

# Argus Research Initiates Equity Research Report Coverage on Largo Inc. (NasdaqGS: LGO, TSX: LGO)

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NEW YORK, March 28, 2023 - Argus Research, an independent investment research firm, has launched Equity Research coverage on [Largo Inc.](#) (NasdaqGS: LGO, TSX: LGO).

[Click Here](#) to view full Argus Equity Research Report.

COMPANY HIGHLIGHTS: Excerpts (as conveyed by Argus Analyst Steve Silver) include:

## LGO: Serving Global Vanadium and Renewable Energy Markets

- Largo is among the lowest cost producers of naturally occurring element Vanadium, a key input in steel construction in industries including aerospace, chemicals and renewable energy. We expect vanadium demand to exceed supply in the foreseeable future, which should support sustained higher prices above the commodity's historical average, with high purity products used in non-steel markets expected to support robust cash flow and profitability for the company.
- In our view, the company's Maracás Menchen Mine in Brazil is poised to improve yield and efficiency in the coming year. Largo moves past operational challenges that dampened 2022 results, including a change in mining contractors and less than average rainfall that resulted in atypical operational downtime. We are encouraged by Largo's decision to address several planned maintenance projects, including the upgrading of its pumping system, that were performed during the 2022 period.
- Beginning in 2024, we expect results to benefit from the production of ilmenite, which is a by-product of its existing vanadium production, and should incur modest incremental production costs. We expect the ilmenite plant to be commissioned in the middle of 2023. We also see potential for Largo to produce another by-product, titanium, though this project has been delayed, as Largo works to finance it. Still, we favorably view a late 2021 technical report on the site that suggests 20 years of remaining mine life for the Brazil operation, including these additional revenue sources, with a project value of more than \$2 billion that compares favorably to the current market capitalization of approximately \$310 million.
- We also view positively Largo's foresight to diversify its business to capitalize on long-term growth trends. In 2020, the company acquired 12 patent assets that provided entry into the nascent long duration vanadium battery (VRFB) storage market, which we see benefiting from global economic shifts towards a lower carbon footprint. Largo Clean Energy's VCHARGE VRFBs offer an efficient, safe system that is fully recyclable at the end of its expected 25+ year lifetime. We expect Largo Physical Vanadium, a partially owned but separately listed entity on the TSX Venture Exchange, to use the vanadium element to be used in these battery projects, to lower the upfront capex of that battery system by 40%.
- Although we see Largo's diversification into the renewable energy space requiring capital investment and adding volatility of risk to Largo's investment thesis, we view the outlook for sustained long-term demand for vanadium and pricing as a more normalized, post-COVID-19 world as not fully valued by investors.
- As of December 31, 2022, Largo had \$54.5 million in cash, and \$115.2 million in working capital. The company has entered into new debt agreements totaling \$40 million, which we anticipate will enable it to weather near-term operational challenges and internally fund projects including the ilmenite production plant that we expect to begin contributing to revenue in 2024 EBITDA by 2024.
- Largo's stock declined 42% in 2022, and we think its current valuation does not adequately reflect the company's underlying fundamentals. Based on our EV/NPV analysis, we arrive at a fair value estimate of \$9, well above its current price near \$5.

INVESTMENT THESIS: [Click Here](#) to view full Argus Equity Research Report and Investment Thesis.

About Largo Inc. (NasdaqGS: LGO, TSX: LGO) [www.largoinc.com](http://www.largoinc.com)

Based in Toronto, Ontario, Largo is a dual-listed mining and battery energy storage system company that we view as a world's leading high-quality and low-cost vanadium suppliers, sourced from its Maracás Menchen Mine in Brazil. Recently, the Company established a U.S.-based clean energy unit that develops and sells vanadium-based electrical energy storage systems.

systems to support the global deployment of long duration, renewable energy solutions. Largo has also established a public entity, Largo Physical Vanadium, that is designed to lower the costs of Largo's battery customers, while also giving direct exposure to vanadium, which never existed before.

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About Argus Research Corp.

Headquartered in NYC, Argus Research ([www.argusresearch.com](http://www.argusresearch.com)) is a leading independent equity research firm (est. 1998) providing fundamental and quantitative research coverage on more than 1,600 companies across all 11 sectors of the S&P 500, as well as macroeconomic and equity market forecasts, thematic research, model portfolios and IPO research. In addition, Argus Research recently committed to providing a sponsored research solution for small & mid-cap companies seeking coverage. Argus Research & earnings estimates are available on major research / earnings estimate aggregator platforms, including Bloomberg, Thomson Reuters, Factset and S&P Global.

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