



Rating  
**Buy**

North America  
United States

Industrials  
Chemicals / Specialty

Company  
**Albemarle**

Reuters  
ALB.N

Bloomberg  
ALB US

Exchange  
NYS

Ticker  
ALB

Date  
11 December 2023

Industry Update

Price at 8 Dec 2023 (USD)	127.99
Price target	155.00
52-week range	290.15 - 113.26

## Key Takeaways from Our Lithium Conference

We hosted a fireside chat with Albemarle's Lithium President, Eric Norris at our 8th Annual Lithium & Battery Supply Chain Conference on December 6.

Key takeaways are as follows:

- Albemarle has no plans to curtail lithium production as, i) it expects strong growth in '24 on the back of capacity additions and, ii) it has strong customer commitments against this capacity.
- While Albemarle has no plans to curtail lithium production, it expects other producers to lower production in response to the drop in lithium prices from \$44k/m.t. in July to \$14k/m.t. in early December.
- Given the lower cash flow resulting from lower lithium prices, Albemarle will look to rephase the pace of its lithium expansions with the impact on mid-to-longer term supply, or the middle of the decade and beyond (not '24).
- Albemarle expects other producers to also rephase the pace of their lithium capacity additions with a number of projects being pushed out.
- Lithium demand remains strong. Albemarle expects lithium industry demand to grow 38% in '23 and more than 30% in '24. The forecasted demand growth in '24 is slightly below Albemarle's prior expectation.
- Despite a solid demand outlook, Albemarle believes the negative sentiment in lithium (in addition to the 80% fall in Chinese spot prices over the last year) has been driven by shifts in industry trends including, i) increasing direct lithium purchases from OEMs and, ii) a near-term focus on cost reductions in the supply chain including growing use of lower cost chemistries and batteries due to auto market price competitions. Due to this, to lower cost chemistries, the lithium carbonate market is performing better than the hydroxide market.
- Given these dynamics, Albemarle expects lithium price uncertainty and volatility to continue through the Chinese New Year (mid-February). However, post Chinese New Year, it is optimistic on lithium prices recovering.
- Albemarle believes a mid-cycle price for lithium is roughly \$30k/m.t. This level assumes some reasonable return over the cost of investment (in the \$20-\$25k/m.t. range for new projects) and reflects the higher cost of IRA compliant projects.

### Valuation & Risks

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- Albemarle believes the lithium inventory amongst cathode and battery cell manufacturers is roughly 1 month. This compares to "normalized" inventory levels of roughly 2 months and a 6 month production cycle (spodumene ore mined in Australia, shipped to China and converted into lithium hydroxide). Albemarle has less visibility into the downstream supply chain segment from battery packs to EVs, where inventory levels are likely still a bit elevated at a few months of supply. As such, Albemarle expects lithium demand to be weak through Chinese New Year with a pick-up in demand thereafter.
  - Albemarle believes non-integrated Chinese lepidolite producers have a cash cost of at least \$20k/m.t. Management believes 40% of Chinese lepidolite production (20-30% of China resource supply; 5-10% of global resource supply) has been shut down since the beginning of the year with 10% having come offline in recent months due to negative margins. While the market remains opaque, Albemarle believes there will be more closures going forward. For non-integrated spodumene converters, Albemarle believes cash costs are ~\$15k/m.t. (similar to current lithium pricing) based on mid-to-high grade spodumene costs of ~\$1,500/m.t.
  - With regard to the newly proposed IRA rule which would limit Chinese content in EVs sold in the US, Albemarle is optimistic there will be a limited impact on its Australian assets.
  - With the recent development outside of China, Albemarle believe the lithium industry will become more global with regional markets developing, going with price differentials of >10% between China and the US driven by geopolitical risks, technologies, higher costs in IRA compliant regions and higher sustainability standards.
  - Notwithstanding its failed attempt to acquire Australia-based Lontown Resources, M&A will continue to play a role in Albemarle's lithium growth strategy.



# Appendix 1

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\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Albemarle	ALB.N	127.99 (USD) 08 Dec 2023	2, 14, 24

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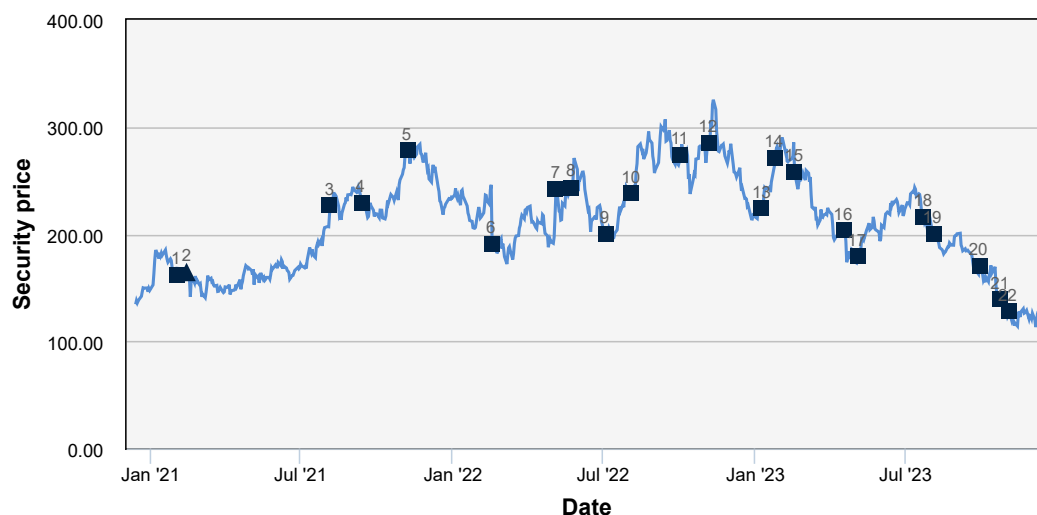
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## Historical recommendations and target price: Albemarle (ALB.N)

(as of 12/08/2023)



### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1. 02/03/2021	Hold, Target Price Change USD 175.00, Current Price USD 161.88 David Begleiter	12. 11/06/2022	Buy, Target Price Change USD 325.00, Current Price USD 284.99 David Begleiter
2. 02/15/2021	Upgraded to Buy, Target Price Change USD 190.00, Current Price USD 164.64 David Begleiter	13. 01/09/2023	Buy, Target Price Change USD 290.00, Current Price USD 224.00 David Begleiter
3. 08/06/2021	Buy, Target Price Change USD 245.00, Current Price USD 226.71 David Begleiter	14. 01/25/2023	Buy, Target Price Change USD 305.00, Current Price USD 270.98 David Begleiter
4. 09/13/2021	Buy, Target Price Change USD 270.00, Current Price USD 229.13 David Begleiter	15. 02/17/2023	Buy, Target Price Change USD 325.00, Current Price USD 258.01 David Begleiter
5. 11/08/2021	Buy, Target Price Change USD 305.00, Current Price USD 278.52 David Begleiter	16. 04/19/2023	Buy, Target Price Change USD 240.00, Current Price USD 203.78 Corinne Blanchard
6. 02/18/2022	Buy, Target Price Change USD 250.00, Current Price USD 190.76 David Begleiter	17. 05/05/2023	Buy, Target Price Change USD 205.00, Current Price USD 179.70 David Begleiter
7. 05/06/2022	Buy, Target Price Change USD 290.00, Current Price USD 242.41 David Begleiter	18. 07/23/2023	Buy, Target Price Change USD 260.00, Current Price USD 215.99 David Begleiter
8. 05/24/2022	Buy, Target Price Change USD 320.00, Current Price USD 243.15 David Begleiter	19. 08/04/2023	Buy, Target Price Change USD 250.00, Current Price USD 200.09 David Begleiter
9. 07/05/2022	Buy, Target Price Change USD 255.00, Current Price USD 200.43 Corinne Blanchard	20. 09/29/2023	Buy, Target Price Change USD 225.00, Current Price USD 170.04 David Begleiter
10. 08/05/2022	Buy, Target Price Change USD 270.00, Current Price USD 237.99 David Begleiter	21. 10/24/2023	Buy, Target Price Change USD 165.00, Current Price USD 139.24 Corinne Blanchard
11. 10/03/2022	Buy, Target Price Change USD 305.00, Current Price USD 273.73 Corinne Blanchard	22. 11/03/2023	Buy, Target Price Change USD 155.00, Current Price USD 127.98 David Begleiter



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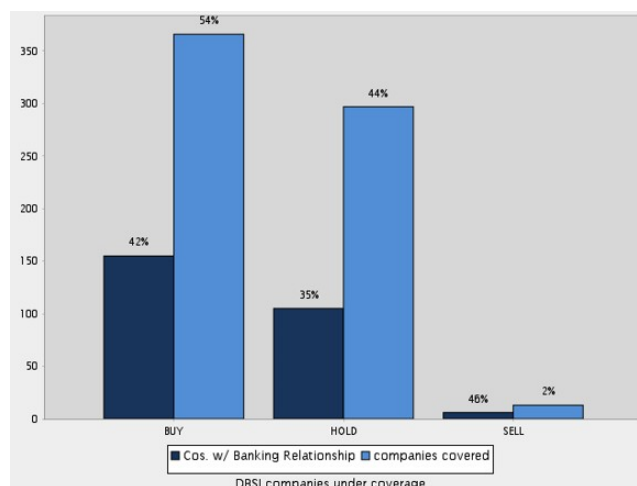
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