

Accsys Technologies

AGM update

Accoya volume rising, more capacity on stream

AGM comments point to operational progress at Arnhem and an on-track construction schedule for the new Tricoya facility at Hull. Accsys has set out a clear development plan for the group; while we are not placing undue weight on a short trading period, we are encouraged to see that growing revenues and production volumes have been achieved in the year to date.

Year end	Revenue (€m)	EBITDA* (€m)	PBT* (€m)	EPS* (c)	P/E (x)	EV/EBITDA (x)
03/17	56.5	(1.5)	(4.5)	(0.06)	N/A	N/A
03/18	60.9	(3.5)	(8.8)	(0.07)	N/A	N/A
03/19e	70.9	2.0	(6.0)	(0.05)	N/A	83.3
03/20e	94.9	7.8	(4.0)	(0.05)	N/A	22.9

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

Progress to date in FY19

In the first five months of FY19, Accoya's solid wood production volume was 4.9% ahead of the prior year at 16,918m³. The first two reactors at Arnhem have been effectively running at capacity since H217; the third came on stream in July and has made a modest (unspecified) contribution to this outturn. It adds a further 20,000m³ annual capacity, a 50% increase on what was previously available. With revenue c 5.3% up y-o-y and taking production volume as a proxy for sales suggests average pricing is slightly up. No new profit information was included in the statement.

Otherwise, references to the expected Hull Tricoya facility construction phase and aspirations for new overseas partnerships were consistent with previous comments.

Realistic FY19 estimates

In FY18, Accsys sold 42,676m³ of Accoya wood, implying c 26,500m³ of sales in the final seven months of that year. On the same basis, just over 32,000m³ volume sales are required to hit our FY19 model assumption. In the context of c 10,000m³ more capacity availability y-o-y in H2 and allowing for some ramping of output this looks achievable in our view, subject to generating increasing demand for the higher-throughput potential. Additionally, our estimates assumed unchanged pricing and, as noted above, YTD progress appears to be slightly ahead of this.

Valuation: Pricing progress supports valuation uplift

The company's share price has made what appears to be a decisive break from its c 14-month 70–80p trading range, rising c 28% since the end of June this year. Successful execution of visible development milestones should continue to aid sentiment, in our view. Our [DCF illustrated](#) some sensitivities in support of higher valuation levels (eg price inflation, further JVs and/or a lower Tricoya WACC in due course). We note the current share price is consistent with c 3–4% price and overhead cost inflation, compared to c 2% in our earlier illustration. Using conventional multiples, Accsys is valued at 2.3x our projected FY19 sales, reducing to 1.5x by FY21, at which point the EV/EBITDA multiple would be 12.9x.

General industrials

24 September 2018

Price **101.0p**
Market cap **£113m**

£/€1.12

Net cash (€m) at end March 2018 3.8

Shares in issue 111.4m

Free float 90.6%

Code AXS

Primary exchange LSE

Secondary exchange Euronext Amsterdam

Share price performance



%	1m	3m	12m
Abs	10.0	27.7	26.7
Rel (local)	12.7	31.8	24.2
52-week high/low		101.0p	73.4p

Business description

Accsys Technologies is a chemical technology company focused on 'sustainability' via the development and commercialisation of a range of transformational technologies based upon the acetylation of solid wood and wood elements.

Next events

H119 results 20 November

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Exhibit 1: Financial summary

	€ms	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
March	UK GAAP	UK GAAP	UK GAAP	IFRS							
PROFIT & LOSS											
Revenue		15.002	18.822	33.512	46.077	52.769	56.529	60.911	70.943	94.873	114.500
Cost of Sales		(15.050)	(15.474)	(25.753)	(33.842)	(34.597)	(42.175)	(47.270)	(51.339)	(66.887)	(78.976)
Gross Profit		(0.048)	3.348	7.759	12.235	18.172	14.354	13.641	19.604	27.986	35.524
EBITDA		(10.386)	(7.944)	(4.111)	(1.275)	2.384	(1.484)	(3.500)	1.989	7.786	13.451
Operating Profit (before GW and except.)		(12.545)	(10.200)	(6.488)	(3.750)	(0.288)	(4.197)	(6.577)	(2.625)	0.701	5.416
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)	(2.625)	0.701	5.416
Net Interest		(0.086)	(0.038)	(0.071)	(0.135)	(0.178)	(0.300)	(2.174)	(3.400)	(4.700)	(4.700)
Profit Before Tax (norm)		(12.631)	(10.238)	(6.559)	(3.885)	(0.466)	(4.497)	(8.751)	(6.025)	(3.999)	0.716
Profit Before Tax (FRS 3)		(14.912)	(10.668)	(8.190)	(7.653)	(0.466)	(4.463)	(10.401)	(6.025)	(3.999)	0.716
Tax		0.536	(0.355)	(0.699)	(0.607)	(0.402)	(0.666)	0.251	(0.769)	(1.231)	(1.499)
Profit After Tax (norm)		(12.095)	(11.023)	(8.163)	(5.590)	(0.868)	(5.163)	(8.500)	(6.794)	(5.230)	(0.783)
Profit After Tax (FRS 3)		(14.376)	(11.023)	(8.889)	(8.260)	(0.868)	(5.129)	(10.150)	(6.794)	(5.230)	(0.783)
Average Number of Shares Outstanding (m)		80.7	83.9	87.5	88.5	89.6	90.4	111.2	111.5	111.7	111.7
EPS - normalised (€)		(0.15)	(0.13)	(0.09)	(0.06)	(0.01)	(0.06)	(0.07)	(0.05)	(0.05)	(0.01)
EPS - FRS 3 (€)		(0.18)	(0.13)	(0.10)	(0.09)	(0.01)	(0.06)	(0.08)	(0.05)	(0.05)	(0.01)
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	27.6	29.5	31.0
EBITDA Margin (%)		-69.2	-42.2	-12.3	-2.8	4.5	-2.6	-5.7	2.8	8.2	11.7
Operating Margin (before GW and except.) (%)		-83.6	-54.2	-19.4	-8.1	-0.5	-7.4	-10.8	-3.7	0.7	4.7
BALANCE SHEET											
Fixed Assets		34.715	31.425	29.413	29.562	31.252	32.520	71.488	112.826	119.659	117.042
Intangible Assets		7.579	8.226	8.333	10.014	10.980	10.839	10.657	10.440	10.223	10.006
Tangible Assets		25.614	22.271	20.740	19.548	20.272	21.681	60.831	102.386	109.436	107.036
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	46.326	45.759	43.349
Stocks		3.120	4.860	6.053	7.894	8.345	11.796	13.125	14.255	14.572	13.205
Debtors		3.000	3.439	4.091	3.912	4.967	7.402	9.178	10.275	14.391	18.347
Cash		24.574	20.467	15.185	10.786	8.186	41.173	39.698	19.698	14.698	9.698
Current Liabilities		(3.649)	(3.621)	(5.821)	(10.701)	(9.842)	(14.599)	(21.414)	(23.323)	(27.434)	(30.943)
Creditors		(3.385)	(3.357)	(5.557)	(10.437)	(9.488)	(14.144)	(18.029)	(19.938)	(24.049)	(27.558)
Short term borrowings		(0.264)	(0.264)	(0.264)	(0.264)	(0.354)	(0.455)	(3.385)	(3.385)	(3.385)	(3.385)
Long Term Liabilities		(1.960)	(1.924)	(1.871)	(1.799)	(1.947)	(22.718)	(40.084)	(69.128)	(76.514)	(68.760)
Long term borrowings		(1.960)	(1.924)	(1.871)	(1.799)	(1.947)	(22.718)	(40.084)	(69.128)	(76.514)	(68.760)
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	66.701	61.471	60.688
CASH FLOW											
Operating Cash Flow		(3.717)	(8.938)	(3.257)	(3.873)	0.452	(1.304)	(1.756)	0.877	7.243	14.149
Net Interest		(0.019)	(0.038)	(0.102)	(0.138)	(0.186)	(0.248)	(0.671)	(3.200)	(4.500)	(4.500)
Tax		0.000	0.795	0.344	0.263	0.229	(0.745)	(2.013)	(0.769)	(1.231)	(1.499)
Capex		0.888	0.501	(1.054)	(1.108)	(4.052)	(2.608)	(29.895)	(59.952)	(13.897)	(5.397)
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	0.000	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)	(63.044)	(12.386)	2.753
Opening net debt/(cash)		(27.596)	(22.350)	(18.279)	(13.050)	(8.723)	(5.885)	(18.000)	3.771	52.815	65.201
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)	14.000	(0.000)	(0.000)
Closing net debt/(cash)		(22.350)	(18.279)	(13.050)	(8.723)	(5.885)	(18.000)	3.771	52.815	65.201	62.447

Source: Company data, Edison Investment Research

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