

Alpha HPA



3Q report; moving in the right direction

What's new

- Alpha released its 3Q quarterly update: **3Q op cash of -\$5m** and -\$17m for 9 months to March. This compares to our FY estimate for net op cash of -\$30.5m. Within this, Stage 1 facility cash operating + staff costs of -\$20m (-\$6m in 3Q). Implied 2H cash op costs of -\$12m below 1H's -\$14m. 3Q net interest of \$2.4m vs 1H's \$2.9m; implied 2H of \$4.8m.
- 3Q saw **cash collection on HPA/sapphire sales** from Stage 1 facility of **\$44k** down vs 2Q's \$53k. Alpha disclosed open sales orders of ~\$267k and we est **~US\$160k of sales orders in 3 months to April 30**, up on ~\$136k in 3 months to Feb 29. Sapphire boule sales of ~\$131k a significant lift on previously disclosed ~\$11k incl agreement for sale of 2 tonnes of sapphire into optics industry over CY25. Ramp up of Stage 1 facility through 1Q seeing **significant increase in orders**. Alpha looking at options to increase production capacity of Stage 1, given demand signals from customers.
- 9m capex investments of \$68m vs 1H's \$39m**; 3Q of -\$29m (implied 2H of \$58m). We fct FY capex of \$81m and 2H of \$55m so 3Q capex slightly above our Q run rate. Govt grants of \$4.7m in the 3Q. Alpha remains well funded with **cash of \$120m** on balance sheet and making progress towards draw down of NAIF & EFA \$400m debt facilities (we expect mid-CY25).
- Stage 2 construction proceeding with Eng/Fab of key equipment well underway; progress in line with DFS timeline.

Why it matters

- Per previous announcements, Alpha has agreed **LOIs for 62% of Stage 2** production with main portion of demand from Semiconductor sector.
- Demand from Semi space driven by **lift in AI-related data centres** which require chips with higher processing power and that have greater thermal management needs (HPA a superior thermal management product).
- In the lithium-ion battery space, Alpha continues to engage with EV battery industry to progress its UltraCoat product which improves battery safety (**reduces thermal runaway**) incl submission of a supply quote for commercial vols from Stage 2. We note recent regulations from the Chinese ministry specifying new safety standards for EV batteries addressing battery fire/explosions; this is a **positive development for the potential adoption of Alpha's technology**.
- Alpha expects Phase B Sapphire feasibility study (up to 48 addtl growth units) in June Q and has selected a preferred site location (Brisbane) for the expansion.

What now

- Outperform**. Stage 2 build progressing with capex beginning to ramp up. LOI coverage now more than half of Stage 2 name-plate with pricing proving out. Stage 1 plant is sold out providing endorsement of Alpha's products and tech. [Risks](#).

Chemicals Australia



Ben
Wedd, CFA



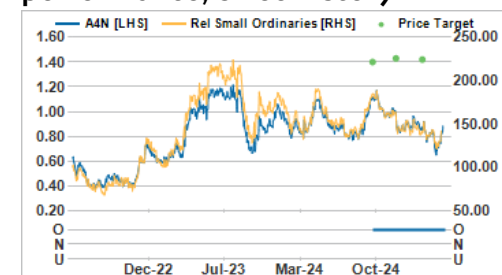
John
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A4N AU	Outperform
Price (at 29 Apr 2025)	AUD0.89
12-month target	AUD1.42
12-month TSR (%)	60.5
Volatility Index	High
Market Cap (Local) (m)	1,006
Market Cap (USD) (m)	646
30-day avg turnover (AUD) (m)	0.7

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, Apr 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 Mar 2025

	AU/NZ	Asia	USA	
Outperform	64.64%	65.86%	70.45%	(for global coverage by Macquarie, 1.18% of stocks followed are investment banking clients)
Neutral	30.36%	20.94%	29.55%	(for global coverage by Macquarie, 1.81% of stocks followed are investment banking clients)
Underperform	5.00%	13.20%	0.00%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

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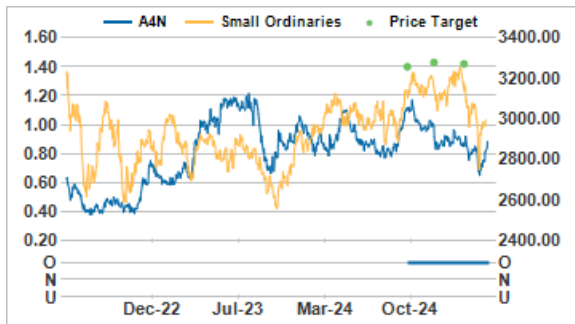
Company Name	Disclosure
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Recommendation history

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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