



A\$400m Government Debt Package

A4N-ASX | ALPHA HPA LIMITED | MATERIALS | HIGH PURITY ALUMINA

PRICE
A\$1.02/sh

TARGET PRICE
A\$1.50/sh
(FROM A\$1.40/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

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Event

A4N has received conditional approval for A\$400m in concessional government loan funding for the Stage 2 HPA First Facility. The debt package comprises A\$160m from NAIF and A\$160m from Export Finance Australia to fund construction, in addition to an A\$80m cost overrun facility.

Impact

Major beat: The quantum of available concessional debt funding comfortably exceeds our prior expectations, and materially reduces modelled equity dilution for the full-scale plant build. We previously modelled a debt-to-equity split of 60:40 (EHe concessional government debt of A\$300m) in meeting our modelled Stage 2 CapEx requirement of A\$500m, which we leave unchanged. Drawdown is subject to A4N securing LOIs and product qualification for an aggregate of 10ktpa reasonably aligned with the intended product and production profile. As a reminder, A4N also has previously been awarded A\$62m in government grant funding for the full-scale plant. Today's release provides further major validation of the strategic value of the HPA First Project (particularly given its timing ahead of the delivery of binding offtake agreements) while giving clear line of sight to FID, in our view.

Valuation lift: We now run higher concessional debt levels through our model, materially reducing previously assumed dilution. Our DCF-backed SOTP valuation has lifted by +A\$0.10/sh to A\$1.50/sh.

Action

Speculative Buy rating maintained, Price Target lifted to A\$1.50/sh (1.0x NAV, prev. A\$1.40/sh). The delivery of binding product offtake agreements and FID for the full-scale plant remain pivotal catalysts, particularly with the Phase C and Nova Phase sapphire growth unit rollouts being reliant on additional feedstock capacity.

A4N-ASX

Share Price	1.02	A\$/sh
Price Target	1.50	A\$/sh
Valuation	1.49	A\$/sh

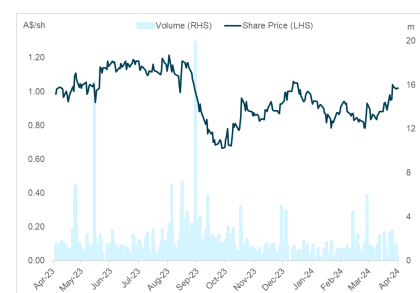
SOI (diluted)	950	m
Market Capitalisation	969	A\$m
Enterprise Value	933	A\$m
Cash	36	A\$m
Debt	Nil	A\$m

Forecasts	FY24E	FY25E	FY26E
4N+ HPA (kt)	-	-	3.6
5N+ Al-Precursors (...)	0.25	0.35	0.35

Assumptions	FY24E	FY25E	FY26E
HPA Price (US\$/kg)	25.0	25.0	25.0
OpEx (US\$/kg)	0.0	0.0	7.0
AUD/USD (x)	0.67	0.71	0.73

Key Financials	FY24E	FY25E	FY26E
Revenue (A\$m)	11	68	229
EBITDA (A\$m)	(10)	28	139
NPAT (A\$m)	(21)	(8)	67
Operating CF (A\$m)	(18)	(11)	60
EPS (A\$/sh)	(0.02)	(0.01)	0.07
EV/EBITDA (x)	na	39.4	9.4
EV/EBIT (x)	na	53.3	10.6

Performance



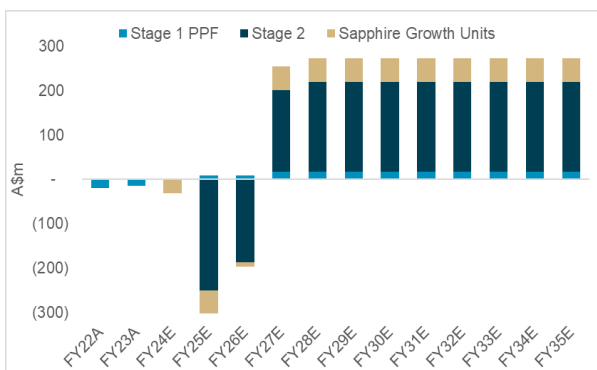
Source: IRESS

Figure 1: A4N Financial Summary

Market Statistics				
Share Price	1.02	A\$/sh		
Issued Capital				
Fully Paid Ordinary	933.8	m		
Options (ex. 90cps)	11.8	m		
Performance Rights	4.7	m		
Diluted Fully Paid Ordinary	950.3	m		
Market Capitalisation	969	A\$m		
Enterprise Value	933	A\$m		
Cash	36	A\$m		
Debt	Nil	A\$m		
Substantial Shareholders				
Norman Seckold	7.2%			
Orica	5.1%			
Valuation				
	Risking	Equity	A\$m	A\$/sh
Gladstone Stages 1 & 2	85%	100%	888	0.84
Alpha Sapphire (Phases A, B & C)	90%	100%	227	0.21
Alpha Sapphire (Nova Phase)			400	0.38
Corporate Overheads			(54)	(0.05)
Cash			36	0.03
Undrawn Grant Funds			62	0.06
Listed Investments			3	0.00
Unpaid Capital			11	0.01
Total			1,573	1.49
Production Forecasts				
	FY23A	FY24E	FY25E	FY26E
4N+ HPA Production (kt)	0.0	0.0	0.0	3.6
5N+ AI Precursor Production (kt)	0.15	0.25	0.35	0.35
4N+ HPA Price (US\$/kg)	25.0	25.0	25.0	25.0
Operating Costs (US\$/kg)	0.0	0.0	0.0	7.0
Ratio Analysis				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
Operating CF (A\$m)	-11	-18	-11	60
CFPS (A\$/sh)	-0.01	-0.02	-0.01	0.06
Earnings (A\$m)	-16	-21	-8	67
EPS (A\$/sh)	-0.02	-0.02	-0.01	0.07
Enterprise Value (A\$m)	854	766	1,087	1,307
EV/EBITDA (x)	na	na	39.4	9.4
EV/EBIT (x)	na	na	53.3	10.6
Net Debt (A\$m)	-20.6	-186.9	134.3	354.8
ND/(ND + Equity) (%)	-58%	-481%	45%	63%
EBIT Margin (%)	-767%	-121%	30%	54%
ROE (%)	-28%	-9%	-5%	33%
ROA (%)	-23%	-3%	-1%	11%
Dividends (A\$/sh)	0.0	0.0	0.0	0.0
Div. Payout Ratio (%)	0%	0%	0%	0%
Div. Yield (%)	0%	0%	0%	0%
Div. Franking (%)	100%	100%	100%	100%
Profit & Loss				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
(+) Sales revenue	0	11	68	229
(+) Interest income	0	-	-	-
(+) Other revenue	2	-	-	-
Total Revenue	2	11	68	229
(-) Costs of production	(0)	(12)	(31)	(80)
(-) Corporate overheads	(8)	(10)	(10)	(10)
(-) D&A	(1)	(3)	(7)	(15)
(-) Other	(8)	-	-	-
EBITDA	(15)	(10)	28	139
EBIT	(16)	(14)	20	124
(-) Interest Expense	(0)	(7)	(28)	(28)
NPBT	(16)	(21)	(8)	96
(-) Minority Interest	-	-	-	-
NPBT (ex-min.)	(16)	(21)	(8)	96
(-) Tax	-	-	-	(29)
Net Profit	(16)	(21)	(8)	67
Cash Flow				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
Net Profit	(16)	(21)	(8)	67
(+) Working Capital Adj.	1	(1)	(11)	(22)
(+) D&A	1	3	7	15
(+) Tax Expense	-	-	-	29
(-) Tax Paid	-	-	-	(29)
(+/-) Other	3	-	-	-
Operating Cashflow	(11)	(18)	(11)	60
(-) Capex & Developmen	(14)	(30)	(310)	(280)
(-) Exploration	-	-	-	-
(+/-) Other	6	76	-	-
Investing Cashflow	(8)	46	(310)	(280)
(+) Equity Issues	23	138	-	-
(+) Loan Drawdown	-	400	-	-
(-) Loan Repayment	-	-	-	-
(-) Other	-	-	-	-
Financing Cashflow	23	538	-	-
BoP Cash Balance	17	21	587	266
(+/-) Net Cashflows	4	566	(321)	(221)
(+/-) FX Adj.	-	-	-	-
EOp Cash Balance	21	587	266	45
Balance Sheet				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
Assets				
Cash	21	587	266	45
Current Receivables	2	2	14	46
Other Current Assets	2	-	-	-
Non-Current Assets	43	42	290	530
Total Assets	67	631	569	621
Liabilities				
Borrowings	-	400	400	400
Current Accounts Payab	5	5	6	16
Other Liabilities	6	-	-	-
Total Liabilities	11	405	406	416
Net Assets	56	226	163	205

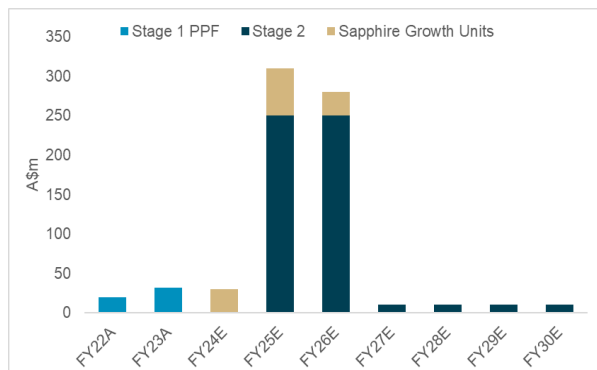
Source: Euroz Hartleys estimates

Figure 2: Free cash flow forecasts



Source: Euroz Hartleys estimates

Figure 3: CapEx assumptions



Source: Euroz Hartleys estimates

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Alpha HPA Limited (A4N-ASX) | Price A\$1.02 | Target price A\$1.50 | Recommendation Speculative Buy;

Price, target price and rating as at 17 April 2024 (not covered)*

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