IPO Wrap: We're about to get a good indicator on whether lithium really is on the nose… and it's name is Leo

Pic: Apisit Suwannaka, iStock / Getty Images Plus

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In 2022, 24 IPOs have gained and 39 have dropped; not too bad considering the state of markets right now.

Big winners continue to be explorers, mainly those looking for battery metals or other future-facing commodities, like copper or nickel.

The losers are almost everyone else, especially the fintechs. Poor BeforePay (ASX:B4P) is down an absurd 92.67% since IPO.

But even the red-hot lithium sector has taken a big sentiment hit lately.

No longer can crappy explorers announce 'lithium prospectivity' on existing moose pasture and expect a juicy share price bump.

Near-term producer Leo Lithium (ASX:LLL) – which lists today 11am AEST — is not a s..tco by any stretch, but even the most profitable lithium stocks are haemorrhaging market cap at the moment.

It will be interesting to see how the valuation attributed to LLL at IPO is received on the open market.

Who is Leo Lithium?

Listing: 23 June

IPO: $100m at $0.70

The Firefinch (ASX:FFX) spinoff is focused on the 'Goulamina' lithium project in Mali, which is expected to be one of the largest hard rock lithium mines in the world once it enters production in H1 2024.

Goulamina is so advanced because of all the hard work done by Firefinch — then called Biriman – during the last lithium boom.

Firefinch is to retain up to 20% of the demerged Leo, with its shareholders to receive an in-specie distribution of shares in the new company at no cost.

The project is being developed in a 50/50 joint venture with Ganfeng, the world's largest lithium chemical producer. Ownership will be split between LLL (45%), Ganfeng (45%) and the State of Mali (10%).

Ganfeng is providing funding, offtake, and operational support to de-risk development – making this project one of the few to come online over the next few years.

Goulamina: by the numbers

An update to the October 2020 definitive feasibility study (DFS) arrived at a pre-tax net present value for the project of $A4.1 billion, and a post-tax internal rate of return of 83%.

That's high.

The capital cost for Stage 1 of the development (506,000 tonnes of spodumene concentrates annually) was estimated at $US255 million.

Stage 2, which will increase annual production to 831,000 tonnes, is estimated to cost an additional US$70 million.

The intention is to construct, commission and ramp up Stage 1 before approving the Stage 2 expansion and this is likely to be approximately 18 months after Stage 1 is completed.

Ganfeng has already provided $US130 million in funding as its acquisition cost for half of the joint venture.

Beyond that, Ganfeng is to provide either $A40 million in debt or arrange up to $US120 million in third party debt.

That means Stage 1 is essentially fully funded to production.

Source: https://stockhead.com.au/ipo-watch/ipo-wrap-were-about-to-get-a-good-indicator-on-whether-lithium-really-is-on-the-nose-and-its-name-is-leo/