

Alpha HPA



Sizeable LOI in semiconductor sector

What's new

- Alpha has **signed an LOI for supply of up to 4,000tpa** of alpha- & gamma-phase **HPA products** with a counterparty in the **semiconductor sector**. The counterparty produces **Chemical Mechanical Planarization (CMP) polishing slurries** used in the prod'n of silicon-carbide (SiC) based power semiconductors (demand linked to EV, wind-powered electricity generation and solar PV). LOI incl allocation of commercial volumes from stage 1 of the First Project over CY25/26 prior to completion of stage 2.
- Alpha notes end-user CMP test work has confirmed CMP slurries manufactured using **Alpha's HPA products** as precursor abrasives **achieve material outperformance** vs incumbent products incl >50% removal rates of SiC substrates whilst maintaining equivalent final substrate smoothness.
- LOI with CMP customer is separate to that announced in early Jan with semiconductor supply firm for supply of 100t of HPA product into thermal interface filler material.

Why it matters

- Increasing LOI coverage has been a key focus; today's announcement should see coverage increase to over 60%. In our view, this is a **de-risking event** which reduces uncertainty centred around end-market demand.
- We understand that to date, **pricing** indicated in LOIs has been **at or above** that referenced in the May-24 **DFS**; pricing achieved in commercial sales from stage 1 has been **above that in the DFS**. Our confidence level around pricing is correlated to LOI development and the demand signals in the semiconductor sector is promising in this regard.
- Alpha's investor presentation released in early-Jan included a slide on LOIs showing coverage increasing above 10kt by end CY25. Alpha is running ahead of its expectations which suggests **LOI coverage may exceed 100%** of nameplate **earlier** than previously thought. This dynamic has the potential to provide **upside to pricing** with building commercial tension amidst a tight supply environment for Alpha's products.
- Per previous announcements, Alpha has agreed an **LOI with a market-leading semiconductor supply firm** for supply of 100t of HPA product into thermal interface filler material. LOI includes **commercial volumes** of alumina tri-hydrate from full-scale Stage 2 plant **from CY27** (potential uplift later in Mar Q with rising demand from this end market).

What now

- Outperform.** Alpha progressing rapidly on path to increase LOI coverage and is on a trajectory to exceed 100% of nameplate capacity faster than earlier expectations. This opens up prospect for pricing upside in line with that achieved in commercial sales from stage 1. Conversion of LOIs into binding sales agreements begins to move into frame. [Risks](#).

Chemicals Australia



Ben
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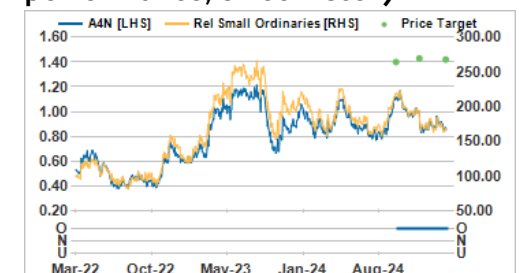
John
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A4N AU	Outperform
Price (at 28 Feb 2025)	AUD0.85
12-month target	AUD1.42
12-month TSR (%)	67.1
Volatility Index	High
Market Cap (Local) (m)	966
Market Cap (USD) (m)	601
30-day avg turnover (AUD) (m)	0.7

Investment Fundamentals

Year end 30 Jun	2024A	2025E	2026E	2027E
Revenue (m)	6.3	0.5	2.7	104.0
EBITDA (m)	(24.4)	(36.8)	(39.9)	31.6
EBIT (m)	(26.3)	(40.0)	(43.1)	2.0
Reported profit (m)	(24.9)	(32.5)	(38.7)	(9.5)
Adjusted profit (m)	(24.9)	(32.5)	(38.7)	(9.5)
EPS adj (¢)	(2.5)	(2.9)	(3.4)	(0.8)
EPS adj growth (%)	NM	(12.7)	(18.3)	76.0
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)	(12.9)	(8.6)	0.3
ROE (%)	(10.1)	(14.0)	(16.5)	(3.8)

A4N AU rel Small Ordinaries performance, & rec history



Source: FactSet, Macquarie Research, Mar 2025 (all figures in AUD unless noted, TP in AUD)

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Recommendation definitions	Volatility index definition	Financial definitions
Macquarie – Asia and USA Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10% Macquarie – Australia/New Zealand Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0% During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions. 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	This is calculated from the volatility of historical price movements. 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. 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. Medium – stock should be expected to move up or down at least 25-40% in a year. 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 Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk	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 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 All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions for quarter ending 31 Dec 2024

	AU/NZ	Asia	USA	
Outperform	59.71%	65.18%	66.98%	(for global coverage by Macquarie, 1.50% of stocks followed are investment banking clients)
Neutral	34.17%	22.25%	30.19%	(for global coverage by Macquarie, 1.35% of stocks followed are investment banking clients)
Underperform	6.12%	12.57%	2.83%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

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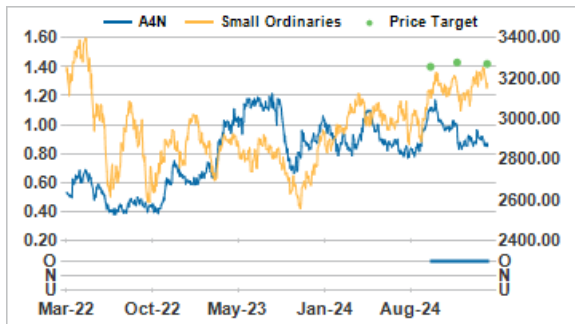
Company Name	Disclosure
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Recommendation history

Company name	Date	Recommendation	Target price
Alpha HPA (A4N AU)	27-Feb-2025	Outperform	AUD 1.42
	11-Dec-2024	Outperform	AUD 1.43
	3-Oct-2024	Outperform	AUD 1.40



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