

Accsys Technologies

FY19 year end

EBITDA milestone achieved, Hull build delay

General industrials

23 April 2019

Price **114.5p**

Market cap **£135m**

€1.15/£

Net debt (€m) at end September 2018 34.2

Shares in issue 117.9m

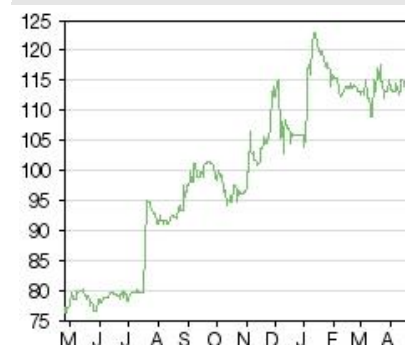
Free float 90.6%

Code AXS

Primary exchange LSE

Secondary exchange Euronext Amsterdam

Share price performance



% 1m 3m 12m

Abs 1.8 (3.6) 52.9

Rel (local) (1.3) (11.4) 49.0

52-week high/low 123.0p 75.3p

Business description

Accsys Technologies is a chemical technology company focused on the development and commercialisation of a range of transformational technologies based on the acetylation of solid wood and wood elements for use as high performance, environmentally sustainable construction materials.

Next event

FY19 results June – date tbc

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FY19 performance at the Arnhem Accoya facility has been robust with successful delivery of higher volumes from raised capacity. Construction delays at the new Hull Tricoya facility outside Accsys's control are a near-term frustration and dampen EBITDA progression over our forecast horizon. That said, achieving a positive group EBITDA outturn in FY19 is a significant milestone. The current valuation is underpinned by Arnhem.

Year end	Revenue (€m)	EBITDA* (€m)	PBT* (€m)	EPS* (€)	P/E (x)	EV/EBITDA (x)
03/17	56.5	(1.5)	(4.5)	(0.05)	N/A	N/A
03/18	60.9	(3.5)	(8.8)	(0.07)	N/A	N/A
03/19e	72.4	2.0	(6.0)	(0.04)	N/A	90.6
03/20e	87.5	4.7	(4.0)	(0.04)	N/A	41.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Arnhem achieving higher throughput rates

Selling 49,500m³ of Accoya volumes in FY19 infers that H2 production exceeded 28,000m³. The average monthly run rate then was not far short of the 5,000m³ required to reach the stated 60,000m³ pa capacity level. This trading performance has moved the group into an EBITDA positive position overall, consistent with our FY19 estimates. Although we have raised our Arnhem volume assumptions beyond FY19 to reflect this run rate, a higher Tricoya mix and slightly lower Tricoya volume overall (see below) cause us to moderate the rate of EBITDA increase for the next two years. At the PBT level, the impact is negligible in FY20 and now generates a small loss in FY21 (where we had a small profit previously). We remain encouraged by the supportive demand indicators following capacity expansion.

Six-month push back to Tricoya plant commissioning

The expected commissioning of the new Hull Tricoya facility and its associated revenue generation has been pushed back around six months into Q121 owing to the need for reinforcement work previously unforeseen by the main contractor. While disappointing, it is understood that there are no process or performance implications for the plant once operational. With capacity management, we believe that Arnhem is be able to substantially cover Tricoya volume requirements over this time, albeit at a lower gross contribution margin versus Accoya solid wood sales.

Valuation: Accoya benchmark, Tricoya upside

The company's share price broke up through 100p in November, remaining above this level subsequently and is currently in the middle of its 2019 ytd trading range of 104–123p. Notwithstanding the near-term newsflow, our last valuation comments remain valid; rolling forward the 10-year time horizon by one year, the current share price is consistent with our DCF model for Arnhem/Accoya with an assumption of c 6% inflation (in prices and opex). In other words, the market is currently attributing no value to the Hull/Tricoya activities, which clearly provide upside potential. With Hull volume now expected to ramp up in FY21, Accsys is valued at 1.8x revenue and 19.3x EV/EBITDA in that year on our estimates.

Exhibit 1: Financial summary

	€m	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Year end 31 March		UK GAAP	UK GAAP	UK GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS											
Revenue		15.002	18.822	33.512	46.077	52.769	56.529	60.911	72.378	87.529	109.972
Cost of Sales		(15.050)	(15.474)	(25.753)	(33.842)	(34.597)	(42.175)	(47.270)	(52.765)	(63.844)	(77.468)
Gross Profit		(0.048)	3.348	7.759	12.235	18.172	14.354	13.641	19.613	23.685	32.504
EBITDA		(10.386)	(7.944)	(4.111)	(1.275)	2.384	(1.484)	(3.500)	1.998	4.708	10.366
Operating Profit (before GW and except.)		(12.545)	(10.200)	(6.488)	(3.750)	(0.288)	(4.197)	(6.577)	(2.616)	(0.127)	2.331
Intangible Amortisation		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Exceptionals		(2.281)	0.000	(0.726)	(2.670)	0.000	0.033	(1.650)	0.000	0.000	0.000
Other		0.000	(0.430)	(0.905)	(1.098)	0.000	0.000	0.000	0.000	0.000	0.000
Operating Profit		(14.826)	(10.630)	(8.119)	(7.518)	(0.288)	(4.164)	(8.227)	(2.616)	(0.127)	2.331
Net Interest		(0.086)	(0.038)	(0.071)	(0.135)	(0.178)	(0.300)	(2.174)	(3.400)	(3.900)	(4.700)
Profit Before Tax (norm)		(12.631)	(10.238)	(6.559)	(3.885)	(0.466)	(4.497)	(8.751)	(6.016)	(4.027)	(2.369)
Profit Before Tax (FRS 3)		(14.912)	(10.668)	(8.190)	(7.653)	(0.466)	(4.463)	(10.401)	(6.016)	(4.027)	(2.369)
Tax		0.536	(0.355)	(0.699)	(0.607)	(0.402)	(0.666)	0.251	0.195	(1.509)	(1.704)
Profit After Tax (norm)		(12.095)	(11.023)	(8.163)	(5.590)	(0.868)	(5.163)	(8.500)	(5.821)	(5.536)	(4.072)
Profit After Tax (FRS 3)		(14.376)	(11.023)	(8.889)	(8.260)	(0.868)	(5.129)	(10.150)	(5.821)	(5.536)	(4.072)
						4.990					
Average number of shares outstanding (m)		80.7	83.9	87.5	88.5	89.6	90.4	111.2	116.3	117.9	117.9
EPS - normalised (€)		(0.15)	(0.13)	(0.09)	(0.06)	(0.01)	(0.05)	(0.07)	(0.04)	(0.04)	(0.03)
EPS - FRS 3 (€)		(0.18)	(0.13)	(0.10)	(0.09)	(0.01)	(0.05)	(0.08)	(0.04)	(0.04)	(0.03)
Dividend per share (€)		0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00
Gross Margin (%)		-0.32	17.8	23.2	26.6	34.4	25.4	22.4	27.1	27.1	29.6
EBITDA Margin (%)		-69.2	-42.2	-12.3	-2.8	4.5	-2.6	-5.7	2.8	5.4	9.4
Operating margin (before GW and except.) (%)		-83.6	-54.2	-19.4	-8.1	-0.5	-7.4	-10.8	-3.6	-0.1	2.1
BALANCE SHEET											
Fixed Assets		34.715	31.425	29.413	29.562	31.252	32.520	71.488	111.416	120.499	121.882
Intangible Assets		7.579	8.226	8.333	10.014	10.980	10.839	10.657	10.436	10.219	10.002
Tangible Assets		25.614	22.271	20.740	19.548	20.272	21.681	60.831	100.980	110.280	111.880
Investments		1.522	0.928	0.340	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Current Assets		32.387	29.638	26.161	24.066	22.590	61.268	63.505	40.714	39.096	37.363
Stocks		3.120	4.860	6.053	7.894	8.345	11.796	13.125	14.651	13.727	12.656
Debtors		3.000	3.439	4.091	3.912	4.967	7.402	9.178	10.432	13.588	17.926
Cash		24.574	20.467	15.185	10.786	8.186	41.173	39.698	12.003	7.003	2.003
Current Liabilities		(3.649)	(3.621)	(5.821)	(10.701)	(9.842)	(14.599)	(21.414)	(27.214)	(30.980)	(34.813)
Creditors		(3.385)	(3.357)	(5.557)	(10.437)	(9.488)	(14.144)	(18.029)	(20.521)	(24.287)	(28.120)
Short term borrowings		(0.264)	(0.264)	(0.264)	(0.264)	(0.354)	(0.455)	(3.385)	(6.693)	(6.693)	(6.693)
Long Term Liabilities		(1.960)	(1.924)	(1.871)	(1.799)	(1.947)	(22.718)	(40.084)	(51.313)	(60.548)	(60.438)
Long term borrowings		(1.960)	(1.924)	(1.871)	(1.799)	(1.947)	(22.718)	(40.084)	(51.313)	(60.548)	(60.438)
Other long term liabilities		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net Assets		61.493	55.518	47.882	41.128	42.053	56.471	73.495	73.603	68.067	63.994
CASH FLOW											
Operating Cash Flow		(3.717)	(8.938)	(3.257)	(3.873)	0.452	(1.304)	(1.756)	0.746	5.471	10.710
Net Interest		(0.019)	(0.038)	(0.102)	(0.138)	(0.186)	(0.248)	(0.671)	(3.200)	(4.300)	(4.500)
Tax		0.000	0.795	0.344	0.263	0.229	(0.745)	(2.013)	0.815	(1.509)	(1.704)
Capex		0.888	0.501	(1.054)	(1.108)	(4.052)	(2.608)	(29.895)	(44.952)	(13.897)	(9.397)
Acquisitions/disposals		0.000	0.000	0.000	0.000	0.956	18.317	0.000	0.000	0.000	0.000
Financing		(0.178)	3.597	(1.130)	0.461	0.124	0.050	26.728	5.718	0.000	0.000
Dividends		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net Cash Flow		(3.026)	(4.083)	(5.199)	(4.395)	(2.477)	13.462	(7.607)	(40.873)	(14.235)	(4.890)
Opening net debt/(cash)		(27.596)	(22.350)	(18.279)	(13.050)	(8.723)	(5.885)	(18.000)	3.771	46.003	60.238
HP finance leases initiated		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other		(2.220)	0.012	(0.030)	0.068	(0.361)	(1.347)	(14.164)	(1.359)	(0.000)	(0.000)
Closing net debt/(cash)		(22.350)	(18.279)	(13.050)	(8.723)	(5.885)	(18.000)	3.771	46.003	60.238	65.128

Source: Accsys Technologies accounts, Edison Investment Research

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