Helium Companies Expected to Rise to Capture North America's Emerging Helium Industry

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Helium is a valuable resource that is used in a wide range of applications. It is recovered primarily from natural gas deposits, is non-renewable, and cannot be easily synthesized or substituted.

The privatization shift in the US, increasing demand, and rising prices have created an emerging helium industry in North America that now presents opportunities for investors.

Why helium is critical

Helium is used in key areas including magnetic resonance imaging devices, engineering and scientific applications, as a lifting gas, electronics and semiconductor manufacturing.

Additionally, there is a rapidly growing application in superconductor manufacturing, the rocket industry (used by Space X (*private*) and NASA), and national defense applications, including missile guidance systems, scientific balloons, and surveillance craft.

Helium is on the Critical Minerals list for Canada and Australia but not the EU, the UK, or the US. In 2022, the list of critical minerals released by the United States Geological Survey ("USGS") added nickel and zinc but removed helium, potash, rhenium, and strontium.

However, Helium is often discussed in public policy because:

- It comes from a depleting source (natural gas);
- The pricing of helium is complex due to customized packaging and transportation costs; and,
- Most importantly, has several ‘critical’ aerospace, biomedical, national security, and scientific uses.

New supply required as demand grows

According to various industry studies, the helium gas market was valued at US$23.1 billion in 2022 and is estimated to reach US$30.8 billion by 2028, growing almost 5% annually.

The growth drivers include the rocket industry, national defense applications, medical imaging machines, and the continued growth in the electronics and semiconductor industries that require helium to create a protective inert atmosphere for fabrication.

Due to helium shortages in 2013, the US Congress passed the Helium Stewardship Act to help mitigate helium shortages and increase investment in private helium sources with the eventual disposal of government assets by 2021 that they believe will be completed this year.

Although helium is mainly obtained from natural gas, to justify the capital needed to establish and maintain the extraction facilities, the concentration of helium needs to be high enough and the refined helium also needs to have access to the infrastructure to reach the markets.

FIGURE 1: Helium uses driving demand



Source: iStock

Privatization lifting prices

Helium is not traded on an exchange but agreements are negotiated between buyers and sellers. While historically the United States Federal Government exerted control over the supply and pricing, there has been a shift to privatization since the Helium Privatization Act of 1996, when the US Congress initiated a plan to deplete the Federal helium reserve.

With privatization, the market price for helium is 'lifting' higher and new suppliers are looking to benefit. Although helium prices can vary depending on the volume and timing of the transaction, it currently ranges from US$300 to US$500 per thousand cubic feet.

Public companies in the helium market

In North America, helium production is dominated by energy companies such as Exxon Mobil Corporation (NYSE: XOM), which has a large helium operation in the Riley Ridge fields in Wyoming.

However, pure-play helium producers have emerged in the past few years intending to take advantage of the privatization initiatives in the US and the increasing prices of helium. Here are a few companies to investigate.

Desert Mountain Energy Corp. (TSXV: DME)

Desert Mountain Energy is a Canadian-based resource company that explores and develops helium, hydrogen, and noble gas properties in the southwestern US.

With a primary focus on the Holbrook Basin Helium Project in Arizona, the company holds over 100,000 acres of land under lease in one of North America's most prolific helium regions.

Last month, announced its recently completed C$23.1 million financing will allow it to finalize the required work to bring six helium wells into production and expects revenue for helium in this quarter.

Desert Mountain Energy is currently trading at C$1.13 with a market cap of C$102.0 million

Royal Helium Ltd. (TSXV: RHC)

Royal Helium is a Canadian company that explores and develops helium resources in southern Saskatchewan and southeastern Alberta, Canada.

It is one of the largest helium leaseholders in Canada, with over 1 million acres (over 404,000 hectares) of helium-potential land that is near existing helium-producing locations.

In February, Royal Helium announced its Steveville Helium Plant in Alberta was fully funded with C$17.5 million in credit facilities and C$5.5 million from a previous private placement of convertible debentures.

Royal Helium is currently trading at C$0.36 with a market cap of C$87.4 million

Avanti Helium Corp. (TSXV: AVN)

Avanti Helium is a gas exploration company that focuses on the exploration, development, and production of helium across western Canada and the United States.

Avanti is currently focused on its Greater Knappen helium project, covering 78,000 acres over an area extending from southern Alberta to northwest Montana.

In February, Avanti raised C$6.3 million to advance the project and also announced an updated resource estimate in March for the Sweetgrass Pool in the Greater Knappen project.

Earlier this month, the company secured land in Montana, which is expected to be the site of its Helium Recovery Unit (HRU), and is targeting to have the HRU in place and on stream before the end of the year.

Avanti is currently trading at C$0.55 with a market cap of C$42.4 million

Total Helium Ltd. (TSXV: TOH)

Total Helium resumed trading earlier this month following the acquisition of a joint venture interest in the Pinta South Helium Project in Arizona for US$12 million and funding a US$2 million capital development program on the project.

The Pinta South Helium Project is expected to provide the company with a stable source of helium revenue and growth from existing helium production as well as interest in exploration in the Holbrook Basin. A major industrial gas partner has already entered into a long-term contract to purchase the helium the project produces.

The joint venture consists of 10 existing wells, two of which

are already producing helium and eight of which are being connected to a helium processing plant. The company will acquire a 20% interest in the two producing wells and a 50% interest in the eight additional wells.

The company also plans to drill and complete 10 more wells by the end of the second quarter this year, bringing the total number of producing wells to 20.

Total Helium is also engaged in a joint venture with an industrial gas partner to establish an underground helium storage facility in western Kansas.

Total Helium is currently trading at C$0.50 with a market cap of C$38.7 million.

Final thoughts

Helium’s critical applications in aerospace, biomedical, national security, and scientific fields make it an indispensable resource. However, the privatization shift in the US, along with increasing demand and rising prices, presents an enticing opportunity for investors in the emerging North American helium industry.

FIGURE 2: Helium Comp Table

							Analysts' Consensus			
COMPANY NAME	TICKER	PRICE (5/19)	MKT CAP (M)	CASH (M)	EV (M)	Revenue (M) 2022A	Revenue (M) 2023E	Revenue (M) 2024E	Target Price	TP Delta
Desert Mountain Energy	TSXV: DME	$1.13	$102.0	$6.2	$95.8	$0.44	$17.20	$107.40	$4.00	254%
Royal Helium Ltd.	TSXV: RHC	$0.36	$87.4	$1.1	$86.3	$0.00			$1.85	414%
Avanti Helium Corp.	TSXV:AVN	$0.55	$42.4	$2.8	$39.6	$0.00	$0.90	$51.00	$2.38	332%
Total Helium Ltd.	TSXV: TOH	$0.50	$38.7	$3.4	$35.3	$0.00				
Average					*$64.2*					
Median					*$62.9*					

Source: S&P Capital IQ