

Altech Chemicals Ltd

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Altech Chemicals secures speculative buy recommendation from State One Stockbroking

Altech Chemicals Ltd (ASX:ATC) has received a speculative buy recommendation from Perth-based State One Stockbroking, with a target price of 16 cents per share.

The following is an extract from State One's research report:

Altech Chemicals is aiming to become one of the world's leading suppliers of 99.99% (4N) high purity alumina (HPA).

A final investment decision study (FIDS) for ATC's HPA project was published in October 2017.

The positive FIDS reported a mine life of 30 years (Meckering kaolin deposit, Western Australia), process plant (Johor state, southern Malaysia) capacity of 4,500 tpa (tonnes per annum) HPA, production costs of US\$9.90/kilogram HPA and a pre-tax NPV of US\$505 million.

Price: 0.061

Market Cap: \$51.81 m

1 Year Share Price Graph



Share Information

Code: ATC

Listing: ASX

52 week High Low
0.14 0.023

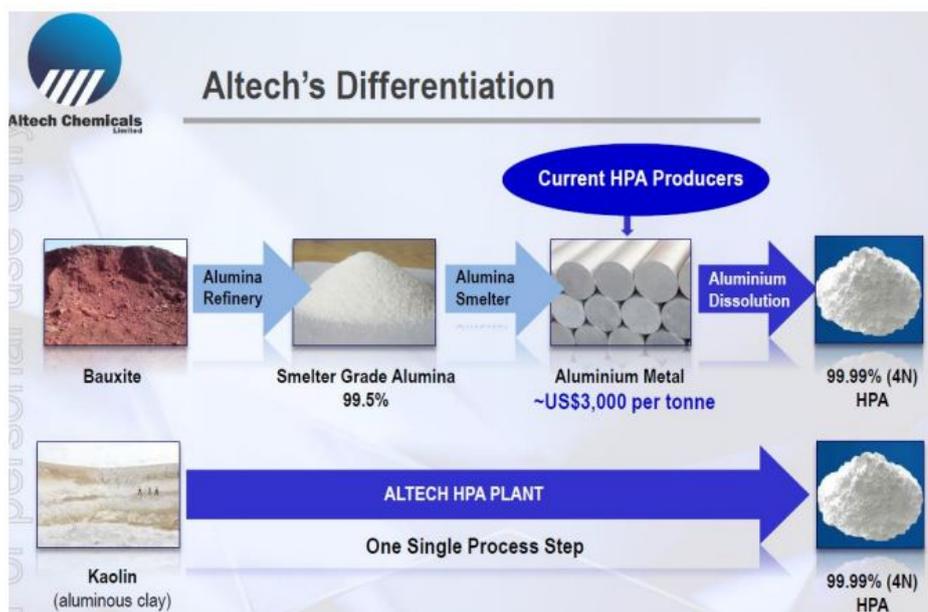
Sector: Exploration & Production

Website: www.altechchemicals.com

Company Synopsis:

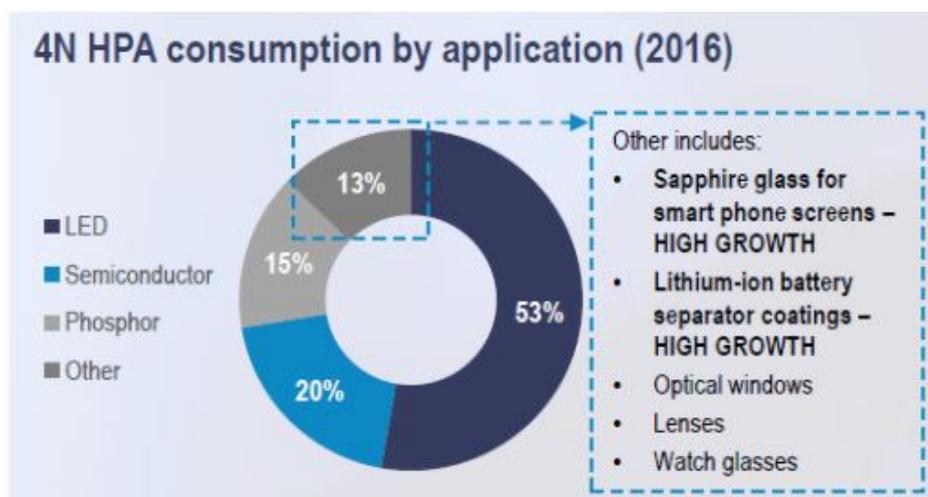
Altech Chemicals Ltd (ASX:ATC) is focused on advancing its high purity alumina (HPA) project in Western Australia.

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HPA is a high value product (US\$40,000/tonne indicative market price in Japan) and forms the base for producing synthetic sapphire.

Synthetic sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant sapphire glass used for wristwatch faces, optical windows and smartphone components.



A new, potentially massive market for HPA (in powder form) is as a coating on li-ion battery separators to improve battery thermal stability.

We calculate HPA demand increasing at a 17% CAGR between 2018 and 2025, requiring the equivalent of 15.4x proposed ATC plants over the next seven years.

READ: Altech Chemicals prepares to begin HPA plant construction, to run in parallel with finance close

Stage 1 construction (site clearance, piling) at the plant site in Malaysia commenced in August 2018.

US\$190 million (64% of pre-production capex) has been secured with German bank KfW IPEX-Bank, while ATC has secured a fixed price EPC contract with leading German engineering group SMS group, and a 10-year 100% offtake agreement with leading Japanese commodity trading and investment company Mitsubishi.

READ: Altech Chemicals granted patent for its unique high purity alumina production process

Our estimated post-tax NPV for the HPA project is \$711 million.

Adjusting for assumed project debt of \$400 million, our un-risked equity valuation is \$315 million (52 cents per fully diluted share).

Attaching a 70% project-risk discount - primarily because of poor visibility on the funding solution for the US\$110 million balance of pre-production capex - we calculate ATC's risk-adjusted equity value at \$95 million or 16 cents per diluted share.

At current share price levels, we believe that ATC offers significant upside potential.

We initiate coverage with a speculative buy (higher risk) recommendation. In addition, we see scope for a significant uplift to our 16 cents target price.

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