

Equity Research

Alpha HPA Ltd (A4N)

Highly advanced on the HPA First development schedule

We view Alpha HPA Ltd (A4N) as the most advanced of the ASX listed HPA emerging developers. Recent developments include the change of use permit on the Gladstone property, expansion of the product mix, and signing MOU's with major international organisations on potential product offtake, product development and funding opportunities. We anticipate the company to be successful with some significant milestones on customer offtake in the next few months that will cement the commercial viability of the project.

Significant expansion on product types

Recently the company has made significant strides in developing new products. The list of Alpha products now includes HPA powders/pellets, high purity boehmite and aluminium based precursors for cathode synthesis and particle coating. We forecast the output mix to be 60% HPA, 20% Boehmite, 20% precursors, which would return Alpha an average LT product price of US\$24,800/t HPA equivalent.

Relationships with global giants

The company continues to build its credibility by partnering with companies such as Orica (reagent supply and offtake), Saint Gobain (product development/potential future offtake), Traxys (product marketing/distribution, trade finance) and Rhineland (specialty markets). These relationships are indicative of the forecasted wave of demand in Alpha's product range, particularly in the electric vehicle and LED lighting spaces. Saint Gobain is a global manufacturing business that had €38.1Bn of sales in 2020 and spends ~€400M annually on innovation.

Key growth markets in addition to EVs

The increased adoption of LED lighting is expected to be a major driver for HPA demand. In particular, the transition to using Micro LEDs is anticipated to have a huge impact. HPA is an input material to sapphire glass, the dominant substrate for LED's, due to its ability to dissipate heat.

Our updated financial forecasts

We have increased our LT HPA pricing (+24%), increased the exchange rate from 0.68 to 0.75 and changed the debt/equity split from 70/30 to 60/40. The long term average FCF has increased 15% to \$160M per annum. We maintain a BUY recommendation with a TP of **\$1.14ps**.

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

Mining	
12-month rating	BUY
Target Price (A\$ps)	1.14
Share Price (A\$ps)	0.63
Upside	80%
BBG: A4N AU	
Trading data & key metrics	
52-week range	0.14 - 0.645
Market Cap:	436
Shares on issue (m):	692
Avg daily volume (k):	1,166
Avg. daily volume -\$m	0.41
Directors:	
Norman Seckold	CHAIR
Rimas Kairaitis	MD
Peter Nightingale	Director & CFO
Tony Sgro	NED
Justin Werner	NED
Cameron Peacock	NED
Substantials:	
Regal Funds Management	10.09%
Norman Sekold	9.89%
Westpac Asset Management Arm	5.04%
A\$ps	millions
Apr-20	0
Jul-20	6
Oct-20	10
Jan-21	14
Apr-21	18
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