

As lithium prices drop, private equity investors hunt for deals

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Prices for the battery metal have fallen by more than 50% over the past year, knocking profits for the largest producers and wiping out most of their share price gains since 2016.

Private equity groups and other investors have grown emboldened by the lithium industry's malaise, forging plans to invest billions of dollars in mining projects to develop the electric vehicle battery metal.

A more than 50% drop in lithium prices since 2018 has unnerved industry executives, fueling cuts to capital spending and halting expansions. Shares in major lithium producers have dropped as a result, exacerbating retail investor anxiety.

But Carlyle Group-backed Traxys and other non-traditional investors and lenders say they sense a buying opportunity, as electric vehicles grow in popularity and fossil fuels are phased out in a rising number of countries.

TRAXYS PROJECTS LAUNCHED A \$2 BILLION FUND WITH METALS FINANCIER THE PALLINGHURST GROUP TO INVEST ACROSS THE ELECTRIC VEHICLE SUPPLY CHAIN.

“Now is the time to invest,” said Erez Ichilov, managing director of Traxys Projects, which earlier this month launched a \$2 billion fund with metals financier the Pallinghurst Group to invest across the electric vehicle supply chain. “When you look at how under-invested this value chain is, \$2 billion is not a lot.”

The Pallinghurst-Traxys Battery Materials fund plans to focus on lithium projects, as well as copper and graphite, in developed economies to reduce risk, Ichilov told an industry conference earlier this month.

That and a recent spate of other deals should help bridge what analysts forecast will be an under-investment by the lithium industry in coming years.

“Mining needs a lot more capital than it has been getting,” said Sam Jaffe of Cairn Energy Research Advisors, who estimates more than \$100 billion needs to be invested in the battery minerals supply space, including for materials like lithium, nickel and graphite.

Texas-based private equity firm Centaurus Capital took up half of Pioneer Ltd’s A\$40 million (\$27 million) stock offering in late November, a tacit bet that the company’s Nevada lithium project will see strong demand in coming years. The offering was backed by Goldman Sachs Group Inc and Australian private wealth business Ord Minnett.

Centaurus did not respond to a request for comment.

Czech utility CEZ is finalizing a deal to convert a 2 million euro (\$2.2 million) loan into majority control over European Metals Holdings Ltd’s Cinovec lithium and tin project, which it says is the largest lithium deposit in Europe, an unusual arrangement for a utility.

Commodities trader Transamine Trading SA earlier this year said it would lend Canadian miner CAT Strategic Metals Group nearly C\$10 million (\$7.5 million) for the Kamativi Tailings Lithium Project in Zimbabwe.

Transamine did not respond to a request for comment.

“With strong projected demand ahead, the industry is still underserved from investments in the space,” said Ernie Ortiz, president of Lithium Royalty Corp, an affiliate of Waratah Capital Advisors, which earlier this year invested A\$8.1 million (\$5.5 million) for a 2.5% royalty in Core Lithium Ltd’s Canadian lithium project.

Ichilov, the Traxys investor, said his fund plans to move fast.

“We want to make significant moves in 2020,” he said. “We’re big believers in the energy transition. It’s a tectonic shift.”