

ALBEMARLE

OAKWOOD FUND MANAGEMENT



OAKWOOD
FUND MANAGEMENT



COMPANY BACKGROUND

- Leading global producer of catalyst solutions and performance chemicals.
- Founded 1887. HQ: Charlotte, North Carolina, USA. Operations take place in multiple continents.
- Manufacturer of speciality chemicals for a range of industries: pharmaceuticals, cleaning product manufacturers, water treatment, agriculture, electronical goods manufacturers, refineries, paper and photographic companies.
- The company operates through three divisions:
- **Lithium:** Constituting 68.4% of its 2022 revenues, this segment focuses on the development and manufacturing of lithium compounds.
- **Bromine Specialties:** Accounting for 19.3% of the 2022 revenues, this division specializes in bromine and its derivatives.
- **Catalysts:** Making up 12.3% of the revenues in 2022, this segment involves the production of engineered catalysts .
- Albemarle produces lithium from its salt brine deposits in Chile and the U.S. and its hard rock joint venture mines in Australia.

S.W.O.T

Strengths

- **Robust Supply Chain:** Albemarle has a strong supply chain for raw materials, crucial for consistent production and market supply.
- **Global Manufacturing Leader:** As a leading global manufacturer of specialty chemicals, the company has a significant market presence and power.
- **Low-Cost Manufacturing Base:** The company benefits from a global manufacturing base that allows for cost-effective production and significant gains from economies of scale.
- **Geographically Diverse Customer Base:** Albemarle has a geographically and commercially diverse customer base, spreading its market risk and offering stability globally.

Weaknesses

- **Exposure to Commodity Prices:** Albemarle's business is highly sensitive to fluctuations in commodity prices.
- **Environmental Concerns:** Operating in the chemical industry, Albemarle faces increasing scrutiny regarding its environmental impact.
- **Reliance on Key Customers:** Despite a geographically diverse customer base, a significant portion of Albemarle's revenue stream is dependent on a few key customers.
- **Hazardous Working Environment:** The nature of chemical manufacturing poses risks, making the working environment hazardous for employees.



S.W.O.T

Opportunities

- **Increasing Demand for Disinfectants:** The global pandemic has spurred the demand for disinfectants, presenting a growth opportunity for the company's bromine segment.
- **Catalyst Segment Growth:** As oil prices recover, there's an anticipated high demand in the catalyst segment, which Albemarle can capitalize on.
- **Pharmaceutical Intermediaries Market:** The Covid-19 pandemic has boosted the market for pharmaceutical intermediaries, offering a potential expansion avenue for Albemarle.

Threats

- **Intense Global Competition:** Albemarle faces a highly competitive environment from global chemical producers
- **Regulatory Risks:** The potential ban on brominated flame retardants poses a regulatory risk
- **Fluctuations in Agriculture Segment:** The agriculture segment, a part of Albemarle's market, experiences high fluctuations, which can lead to revenue instability.
- **Technological Shifts:** The possible substitution of lithium-based batteries by other technologies could impact Albemarle's lithium business.

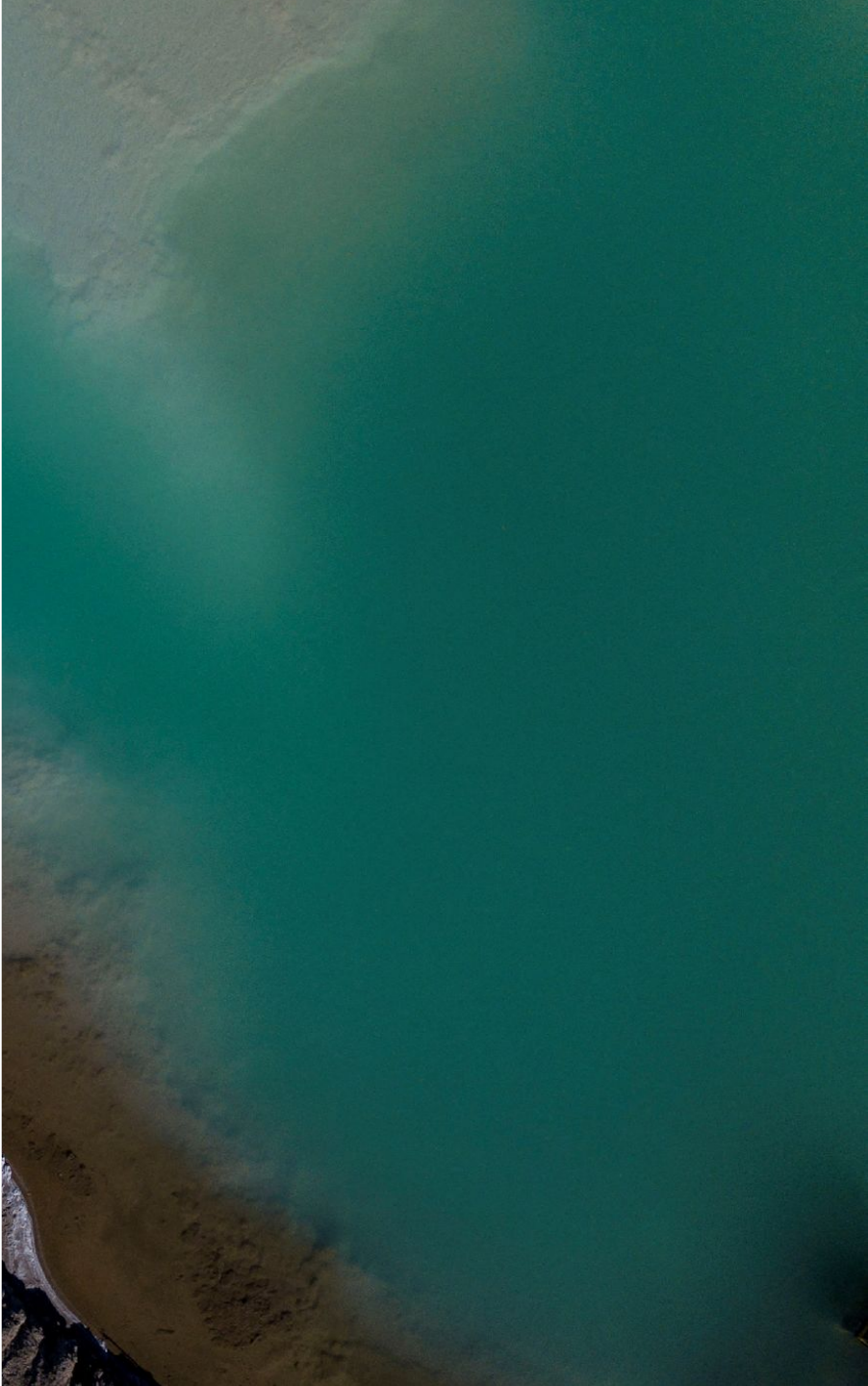


KEY STATISTICS

MARKET CAP	15.123B
BETA	1.86
ROE	40.12%
DIVIDEND YIELD (TRAILING & FWD)	1.24% Earnings (13 – 19 Feb 2024)

	ALBEMARLE	INDUSTRY AVERAGE
TRAILING P/E RATIO	4.49	22.8
FORWARD P/E RATIO	8.74	14.6
P/B RATIO	1.5	1.71

honeywell international, Grace, Huntsman, Johnson
Matthey





FUNDAMENTALS

	2018	2019	2020	2021	2022	2023 (Q3)
REVENUE	3,375	3,589	3,129	3,328	7,320	2,300
GROWTH	N/A	6.3%	-12.8%	6.4%	120%	N/A
NET INCOME	694	533	376	124	2,690	\$302.5
GROWTH	N/A	-23.2%	-29.5%	-67.02%	2,069.4%	N/A
EQUITY	3,585	3,932	4,268	5,625	7,983	
GROWTH	N/A	9.7%	8.5%	31.8%	41.9%	N/A

Income (Millions of USD)

	ALBEMARLE	INDUSTRY AVERAGE	Ganfeng Lithium	Livent
CURRENT RATIO	1.81	1.94	1.56	3.46
DEBT/EQUITY	0.37	0.35	0.45	0.14
PAYOUT	6%	40%	14.7%	N/A

FORECASTS

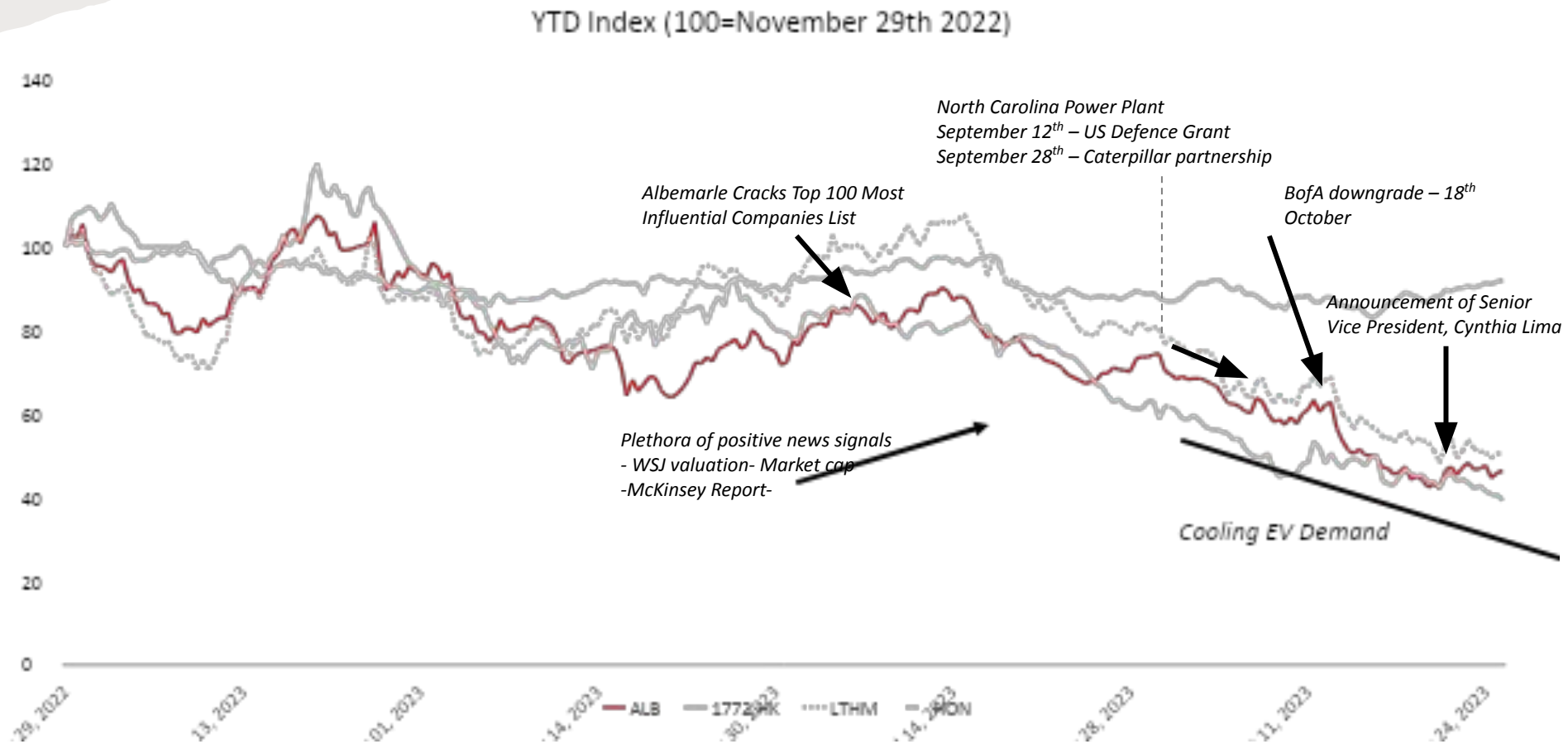
	High	Average	Low
Wall Street Zen	\$308.00 (+155.01%)	\$202.07 (+67.31%)	\$140.00 (+15.91%)
CNN Money	\$308.00 (+148.3%)	\$195.00 (+57.2%)	\$90.00 (-27.4%)



Margin of Safety (GuruFocus)	62.29%
------------------------------	--------



REACTION TO NEWS



COMPETITOR ANALYSIS

	Albemarle	Ganfeng Lithium	Livent
Beta	1.67	0.67	1.88
Price targeting growth (1Y)	0.576628	0.823552	0.854505
P/E ratio	4.43	3.94	7.57
EPS	28.21	6.38	1.8



SUSTAINABILITY

ENVIRONMENTAL

On track to achieve net-zero carbon emissions by 2050.

On track to reduce carbon intensity of catalysts and bromine businesses by a combined 35% by 2030.

Grow lithium business in carbon-intensity neutral manner. Lithium GHG emissions intensity tracking is well below 2030 target.

On track to reduce intensity of freshwater usage by 25% by 2030

SOCIAL

Increase global gender diversity by 1% year-over-year with a particular focus on manufacturing, finished ahead of 2022 target.

GOVERNANCE

Increase U.S. racial diversity in senior-level management roles by 1% year-over-year. Finished ahead of 2022 target.



SUSTAINALYTICS

ESG Risk Rating COMPREHENSIVE ?

26.8 Medium Risk



Ranking

Industry Group (1st = lowest risk)
Chemicals 166 out of 569

Universe
Global Universe 8880 out of 15719

Albemarle Corp.	Livent Corp.	Ganfeng Lithium Group Co., Ltd.	Lanxess AG
<div>ESG RISK RATING</div> <div>26.8 Medium</div> <div><div>NeglLowMedHighSevere</div></div>	<div>ESG RISK RATING</div> <div>19.0 Low</div> <div><div>NeglLowMedHighSevere</div></div>	<div>ESG RISK RATING</div> <div>27.0 Medium</div> <div><div>NeglLowMedHighSevere</div></div>	<div>ESG RISK RATING</div> <div>26.7 Medium</div> <div><div>NeglLowMedHighSevere</div></div>
<div>EXPOSURE</div> <div>High</div> <div><div>LowMedHigh</div></div>	<div>EXPOSURE</div> <div>Medium</div> <div><div>LowMedHigh</div></div>	<div>EXPOSURE</div> <div>Medium</div> <div><div>LowMedHigh</div></div>	<div>EXPOSURE</div> <div>High</div> <div><div>LowMedHigh</div></div>
<div>MANAGEMENT</div> <div>Strong</div> <div><div>WeakAvg.Strong</div></div>	<div>MANAGEMENT</div> <div>Strong</div> <div><div>WeakAvg.Strong</div></div>	<div>MANAGEMENT</div> <div>Average</div> <div><div>WeakAvg.Strong</div></div>	<div>MANAGEMENT</div> <div>Strong</div> <div><div>WeakAvg.Strong</div></div>





RISKS

Commodity dependent company – frequent changes in demand driven by speculation.

Reliant on development of EV market – lithium prices have fallen 60% this year because of slow down in growth of EV market.

Competition with China for market share – controls global lithium supply, 60% of world lithium supply.

INDUSTRY OUTLOOK

Lithium demand is expected to rise rapidly in the future – growth of EV market

The EV market is expected to grow annually by 26% through 2030.

Tesla forecast to need 1,000 kilotons of lithium carbonate equivalent (LCE) per year by 2030.

Lithium prices have collapsed 70% year but are expected to surge with the predicted shortage in 2025.

Albemarle also has plans to expand processes in Western Australia.



OUR RECOMMENDATION



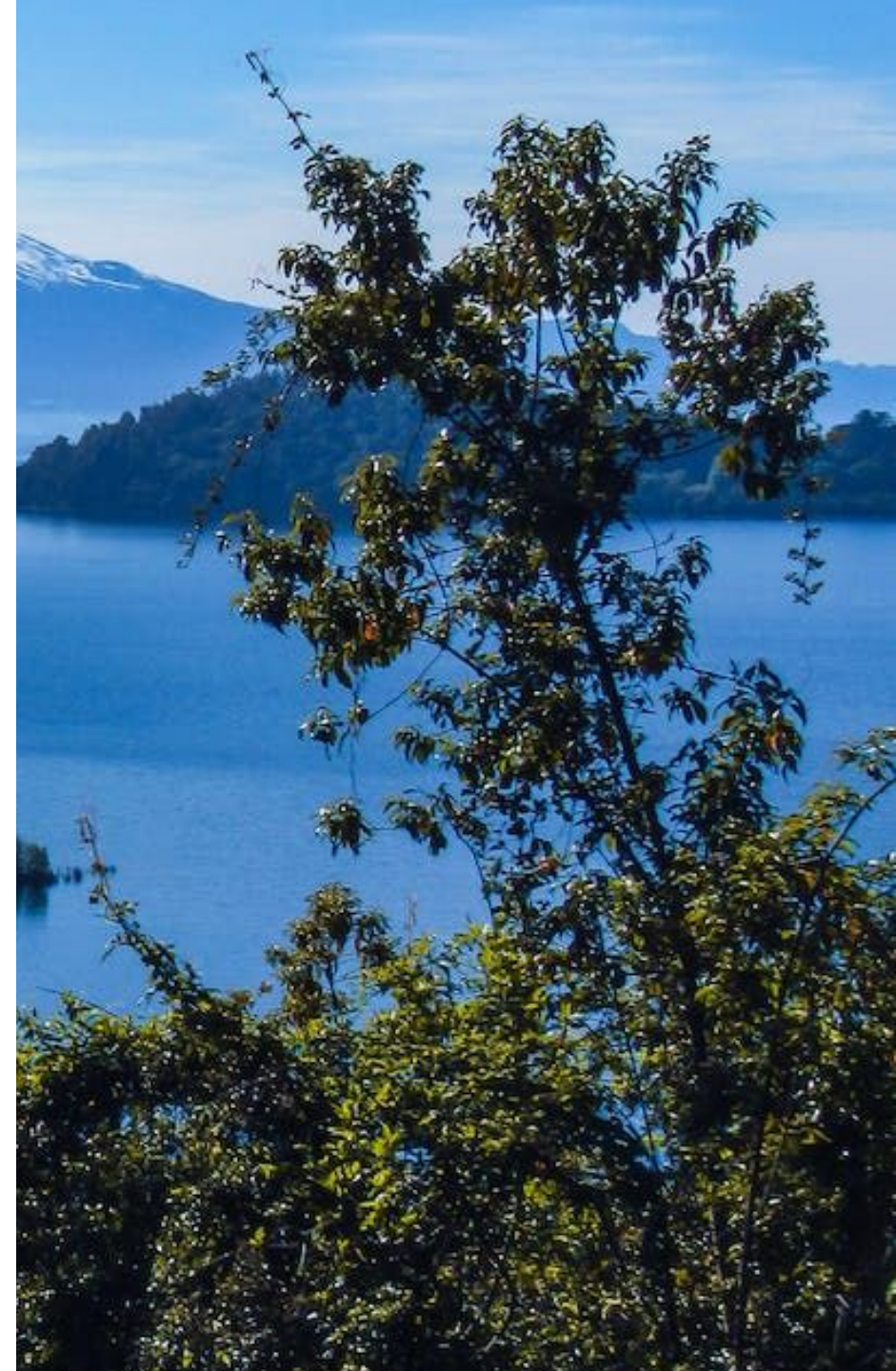
Due to commodities being a volatile industry on average we suggest Oakwood only take a moderate position and invest £3,000 when the stock price hits \$121.



This position should be held till 2026 when multiple sources predict a major lithium shortage. [1] Shares are predicted to increase to \$276.69 on average in 2026. That's a ROI of 128.66%![1]



I don't expect Oakwood to invest in a stock that me and my group don't personally think is profitable and hence as a sign of confidence in our recommendation I will personally invest £100 into Albemarle.





SUMMARY



- Albemarle has a good ESG compared to industry competitors as well as major opportunities for growth within their partnership with Tesla



- As a result of Covid-19, revenue fell, however the current interest around lithium has exponentially increased sales



- Investing in Albemarle is unlikely to provide an immediate return on investment (ROI) but with the increased rise of the EV industry the company's future looks prosperous

References

[\[1\] 123.75 ALB - Albemarle Corp. Stock Price Forecast \(stockscan.io\)](#)