

Alpha HPA



Sapphire FID delay; L-T EPS uplift with lower ccy

Key Points

- Sapphire phase B FID held over to 1HCY25; sapphire end-user qualification in semiconductor sector.
- Updated currency & commod assumptions benefit outer year earnings.
- Valuation revised slightly higher with earnings uplift from favourable currency revisions (A\$:US\$ lower).

- **Alpha Sapphire phase B** (roll out of addtl 48 growth units) **FID delayed** to 1HCY25 to allow for further analysis on economics of growth units. This following engagement with semiconductor end-users to provide sapphire as substrate for next-gen power semis. Semi industry engagement against backdrop of **deferred adoption of microLED** by major tech end-users; microLED previously a key future sapphire demand driver. Alpha currently in **qualification testing with prospective semi customers**. 30 June 2025 referenced in release as final date for FID such that QIC debt funding (\$30m) remains available.
- Delay in Sapphire FID not wholly unexpected and drives **push-to-right of Sapphire ramp-up**; we now expect full 50 units by end-FY30 (Fig 7). Whilst the delay is a drag on earnings in near term, Alpha's investment case remains unchanged in our view with strong growth prospects over medium term across a range of HPA end-markets and Alpha's differentiated process lending it favourable margins. On our facts, Alpha Sapphire to comprise c12% of group earnings at full ramp-up (FY30); limited EPS impact to outer years reflection of this.
- Separately, we have reflected recent changes to commodity and FX assumptions post the recent update from the [Macq Macro Strategy team](#). **Higher alumina** pricing increases Alpha's prod'n costs; we est alumina =c12% of variable costs. This is **more than offset by lower A\$:US\$** (revised lower by -3% to -7% across FY25-27e) with benefit to earnings from higher A\$ HPA pricing.

Earnings changes: FY25/26/27 -15%/-186%/-114% on slower sapphire rollout. Large % ch due to law of small numbers. **FY28-30 flat to +2.5%** with favourable ccy partly offset by higher commod/slower sapphire rollout.

Valuation: TP of \$1.43 up from \$1.40 with earnings uplift from favourable ccy impact on A\$ HPA pricing partly offset by higher alumina costs & slower Sapphire rollout (valn linked to outer year earnings hence limited impact).

Catalysts: Additional LOIs and conversion into sales contracts; construction milestones, FID on next phase of Sapphire roll-out (1HCY25).

Investment Thesis and Recommendation

OP. Alpha offers strong growth prospects due to HPA's material benefits, use cases in rapidly scaling markets & Alpha's cost advantage. We expect re-rating as Stage 2 construction milestones are reached & on further HPA market development incl additional customer LOIs.

Chemicals Australia



Ben
Wedd, CFA



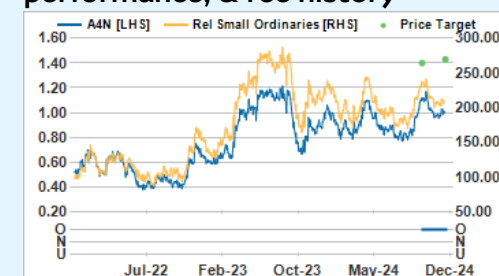
John
Purtell

A4N AU	Outperform
Price (at 11 Dec 2024)	AUD0.98
12-month target	AUD1.43
12-month TSR (%)	45.9
Volatility Index	High
Market Cap (Local) (m)	1,112
Market Cap (USD) (m)	708
30-day avg turnover (AUD) (m)	1.4

Investment Fundamentals

Year end 30 Jun	2024A	2025E	2026E	2027E
Revenue (m)	6.3	0.2	1.5	103.6
EBITDA (m)	(24.4)	(11.7)	(22.0)	31.1
EBIT (m)	(26.3)	(14.3)	(30.8)	1.1
Reported profit (m)	(24.9)	(11.8)	(28.9)	(9.8)
Adjusted profit (m)	(24.9)	(11.8)	(28.9)	(9.8)
EPS adj (¢)	(2.5)	(1.0)	(2.5)	(0.8)
EPS adj growth (%)	NM	59.0	(140.8)	67.0
PER adj (x)	NM	NM	NM	NM
Total DPS (¢)	0.0	0.0	0.0	0.0
Total div yield (%)	0.0	0.0	0.0	0.0
Franking (%)	NM	NM	NM	NM
ROA (%)	(8.4)	(3.9)	(5.2)	0.1
ROE (%)	(10.1)	(4.9)	(10.7)	(3.2)

A4N AU rel Small Ordinaries performance, & rec history



Source: FactSet, Macquarie Research, Dec 2024 (all figures in AUD unless noted, TP in AUD)

Figure 1 - Healthy margins underpinned by cost position

Revenue (A\$m)	FY24a	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e	FY35e	FY36e	FY37e	FY38e	FY39e	FY40e
HPA	0	0	0	92	234	342	381	395	405	365	341	324	332	340	349	358	367
Alpha Sapphire	0	0	1	12	32	49	61	65	67	68	69	71	72	73	75	76	78
Corporate/other	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group revenue (A\$m)	6	0	1	104	266	391	442	460	472	432	410	395	404	414	424	434	444
EBITDA (A\$m)																	
HPA	0	0	0	26	150	247	281	293	301	259	234	215	221	228	234	241	248
Alpha Sapphire	0	0	1	7	21	31	39	41	42	43	44	45	46	47	47	48	49
Corporate/other	(24)	(12)	(23)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
Group EBITDA (A\$m)	(24)	(12)	(22)	31	169	276	318	332	341	300	276	257	264	272	279	287	295
EBITDA margin (%)																	
HPA	nm	nm	nm	27.9%	64.4%	72.1%	73.8%	74.0%	74.2%	71.1%	68.6%	66.4%	66.6%	66.9%	67.1%	67.4%	67.6%
Alpha Sapphire	nm	nm	nm	64.4%	64.0%	63.7%	63.4%	63.3%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%
Group EBITDA (%)	nm	nm	nm	30.0%	63.6%	70.5%	71.8%	72.1%	72.2%	69.3%	67.2%	65.2%	65.5%	65.7%	65.9%	66.1%	66.3%

Source: Macquarie Research, December 2024

Figure 2 - Specialty Chems trade on high-single to low-double digit FY1 EV/EBITDA multiples; we apply a 25% discount given Alpha is pre full-scale production

CompCo	PE				EV/EBITDA				EV/EBIT			
	FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3
Dupont	23.4	20.8	18.3	16.3	13.8	13.0	12.0	11.1	17.1	16.2	14.5	14.2
Element Solutions	21.5	19.3	17.1	14.9	15.2	15.4	14.1	12.7	16.7	16.7	15.1	13.7
Entegris	37.7	33.7	26.2	20.9	23.7	20.4	17.6	15.1	29.0	25.6	21.4	18.3
Rogers Corp	26.7	37.5	28.6	20.6	16.2	15.1	13.1	12.8	25.5	32.9	23.3	16.0
Materion Corp	19.8	21.2	18.1	NA	14.8	13.1	11.7	10.4	21.4	19.8	17.0	12.0
Quaker Houghton	21.4	21.1	18.6	16.1	13.8	11.1	10.4	9.7	19.8	15.8	14.4	12.9
Sumitomo Chemical	11.6	24.9	8.8	7.2	-	7.6	7.3	6.7	-	22.8	15.9	13.7
Denka	15.0	24.0	11.3	8.0	8.8	7.5	5.9	5.2	26.5	18.1	12.0	10.0
Eastman Chemical Company	15.8	13.3	11.7	10.3	9.6	9.3	8.5	7.9	13.9	13.0	11.7	10.7
Ingevity	11.7	16.0	11.4	9.6	8.0	8.8	7.6	6.8	15.4	13.1	11.1	9.7
Orica	22.8	21.4	18.0	16.3	9.2	8.2	7.1	6.7	14.4	12.6	10.5	9.8
Specialty Chems average	20.7	23.0	17.1	14.0	12.1	11.8	10.5	9.6	18.1	18.8	15.2	12.8

Source: FactSet, Macquarie Research, December 2024

Figure 3 - Our DCF gives value per share of \$1.53

DCF		DCF Assumptions	
PV cashflows (FY25-34) (\$m)	199	Risk free rate	4.2%
PV terminal value (\$m)	1,427	Equity risk premium	5.0%
Enterprise value (\$m)	1,625	Beta	1.6
		Cost of equity	12.0%
Net debt (FY24a) (\$m)	(186)	Cost of debt (pre tax)	6.0%
Leases (FY24a) (\$m)	0	Cost of debt (post tax @ 30%)	4.2%
Equity value (\$m)	1,811	Equity weight	70%
EFPOWA #	1,182		
Price per share (A\$/sh)	\$1.53	WAAC	9.7%

Source: Macquarie Research, December 2024

Figure 4 - Our SoP gives value per share of \$1.32. Average of SoP & DCF yields TP of \$1.43

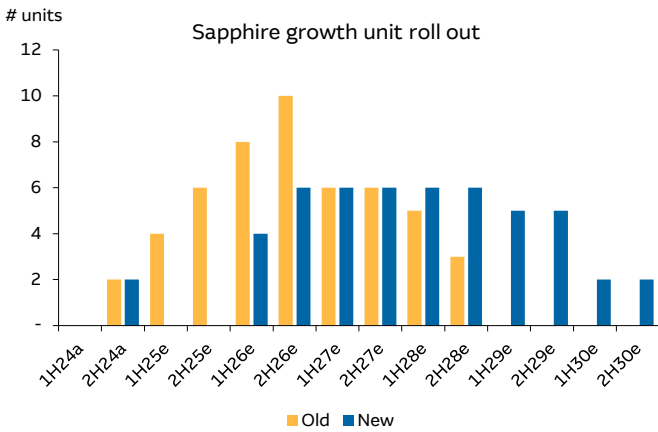
Sum of Parts	FY30e EBITDA	FY1 multiple	Valuation	Comment
HPA	281	8.9x	2,487	EV/EBITDA Spec Chems multiple disc by 25%
Sapphire	39	11.1x	431	25% uplift to multiple
Corporate	(2)	8.9x	(19)	
Total EBITDA	318	9.1x	2,899	
Less net debt (FY30e)			135	
Leases			0	
Equity value			2,764	
# shares			1,182	
FY29 equity value per share			\$2.34	
Current equity value per share			\$1.32	FY29 SoP value discounted to 12m TP
DCF			\$1.53	
Average SoP & DCF			\$1.43	

Source: Macquarie Research, December 2024

Sapphire FID delayed

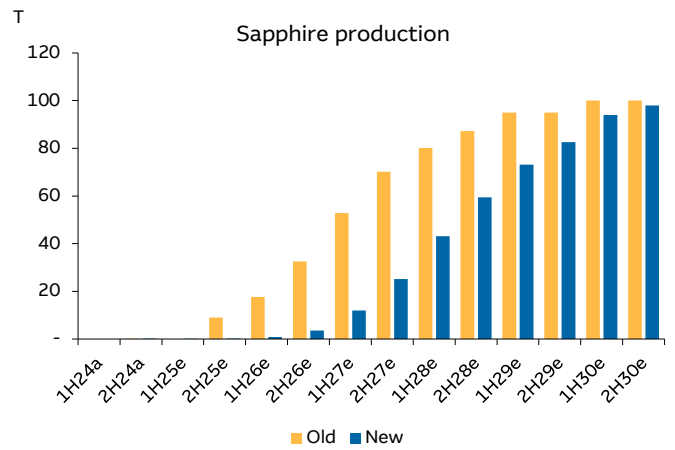
- **FID for Alpha Sapphire** phase B (roll out of additional 48 synthetic sapphire growth units) **held over to 1HCY25**, with 30 June 2025 the last date Alpha can take FID and retain access to the \$30m debt funding package from QIC. After this date, Alpha is obliged to repay \$3m already drawn down from the facility at interest rate of 10%.
- Sapphire FID pushed to CY25 against backdrop of delayed micro-LED adoption across major electronics end-users; expectations for growth in this market had underpinned original Alpha Sapphire thesis. Notwithstanding headwinds in this area, Alpha has been successful in **market development** of its sapphire products in **other end-markets** including optics (maiden sales made in 1H25) and in semiconductors where an emerging end-use is power semiconductors based on a sapphire substrate. Re latter, Alpha's sapphire boules currently undergoing **qualification with 2 semiconductor end-users** where 8-inch product and ESG credentials are viewed favourably. Alpha is conducting further analysis on economics of sapphire growth units given semiconductor end-market engagement. Successful qualification likely to precede Sapphire FID; June 2025 deadline with QIC provides indicative timeline in our view.

Figure 5 - We have pared back our sapphire growth unit assumptions and now assume 50 units reached in FY30



Source: Macquarie Research, December 2024

Figure 6 - Sapphire production estimates lowered



Source: Macquarie Research, December 2024

Modelling Recent commodity and FX changes

- The Macquarie Macro Strategy team has made a number of changes to commodity assumptions including alumina, and ammonia (de minimis change) which are key components of Alpha's cost base. The **alumina** price has been **revised higher by 6.4% and 7.7% in FY25 & FY26** respectively; we estimate **alumina comprises ~12% of Alpha's variable cost base**. The global alumina market has been experiencing supply disruptions, e.g., production curtailments at Alcoa's Kwinana refinery, Hurricane-related prodn outages and delays in Chinese refinery ramp-up. The team sees a 1.27mt supply deficit in CY24 before the market moves back to surplus; higher spot prices and deficit starting point drive price upgrades.
- FX** assumptions have also seen **material changes with A\$:US\$ cross -3% to -7% to FY27**. Negative revisions to AUDUSD benefits Alpha via **higher A\$ HPA prices** and this **more than outweighs upward revisions to alumina costs**.

Figure 7 - Alumina price assumptions have been lifted - impacts cost line; small downgrade to ammonia

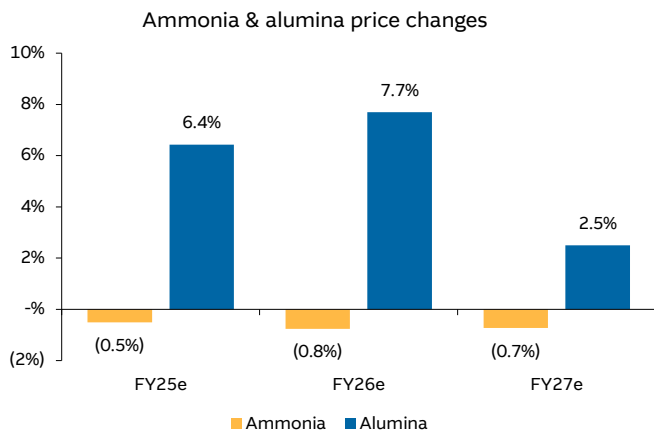
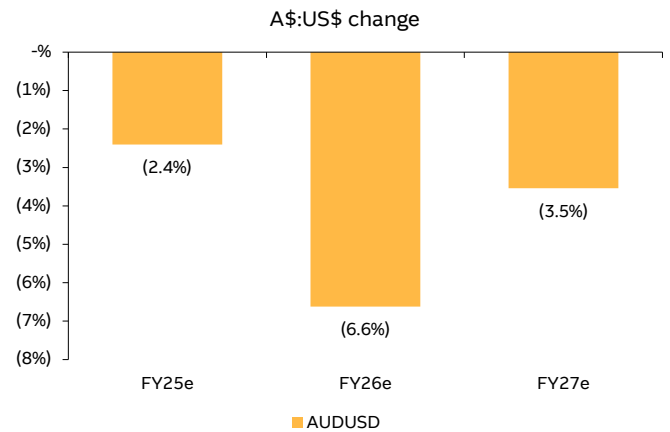


Figure 8 - Large negative revisions to currency; more than offsets higher alumina costs



Source: Macquarie Research, December 2024

Source: Macquarie Research, December 2024

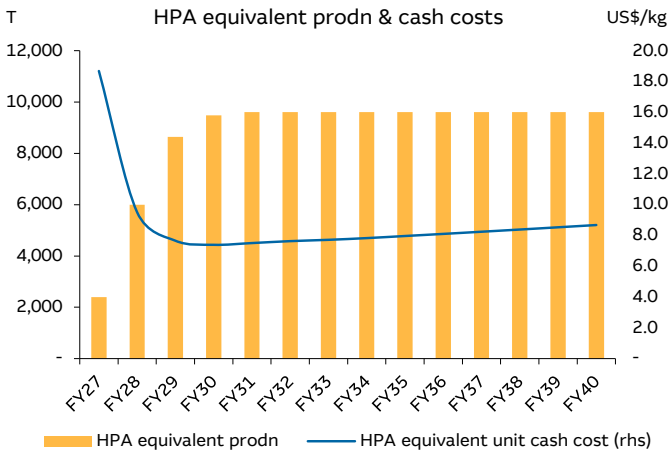
Figure 9 - Segmental earnings changes; significant % changes in near-term due to law of small numbers and pre-revenue operations. Small uplift in outer years

	FY25e - old	FY25e - new	ch (%)	FY26e - old	FY26e - new	ch (%)	FY27e - old	FY27e - new	ch (%)	FY28e - old	FY28e - new	ch (%)	FY29e - old	FY29e - new	ch (%)	FY30e - old	FY30e - new	ch (%)
HPA	0.1	0.1	(40%)	(0.0)	0.1	(259%)	19.3	25.7	33%	140.5	150.4	7%	236.2	246.7	4%	273.2	281.0	3%
Alpha Sapphire	1.7	0.0	(97%)	9.2	0.9	(90%)	22.9	7.5	(68%)	31.8	20.6	(35%)	36.8	31.4	(15%)	39.4	38.9	(1%)
Corporate/Other	(11.7)	(11.8)	(1%)	(11.7)	(23.0)	(97%)	(2.0)	(2.0)	-%	(2.0)	(2.0)	-%	(2.1)	(2.1)	-%	(2.1)	(2.1)	-%
Group EBITDA	(9.9)	(11.7)	(18%)	(2.5)	(22.0)	(766%)	40.2	31.1	(23%)	170.2	169.0	(1%)	270.9	276.0	2%	310.5	317.8	2%
Depreciation	1.9	1.9	-%	8.6	8.1	6%	27.6	26.2	(5%)	29.2	27.8	(5%)	30.9	29.9	(3%)	30.8	30.7	(0%)
Amortisation	0.7	0.7	(2%)	0.7	0.7	(2%)	0.7	0.7	2%	0.7	0.7	2%	0.7	0.7	2%	0.7	0.7	1%
EBIT	(12.5)	(14.3)	(14%)	(11.8)	(30.8)	(160%)	11.9	4.2	(65%)	140.4	140.5	0%	239.3	245.4	3%	279.0	286.4	3%
Net Interest expense	(2.3)	(2.5)	(9%)	(1.7)	(2.0)	(14%)	24.9	24.6	(1%)	26.3	26.2	(0%)	24.9	25.2	1%	23.3	23.8	2%
Pre-Tax Profit	(10.3)	(11.8)	(15%)	(10.1)	(28.9)	(186%)	(13.0)	(20.4)	(57%)	114.1	114.3	0%	214.4	220.2	3%	255.6	262.6	3%
Tax Expense	-	-	nm	-	-	nm	(11.4)	(13.7)	(20%)	25.0	25.1	0%	53.8	55.6	3%	65.8	67.9	3%
Net Profit	(10.3)	(11.8)	(15%)	(10.1)	(28.9)	(186%)	(4.6)	(9.8)	(114%)	86.0	86.2	0%	157.5	161.6	3%	186.8	191.7	3%

Source: Macquarie Research, December 2024

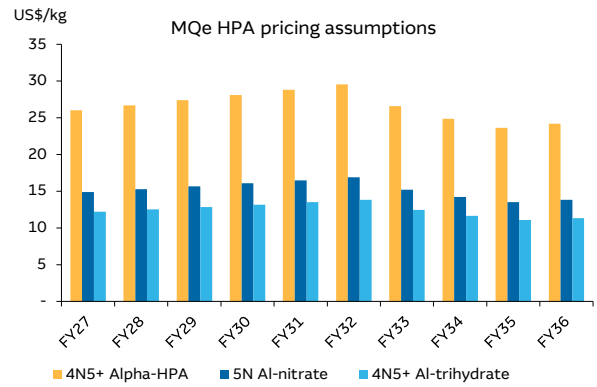
Key charts

Figure 10 - We estimate HPA equivalent cash cost of US\$7.4/kg in FY30



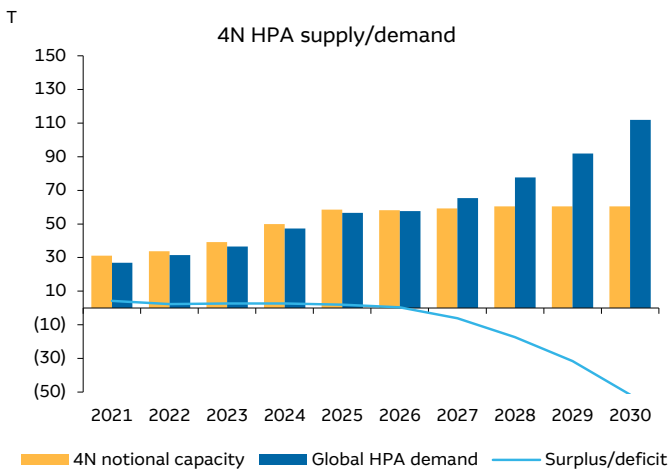
Source: Macquarie Research, December 2024

Figure 11 - Our key HPA pricing assumptions range from US\$13.2-28.1/kg in FY30



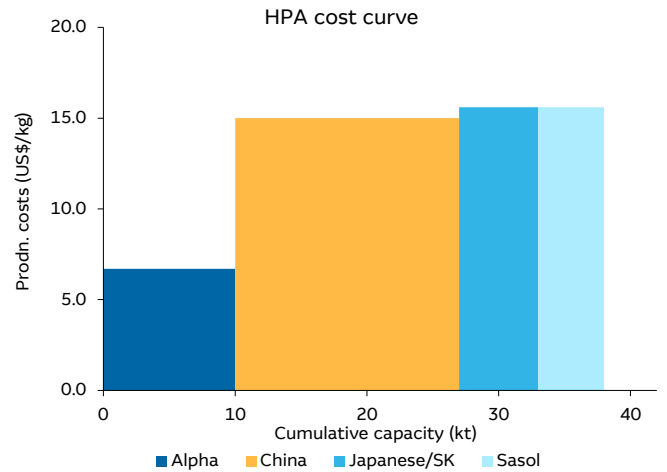
Source: Macquarie Research, December 2024

Figure 12 - 4N HPA demand projected to grow rapidly driven by adoption across EV, semiconductor and LED industries



Source: CRU Global, Macquarie Research, December 2024

Figure 13 - Alpha set to be the lowest cost producer



Source: CRU, Macquarie Research, December 2024

Alpha HPA								Key assumptions										
Profit & Loss	FY24a	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	FY24a	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e				
Revenue	\$m	6.5	0.2	1.5	103.6	265.8	391.4	442.4	HPA Pricing (US\$)									
% ch			-97%	805%	6883%	156%	47%	13.0%	4N+ Al-nitrate	US\$/kg	13.7	14.1	14.4	14.9	15.3	15.7	16.1	
EBITDA	\$m	(24.4)	(11.7)	(22.0)	31.1	169.0	276.0	317.8	4N+ Al-trihydrate	US\$/kg	11.3	11.5	11.8	12.2	12.5	12.9	13.2	
Depreciation	\$m	1.7	1.9	8.1	29.3	30.8	32.9	33.8	4N+ alpha-HPA	US\$/kg	24.0	24.6	25.2	26.0	26.7	27.4	28.2	
Amortisation	\$m	0.3	0.7	0.7	0.7	0.7	0.7	0.7	4N+ gamma-HPA	US\$/kg	15.2	15.6	16.0	16.5	16.9	17.4	17.9	
EBIT	\$m	(26.4)	(14.3)	(30.8)	1.1	137.4	242.3	283.3	4N+ nano HPA	US\$/kg	32.3	33.1	33.9	34.9	35.9	36.9	37.9	
Net Interest expense	\$m	(1.4)	(2.5)	(2.0)	24.6	26.2	25.2	23.8	Commodity prices (US\$)									
Pre-Tax Profit	\$m	(25.0)	(11.8)	(28.9)	(23.5)	111.2	217.2	259.6	Alumina Spot	US\$/t	399.4	621.5	528.3	490.0	490.0	474.2	449.9	
Tax Expense	\$m	-	-	-	(13.7)	25.1	55.6	67.9	Ammonia	US\$/st	280.0	293.0	308.5	296.0	303.4	311.1	318.9	
Net Profit	\$m	(25.0)	(11.8)	(28.9)	(9.8)	86.2	161.6	191.7	AUDUSD	x	0.67	0.65	0.64	0.67	0.68	0.68	0.69	
Outside equity interests	\$m	-	-	-	-	-	-	-	HPA Pricing (A\$)									
Net Abn/Extra	\$m	-	-	-	-	-	-	-	4N+ Al-nitrate	A\$/kg	20.6	21.7	22.7	22.3	22.6	23.0	23.3	
Reported Earnings	\$m	(25.0)	(11.8)	(28.9)	(9.8)	86.2	161.6	191.7	4N+ Al-trihydrate	A\$/kg	16.9	17.8	18.6	18.2	18.5	18.8	19.1	
Adjusted Earnings	\$m	(25.0)	(11.8)	(28.9)	(9.8)	86.2	161.6	191.7	4N+ alpha-HPA	A\$/kg	36.1	38.0	39.8	38.9	39.5	40.1	40.8	
Gross Cashflow	\$m	(23.0)	(9.2)	(20.1)	20.2	117.7	195.2	226.2	4N+ gamma-HPA	A\$/kg	22.9	24.1	25.2	24.7	25.0	25.5	25.9	
EPS (Adj/dil)	c	(2.5)	(1.0)	(2.5)	(0.8)	7.3	13.7	16.2	4N+ nano HPA	A\$/kg	48.5	51.1	53.4	52.3	53.0	53.9	54.8	
EPS growth	%		nm	nm	nm	nm	87.5	18.6	Commodity prices (US\$)									
CFPS	c	(2.4)	(0.8)	(1.8)	1.7	10.0	16.5	19.1	Alumina Spot	A\$/t	600.3	959.0	832.0	734.1	724.0	693.7	651.6	
CFPS Growth	%		nm	nm	nm	nm	482.8	65.9	15.9	Ammonia	A\$/st	420.9	452.1	485.8	443.4	448.4	455.1	461.9
EBITDA/Sales	%	nm	nm	nm	30.0	63.6	70.5	71.8										
EBIT/Sales	%	nm	nm	nm	1.1	51.7	61.9	64.0										
Revenue Growth	%		nm	nm	nm	156.5	47.3	13.0										
EBIT Growth	%		nm	nm	nm	76.3	16.9											

Cashflow Analysis								HPA Equivalent Production								
	FY24a	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e									
Pre-tax Profit	\$m	(25.0)	(11.8)	(28.9)	(23.5)	111.2	217.2	259.6								
Depreciation & Amortisation	\$m	2.0	2.6	8.8	30.0	31.5	33.7	34.5								
Tax Paid	\$m	-	-	-	13.7	(25.1)	(55.6)	(67.9)								
Gross cashflow	\$m	(23.0)	(9.2)	(20.1)	20.2	117.7	195.2	226.2								
Changes in working capital	\$m	4.8	-	(7.3)	(36.6)	(11.8)	(31.6)	(2.9)								
Other	\$m	(4.2)	0.0	0.0	-	-	-	-								
Operating Cashflow	\$m	(22.4)	(9.1)	(27.3)	(16.4)	105.9	163.7	223.3								
Acquisitions	\$m	-	-	-	-	-	-	-								
Capex - Plant & Equip.	\$m	(23.2)	(190.0)	(285.8)	(57.3)	(70.0)	(46.5)	(33.2)								
Asset Sales	\$m	-	-	-	-	-	-	-								
Other	\$m	(2.2)	(1.0)	(30.4)	(3.7)	(4.6)	(5.4)	(5.7)								
Investing cashflow	\$m	(25.4)	(191.0)	(316.2)	(60.9)	(74.6)	(51.9)	(38.9)								
Dividend (ordinary)	\$m	-	-	-	-	(62.1)	(95.8)	-								
Equity raised	\$m	213.8	-	100.0	-	-	-	-								
Borrowings	\$m	3.0	120.0	220.0	100.0	-	-	-								
Other	\$m	(0.2)	-	30.0	-	-	-	-								
Financing cashflow	\$m	216.6	120.0	350.0	100.0	-	(62.1)	(95.8)								
Net Change in cash/debt	\$m	168.8	(80.2)	6.5	22.7	31.3	49.6	88.6								

Balance Sheet								Valuation																																																																																																																																																																																																																																																																											
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Source: Macquarie Research, December 2024

Key Risks to Investment Thesis

- Alpha is a pre-production, pre-earnings project and key risks are centred on ramp-up of stage 2 facility / ability to produce HPA to generate rev/earnings. Key to sales delivery is increasing LOI coverage from current ~25% coverage towards 100%. Ramp-up of project is reliant on key management personnel including CEO and COO; should these KMP leave, this would put success of project at risk. For a more fulsome discussion of risks, refer to Key Risks section of our [initiation report](#).

Company Description

Alpha HPA is developing the HPA First Project in Queensland, Australia. High Purity Alumina (HPA) is a specialty material used in a range of industries; HPA is characterised by purity level >99.99% (4N+). The First Project is set to be the lowest cost HPA plant globally enabled by Alpha's innovative solvent extraction-based process route which lends it cost of production >50% below incumbents and enables it to unlock new fast growing markets e.g. batteries, semiconductors and synthetic sapphire.

Key Quant Findings

The quant model currently holds a reasonably negative view on Alpha HPA. The strongest style exposure is Growth, indicating this stock has good historic and/or forecast growth. Growth metrics focus on both top and bottom line items. The weakest style exposure is Profitability, indicating this stock is not efficiently converting investments to earnings; proxied by ratios like ROE or ROA.

Macquarie Alpha Model: Key rankings

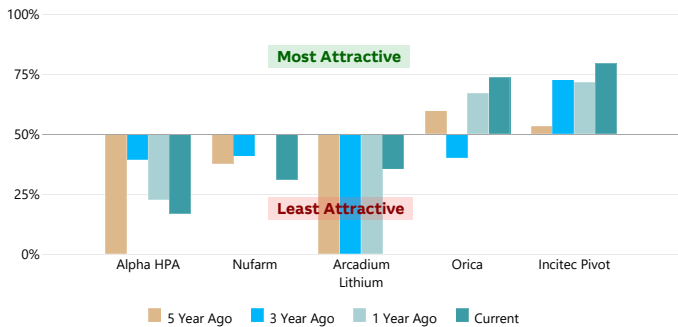
The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

	Global	Market (Country)	Sector
	Whole Universe	Australia & NZ	Chemicals
Macquarie Alpha Model	14387/17764	310/373	796/979
Fundamental (Consensus) *	1/17764	1/373	1/979

* based on Total Shareholder Return = Consensus Price target / Current Price

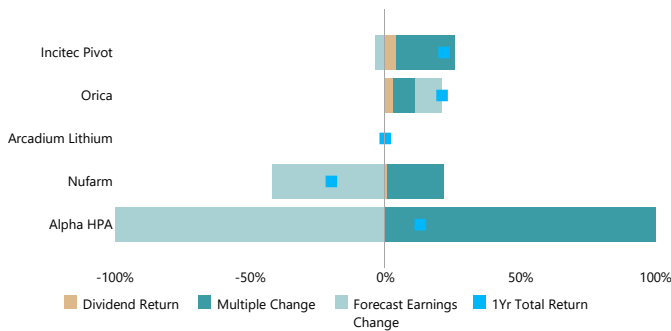
Current and Historical Alpha Model Rank

The chart shows the Macquarie Alpha model market ranking against the company's peers and over recent history.



Drivers of Stock Return

Breakdown of 1-year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



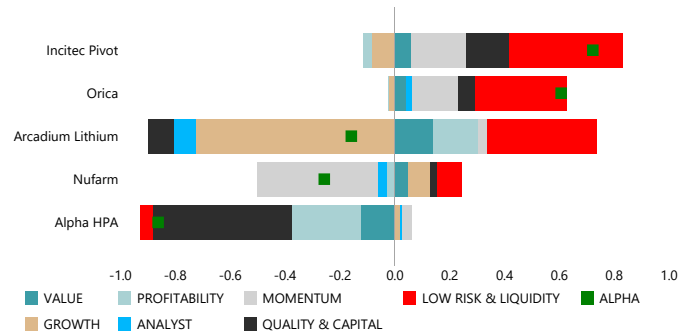
Alpha Model Decomposition

The Macquarie Alpha is decomposed into its sector and market relative factor & styles exposures (a higher/better percentile is coded in green, whilst lower in red).

Factors / Styles	Percentile relative to		Core factors in definition
	sectors (/979)	market (/373)	
ALPHA	19%	17%	Built from the styles below
VALUE	9%	14%	Book, CF, Yield, Earnings Multiples
ANALYST	84%	53%	Revisions (Earnings, Recommendations)
MOMENTUM	70%	50%	Price Momentum
GROWTH	83%	68%	EPS, Sales (Forecast, Historic)
PROFITABILITY	1%	2%	ROE, Margin, Asset Turnover
QUALITY	5%	13%	Accruals, Earn Stability, Cash Conversion
CAPITAL	1%	1%	Investment/Capex, Net share issuance
LIQUIDITY	55%	18%	Size, Turnover, Analyst Coverage
LOW RISK	71%	78%	Beta, Volatility, Earn.Cert, Leverage
TECHNICAL	42%	45%	MACD, RSI, Bollinger, Williams R, etc

Factors driving the Alpha Model vs peers

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall raw Alpha score.



Macquarie Style Returns over last year

Recent performance to Macquarie style factors

	Monthly Factor Long-Short Returns for												Last 5 Years (ann)	Last 10 Years (ann)
	Nov - 24	Oct - 24	Sep - 24	Aug - 24	Jul - 24	Jun - 24	May - 24	Apr - 24	Mar - 24	Feb - 24	Jan - 24	Dec - 23		
Australia & NZ														
ALPHA	8%	0%	-8%	5%	9%	9%	3%	-7%	-2%	-9%	20%	0%	14%	16%
VALUE	6%	-5%	-6%	1%	10%	8%	-3%	-5%	-1%	-9%	18%	1%	8%	8%
ANALYST	1%	6%	0%	2%	-3%	-1%	3%	-1%	3%	4%	-1%	-1%	10%	7%
MOMENTUM	8%	5%	-4%	6%	8%	5%	5%	-5%	0%	-1%	18%	2%	24%	22%
GROWTH	7%	0%	4%	3%	-4%	2%	7%	4%	1%	1%	6%	-1%	9%	7%
PROFITABILITY	1%	-3%	-5%	2%	5%	7%	-1%	-5%	-3%	-11%	14%	1%	3%	7%
QUALITY	4%	-4%	-6%	2%	9%	11%	-1%	-5%	-1%	-2%	13%	-2%	5%	9%
CAPITAL	6%	-4%	-4%	4%	9%	9%	-4%	-3%	-2%	-2%	17%	3%	8%	11%
LIQUIDITY	3%	2%	-4%	3%	4%	6%	3%	-2%	-5%	-1%	13%	0%	5%	9%
LOW RISK	6%	-2%	-8%	1%	7%	5%	0%	-5%	4%	-12%	15%	1%	1%	4%

Source (all charts): FactSet, Refinitiv, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative Team: maccaperequitiesresearchquantglobal@macquarie.com. Explanation for items on this page can be found at <https://www.macquarieinsights.com/rp/dr/rp/OTUyMzg1>

Analysts

Ben Wedd, CFA

61 478 776 169

ben.wedd@macquarie.com

Macquarie Securities (Australia) Limited

John Purtell

61 410 499 088

john.purtell@macquarie.com

Macquarie Securities (Australia) Limited

Important Disclosures

Recommendation definitions	Volatility index definition	Financial definitions
<p>Macquarie - Asia and USA Outperform - expected return >10% Neutral - expected return from -10% to +10% Underperform - expected return <-10%</p> <p>Macquarie - Australia/New Zealand Outperform - expected return >10% Neutral - expected return from 0% to 10% Underperform - expected return <0%</p> <p>During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.</p> <p>Recommendations - 12 months 12-month target - Expected share price in 12 months Valuation - The company's estimated fair value share price based on the disclosed valuation methodology Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high - highest risk - Stock should be expected to move up or down 60-100% in a year - investors should be aware this stock is highly speculative.</p> <p>High - stock should be expected to move up or down at least 40-60% in a year - investors should be aware this stock could be speculative.</p> <p>Medium - stock should be expected to move up or down at least 25-40% in a year.</p> <p>Low - stock should be expected to move up or down at least 15-25% in a year. * Applicable to select stocks in Asia/Australia/NZ</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions for quarter ending 30 Sept 2024

	AU/NZ	Asia	USA	
Outperform	62.37%	64.19%	71.74%	(for global coverage by Macquarie, 2.06% of stocks followed are investment banking clients)
Neutral	32.06%	24.40%	25.00%	(for global coverage by Macquarie, 1.67% of stocks followed are investment banking clients)
Underperform	5.57%	11.41%	3.26%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

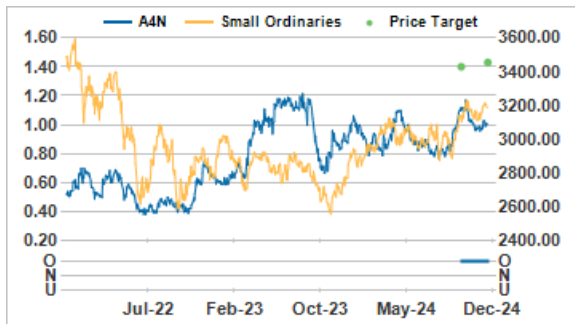
Company Name	Disclosure
Alpha HPA (A4N AU) Outperform 12-month target: AUD1.43 - Average DCF/SoP Valuation: AUD 1.48 - DCF (WACC 9.7%) Price: AUD0.98	Macquarie Group Limited together with its affiliates beneficially owns 1% or more of the equity securities of Alpha HPA Ltd. A Macquarie analyst(s) involved with the preparation of this research has, in the past 12 months, visited material operations of Alpha HPA Ltd. In connection with such a visit, the company may have furnished local transportation and/or accommodation, which requires authorisation in adherence with Macquarie policy requirements. Macquarie managed or co-managed a public offering of securities of Alpha HPA Ltd in the past 12 months, for which it received compensation. Macquarie Group is a substantial securities holder of Alpha HPA Ltd

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Recommendation history

Company name	Date	Recommendation	Target price
Alpha HPA (A4N AU)	11-Dec-2024	Outperform	AUD 1.43
	3-Oct-2024	Outperform	AUD 1.40



Sensitivity analysis:

Clients receiving this report can request access to a model which allows for further in-depth analysis of the assumptions used, and recommendations made, by the author relating to the subject companies covered. Contact <https://www.macquarieinsights.com/contacts> for access requests.

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