

Altech Chemicals Ltd

20:32 03 Jul 2019

Altech Chemicals project NPV to potentially increase 32% based on CRU high purity alumina market outlook

Altech Chemicals Ltd (ASX:ATC) has learned that its high purity alumina (HPA) project net present value will potentially increase by 32% to US\$669 million, according to a HPA market outlook report prepared by CRU Consulting.

The 4N+ high purity alumina (HPA) price forecast report also estimated that Altech's earnings before interest, tax, depreciation and amortisation (EBITDA) would increase from US\$76 million to US\$100 million per year.

READ: Altech Chemicals makes steady progress at HPA plant construction site in Malaysia

The unconstrained demand forecast for 4N+ (99.99% or greater) HPA, the market segment Altech's plant is designed to supply, is substantially stronger than CRU had forecast in its previous market report in 2018.

Demand for 4N+ HPA was previously estimated at 92,900 tonnes by 2025 whereas CRU estimates in its recent report 4N+ HPA could in theory grow at 30% per annum from 19,000 tonnes a year (2018) to 272,000 tonnes (2028).

However, this growth would be constrained by limited supply availability and that a spike in HPA prices would likely result from a large-scale deficit.

READ: Altech Chemicals' target price raised by State One Stockbroking

CRU estimates the market for HPA in powder form, used in lithium-ion battery separators, could reach 187,000 tonnes a year by 2028 if enough supply were available.

The report notes that Altech's planned 4,500-tonne per year of production would comprise only a small part of this.

HPA in the pellet/bead form used in light emitting diodes is forecast to reach 85,000 tonnes a year by 2028.

Pellet products are expected to exhibit greater price inelasticity, since synthetic sapphire is by far the most widespread substrate material used in the solid-state lighting industry.

READ: Altech Chemicals raises first steel at HPA plant construction site in Malaysia

CRU commented positively on Altech's plan to produce HPA in either pellet or powder form.

In its report the consulting company said Altech "should be able to adapt its product mix to meet developments in the market, allowing it to maximise its ability to place all of its output once it begins operating and to target the industry offering the highest purchase prices."

READ: Altech Chemicals \$18 million placement anchored by two new German investors

Demand for ceramic coated separators in lithium-ion battery applications is genuine and will rapidly proliferate, according to the report, as more energy-dense batteries arrive to serve the surging electric vehicle market.

Price: 0.13

Market Cap: \$96.61 m

1 Year Share Price Graph



Share Information

Code: ATC

Listing: ASX

52 week High Low
0.145 0.082

Sector: Exploration & Production

Website: www.altechchemicals.com

Company Synopsis:

Altech Chemicals Ltd (ASX:ATC) is focused on advancing its high purity alumina (HPA) project in Western Australia.

action@proactiveinvestors.com.au

The report expects manufacturing trends in LED production, which itself has an excellent growth trend, have recently moved in favour of larger sapphire wafers.

This will have positive consequences for the 4N+ HPA market, with the push for defect-free 6-inch and 8-inch wafers will drive demand for higher purity HPA feedstock.

READ: Altech Chemicals continues to progress stage 1 construction at HPA project site in Malaysia

Even after constraining the modelled demand profile to reflect a forced move towards 99.9% alumina in the lithium-ion battery ceramic coated separator market because of the forecast 4N+ HPA supply shortfall, the report concluded an impending market deficit.

It predicts supply, even in a very optimistic scenario, would not keep pace with the level of 4N+ HPA demand.

The results of the analysis show a large apparent short-term deficit that is briefly alleviated by Altech and several announced HPA hopefuls in the 2022-24 period.

READ: Altech Chemicals signs mezzanine finance mandate with Macquarie Bank

CRU's long-term price forecast for 2022-2028 is higher than what had been adopted by Altech in its financial investment decision study (FIDS) model.

CRU's modelled prices begin to rise from 2020 due to the expected market deficit, further supported by anticipated increases in production costs.

Adopting CRU's price forecast, Altech has calculated that the average annual sales revenue for its 4,500-tonne a year HPA project would increase from US\$120 million to US\$144 million a year.

The discounted cash flow or net present value would increase by 32% from US\$505 million to US\$669 million and the EBITDA at full production would increase by 31%.

READ: Altech Chemicals sees increase in demand for HPA from lithium battery manufacturers

Altech has completed a final investment decision study for the construction and operation of a 4,500-tonne a year HPA plant at the Tanjung Langsat Industrial Complex in Johor, Malaysia.

The plant will produce HPA directly from kaolin clay which will be sourced from the company's 100%-owned kaolin deposit at Meckering, Western Australia.

Altech's production process will employ conventional "off-the-shelf" plant and equipment to extract HPA using a hydrochloric acid-based process.

Production costs are expected to be considerably lower than established HPA producers.

The company is currently in the process of securing project financing and has announced the execution of an agreement with its appointed EPC contractor SMS group for the start of stage-one construction of the HPA plant in Johor.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.

In exchange for publishing services rendered by the Company on behalf of Altech Chemicals Ltd named herein, including the promotion by the Company of Altech Chemicals Ltd in any Content on the Site, the Company receives from said issuer annual aggregate cash compensation in the amount up to Twenty Five Thousand dollars (\$25,000).