

9th October 2024

Response to Rio Tinto's US\$6.7b offer for the acquisition of Arcadium Lithium

On behalf of Blackwattle Investment Partners Pty Ltd and our clients, we will be **VOTING AGAINST** the Scheme of Arrangement of US\$5.85 per share for the acquisition of Arcadium Lithium by Rio Tinto. We view the offer as undervaluing high-quality, strategic, Tier 1 assets.

We are disappointed that the Arcadium Board and Management has not received the appropriate value for shareholders with this offer, and in our opinion should consider walking from what we believe is an opportunistic offer. This offer is just a few weeks after an Investor Day outlining management's confidence in the significant, value accretive growth opportunity for Arcadium. Importantly, the Investor Day also outlined the balance sheet capacity to fund the expansions, and further levers including asset sales, OEM funding and capex deferral.

It is clear from the Rio Tinto acquisition presentation¹ that Arcadium is a highly strategic prize. Arcadium shareholders should be fairly compensated for the strategic value provided to Rio Tinto:

1. Ownership and operatorship of Tier 1, multi-generational assets that are large, low cost and long life.
2. Significant near-term growth, more than doubling production and earnings to 2028.
3. Significant long-term growth with the 2nd largest future production capacity among global peers.
4. Vertical integration providing the expertise to deliver quality products to leading global OEMs.
5. IRA compliance with a majority ex-China supply chain.

Arcadium's asset base is not easily replicable, recent external estimates of replacement costs are US\$7.7b². We stand convicted that a sale price for Arcadium should be closer to US\$8b or US\$6.80 per share³, based on replacement value and the Arcadium September 2024 Investor Day targets.

Illustrative FY28 EBITDA (US\$m)	\$1,270
EV/EBITDA multiple	9.0x
EV (US\$b)	\$11.4
NPV at 10% discount rate (US\$b)	\$7.8
Difference to announced US\$6.7b offer	16.4%

The Scheme of Arrangement requires more than 25% of the voting rights of all shares voted to **VOTE AGAINST** to force an alternative outcome. As it is our fiduciary duty to protect our clients' interests, we will be **VOTING AGAINST** the Scheme of Arrangement in its current form. We would be willing to reconsider our stance on an offer closer to our assessment of fair value.



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¹ Rio Tinto, Presentation on Acquisition of Arcadium Lithium, released 9th October 2024.

² Citi report, "Cheaper to buy Arcadium than build Arcadium", 14th May 2024.

³ Value of US\$6.81 per share, based on US\$7.8b enterprise value calculated from FY28 illustrative EBITDA from Arcadium Investor Day (19th September 2024) of US\$1,270 and 9x EV/EBITDA, discounted by 10% p.a.