

CMBI Credit Commentary – TQLTHI

TQLTHI: Media reported of HK IPO listing in 1H22

Tianqi Lithium is seeking HK IPO listing for USD 1bn as early as 1H2022, according to media report. Following its EGM approval of HK IPO to issue new share up to 20% of its enlarged total equity in Sep 2021, the maximum equity fund raising can be potentially up to RMB33bn, based on last closing share price of RMB88 and an assumption if H-share listing valuation can be on par with its A-share market cap of RMB133.6bn.

Tianqi has RMB6.5bn upcoming maturity in 2022, including USD668mn series A/C syndicated loan and USD300mn USD notes due on Nov 2022. Although Tianqi is currently low in cash (RMB1.2bn as of 30 Sep 2021), the surge in lithium price will boost its operating cash flow and prospect of a successful HK IPO in 2022, for timely bullet debt repayment.

During 1Q-3Q2021, Tianqi revenue rose to RMB3.9bn (+60% yoy), EBITDA rose to 1.96bn (+86%yoy) and recorded an operating cash flow of RMB1.4bn. This is backed by a 106% increase in Chinese lithium price during the period, to an average of RMB110,141/ton in 3Q2021. Total debt also lowered to RMB20.4bn at 30 Sep 2021, from RMB 30bn at end-2020 after its 25% effective stake sale of Australia Greenbushes mine for USD 1.4bn.

Subsequent to that, Chinese lithium price rose further to an average of RMB 210,057/ton in 4Q2021, and RMB 305,333/ton in Jan'22. **In view of its high likelihood of successful IPO, we like TQLTHI 3.75%'22 at 94.5 (YTM~10.5%) as a diversification idea.**

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