

## CMBI Credit Commentary – TQLTHI

### TQLTHI: Buy on TQLTHI '22

Tianqi Lithium's strong operating cash flow and improved banking relationship has largely removed its USD bond refinancing uncertainty. Additionally, Tianqi's financial flexibility is notably strengthened by the rising value of its 23.77% stakes in SQM which are worth USD5bn after 58% YTD share price increase. We reiterate Buy on TQLTHI '22 (96 mid-px) and the bonds due Nov 2022 will be money good.

#### FY2021 results

In 2021, Tianqi's revenue grew 136%yoy to RMB 7,663mn and EBITDA expanded by 284% to RMB 4,645mn. When industry average lithium price tripled to RMB 121k/ton, Tianqi enjoyed the sharp rise in ASP because its lithium compounds and derivatives are mostly sell via spot contract (65% of Tianqi's revenue). Sale volume of such lithium compounds also increased 34%yoy. Thanks to strong EBITDA and debt repayment, Tianqi significantly deleveraged. (1Q2022RTM Gross Debt/EBITDA fell to 2.4x, from 24.8x in 2020)

#### Strong operating cash flow...

Tianqi has further reduced its short-term debt to RMB 6.7bn by Mar'2022, from RMB 9.8bn (FYE2021), after its early repayment of USD 485mn syndicated loan with operating cash flow in 1Q2022. (1Q2022 CFO: RMB 3.8bn and 2021 CFO: RMB 2.1bn). Regardless of its HK IPO timing, management shared that they would able to repay remaining syndicated loan (USD 240mn) and USD bond (USD 300mn) due in Nov 2022 with operating cash flow and dividend income from SQM (Bloomberg estimate: USD 220mn).

#### Material refinancing progress

Tianqi has also made material improvement in banking relationship. In 2022 year-to-date, it has obtained new onshore bank lines of RMB 1.4bn, while another 3-year syndicated loans of USD 800mn is in advanced stage of arrangement. This loan in syndication has already received commitment letter from 2 leading banks. These can serve as additional funding sources for its short-term debt and remaining syndicated loan USD1.13bn due in Nov 2023. Moreover, its 23.77% stake in SQM, which now worth USD 5bn after 58% year-to-date share price increase, can provide Tianqi with more financing flexibility.

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