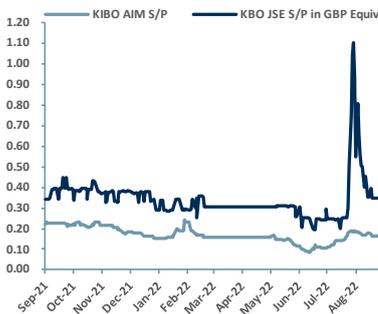


FLASH NOTE

VALUE RANGE

GBP 1.01 – 1.06



FTSE AiM KIBO vs. JSE KBO (darker line) arbitrage pricing. Valuation range is based upon full dilution and daily DCF model calculations

Monday, 26 September 2022

Intrinsic Price (GBP)	1.04
Value Range Low (GBP)	1.01
Value Range High (GBP)	1.06
Implied MCAP (m)	£49.90
Implied EV (m)	£50.50
AIM	KIBO
Financial YE	31-Dec
Currency	GBP

Business Activity

Renewable Energy +
Critical Metals

Key Metrics

Close Price (GBP)	0.17
MCAP (m)	£5.24
Net Debt (Cash) (m)	£1.54
EV (m)	£6.78
52 Wk Hi	0.25
52 Wk Lo	0.08

Key Ratios

(Net Cash) / Shareholder Equity %	29.36%
FX Rate GBP/GBP	1.00

Energy Sector Research

AiM Market Index

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Kibo Energy Plc

JSE / AiM 90% 'Arbitrage'

Kibo Energy Plc (KIBO.L: AIM, dual listed JSE:KBO) is a renewable energy and critical metals company. Kibo Energy Shares on the JSE (KBO) traded at a median 90.13% premium over the last 12 months vs. the same shares on AiM under the KIBO.L ticker. KBO shares in the hands of South African sophisticated high net worth and institutional investors have risen 66.7% between 8 Jun 2021 and 31 Aug 2022. There is little to no true retail market in South Africa. WAN shares in issue 31 Dec 2021 2.48bn, shares in issue today 3.04bn, a delta of 22.5%. KBO:JSE shares traded at approximately NAV over the last 52 weeks. Dematerialised shares in London ought to be saleable by going direct to South African Brokers.

- Premium KBO JSE to KIBO.L ~90% (52-week median value);
- Premium Friday KBO JSE to KIBO.L ~102%;
- South African held shares up ~66% in ~15 months to 31 Aug 2022;
- Number of shares in issue up ~23% in ~15 months to 31 Aug 2022;
- KBO JSE share value approximates NAV over last 12 months.

ACF est. £ (m)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2022E	2.0	0.8	-9.2	0.00075	0.00048
2023E	2.4	0.9	-14.1	0.00079	0.00050

Multiples	EV/	Sales	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2022E	3.4x		7.4x	NM	228.9x	363.0x
2023E	2.9x		7.4x	NM	218.4x	346.4x

Investment Case

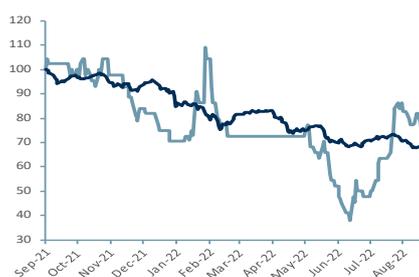
Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	3,039	4,821
Implied Intrinsic Price	1.64p	1.04p
Value Range Low	1.60p	1.01p
Value Range High	1.68p	1.06p
AIM	KIBO	
Financial YE	31-Dec	
Reporting Currency	GBP	

NoSh (m)	3,039
NoSh (m) expected dilution (Exp D)	4,821
NoSh (m) full dilution (FD)	4,821

Key Metrics	£	adj.
MCAP (m)	5.2	5.2
Net Debt (Cash) (m)	1.5	1.5
EV (m)	6.8	6.8
52 Wk Hi	0.25p	0.25p
52 Wk Lo	0.08p	0.08p
Free Float	79%	79%

*Key Metrics FCF adj.	2022E	2023E
CPS (GBp)	-0.003	-0.005
CPS (Exp D) (GBp)	-0.002	-0.003
CPS (FD) (GBp)	-0.002	-0.003
P/CPS	NM	NM
P/CPS (Exp D)	NM	NM
P/CPS (FD)	NM	NM

Price relative FTSE AiM (darker line) vs. KIBO.L



Kibo is less than 12m from revenue generation in the UK reserve power market, via its 61.27% owned and controlled UK listed Mast Energy (MAST.L). **Currently Kibo Energy MCAP is around £10m on the Johannesburg Stock Exchange (JSE) and at ~£5m on AiM.** It may be possible to take advantage of this arbitrage by going direct to a South African broker using dematerialised shares.

We note that there is very little true retail investor activity on the JSE and most investing and trading is carried out by sophisticated high net worth and institutional investors. This suggests that these types of professionalised or professional investors may have been accumulating Kibo Energy shares under the KBO ticker between 8 Jun 2021 and 31 Aug 2022. Therefore, **South African shareholders appear to have increased their holdings from 177m shares to 295m shares up 66.7% over 15 months. 295m (is ~9.7% of shares in issue or the sterling equivalent at JSE prices of ~£1m),**

The YE21 weighted average number of shares in issue was 2.480bn. The current number of shares in issue is 3.039bn, a difference of 22.5%, less than the increase in shares registered as being in South African hands. If so, this indicates increasing demand and interest in Kibo equity in South Africa.

Share volume trading in London (AiM) has historically been approximately 2x that of the volumes in South Africa (this ratio has reversed recently but that is probably a temporary change). Although it should not be the case, given that sterling equivalent prices for Kibo shares on the JSE and AiM appear to be independent of one another, the higher liquidity in London (on average) suggests Kibo shares should have a higher value than the South African sterling equivalent price. Kibo's shares on the JSE have traded at approximately Kibo NAV over the last 12m, in London the same paper has traded at an ~45% median discount over the last 12m.

Arbitrage gaps should only exist for short periods of time (hours or even seconds) for any listed security. Therefore, we infer there is a practical challenge to selling UK registered dematerialised shares into the South African market. We currently suspect this is caused by an issue between the clearstream mechanism, the JSE and UK broker infrastructure. We currently also infer that non-South African investors might be able to take advantage of this 'arbitrage' by going direct to a South African broker as per guidance on the JSE website <https://www.jse.co.za/faq>. In any event the position is anomalous and suggests there is evidence of a significant mispricing in London, as trading at ~NAV is not unreasonable.

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