

5<sup>th</sup> October 2024

Arcadium Lithium PLC Head Office  
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Philadelphia, PA 19103  
USA

**To Chairman Peter Coleman, Members of the Board, and CEO Paul Graves**

On behalf of Blackwattle Investment Partners Pty Ltd and our clients, we are writing to you as collective shareholders in Arcadium Lithium (LTM).

Blackwattle Investment Partners is an Australian based investment manager built on the foundation of Quality, Alignment, and Trust. Our investment philosophy is to invest in high-quality companies with aligned management teams. We believe LTM fits this description and look to engage with the LTM Board to offer our opinion on LTM's valuation opportunity and feedback on reports of potential talks with Rio Tinto for the acquisition of LTM.

Blackwattle has been investors in LTM soon after the merger was complete. We view this business as highly unique given its vertical integration and growth potential, and the recent Investor Day clearly highlights the value creation potential over the next few years. As long-term investors, we are very excited about this opportunity, and believe the stock is deeply undervalued, but with execution and time, this value should be realised.

Rio Tinto's potential acquisition of LTM is highly opportunistic and, in our opinion, would require a significant premium to realise fair valuation for the business. LTM's share price (LTM.ASX) has fallen 63% this year on weak lithium markets and reached an all-time low last month.<sup>1</sup> LTM has been one of the worst performers amongst established producers, significantly underperforming peers Albemarle (-29% YTD) and Pilbara Minerals (-23% YTD). Global lithium markets appear to have bottomed out, with lithium chemical indices stabilising, and in our opinion the timing of this potential sale could not be at a more value destructive period for shareholders.

The recent Investor Day illustrates the significant value creation possible with execution and time. Reports of LTM being acquired for US\$4 to \$6 billion, in our view significantly undervalues this potential. This price range approximates to ~3.1-4.7x FY28 EBITDA<sup>2</sup>, the period when LTM realises full production post the growth investment phase. This compares to through-the-cycle EV/EBITDA multiples of 9-11x for the industry. This reported acquisition price range is also well below where the share price was trading in January<sup>3</sup>.

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<sup>1</sup> LTM share price low of \$3.32 on the 10<sup>th</sup> September 2024.

<sup>2</sup> Based on FY28 illustrative EBITDA of US\$1,270 from the Arcadium Lithium Investor Day on 19<sup>th</sup> September 2024.

<sup>3</sup> In early January 2024, ALTM traded between US\$6.80-7.10 per share, equivalent of US\$7.5b market cap.

Illustrative FY28 EBITDA (US\$m)	\$1,270	\$1,270
EV/EBITDA multiple	9.0x	11.0x
EV (US\$b)	\$11.4	\$14.0
<b>NPV at 10% discount rate (US\$b)</b>	<b>\$7.8</b>	<b>\$9.5</b>
Difference to US\$4b offer	95%	139%
Difference to US\$6b offer	30%	59%
Difference to current share price	119%	168%

In conclusion, as long-term investors in LTM, we implore the management and board to protect shareholder value. If the management do believe that the growth opportunity highlighted by the recent Investor Day is achievable, in our opinion, a sale price for LTM should be closer to US\$8 billion<sup>4</sup>, and LTM should be willing to walk away from an opportunistic offer.

We look forward to engaging with you further to discuss these matters.

Yours sincerely,



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<sup>4</sup> US\$7.8b enterprise value based on FY28 illustrative EBITDA of US\$1,270 and 9x EV/EBITDA, discounted back by 10% p.a.