

# Accsys Technologies

## Clear strategic progress

Successful expansion of its established Accoya facility at Arnhem should pave the way for Accsys to become EBITDA positive at the group level during FY19. A dedicated Tricoya facility (construction underway, first production expected from mid-2019) provides another clear platform for further profit growth. As this becomes more apparent, we believe it will be a catalyst for positive share price performance.

## Laying growth foundations in FY18

Accsys made significant progress in executing its well-flagged expansion strategy in FY18. This included a 50% increase in its Arnhem Accoya capacity (now ramping up) and getting site development for its first Tricoya facility in Hull underway. Arnhem has effectively operated at capacity for the last 12 months and expansion means that broadly based and growing Accoya customer demand internationally can be serviced. It has also processed wood for Tricoya market development; there are now two significant licence partners who will provide the baseload demand for the new dedicated facility when it comes on stream. Headline financials showed an increased trading loss – we note a much reduced EBITDA loss in H2 however – and moved into a modest net debt position (€3.8m) in FY18, as expected. Strategic progress made far outweighs this near-term performance, in our view.

## Business development to drive financial performance

Net debt will become a more prominent feature during this investment phase and we expect progress against project milestones to be clearly reported. Business development has continued despite capacity constraints and the benefits of this should become increasingly apparent; in a double benefit, the Hull plant is expected to produce Tricoya more efficiently and divert lower-margin volume from Arnhem to improve that facility's financial performance. Other positive future markers may include further licensing and/or partnership arrangements in other international markets as product availability and penetration rises.

## Valuation: Moving into a growth phase

The Accsys share price has largely traded within the 76–80p range over the last 12 months and has rallied back to the middle of this following a dip around the end of FY18. Tangible progress made in FY18 validates the group strategy and its execution, increasing investor confidence in the transition to future profitability. Becoming EBITDA positive in FY19 will be seen as a significant marker and we believe growth aspirations beyond this are likely to rapidly compress current valuation multiples as the company moves out of a development phase.

### Consensus estimates

| Year end | Revenue (€m) | EBITDA (€m) | PBT (€m) | EPS (c) | DPS (c) | EV/Sales (x) | EV/EBITDA (x) |
|----------|--------------|-------------|----------|---------|---------|--------------|---------------|
| 03/18    | 60.9         | (3.5)       | (8.8)    | (0.08)  | N/A     | 1.5          | N/A           |
| 03/19e   | 72.4         | 0.5         | (6.3)    | (0.05)  | N/A     | 1.8          | 258.9         |
| 03/20e   | 85.6         | 4.9         | (2.3)    | (0.03)  | N/A     | 1.6          | 27.1          |
| 03/21e   | 94.2         | 7.3         | 6.8      | 0.10    | N/A     | 1.4          | 18.1          |

Source: Bloomberg

### General industrials

21 June 2018

**Price** 79.4p  
**Market cap** £88m

£/€ 1.14

### Share price graph



### Share details

Code AXS  
Listing AIM / Euronext AMS  
Shares in issue 111.5m

### Business description

Accsys Technologies plc is a chemical technology company focused on the development and commercialisation of a range of transformational technologies based upon the acetylation of solid wood (Accoya) and wood chip, fibre and particle elements (Tricoya) for use as high performance, environmentally sustainable construction materials.

### Bull

- Clear expansion, growth and funding strategy in place.
- Third Arnhem reactor now operational.
- Expecting to become EBITDA positive in FY19.

### Bear

- Rising net debt profile during investment phase ahead of achieving significant profitability.
- Economics of new Hull Tricoya facility yet to be demonstrated at different operating levels, although management expects it to reach break-even at 40% utilisation.
- Finance costs material in the context of current profitability.

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