

# Alpha HPA Ltd (A4N)

*New entrant, new process, better margins*

Alpha HPA Ltd (A4N) is positioning itself to be among the lowest cost producers of high purity alumina (HPA) with the potential for AISC margins of US\$14,900/t at a long term price of US\$20,000/t. The company has developed an alternative processing method that uses atmospheric temperatures and does not require a mining feedstock. We value A4N with a target price of A\$0.62ps based on a discounted cashflow over a 25-year period and a Gordon Growth dividend discount model past the 25-year mark.

## EV growth and LIB safety leading to HPA demand growth

Battery separators within lithium ion batteries (LIB) are expected to be the predominant source of HPA demand growth to 2025. Coating separators using HPA reduces the risk of battery fires and contributes to other safety enhancements. As the sales of electric vehicles (EV) grow and the performance demands become higher on LIB, there is the potential for the proportion of separators with HPA coating to grow significantly by 2025. HPA demand is forecasted to grow from 35,000t in 2018 to 125,000t in 2025.

## Adaption of an existing processing method on a new commodity

Alpha has shifted its focus to an alternative processing method to produce 4N HPA (99.99% Al<sub>2</sub>O<sub>3</sub>). The aluminium is sourced from a chemical counterparty in the form of an industrial feedstock, which is separated through solvent extraction. This process minimises the technical risks inherent in existing methodologies. Additionally, the production of a salable by-product puts Alpha in a highly competitive position in terms of unit costs and margins.

## Potential for highly competitive margins

Alpha is aiming to produce 10,200tpa of 4N HPA at full capacity and will reach that run rate by 1HFY25. We forecast a long-term price of US\$20,000/t and AISC of US\$5,096/t. We expect initial capex to be funded through 45:55 debt and equity, with gearing to commence within FY20. We anticipate positive EBITDA to be achieved from FY23, with a long-term forecast of A\$221M per annum. The valuation and earnings are most sensitive to HPA pricing and A\$/US\$ exchange rate.

If you would like to discuss further, please contact us directly using the details below.

Mining	
12-month rating	<b>BUY</b>
Target Price (A\$ps)	0.62
Share Price (A\$ps)	0.13
Upside	375%

BBG: A4N AU

### Trading data & key metrics

52-week range	0.082 - 0.16
Market Cap:	78
Shares on issue (m):	602
Avg daily volume (k):	776
Avg. daily volume -\$m	0.08

### Directors:

Norman Seckold	CHAIR
Rimas Kairaitis	MD
Peter Nightingale	Director & CFO
Tony Sgro	NED
Justin Werner	NED

### Substantials:

Regal Funds Management	13.99%
Norman Sekold	11.18%
Budworth Capital Pty Ltd	6.53%
Westpac Asset Management Arn	5.70%



Analyst: Andrew White  
 e: andrew@curranco.com.au  
 t: 02 8188 9499  
 m: +61 468 348 819  
 Sales: Kevin Curran  
 e: kevin@curranco.com.au  
 t: 02 8188 9494  
 m: +61 415 201 002

#### PHONE

+61 2 8188 9494

#### EMAIL

andrew@curranco.com.au

#### LOCATION

3 Spring St, Sydney, NSW

**CURRAN&CO**