carbon, micro-alloy, and alloy steel ingots, bars, tubes, and billets. Its products are used in gears; hubs; axles; crankshafts and connecting rods; oil country drill pipes; bits and collars; bearing races and rolling elements; bushings; fuel injectors; wind energy shafts; anti-friction bearings; and other applications. The company also provides custom-make precision steel components. It offers its products and services to the automotive; oil and gas; industrial equipment; mining; construction; rail; defence; heavy truck; agriculture; and power generation sectors.

Olympic Steel. (NDQ:ZEUS). Olympic Steel, Inc. processes, distributes, and stores metal products in the United States and internationally. It operates in three segments: Carbon Flat Products; Specialty Metals Flat Products; and Tubular and Pipe Products.

Radius Recycling (NDQ:RDUS). Radius Recycling recycles ferrous and nonferrous metal, and manufactures finished steel products worldwide. The company acquires, processes, and recycles salvaged vehicles, rail cars, home appliances, industrial machinery, manufacturing scrap, and construction and demolition scrap. It offers recycled ferrous metal, a feedstock used in the production of finished steel products; and nonferrous products, including mixed metal joint products recovered from the shredding process, such as zorba, zurik, aluminum, copper, stainless steel, nickel, brass, titanium, lead, and high temperature alloys.

Commercial Metals Company (NYSE:CMC). Commercial Metals Company manufactures, recycles, and fabricates steel and metal products, and related materials and services in the United States, Poland, China, and internationally. The company processes and sells ferrous and nonferrous scrap metals to steel mills and foundries, aluminium sheet and ingot manufacturers, brass and bronze ingot makers, copper refineries and mills, secondary lead smelters, specialty steel mills, high temperature alloy manufacturers, and other consumers.

Valuation and catalysts

We value Majestic at GBP 0.56 (Great British Pounds) per share base case and GBP 0.71 per share in an optimistic case.

We value Majestic at GBP 0.56 (Great British Pounds) per share base case and GBP 0.71 per share in an optimistic case, using a Market Cap to Sales approach. The key assumptions driving our valuation are outlined in Figure 3:

– **Revenue model.** We have replicated the company's 1HY23 sales and assumed full-year FY23 sales as being double that of the first half.
– **Currency assumption**. The company reports in US dollars but we have converted it to the Pound Sterling because its market cap on the Aquis exchange is calculated in this currency. We have used US$1=GBP 0.83.
– **Multiple.** We have looked at the average Market Cap to Sales multiple of all the comparable companies listed above and calculated this as 0.66x. This generates a market cap of GBP 14.12m. Our base case uses a 20% discount, accounting for Majestic's smaller size and the lower liquidity on its exchange. Our bull case has no discount.

Figure 3: Our valuation for Majestic

Majestic Valuation (GBP)	Base Case	Bull case
Market Cap to Sales	0.66	0.66
Annualised FY23 Sales (GBPm)^	21.5	21.5
Implied market cap (GBP)	14.1	14.1
Discount	- 20%	-
Implied market cap post-discount	**11.3**	**14.1**
Shares outstanding (m)	20.0	20.0
Implied price (GBP)	**0.56**	**0.71**
Current price (GBP)	0.40	0.40
Upside (%)	41%	77%

Estimates: Pitt Street Research

^The company reports in USD but we have converted to pound sterling given the company's market capitalisation on Aquis is in GBP. We have projected the company's FY23 sales as double that of what it achieved in HY23.

Share price catalysts.

We foresee the stock being re-rated to our valuation range driven by the following factors:

– Majestic recording increased revenues and profit in the second half of FY23 and in FY24,

– Improvement in macroeconomic conditions and commodity prices that facilitate confidence in the industrial and resources sectors, and

– Increased awareness about metals recycling and its sustainability compared to sourcing primary metals and discarding them.

Risks

We see the following key risks to our investment thesis:

- **Geopolitical Risk**: Tensions between countries can impact trade between them. There is a push in many industries to adopt a more nationalistic approach and be self-sufficient rather than reliant on other countries for critical minerals.
- **Regulatory Risks**: There is the risk of government intervention in the markets or regulations, such as new tariffs. Such regulations could impact the operations and/or the profitability of the business.
- **Supply chain issues**: The ability of Majestic to recycle metal depends on its ability to source material and upgrade it through its facilities. Interruptions in supply chain can impact the company.
- **Macro-economic disruptions**: Majestic's operations depend on macroeconomic conditions, specifically the consumption of commodities and level of industrial activities in key sectors for commodity demand. In particular, the slowdown in China has potential to impact on demand for the company's services.
- **Liquidity risk**: Majestic's shares have low trading volumes on the Aquis Exchange. A continued lack of liquidity will make it difficult for investors to buy and sell shares in the company.

Majestic's leadership team

The company's current board and leadership composition as follows (Figure 4).

Figure 4: Majestic's board and management team

Name	Designation
Peter Lai	Chairman and CEO
Joe Lee	Executive Director and CFO
Larry Carter Howick	Non-Executive Director
Christopher Paul Neoh	Non-Executive Director

Board of Directors

Peter Lai is responsible for all of the global sales, operations, including end-to-end management of Majestic's suppliers and customers. In addition, he continues to oversee the development of strategic supplier and end users relationships, ensuring flexibility in response to an increasingly demanding marketplace. Prior to establishing Majestic, Peter was CEO of WSF Group, which was founded in 1994 and where his close relationships with suppliers and refineries were initiated. He has historically sat on the committees of various metals recycling associations.

Joe Lee is CFO of Majestic and responsible for the finance function and interfaces with the external auditors as well as other professionals. He specialises in advising overseas businesses who wish to move to the UK and provides assistance to help them structure their business and tax affairs. Furthermore, he provides financial advice, accountancy and tax issues for family offices, high net worth private individuals and owner-managed businesses in the UK as well as UK subsidiaries of overseas entities. Joe graduated from both Glasgow University and Strathclyde University. He is a qualified Chartered Accountant and has over 20 years' experience in the profession.

Larry Carter Howick is General Manager of Majestic Global Corporation, an Affiliate Company. He is responsible for the procurement of waste material, warehousing, and logistics in the USA that supplies Majestic. He is also responsible for managing the implementation and management of environmental certifications and will oversees this role for the Company. Prior to this Larry was the President and CEO of LCH Construction Management, which renovated hundreds of fast-food restaurants throughout the Southeast area of the United States.

Christopher Paul Neoh is an experienced corporate executive. In 1990, he joined the leisure group Holmes Place Health Club Limited where he held various senior positions, was involved in a number of acquisitions, a private placing and the subsequent flotation of the company on the London Stock Exchange. After establishing and then selling his own healthcare business, he then became managing director and major shareholder in a business devoted to project management and consultancy for clients from the Far East and China. In 2009, Christopher joined Winkworth Franchising Limited as Finance Director and was instrumental in the listing of the company on AIM.

Michael Woodward is a solicitor of nearly 40 years standing with extensive experience in the banking industry including a wide range of public company transactions with Deutsche Bank, Barclays, Brown Shipley and, specific to debt issues, The Law Debenture Trust Corporation. He has also specialized in corporate taxation with City firms Ashurst and Fladgate, acted as company secretary and finance director for a printing firm he co-founded in London and, following its acquisition by a US group, performed the equivalent roles in Washington DC. He has interests in the media world with producer credits on several feature films and has acted as chair of governors of a secondary school in Buckinghamshire, overseeing its transition to corporate status as an Academy.

Appendix I – Analysts' Qualifications

Nick Sundich, lead analyst on this report, is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

Marc Kennis has been an equities analyst since 1996.

- Marc obtained a Master of Science degree in Economics from Tilburg University, Netherlands, in 1996 and a post-graduate degree in investment analysis in 2001.
- Since 1996, he has worked for a variety of brokers and banks in the Netherlands, including ING and Rabobank, where his focus has been on the technology sector, including the semiconductor sector.
- After moving to Sydney in 2014, he worked for several Sydney-based brokers before setting up TMT Analytics Pty Ltd, an issuer-sponsored equity research firm.
- In July 2016, with Stuart Roberts, Marc co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including technology companies.

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