

Company Report

Reason: Fundamental report with strategy

2 November 2018

Buy

Recommendation unchanged

Share price: EUR 1.10

closing price as of 01/11/2018

Target price: EUR 1.30

from Target Price: EUR 1.00

Upside/Downside Potential 18.2%

Reuters/Bloomberg ACCS.AS/AXS NA

Market capitalisation (EURm) 126

Current N° of shares (m) 114

Free float 34%

Daily avg. no. trad. sh. 12 mth 117

Daily avg. trad. vol. 12 mth (m) 226.05

Price high/low 12 months 0.86 / 1.14

Abs Perfs 1/3/12 mths (%) -0.90/4.76/22.22

Key financials (EUR) 03/18 03/19e 03/20e

Sales (m) 61 70 93

EBITDA (m) (6) 1 5

EBITDA margin nm 1.6% 5.9%

EBIT (m) (9) (4) 0

EBIT margin nm nm 0.2%

Net Profit (adj.)(m) (8) (6) (5)

ROCE -6.0% -2.2% 0.1%

Net debt/(cash) (m) 1 39 47

Net Debt Equity 0.0 0.5 0.7

Net Debt/EBITDA -0.2 34.9 8.6

Int. cover(EBITDA/Fin.int) (2.6) 0.4 1.4

EV/Sales 1.6 2.3 1.9

EV/EBITDA nm nm 32.4

EV/EBITDA (adj.) nm nm 32.4

EV/EBIT nm nm nm

P/E (adj.) nm nm nm

P/BV 2.2 3.0 3.3

OpFCF yield -34.9% -27.1% -7.0%

Dividend yield 0.0% 0.0% 0.0%

EPS (adj.) (0.07) (0.06) (0.04)

BVPS 0.39 0.37 0.34

DPS 0.00 0.00 0.00

Shareholders

Teslin 13%; Henderson 6%; Royal Bank of Canada 6%; VP Participaties 5%; Decico 5%; Majedie UK Equity Fund 5%; Fidelity International Limited 5%; Invesco 5%;



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At the verge of significantly boosting revenues

Accsys has started to significantly ramp up capacity for both Acccoya and Tricoya, which offers room for stellar growth in revenues from EUR 60m last year to around EUR 165m in 4-5 years' time, driven by strong demand for both of its products. After surpassing break-even in the current fiscal year, we expect a jump in EBITDA towards EUR 20m in 3/2022. Financing is in place for the current projects but for additional projects new funding will be needed, possibly including equity. We have updated our estimates which now also include the specific forecasts for the plant in Hull. Our DCF related to the current projects and fourth reactor in Arnhem indicates a value of EUR 1.30 which is our new price target (was EUR 1.00). If we were to model multiple plants and expansions in a realistic scenario, we can get to EUR 1.50. We therefore maintain our Buy recommendation.

- ✓ With additional capacity in Arnhem, management is bullish about its growth opportunities in the current book year mentioning double digit revenue growth. We expect 15% growth for the full year, ending March 2019 after 5% growth in the first half. Mid-2019, the construction of the plant in Hull will be completed, further boosting revenues over the next few years. Management also mentioned interest from partners in the US and Asia who see the market potential of Acccoya and Tricoya.
- ✓ Accsys expects to be EBITDA positive in the foreseeable future while operating cash flow should be positive in the current book year. We are just above break-even at EBITDA level for the current book year, which should quickly build up to an EBITDA of EUR 20m in March 2022.
- ✓ Financing is in place for the plant in Hull but new financing is needed over the coming years for the fourth reactor in Arnhem, the second and third reactor in Hull and a brand new plant in the US and Asia. Although Accsys will be increasingly able to self-finance new projects, we would not be surprised if the company turns to the market again for new equity in respect of new plants and growth.
- ✓ We have updated our estimates, which now also include the expected results of the plant in Hull. Our DCF based on the current projects and the fourth reactor in Arnhem points to a fair value of EUR 1.30 per share. Accsys has received interest for plants in the US and Asia and is in discussions with several large MDF manufacturers for Tricoya user licence agreements. The company has a platform technology which offers opportunities beyond existing products offerings. Our DCF including multiple plants and expansions hints at a much higher value of EUR 1.50 per share. We maintain our Buy rating.
- ✓ Triggers for the share price are a strong acceleration of revenue growth, a faster increase in profitability and announcements of new plants and user licence agreements. Potential risks are a slowdown in market demand, higher costs to expand market presence and a delay in the construction of the plant in Hull.