

AMG Advanced Metallurgical Group N.V. (AMVMF) CEO Heinz Schimmelbusch on Q3 2021 Results - Earnings Call Transcript

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AMG Advanced Metallurgical Group N.V. ([OTCPK:AMVMF](#)) Q3 2021 Earnings Conference Call October 28, 2021 9:00 AM ET

Company Participants

Michele Fischer - Vice President of Investor Relations

Heinz Schimmelbusch - Chairman & Chief Executive Officer

Jackson Dunckel - Chief Financial Officer

Eric Jackson - Chief Operating Officer

Conference Call Participants

Frank Claassen - Banque Degroof Petercam

Andreas Markou - Berenberg

Ephrem Ravi - Citigroup

Martijn den Drijver - ABN AMRO

Stijn Demeester - ING

Krishan Agarwal - Citigroup

Operator

Good day, and welcome to AMG's Q3 2021 Earnings Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Ms. Michele Fischer, Vice President of Investor Relations. Please go ahead.

Michele Fischer

Welcome to AMG's Third Quarter 2021 Earnings Call. Joining me on this call are Dr. Heinz Schimmelbusch, the Chairman of the Management Board and Chief Executive Officer; Mr. Jackson Dunckel, the Chief Financial Officer; and Mr. Eric Jackson, the Chief Operating Officer.

AMG's third quarter 2021 earnings press release issued yesterday is on AMG's website. Today's call will begin with a review of the third quarter 2021 business highlights by Dr. Schimmelbusch. Mr. Dunkel will comment on AMG's financial results, and Mr. Jackson will discuss operations. At the completion of Mr. Jackson's remarks, Dr. Schimmelbusch will comment on strategy and outlook. We will then open the call to take your questions.

Before I pass the call to Dr. Schimmelbusch, I would like to comment on forward-looking statements. This conference call could contain forward-looking statements about AMG Advanced Metallurgical Group. Forward-looking statements are not historical facts but may include statements concerning AMG's plans, expectations, future revenues or performance, financing needs, plans and intentions relating to acquisitions, AMG's competitive strengths and weaknesses, reserves, financial position and future operations and development, AMG's business strategy and the trends that AMG anticipates in the industries and the political and legal environment in which it operates and other similar or different information that is not historical information.

When used in this conference call, the words expects, believes, anticipates, plans, may, will, should and similar expressions and the negatives thereof are intended to identify forward-looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that any predictions, forecasts or similar projections contained by such forward-looking statements will not be achieved. These forward-looking statements speak only as of the date of this conference call. AMG expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in AMG's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

I will now pass the floor to Dr. Schimmelbusch, AMG's Chairman of the Management Board and Chief Executive Officer.

Heinz Schimmelbusch

Thank you, Michele. With regard to COVID, active cases at AMG have receded to a very low level. We continue to apply all safety measures at our disposal with the highest degree of attention in order to ensure our employees are working in the lowest risk environment possible. AMG continues to sequentially improve EBITDA in the third quarter despite negative seasonal impact. All of AMG's businesses are experiencing ongoing price increases and strong volumes. However, the operating environment has grown more challenging with increases in shipping times and costs and higher energy prices affecting every business unit. AMG passes those cost increases through to customers where possible, and we will continue to actively manage these cost exposures going forward.

All segments performed well, most notably our Clean Energy Materials segment, where presently, our major strategic projects are [casted]. This segment continues to deliver strong EBITDA, which increased 44% over the second quarter in '21 to \$18 million, the sixth straight quarter of sequentially increasing EBITDA. The strategic projects are proceeding as planned. Each of these projects is oriented towards growing our production of electricity storage materials and/or increasing our footprint in the circular economy.

In each of these projects, the second spent catalyst recycling facility is spodumene 1 plus, and the battery-grade lithium hydroxide upgrader in Germany will significantly enhance our profitability and contribute to meeting our long-term goals. Regarding our project execution capability, the construction of AMG's vanadium second spent catalyst recycling facility in Zanesville, Ohio, continues to be on time and within budget. As a reminder, we have also met this bottoming production costs and yield in Brazil that was targeted at the time of the project decision in transforming into a high-growth company through projects of this kind. Execution capability is a critical success factor.

I would now like to pass the floor to Jackson Dunckel, AMG's Chief Financial Officer. Jackson?

Jackson Dunckel

Thank you, Heinz. I will be referring to the third quarter 2021 investor presentation posted yesterday on our website. Starting on Page 3. This shows an overview of the financial highlights of the quarter. Revenue for the quarter increased by 58% to \$312 million. This increase was mainly driven by an improving price environment and increasing global demand for our products, which led to higher sales prices and volumes across all 3 of our divisions. Q3 2021 EBITDA was \$33.1 million. This result was more than twice as much as Q3 2020. As you can see in the lower left corner, AMG continues to sequentially increase EBITDA each quarter, which we have done since the second quarter of 2020, our lowest profitability during the height of the slowdown due to the global pandemic.

In terms of earnings, AMG's third quarter loss for the period of \$0.3 million was negatively impacted by 2 significant noncash items: one, the Brazilian real caused a \$7.5 million deferred tax expense in the third quarter of 2021; and two, intergroup balance sheet positions associated with our European cash flowing arrangements incurred \$1.8 million of foreign exchange expense, net of tax, during the third quarter of 2021. Excluding these noncash items would have resulted in a profit for the period of \$9 million.

Now I'll turn to a review of our 3 segments. Let's start with Clean Energy Materials, which is shown on Page 4 of our presentation. On the top left, you can see that Q3 revenues increased by 87% versus the prior year. This increase was driven mainly by higher sales volumes of listing concentrate and higher prices in vanadium, tantalum and lithium concentrate. As we mentioned last quarter, our realized spodumene prices were lower than market prices because of a 2- to 4-month lag due to contractual terms.

Gross profit before nonrecurring items increased by \$17 million compared to Q3 2020. Q3 2021 EBITDA increased by \$14.8 million versus the prior year and the \$18 million result represented Clean Energy Materials' sixth straight sequential quarterly increase. Clean Energy Materials is the segment which is and will continue receiving the most capital investment within AMG. And the capital expenditures shown on the bottom left of \$49 million mainly reflect our investment into the Zanesville vanadium facility as well as our lithium hydroxide plant in Bitterfeld, Germany.

Turning now to Page 5 of our presentation, which shows our AMG Critical Minerals segment. AMG Critical Minerals revenue increased 52% to \$79 million, driven by higher sales volumes across all 3 businesses as well as by higher antimony sales prices. Gross profit before nonrecurring items increased by 25% in Q3 due to the increased revenue from each unit.

However, on a sequential basis, shipping costs and energy prices were significantly higher than the previous quarter, and the segment was only able to partially pass these increased costs through to their customers. EBITDA during the quarter was in line with Q3 2020 due to higher personnel costs, which were offset by the improved gross profit.

Moving on to AMG Critical Materials Technologies on Page 6. Starting on the top left, you can see that Q3 2021 revenue increased by \$38 million or 43% versus Q3 2020. This increase was due to higher sales volumes of titanium aluminides and chrome metal and higher chrome pricing. As a result, Q3 2021 gross profit before nonrecurring items increased by 54% to \$20.3 million. AMG Critical Materials Technologies Q3 EBITDA of \$8.5 million increased \$4.2 million from Q3 last year, primarily due to higher profitability related to the higher sales volumes of titanium aluminides and chrome metal.

Order backlog was \$155.1 million as of September 30, 2021, 19% lower and \$190.6 million as of June 30, 2021, due largely to the delayed orders noted above as well as product mix impacts, representing a 0.5x book-to-bill ratio. The company is experiencing higher volumes of smaller orders due to diversifying outside of the aerospace market, which reduces the period ending order backlog, but does not indicate lower profitability levels. The company signed \$27.9 million in new orders during Q3 2021. This low ratio was driven mainly by timing and seasonality and is expected to be compensated by higher intake in the fourth quarter, resulting in a normalized full year book-to-bill ratio.

Turning now to Page 7 of the presentation. On the top left, you can see that AMG's Q3 2021 SG&A expenses were \$34 million versus \$30 million in Q3 2020. This increase was primarily driven by higher strategic project costs as well as personnel costs. The prior period personnel costs have been reduced by cost reduction efforts in response to the onset of the pandemic. AMG's Q3 2021 net finance costs were \$7.5 million compared to \$4.5 million in Q3 2020. This increase was mainly driven by the higher foreign exchange expenses during the quarter. AMG recorded an income tax expense of \$9.9 million in Q3 2021 compared to a nominal expense in the same period in 2020. This variance was mainly driven by improvements in operating results, coupled with movements in the Brazilian real.

The effects of the Brazilian real caused a \$7.5 million noncash deferred tax expense in the third quarter of 2021 versus a \$2.1 million expense in Q3 2020. Movements in the Brazilian real exchange rate impact the valuation of the company's net deferred tax positions related to our operations in Brazil. AMG paid taxes of \$4.1 million in Q3 2021 compared to \$10.7 million in Q3 2020. The third quarter 2020 payments were primarily a result of final tax payments in Germany related to the highly profitable 2018 tax year.

Turning to Page 8 of the presentation. You can see that on the top left, cash from operating activities was \$17.6 million in Q3 '21, an increase of \$26 million over the same period of '20. Moreover, cash from operating activities was \$60.6 million on a year-to-date basis, more than triple the total cash from operating activities for all of 2020. This underscores AMG's continued focus on cash generation as well as the increased profitability during the first half of 2021.

AMG's return on capital employed for Q3 was 10.4% compared to 2.5% for the same period in 2020 due to significantly higher profitability in the current period as the global economy recovers from the coronavirus pandemic. AMG finished Q3 '21 with \$265 million of net debt. This decrease was mainly due to the additional issuance of shares, which generated \$119

million of net proceeds, offset by the significant investment in growth initiatives during the quarter, especially in our vanadium expansion in Ohio.

As of September 30, '21, AMG had \$319 million of unrestricted cash and total liquidity of \$489 million. With this cash on hand and strong projected operating cash flows, AMG believes it can fully fund its current strategic projects while maintaining a strong balance sheet.

This concludes my remarks. Eric?

Eric Jackson

Thank you, Jackson. We continue to focus on those operational issues that we can control, namely cost and productivity improvements, working capital management and most importantly in today's environment, risk management. The business environment is volatile and challenging. However, prices and demand for our products continues to be strong. driven by our fundamental position in the critical materials and technologies that are necessary for the global transition to a lower carbon economy.

In regard to supply chain, we have, for many years, actively diversified our sourcing to minimize supply chain risks. An example of this diversification is in antimony, Five years ago, we sourced more than 80% of our antimony metal from China. Today, we source from 5 different countries -- more than 5 different countries with less than 20% coming from China. We are, however, experiencing supply chain challenges and cost increases, especially in freight and energy. We manage each business diligently and pass on these costs where possible, but there are timing delays. Our spodumene business continues to operate at full nameplate capacity. And as Dr. Schimmelbusch mentioned, our operating costs are meeting the targets that we set at the time of the project decision. Q3 spodumene shipments were lower than the second quarter due to vessel timing and revenue recognition rules. And as Jackson mentioned, our pricing is indexed to the market, but based on the prior period index. Therefore, the recent increase in spodumene prices will be fully recognized in Q1 2022.

We believe that the long-term fundamentals of this business are exceptionally strong, and we are well positioned to capitalize on this trend today and as we increase capacity. Our ferrovanadium spent catalyst processing business continues to perform very well. Ferrovanadium prices have been relatively flat for a number of quarters. However, the environmental footprint and low-cost position of our recycling business model as well as our expansion in Ohio positions us for continued and increasing success. Q3 sales volumes were slightly lower than Q2 as we shipped a higher volume from inventory in Q2.

Our Zanesville facility is progressing as planned and commissioning will start in the first quarter of 2022. The impact of the coronavirus is most significantly felt in AMG Critical Materials Technologies and the market for our aerospace-related businesses. The aerospace market continues to show signs of improvement, and we see this as our customers are forecasting increases in requirements by mid-2022. As a reference, our titanium aluminide product line is presently operating at approximately 50% of capacity. However, based on our customer forecasts, we expect to be operating at full capacity by the end of the second quarter of 2022. Our operational objectives continue to be to ensure that we're the lowest cost, highest quality producer in all of our businesses, actively manage the challenges and risks in today's volatile markets, and deliver our strategic investments on time and on budget.

I would now like to pass the floor to Dr. Heinz Schimmelbusch, AMG's Chief Executive Officer.

Heinz Schimmelbusch

Thank you, Eric. Before I come to our guidance statement, I'd like to discuss CO2 emissions and reduction targets. We have applied the enabling CO2 reduction concept to measure our [indiscernible] organic CO2 impact and selected AMG activities -- of selected AMG activities on levels beyond what is emitted within our fence line. The concept of enabling CO2 reduction was brought to prominence through Article 16 of the EU Taxonomy Regulation.

In 2020, AMG enabled the reduction of 56.6 million tonnes of CO2 according to third-party life cycle assessment. AMG manages an intensive process of identifying and adding other CO2-reducing activities to restructure enabling CO2 reduction portfolio segments. We are finalizing goals within a KPI system for the enabling CO2 reduction activities going forward. Deducting our direct Scope 1 and Scope 2 emissions of about 0.4 million tonnes, we arrive at a net CO2 reduction of 56.2 million tonnes. Accordingly, AMG's CO2 impact in 2020 is net 0, but -- is not net 0, but net negative.

In addition, we have set KPIs for reducing our direct Scope 1 and Scope 2 emissions with a long-term target of net 0. We plan to announce the time horizon and the specifics of this undertaking at the AGM in May of '22.

Now let me conclude with our earnings guidance. For '21, we reiterate our expectation to sequentially improve our EBITDA quarter-over-quarter for the year, which shall independently mean we will exceed our previous guidance of more than \$120 million EBITDA. For '22, we expect EBITDA to exceed \$150 million. We expect to reach \$50 million of quarterly run rate EBITDA by the end of '22 as our vanadium expansion project concludes ramp up.

I would like to point out that being risk averse, as always, we utilized various pricing and cost scenarios during the financing forecasting period over the past several weeks to establish this guidance. Pricing for many of our products have moved dramatically in recent days, and if we were to utilize current prevailing prices for spodumene, just 1 of our product, we will significantly exceed that 2022 guidance. Given the highly dynamic markets we are experiencing across our businesses, we expect to provide updates to our guidance [many more periods].

As announced in May, based on the current strategic projects throughout AMG's portfolio, we expect to deliver an EBITDA level of \$350 million or more in the next 5 years or less. We will update that guidance at the AGM in May '22.

Operator, we would like to open the floor for questions.

Question-and-Answer Session

Operator

[Operator Instructions]. We'll take our first question from Frank Claassen with Degroof Petercam.

Frank Claassen

Yes. Two questions, please. First, on the vanadium price. I've noticed indeed that the recovery is stalling. What is your view why that is? And have you noticed any news on the anti-dumping investigation from vanadium in North America? That's first question. And secondly, also related, I would say, on your guidance of the quarterly run rate of USD 50 million by the end of 2022, what kind of assumptions do you have on the vanadium price for it to reach this \$50 million?

Heinz Schimmelbusch

Well, the vanadium price is basically cruising at its 10-year average. When you compare the last 5-year average with the previous 5-year average, the average of the last 5 years is significantly higher than the average of the previous 5 years. We assume that the next 5-year average will be exceeding the last 5-year statement, which it just did. As supply selected closures and delayed, if any, openings of new supplies is not meeting the constantly rising -- the continuously rising demand as the specific consumption of vanadium, a tonne of steel is relentlessly going up as an average worldwide. So that is 1 answer. The second answer is we do not specify price assumptions on our guidance.

Frank Claassen

Okay. And on the antidumping investigation, is there anything you can mention on that?

Heinz Schimmelbusch

No impact.

Frank Claassen

And how can you explain that, why it has come up lately? Is it maybe the China slowdown? Or is there anything specific to mention...

Heinz Schimmelbusch

It has definitely to do with the China situation, and it is very difficult to analyze that in any meaningful way.

Operator

We'll take our next question from Andreas Markou with Berenberg.

Andreas Markou

Two of them. The first one is on the guidance. So effectively, you alluded that your price assumptions are quite conservative. But then if we look at the \$150 million guidance, that looks very conservative because effectively, you will be at \$140 million run rate by the end of this year. And then if we price in the lag in the lithium pricing, that should mean about \$40 million to \$50 million annualized increase in run rate EBITDA in H1 '22. So maybe if you can give us a bit of the levers here of what is really driving this conservatism this year?

And then the second one is on the supply chain disruptions. So can you maybe explain here about the volume effect, the impact here? And how much of it is temporary and also on the pricing effect. And I would be very keen here to understand to what extent you can pass on these price increases?

Heinz Schimmelbusch

Yes, the guidance, we have also done model discussions like Q2. And I guess if we assume that pricing this year and price level start to mention 1 loses its volatility, statistically proven in the lithium business, especially in the lithium business. So if you're in other world, we are living in a theoretical world, and the lithium price, which presently is \$1,500, for example, for -- presently for spodumene. If that is photographically fixed and spaced, then we will substantially beat our guidance.

And as the year proceeds or the quarters proceed, we will then update our guidance as we then experience the absence of volatility. But the volatility is effect. And I'm -- and that's the reason of our conservatism. If I have to do 1 reason, that's another reason that the general environment has picked up the logistics and similar things has led to uncertainties. But the absence of volatility can -- should not be built into our guidance because statistically and historically, that will be not proven. We are a conservative institution, and we will not change that.

Andreas Markou

Okay. That's clear. And then maybe a little bit on the second question on the supply chain disruptions and your ability to pass on pricing.

Heinz Schimmelbusch

Yes, those probably have, but it is also here a very volatile world of not only by freight costs, but also by availability of freight capacity and by unexpected costs related to demurrage and other cost that is part of, and that is simply something to be cautious about. So far, it has not really had a big impact on us, although we are rate intensive. But we have to prepare for unforeseen events here. And that also is guiding us to be cautious.

Andreas Markou

Effectively, you're telling us that you cannot pass on entirely these costs to your customers?

Heinz Schimmelbusch

Right now, we are passing 100%, everything.

Andreas Markou

Okay. But you're just being conservative that you will not be able to do it next year.

Heinz Schimmelbusch

No, I'm not saying we will not be able to do it. I'm just simply thinking in terms of contingencies. We do this very specific, we say, what is the historical experiences, and that is an optimistic result. But things have changed in the last year and are changing now so dramatically that you have to do to put in a certain contingencies. That's simple. I mean, you cannot -- you can do a risk-free world, you can extrapolate the risk-free world, which some of our friends in the analyst community do.

Operator

Our next question comes from Ephrem Ravi with Citigroup.

Ephrem Ravi

Two questions. First, I totally understand you can't talk about pricing, but can you specify how much of vanadium production from the Zanesville project is built into the \$150 million guidance for next year, and the volume surely is more under your control than pricing. And the second question, there has been news reports of magnesium shortages, is that affecting your aluminum master alloys business at all? Or do you anticipate it to impact that in the future?

Heinz Schimmelbusch

Second question first, it doesn't impact us. First question, when you press the button of a \$325 million machine, you hope that you reach 100% within a few months. Statistically, such things always lead to certain pitches and the ramp-up process is not a press of a button experience. So we have a certain assumption on the ramp up over time. And I think we are commissioning -- starting the commissioning when?

Jackson Duncel

Yes. No, I mean we have already commissioned the raw material storage building. We are commissioning the roaster and full gas sulfurization units to start. And the ferroalloy plant commissioning starts in February, and we have assumed, frankly, I think, a prudent 6-month ramp-up period. As I said, there's obviously great uncertainties of the largest investment we've ever made, but that's our assumption today.

Operator

Our next question comes from Martijn den Drijver with ABN AMRO.

Martijn den Drijver

My first question goes back to Cambridge II. So full contributions as of the fourth quarter. The roaster will be operational before that, you will have some production before going to full contributions. How should we view that? Should -- is that a material amount that we should take into account? Or is that not a material amount in 2022? That would be my first question.

Heinz Schimmelbusch

What is a material demand?

Martijn den Drijver

Well, if it's more than \$5 million, I would say, it's material.

Heinz Schimmelbusch

It's more than \$5 million.

Martijn den Drijver

Then on the overall assumption for Cambridge II, given higher energy cost per shipping as well. Do you still see EBITDA contribution for Cambridge II as you initially expected, so \$45 million to \$50 million in EBITDA?

Heinz Schimmelbusch

That's a clear yes.

Martijn den Drijver

Okay. Then on the German conversion lithium plant, can you walk us through where you currently stand in terms of offtake agreements? I know you've said that it's very specific clients take their time to properly assess the lithium specifics. But I do see some other players in the European lithium hydroxide space that have been able to sign offtake agreements. So can you perhaps run us through where you stand today? That would be my second question.

Heinz Schimmelbusch

First of all, you always say offtake agreements. The offtake agreement of the production that doesn't happen are not agreements, there are memoranda of understandings because they are subject to a lot of conditions. Now we -- as regard to our memorandum of understanding, we are approaching 100% sales of the first module. And we will be happy to reach 100% shortly. We are presently maybe at 70%, 75% of the several site memoranda. But they are not agreements in a sense. Agreements or contracts are [either] designing and without exits. And there's a big difference. And you should -- if you take a price for me, you should -- which is a big question, you should take into consideration. I think that the announcement of agreements, which indicates the signature under something which is legally binding. These announcements are aggressive. It is in general so that we feel that we shortly will have spoken for 100% of our production in Bitterfeld, Germany, which is to be expected because the demand is very high.

Martijn den Drijver

That's certainly encouraging. Does that change your view as to train, too? Is that now then perhaps progressing faster towards condition...

Heinz Schimmelbusch

It's progressing as planned.

Martijn den Drijver

Okay. Then on engineering, you already provided a couple of details on the order intake. Can you run us through what you're seeing in terms of demand for blade coaters and demand from specialists and metallurgical companies given that this quarter is a bit lower than what we are used to. Can be a fluke. I know it's volatile. But perhaps you can provide some color on those elements.

Heinz Schimmelbusch

Well, the blade coating business is a core business of our Engineering Division. It is in full capacity. Note, we believe that we go on with additional coating orders. I don't want to go into the details of the market, but the market is diversifying. Asia is opening up as regard to the coating business because they have to do a catch-up game since 100% of the coating of Chinese planes, for example, is happening outside China. So the coating business is strong and is structurally strong because it is fueled in the long term by new materials, which have to be coated, such as ceramic materials, which replace or add to the materials of the engine since the operating temperature of the engine as a function of the desire to increase fuel economy is constantly rising. The target -- its target -- the community is targeting a rise of that operating temperature for the business affected. So this is a very strong business, which we presently, I think, have 100% market share.

Operator

Your next question comes from Stijn Demeester with ING.

Stijn Demeester

I have 1 question, which is on lithium Brazil. At the beginning of the call, you mentioned that the business has reached the OpEx target that you set out a couple of years ago. I always understood that it's partly linked to profitability in tantalum as these businesses are intertwined. My question is, is Brazil today reaching this OpEx target despite the current tantalum price? And how should this pan out next year in case of a likely positive reset of the tantalum price? Maybe any color there on what to expect for both businesses, that would be helpful.

Heinz Schimmelbusch

The business mix of Brazil, the tantalum has an insignificant influence compared to the lithium contributor. The tantalum price lately was low, and that has to do with product -- selling product. It's very difficult to hear when somebody is doing that. That has to do with the amount being supplied by Central Africa, which is very volatile. And the volatility then leads to cyclical upturns and downturns. Basically, it's a downturn. We believe, and large customers believe, that the trend in tantalum is cyclical but upwards, as the selection process of -- as also the value chain scrutiny of customers is increasing as regard to difficult sources. So tantalum is not -- in the new world of Brazil, lithium is the dominating exercise. Tantalum is a carrier of cost in the product mix scenario.

Stijn Demeester

So maybe a follow-up here. If you look to SP1+, so the 40-kiloton expansion, assuming -- would it be fair to assume that there are some OpEx savings to be made there because you have a larger scale.

Heinz Schimmelbusch

We don't assume that, we don't assume that. It is fairly straightforward. And we don't assume that, that is -- those advantages are because of scale considerations. And both now and -- it will dramatically increase the profitability, that's for sure, because when you multiply the same profit ratio at 40,000 tonnes, that's a significant number.

Operator

And our next question comes from Martin Verbeek with [indiscernible].

Unidentified Analyst

It's Martin Verbeek of [indiscernible]. A couple of questions from my side. Firstly, AMG expects a higher order intake in Q4 to compensate for the softer intake in Q3, resulting in a normalized full year book-to-bill ratio. What is a normalized book-to-bill ratio according to AMG?

Heinz Schimmelbusch

One.

Unidentified Analyst

One. So that suggests no growth.

Heinz Schimmelbusch

No, no. One is the book-to-bill ratio. So we don't grow book-to-bill ratios. We want to exceed 1, that's all. We don't reach 2.

Unidentified Analyst

That would give some clear growth into the future. Okay. Could you also inform us, you're now building lithium -- or vanadium battery, which will be commissioned in the first quarter of '22. Could you inform us about the investment, what kind of investment is needed to build such LIVA battery?

Heinz Schimmelbusch

This is \$5 million approximately as a summary answer.

Unidentified Analyst

Okay. And then lastly, what was AMG's reasoning to provide an EBITDA outlook for 2022 for next year? Since I asked you a lot of question marks, would it more or less assumed on

more logic that you would give guidance when you present your full year figures of '21? And has it been related to the consensus of about \$200 million of the market?

Heinz Schimmelbusch

We don't -- we do our own planning, and we have traditionally. I think in the -- commenting on the third quarter. Traditionally, we have always remarked our view of what will be '22 as a year. That has been -- that was a sort of traditionalism of announcement. So nothing new here. We just do what we did last year. And last year, we did what we did the previous year. So this is a good thing. So I don't know where you got your information that this is done on a year basis only.

Operator

[Operator Instructions]. Our next question comes from Krishan Agarwal with Citigroup.

Krishan Agarwal

I have a follow-up from Ephrem's question earlier. So can you also talk about a little bit on the CapEx outlook for -- in 3 way, basically, which is my question. One is for 2021? And then given that you have \$120 million CapEx approval for -- in the release, so how should we think about CapEx for '22 and '23? Just kind of a broader range rather than exactly point guidance. And then how should we think about your steady-state sustaining CapEx as of today? And after the expansion of Ohio comes on stream, what would be your sustaining CapEx in the long run?

Jackson Dunckel

Thanks for the question. So our previous guidance was \$180 million to \$200 million for 2021. We would stick to that guidance. It depends on when we pay our suppliers into Cambridge II. We would also say that, that's our guidance for 2022, \$180 million to \$200 million for 2022. That includes the end of Cambridge II as well as a significant portion of our lithium hydroxide expenditures. And then for 2023, we'll leave that one aside until a little later. Maintenance CapEx for us today is in the \$25 million to \$30 million range. In the future, that probably increases to \$35 million to \$40 million.

Operator

And that concludes today's question-and-answer session. Ms. Fischer, I'll turn the call back over to you for any additional or closing remarks.

Michele Fischer

Thanks, everyone, for joining the call. This concludes AMG's Third Quarter 2021 Conference Call.

Operator

Thank you for your participation. This now concludes today's teleconference. You may now disconnect.

