



## FEATURED OPTIONS RADAR REPORT



### Unusual Upside Bet in Small Lithium Producer

**Ticker/Price:** LTHM (\$16.79)

#### Analysis:

**Livent (LTHM)** with an unusual large aggressive buy of 2500 July \$25 calls for \$1.90 on 12/17 with shares trading \$16.80, looking for a lot of upside, and a name that saw April calls accumulate in November. LTHM shares have been riding the 21-day moving average higher and currently flagging under recent highs looking to move to a new trading high going back to its debut in 2018 and this leg should extend to \$20 near-term. LTHM was formerly part of **FMC (FMC)** and spin-off was back in 2018. LTHM is a pure-play, fully integrated lithium company, with a long, proven history of producing performance lithium compounds. Its primary products, namely battery-grade lithium hydroxide, lithium carbonate, butyllithium and high purity lithium metal are critical inputs used in various performance applications. In the EV market it is one of a small number of lithium suppliers whose battery-grade lithium hydroxide has been qualified by customers for use in their cathode material production processes. LTHM is also a vertically integrated producer with low cost deposits from Argentina. The EV market is seen growing at a 32% CAGR through 2025 and Lithium demand seen growing seven-fold in that timeframe. LTHM has a market cap of \$2.6B and trades 9.2X Sales and 41X FY21 EBITDA. Forecasts see revenues growing around 20% per year the next two and EBITDA seen climbing to \$106M in 2022 from \$24.5M in 2020 (was \$99.8M in 2019). Analysts have an average target of \$14 and short interest high at 20% of the float. Loop Capital raised its target to \$21 last week citing a broader footprint, ramp in capacity and recovery in pricing & margins. Citi upgraded to Buy in November with a \$16.50 target seeing lithium supply/demand tightening over the next two years as the inventory overhang evaporates mid-2021 and pricing should inflect in 2022. Hedge Fund ownership rose 4% in Q3 filings.

#### Hawk Vision:



**Hawk's Perspective:** LTHM looks great with this set-up and can see the Lithium pricing story as a key catalyst, so a trend to look at participating, though **ALB** a higher quality play in Lithium.

**Confidence Ranking:** \$\$