



25 November 2022



VSA Morning Miner

This Morning's News

Alkemy Capital / Tees Valley Lithium (ALK LN)[#]

Alkemy Capital (ALK LN) which wholly owns the Tees Valley Lithium project and intends to become a major merchant converter of lithium in Europe has announced the receipt of planning approval for its project at the Wilton International Chemicals Park (WICP).

This is an important derisking milestone and validates the company's development and environmental approach with a full Environmental Impact Assessment (EIA) submitted as part of the application. This highlighted the zero waste approach and strategy which leverages the UK's competitive advantage in chemical engineering rather than bulk processing. By focusing on intermediate products such as lithium sulphate and technical grade lithium carbonate ALK has an important role to play in reducing the embedded carbon within the EV supply chain associated with shipping.

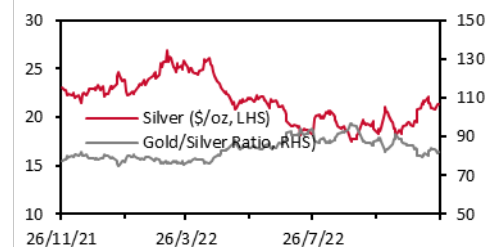
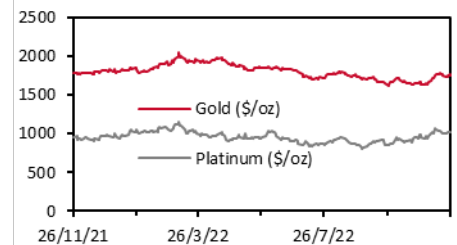
Aside from the benefits of being on the WICP including existing infrastructure and access to renewable power, certain sites within the Park boundaries qualify for an instrument of consent for planning, of which ALK's is one. This was another key factor in determining the location and today's announcement shows that ALK has gone beyond the minimum requirements to ensure local support for this project which also has the potential to bring up to 1,000 jobs directly. The project also has the support from local government, **PD Ports** which will be a logistical partner for sourcing feedstock while **Wave's** engineering appointment gives us further confidence in the next stages given their extensive lithium processing experience.

Given today's milestone we are modestly reducing our risk factor and upgrading our target price. Our initial valuation applied a 0.1x risk factor to a DCF valuation based on phase 1 of 4 only which produced an unrisks NPV of £491m. Today's derisking event enables us to lift that to 0.15x taking our target price to £10/sh, a risked valuation of around £70m compared to today's market capitalisation of just £17m.

The backdrop for lithium remains strong and prices have continued to rise recently, however, ALK remains the only pure play listed conversion exposure, a segment of the market dominated by China. This gives ALK a compelling strategic investment rationale which overlays the momentum in the lithium market currently.

We reiterate our Speculative Buy recommendation but increase our target price to £10/sh.

One-Year Charts



LME prices (US\$/lb)	Last Close	Day % Chg	-1 Year % Chg
Aluminium	2,148	-2.9%	-26.7%
Copper	7,518	-2.9%	-19.0%
Lead	1,788	-2.7%	-16.1%
Nickel	23,298	-4.8%	20.3%
Zinc	3,020	-3.3%	-2.2%

NOTE: #Indicates VSA house stock.
SOURCE: FactSet, as of last close.

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Stock Information

Stock	BBG TKR	Exchange/ Currency	Mkt Cap (m)	Last Close (Curr)	Rec	TP	Date of Recommendation
Alkemy Capital	ALK LN	LSE (£/p)	230	17	SPEC BUY	10	25/11/22

NOTE: #VSA house stock. **SOURCE:** FactSet data, VSA Capital estimates. Pricing as of last close.

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Equities breakdown: 31 August 2020	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	10.0%	90.0%	0.0%	0.0%
Companies to which VSA has supplied investment banking services	100%	100%	0.0%	0.0%