

Albemarle: When to Commit at Richburg?

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Decision scope: The announced Richburg lithium hydroxide project

Case convention: This is an author-created management decision exercise. The alternatives and assignment are proposals for classroom analysis; no private deliberations are represented. Use only information available by the cutoff.

The decision

Albemarle had announced a plan to build a lithium hydroxide conversion facility in Chester County, South Carolina. The March 2023 announcement said construction was expected to begin in late 2024. By January 16, 2024, the public materials in this case do not establish whether that schedule remained current, whether permits had been obtained, how much capital had been spent or committed, or what future commitments could be avoided. The announced schedule is therefore a reference point, not a verified current project status.

Albemarle's lithium business had grown rapidly, but its near-term outlook had changed. In November 2023, management reduced its full-year operating cash flow outlook and cited lower lithium prices and higher spodumene costs among the pressures. The company's longer-term presentation continued to forecast strong lithium demand, while its project portfolio included assets at different stages of development.

The choice was not simply whether lithium would matter in the future. It was how much to commit, when, and against what evidence when the economics, permitting, customer qualification, and ability to stage or pause this particular project were not public.

For this classroom exercise, assume leadership must decide what action to approve before any further major irreversible Richburg commitment. This is a decision frame for students, not a claim that a real approval is scheduled or that a particular commitment is pending.

Assignment. Recommend a specific action for Albemarle's senior leadership as of January 16, 2024, including any conditions on what to continue or defer. Choose one of the following proposed courses, or define a credible variant:

1. **Maintain the announced pace:** continue preparing against the late-2024 start stated in March 2023, while confirming the current schedule, permit path and normal approval gates.
2. **Rephase the next commitments:** continue selected readiness work while seeking to defer or condition the next major irreversible commitments on commercial, technical, or permitting milestones. The public record does not establish that construction can be divided into independent tranches; explain what would have to be confirmed.

3. **Defer longer:** pause new major project commitments while the company seeks better evidence on market conditions, project economics, customers, feedstock and permits. Explain what would need to remain available to make restarting feasible, and what that would cost. The public record does not establish that site, permit, customer or restart options can be preserved on any particular terms.

State the strongest argument against your recommendation, identify what Albemarle should learn next, and specify the evidence that would change your decision. Do not assume that delay means cancellation or that a restart is costless.

What Albemarle announced

On March 22, 2023, Albemarle announced an initial investment of **at least \$1.3 billion** for a facility planned to produce about **50,000 metric tons per year** of battery-grade lithium hydroxide, with potential expansion to 100,000 metric tons per year. The company described the proposed “Mega-Flex” facility as able to process diverse lithium feedstocks, including recycled batteries, and connected the project to a localized North American supply chain. These are company plans and claims. The announcement did not provide total installed cost, spend to date, remaining commitments, expected unit costs or a customer contract schedule. [C1, announcement paragraphs 1-4]

The company said construction was expected to begin in late 2024. That was the schedule stated at announcement; the case packet does not verify permit status or a later schedule as of the decision date. Albemarle estimated more than 300 new jobs at an average annual wage of about \$93,000 and more than 1,500 construction jobs. The announcement did not specify whether the new jobs would be permanent; these were company estimates, not secured employment counts. [C1, project paragraph]

A changed near-term outlook

In its November 1, 2023 third-quarter release, Albemarle lowered its full-year outlook from the ranges it had provided in August. Management said the outlook assumed recent lithium prices continued through year-end. Adjusted EBITDA is a company-defined non-GAAP measure; it is not cash flow.

Exhibit 1. Selected 2023 guidance

USD billions; management outlook as published on each date. Midpoints and changes are author calculations.

Measure	August 2 outlook	November 1 outlook	Midpoint change
Adjusted EBITDA	\$3.8-\$4.4	\$3.2-\$3.4	\$4.1 to \$3.3; down \$0.8 (19.5%)
Net cash from operations	\$1.2-\$1.8	\$0.6-\$0.8	\$1.5 to \$0.7; down \$0.8 (53.3%)
Capital expenditures	-	\$1.9-\$2.1	November outlook

Source: Albemarle, Q3 2023 earnings release, “Outlook” table. The midpoint percentage uses the August midpoint as denominator. Company commentary attributed the outlook revision primarily to lower lithium prices and higher spodumene costs/inventory timing. [C2, “Outlook”; “Cash Flow and Capital Deployment”]

The quarter offered a related signal. Albemarle reported Q3 adjusted EBITDA of **\$453.3 million**, compared with **\$1,190.0 million** a year earlier, a decline of about **61.9%**. Net income was **\$302.5 million**, compared with **\$897.2 million**, a decline of about **66.3%**. The first measure is non-GAAP; the second is GAAP. [C2, Q3 results table]

In Energy Storage, the company reported sales growth of 20% and volume growth of 40%, while segment adjusted EBITDA declined 62.4% to **\$407.5 million**. Management attributed the decline primarily to lower lithium prices and higher spodumene costs; equity-income and inventory timing effects partly offset it. The volume growth was associated with multiple operations and tolling; it should not be read as a Richburg forecast. [C2, “Energy Storage Results”]

Capital allocation and the project portfolio

For the nine months ended September 30, 2023, Albemarle reported **\$1.4 billion** of operating cash flow and **\$1.5 billion** of capital expenditures. At September 30, it reported estimated liquidity of **\$3.1 billion**-including \$1.6 billion of cash, \$1.3 billion of revolver availability and \$186.1 million of other credit lines-and debt of **\$3.7 billion**. The cash-flow period and balance-sheet date differ. Liquidity is not the same as uncommitted cash, and these figures alone do not establish either a funding constraint or project affordability. [C2, “Cash Flow and Capital Deployment”; “Balance Sheet and Liquidity”]

Management described its capital-allocation priorities as profitable organic and inorganic growth, financial flexibility and an investment-grade rating, and dividends. The public materials do not quantify a Richburg hurdle rate or rank these priorities for this decision. [C2, “Cash Flow and Capital Deployment”]

Albemarle's December presentation included a portfolio of resource, conversion and expansion projects at different stages. It described a new conversion train as roughly 25,000 metric tons per year and assumed about two years for a new plant to ramp. It also identified tolling and spodumene sales as ways to bridge capacity. These are company portfolio descriptions and operating assumptions; project ownership, attributable capacity, timing, and applicability to Richburg require care. They indicate possible alternatives for sequencing and supply, not a quantified substitute for Richburg output. [C4, pp. 25-27]

Demand, prices and competition

Albemarle's December 2023 presentation projected lithium demand of **3.7 million metric tons lithium carbonate equivalent (LCE) in 2030**, 15% above its prior forecast, and depicted mined supply falling short of demand without recycling. This was the company's forecast and analytical framing, not an independent consensus or an established future outcome. [C4, pp. 22-23]

Albemarle also described its lithium sales as mostly long-term contracts, typically two to five years. Its investor presentation estimated that approximately 80% of 2023 Energy Storage net sales were variable or index-referenced and 20% spot. For the contract mix as of September 30, the company modeled a full-year market-index change of plus or minus \$10/kg as a realized-price change of plus or minus \$5-7/kg. This was a company sensitivity assumption for that contract book, not a universal pass-through rule or a Richburg margin forecast. [C3, p. 10]

SQM's Q3 2023 release showed a different producer's experience: lithium-and-derivatives sales volume was **43.3 thousand metric tons**, up 4% versus Q3 2022; its average realized lithium price was nearly 47% lower versus Q3 2022; and lithium-and-derivatives revenue was **\$1,277.9 million**, down 45.3% versus Q3 2022. SQM said carbonate capacity had reached 200,000

metric tons per year and expected 210,000 early in 2024. It also reported starting lithium hydroxide production in China from lithium sulfate. These are SQM-reported results and company statements; product mix, contract timing and sales mix differ from Albemarle. Announced capacity is not proof of qualified output or customer preemption. [C5, pp. 1-2]

Exhibit 2. October 2023 spot-price indicators

Product and basis	October 2023 monthly average
China lithium hydroxide spot, FOB	US\$25,327 per metric ton
5-6% spodumene spot, CIF	US\$2,168 per metric ton

Source: Australian Department of Industry, Science and Resources, *Resources and Energy Quarterly*, December 2023, printed/PDF p. 138, Figure 15.5; figure source is Bloomberg. Series are described as smoothed. These are different products and trade terms. They are not Albemarle's realized selling price and feedstock cost, and must not be subtracted to infer a conversion margin. [C6, p. 138]

The evidence supports competing interpretations. Lower realized prices alongside volume growth can signal that conversion volumes alone do not protect value. Conversely, long-run demand and the time required to ramp conversion capacity could make delay costly if customers, qualifications or market position are genuinely time-sensitive. The sources do not establish customer commitments, customer willingness to pay for localization or recycled feedstock, a first-mover premium, or imminent rival preemption.

What the public record leaves open

As of the information boundary used for this case, the reviewed public sources do not establish:

- Richburg permits or whether the March 2023 schedule remained current;
- capital spent, committed capital, cost to complete, cancellable commitments, or any delay/holding cost;
- binding Richburg offtake, customer qualification, contracted volumes, price terms, or cancellation rights;
- feedstock quantities, prices, yields, recycling availability, or the facility's demonstrated commercial-scale flexibility;
- project-level conversion costs, power/reagent needs, operating margin, working capital, or incentive eligibility;
- whether construction could be staged independently, what a pause would preserve, or the cost and time to restart.

Accordingly, this packet does not support a factual project NPV or a claim that one option has a known financial advantage. If you use numerical assumptions, identify them as classroom assumptions and show how the recommendation changes when they vary.

Discussion questions

1. What are the strongest strategic and financial arguments for maintaining the announced pace, rephrasing the next commitments, or deferring longer?
2. Which facts in the packet most affect your recommendation, and which important facts remain unknown?
3. What evidence and decision gates would you require before the next major commitment? What could make waiting costly?
4. How does the value of waiting for information compare with the potential cost of delay and time-to-build in this case? What evidence would change your assessment?

Sources and conventions

All company and market sources below were published before the cutoff. Figures retain the source's units and reporting periods; derived midpoints and percentages are identified as author calculations. Management and competitor explanations are attributed. No later company decision or realized outcome is included.

C1. Albemarle, *“Albemarle Corporation Announces New U.S. Lithium Mega-Flex Processing Facility in South Carolina”*, March 22, 2023; announcement paragraphs on planned investment, capacity, feedstock claims, jobs and construction timing.

C2. Albemarle, *Q3 2023 earnings release*, November 1, 2023; “Outlook,” Q3 results table, “Energy Storage Results,” “Cash Flow and Capital Deployment,” and “Balance Sheet and Liquidity.”

C3. Albemarle, *Q3 2023 earnings presentation*, November 1, 2023, p. 10.

C4. Albemarle, *December 2023 investor presentation*, December 4, 2023, pp. 22-27.

C5. SQM, *Q3 2023 earnings release, SEC Form 6-K exhibit*, November 15, 2023, pp. 1-2.

C6. Australian Department of Industry, Science and Resources, *Resources and Energy Quarterly, December 2023*, p. 138, Figure 15.5.