

# ACCSYS PRELIMINARY RESULTS

## 27 JUNE 2023

For the year ended 31 March 2023

**CHANGING WOOD TO CHANGE THE WORLD**



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27 JUNE 2023

# AGENDA

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**1 Highlights**

**2 Financial Review**

**3 Business Review & Outlook**



# HIGHLIGHTS

Stephen Odell,  
Executive Chairman



Monkey Mia decking, Perth, Australia. Accoya supplied by M&B

# HIGHLIGHTS – FINANCIAL

## Revenue

+34%

**+34% growth in revenue to €162.0m.**  
Driven by continuing strong product demand, higher average sales prices and implementation of Energy Price Premium.

## Sales volume

+6%

**+6% growth in Accoya volumes at 63,344m<sup>3</sup>.**  
H2 volumes of 39,387m<sup>3</sup> up 64% on H1, in excess of our targeted 50% increase, reflecting reactors 1-3 returning to production following Arnhem plant shutdown in April and May, and additional production from reactor 4 from September 2022.

## Gross margin

+4%

**+4% pts improvement in gross margin at 34%.**  
Remaining above target of 30%.

## Underlying EBITDA

+120%

**120% growth in underlying EBITDA<sup>1</sup> at €22.9m.**  
Ahead of guidance and reflecting higher revenues and sales prices offsetting increased raw material costs.

**A good financial performance in FY23 despite some operational challenges during the year.  
Completion and start-up of fourth reactor in Arnhem leading to record volume production in Q3 and Q4.**

<sup>1</sup>Underlying EBITDA defined as operating profit/(loss) before exceptional items and other adjustments, depreciation and amortisation, and includes Group's attributable share of USA joint venture's underlying EBITDA



# HIGHLIGHTS - STRATEGIC GROWTH PROJECTS

Arnhem



Successful completion of reactor 4, adding additional 33% capacity. Production ramping up over two years. More products sold in FY23 than in prior years. Continued growing global demand for both Accoya and Tricoya products.

Kingsport, Tennessee



Good progress with construction of our Accoya USA JV with Eastman. Although the project has experienced some delays and cost inflation. Commercial operations expected to start mid-2024.

Tricoya UK (Hull Project)



Good progress with Board review of Hull. Continued belief in underlying attractive economics and margins of construction completion. We will continue to explore funding options to support the plant's construction, including strategic partners and lending institutions.

**FY23 has been a year of significant progress and change.**



# FINANCIAL REVIEW

Steven Salo,  
Chief Financial Officer



Villa Harmony Ibiza. Carpentry by Carpintería Gil Almansa, Accoya distributed by Grupo Gámiz

# FINANCIAL HIGHLIGHTS

	€ million	FY23	FY22	Change %
FINANCIAL SUMMARY	Group Revenue	162.0	120.9	34%
	Gross Profit	55.2	36.0	53%
	Underlying EBITDA <sup>1</sup>	22.9	10.4	120%
	Underlying Earnings per share	0.05	0.01	
	Non-cash exceptional item - Impairment of Tricoya Segment assets	(86.0)	-	
	Exceptional item - Natwest finance income <sup>3</sup>	8.0	-	
CASHFLOW	Group operating cashflow <sup>2</sup>	22.7	11.4	
	Period end net (debt)/ cash balance	(44.1)	(27.2)	
	Adjusted cash <sup>4</sup>	16.8	4.3	
PRODUCT	Accoya® sales volume (m <sup>3</sup> )	63,344	59,649	6%
	Group Gross Margin	34%	30%	4%

<sup>1</sup> Underlying results include Accsys share of results relating to Accoya USA JV. <sup>2</sup> Group operating cashflow is cash inflows from operating activities before changes in working capital.

<sup>3</sup> Other exceptional items recognised include €1.4m expense for advisor fees related to Tricoya consortium and €1.4m income for fx on USD cash held for USA JV investment

<sup>4</sup> Adjusted cash excludes cash pledged for the letter of credit provided to FHB (FY23: €9.8m , FY22: €9.9m) and in the prior year cash remaining from the May 2021 equity raise to be invested into Accoya USA (€27.9m)

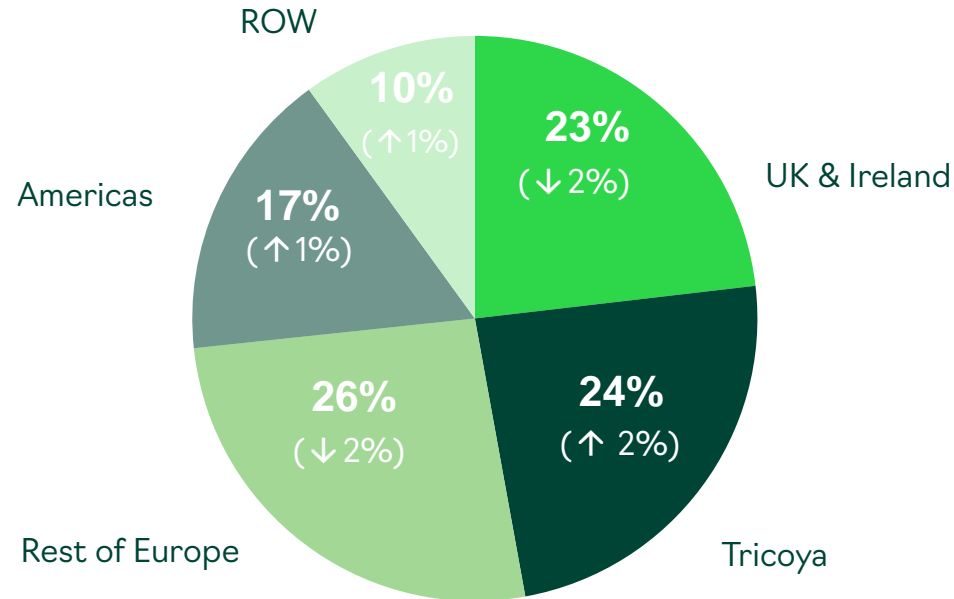
120% growth in Underlying EBITDA.



# SALES MIX

## Pivoting sales mix to key markets

Sales volume by end market



Numbers in brackets represent change in sales volume proportion vs PY

Total Accoya volumes sold 63,344m<sup>3</sup> (FY22: 59,649 m<sup>3</sup>)

- 6% growth in Accoya sales volumes:
  - Reactor 4 operational from September 2022
  - H2 sales of 39,387m<sup>3</sup> – a 64% increase on H1
- Targeted sales growth in markets ahead of capacity expansion:
  - Americas:
    - Largest market opportunity for Accoya
    - Growth targeted ahead of Accoya USA plant operational in mid-2024
  - Tricoya:
    - Market seeding ahead of Tricoya Hull plant construction completion
    - Off-take partners MEDITE and FINSA remain committed and supportive

# ACCOYA

## FY23 PERFORMANCE



	FY23	Growth
Revenue	€143.5m	+37%
Sales volumes	63,344m <sup>3</sup>	+6%

Sales volume by end market	FY23 m <sup>3</sup>	Growth
UK & Ireland	14,667	-2%
Rest of Europe	16,584	-1%
Americas	10,574	+10%
Rest-of-World	6,326	+15%
Tricoya	15,193	+18%

- Revenues up 37% to €143.5m, driven by strong product demand, higher average sales prices and implementation of Energy Price Premium
- 6% growth in Accoya sales volumes at 63,344m<sup>3</sup>
- H2 sales volumes of up 64% on H1, and in excess of our targeted 50% increase
- Double-digit growth of Accoya in key Americas and Rest of World markets (up 10% and 15% respectively)
- 18% growth in Accoya for Tricoya production, supporting our belief in Tricoya market potential
- Strong customer demand as customers seek products that deliver outstanding performance, durability and sustainability

33% additional capacity in Arnhem plant through installation and start-up of fourth reactor.



# TRICOYA

## FY23 PERFORMANCE



	FY23	Growth
Revenue	€21.2m	+33%
Sales volumes	15,193m <sup>3</sup>	+18%

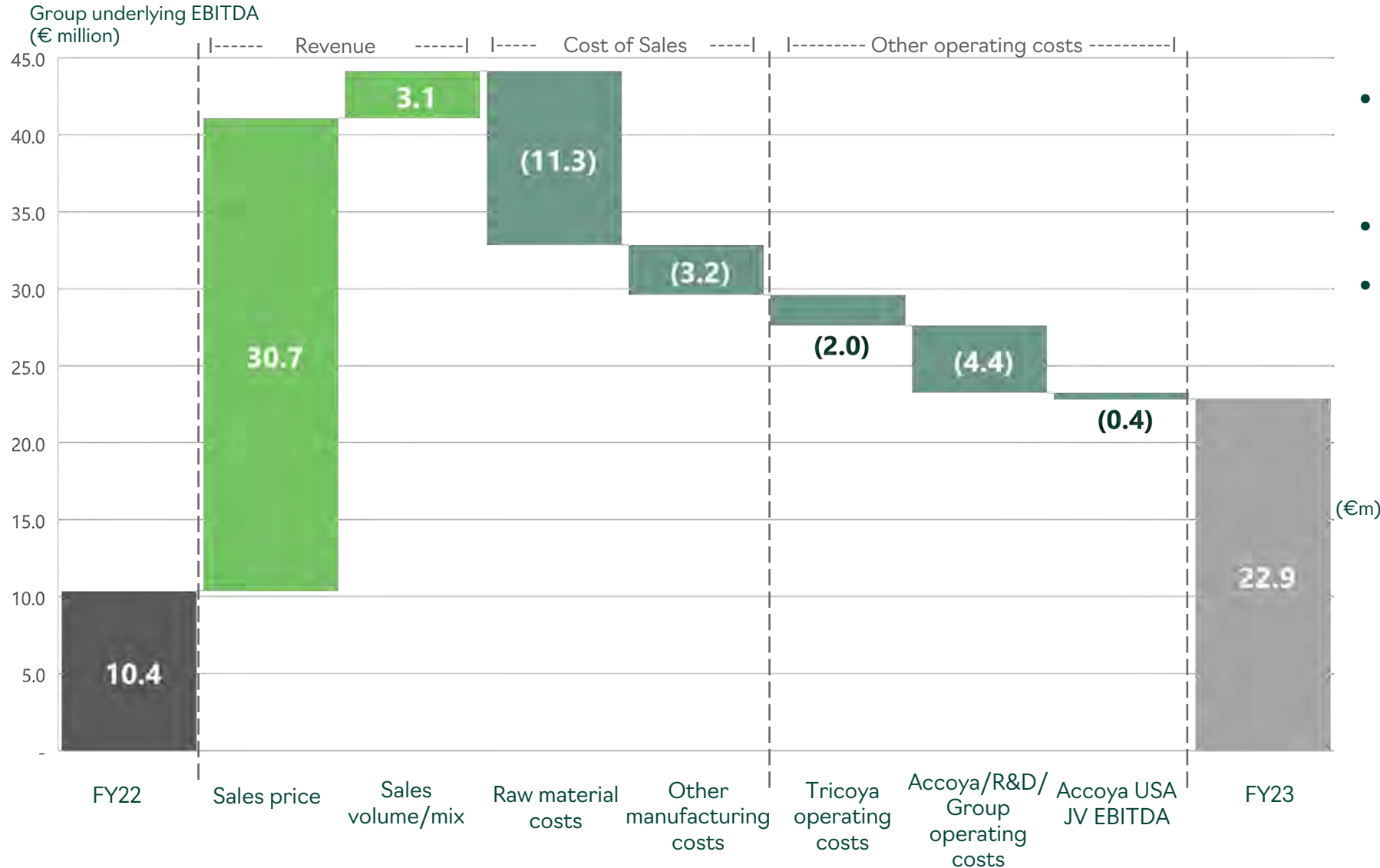
- Revenues from Tricoya represent 24% of total Group sales volumes
- FY23 revenues up 33% to €21.2m, driven by continued strong product demand, price increases and implementation of Energy Price Premium:
  - Off-take partners MEDITE and FINSA remain committed and supportive
  - Energy price premium (surcharge) successfully added to customer sales prices in H1 to offset significant increase in acetyl costs



Exterior and interior Tricoya cladding, Hospital, Santiago, Chile

**33% growth in sales volumes of Tricoya, facilitated by expansion at Arnhem, reinforces our belief in the long-term market potential of Tricoya.**

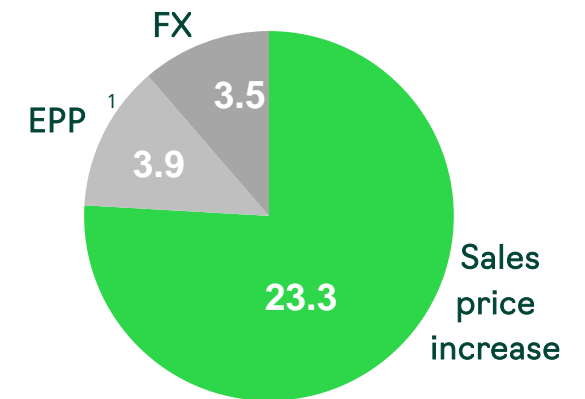
# EBITDA PROGRESSION IN FY23



53% increase in Gross profit

- Higher average Acccoya sales prices have more than offset input cost price pressures
- 19% increase in net acetyls
- Moderately higher raw wood costs

Sales price variance (€30.7m)



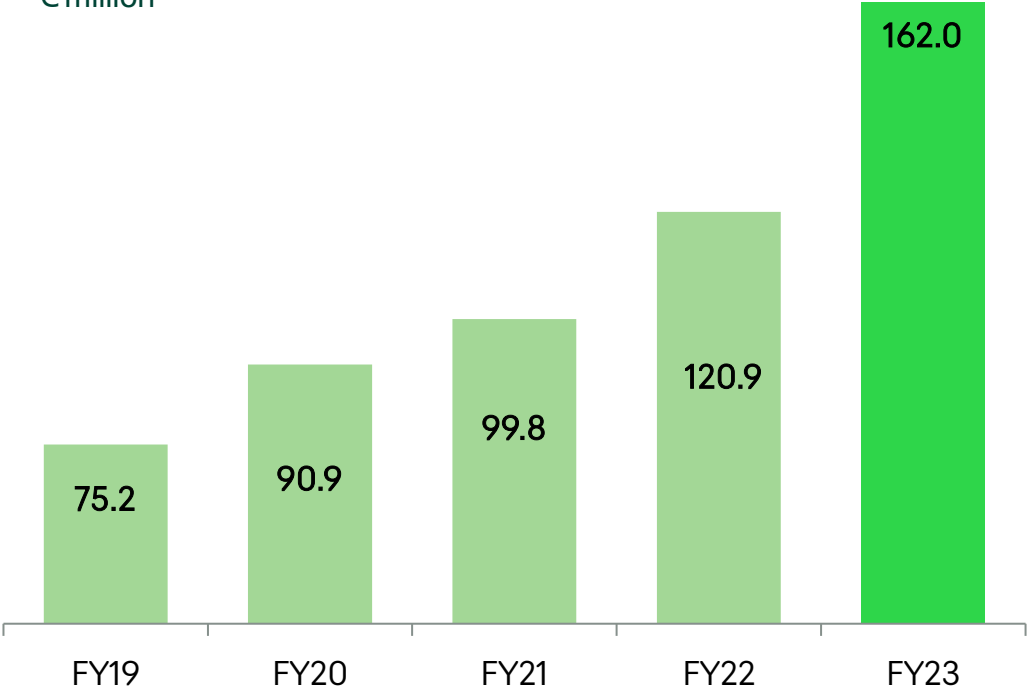
<sup>1</sup> Energy Price Premium (EPP) implemented to mitigate Net acetyls cost volatility



# FIVE-YEAR REVENUE & PROFIT PERFORMANCE

Group revenue FY19-FY23

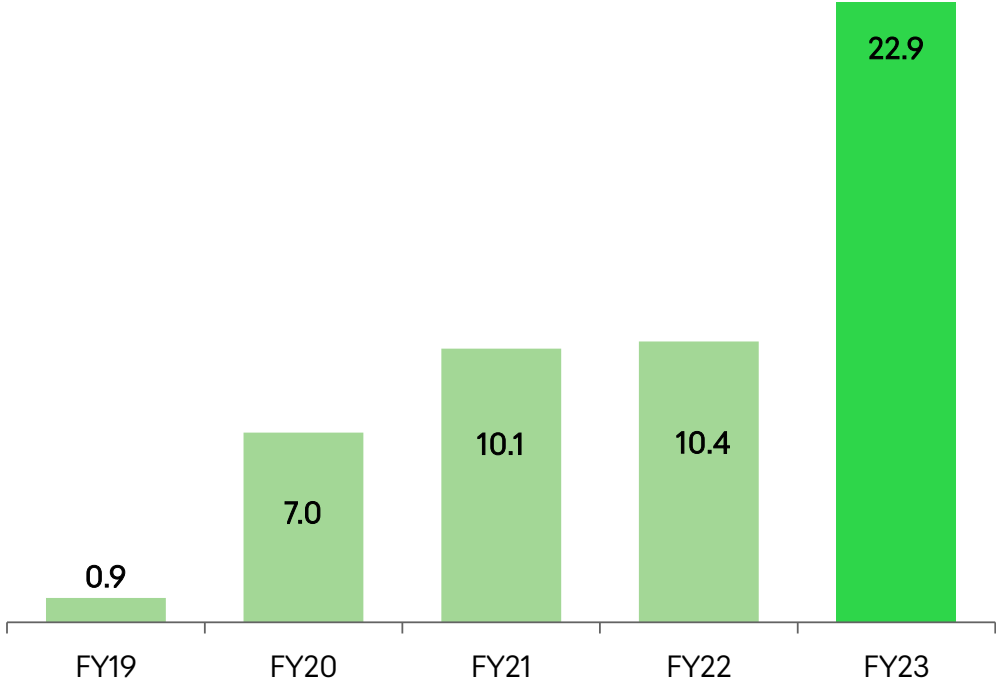
€ million



- New reactor 4 in Arnhem operational from September 2022
- Accoya USA plant operational in mid-2024

Group underlying EBITDA FY19-FY23

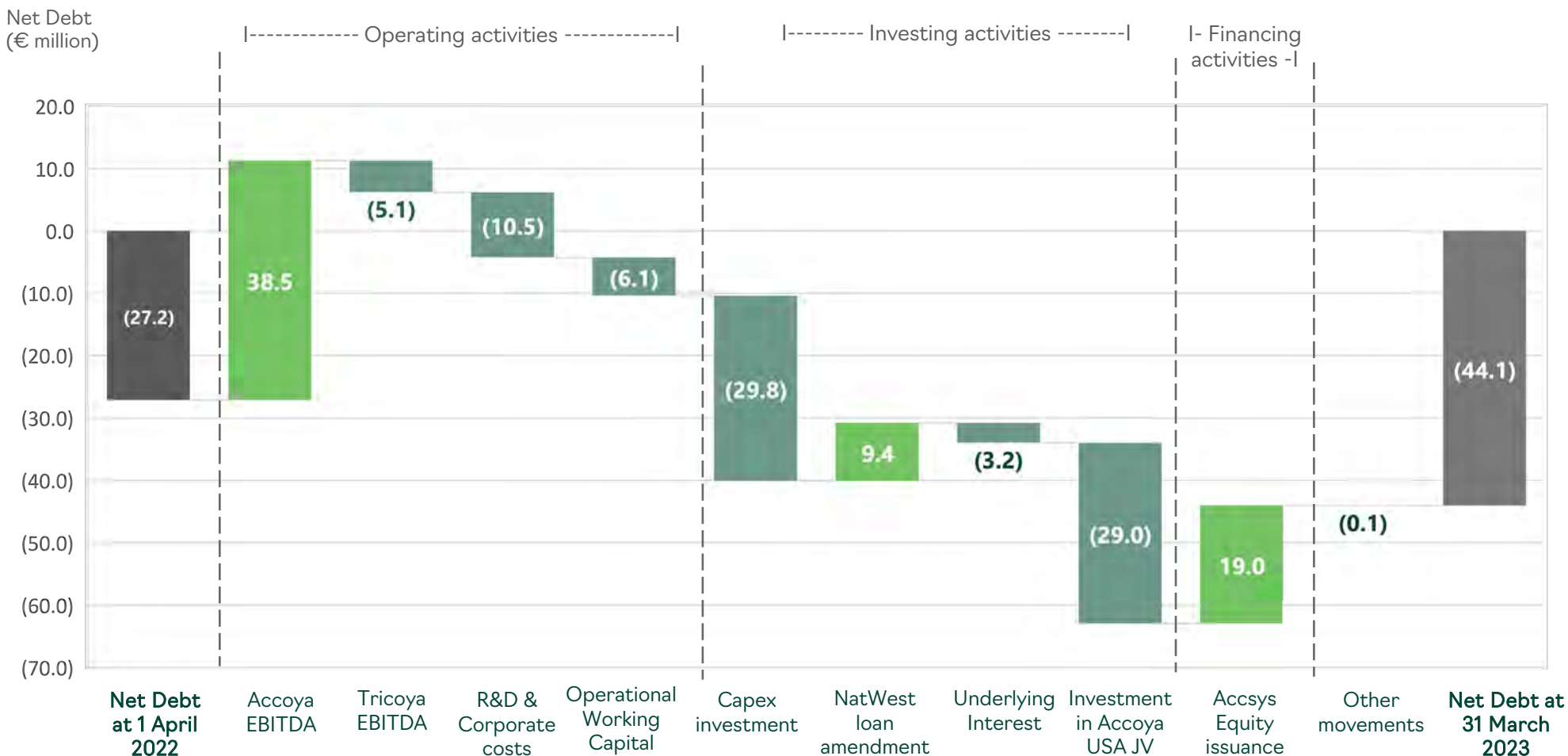
€ million



- Group underlying EBITDA driven by Accoya business growth
- EBITDA growth has grown with economies of scale, pricing and capacity



# NET DEBT BRIDGE



- Underlying Accoya EBITDA up €17.2m vs prior year
- Tricoya EBITDA reflects its pre-operating position
- Working capital includes €9.6m increase in inventory partially offset by an increase in operational payables (excl. capex) (€4.7m)
- €29.8m capex investment includes:
  - €7.9m Accoya, Arnhem expansion
  - €20.1m Tricoya, Hull construction
- €9.4m amendment agreed with NatWest, decreasing Tricoya facility from €15.4m to €6.0m

Significant improvement in Net Debt/ EBITDA:  
Reduced from 2.6x to 1.9x at 31 March 2023.



# BALANCE SHEET

€ million	FY23	FY22	Change
Intangible Assets	10.5	10.8	(0.3)
Investment in Accoya USA JV	30.9	3.2	27.7
Tangible Assets	110.1	181.3	(71.2)
Net Working capital	22.1	7.4	14.7
Net Debt	(44.1)	(27.2)	(16.9)
Net Tax payable	(5.6)	(2.7)	(2.9)
VRI Liability	(1.4)	0.0	(1.4)
Net Assets	122.5	172.9	(50.4)
Equity	122.5	172.9	(50.4)
Adjusted Cash	16.8	4.3	12.5

- Investment in JV - investment contribution into Accoya USA in H1 (€29.0m)
- Tangible assets – decreased due to Tricoya CGU impairment (€86.0m) partially offset by further capex spend during the year
- Net working capital – higher inventory (€9.6m) and a decrease in Payables (incl. capex payables) - €4.0m
- Net debt – movement detailed on previous slide
- VRI liability - recognised for value recovery instrument provided to NatWest

# REORGANISATION OF TRICOYA CONSORTIUM

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## Ownership:

- Accsys acquired full ownership of the Tricoya entities in November 2022:
  - 38.2% holding in TUK that TTL did not already own
  - 23.5% holding in TTL that it did not already own
- Consideration of 11.9m new ordinary Accsys shares valued at €9.5m

## NatWest facility amended:

- Agreed with NatWest to amend Tricoya facility, decreasing principal outstanding by €9.4m to €6.0m
- Value recovery instrument provided – option to recover up to €9.4m, on a contingent basis, depending on profitability of Hull plant once operational

Full ownership of Tricoya entities provides control and optionality over Hull plant completion, including timing, cost and funding. It gives us discretion over the future development of the Tricoya proposition, including licensing.



# BUSINESS REVIEW & OUTLOOK

Stephen Odell,  
Executive Chairman



The Old Rectory, The Cotswolds. Windows by Hawker Joinery, Accoya distributed by James Latham



# OVERVIEW

## CHANGING WOOD TO CHANGE THE WORLD

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**1** **World-leading products & technology**  
High-performance, sustainable wood products, with industry-leading technology.

**2** **Significant market opportunity**  
Positioned within global wood products market, estimated to be worth \$748bn in 2023 with a CAGR of 7.4%<sup>1</sup>.

As our products compete with and displace other non-wood building materials from concrete to plastics, the market opportunity is even greater.

**3** **Global growth strategy**  
We have bold ambitions for growth: we successfully enhanced our production capacity in Arnhem this year and are fully committed to further expanding our global production capability with a focus on four strategic priorities:

- **Grow product demand**
- **Deliver manufacturing excellence**
- **Develop our technological capabilities**
- **Continue to build organisational strength**

# OUR PRODUCTS

## CHANGING WOOD TO CHANGE THE WORLD



**Our unique technology**



**Creating superior performance wood**



**Our products**



### Industry-leading

Our world-leading process and technology is unique.

### Acetylation

Our process uses acetic anhydride to enhance the fundamental properties and performance characteristics of wood.

### Proprietary Technology

We have extensive know-how and c.388 patents covering 28 distinct inventions in 45 countries.

### Durable

Outperforming the best tropical hardwoods.  
50-year warranty above ground and 25-year under ground or in water.

### Stable

Outstanding dimensional stability, indoors or outdoors.  
Over 75% reduction in swelling from moisture uptake.

### Sustainable

Produced from fast-growing, FSC® certified wood sources.  
Locks away carbon for longer.



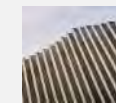
- Solid timber product
- High performance & sustainability
- Alternative to hardwoods, softwoods, PVC & aluminium etc.
- Produced at Arnhem manufacturing plant
- Accoya Color grey



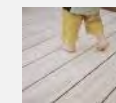
- Tricoya wood elements for panel production
- Versatile material for use even in wet conditions
- Value-enhancing for panel manufacturers



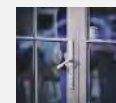
Windows



Cladding



Decking



Doors

# ACCOYA

## STRATEGIC DEVELOPMENT



### Arnhem

- **Successful plant expansion through addition of 20,000m<sup>3</sup> reactor 4, enabling maximum annual capacity to increase to 80,000m<sup>3</sup>:**
  - Reactor 4 fully operational from September 2022 leading to record output in Q3 and Q4
  - Further work on optimising reactor 4 – to reduce cycle times and deliver more capacity – planned for FY24
  - Ongoing investment in new stacking technology to provide operational efficiencies across work centres

### Barry

- **Operational improvements to 50,000 sq. ft. Accoya Color plant in Wales leading to 140% increase in production in FY23:**
  - Increases ability to convert Accoya to Accoya Color (Accoya wood treated with colour from surface to core)
  - Site improvements will allow greater volume production in FY24 and support growing customer demand



**A strong contribution from new reactor 4, with production ramping up over next two years.**



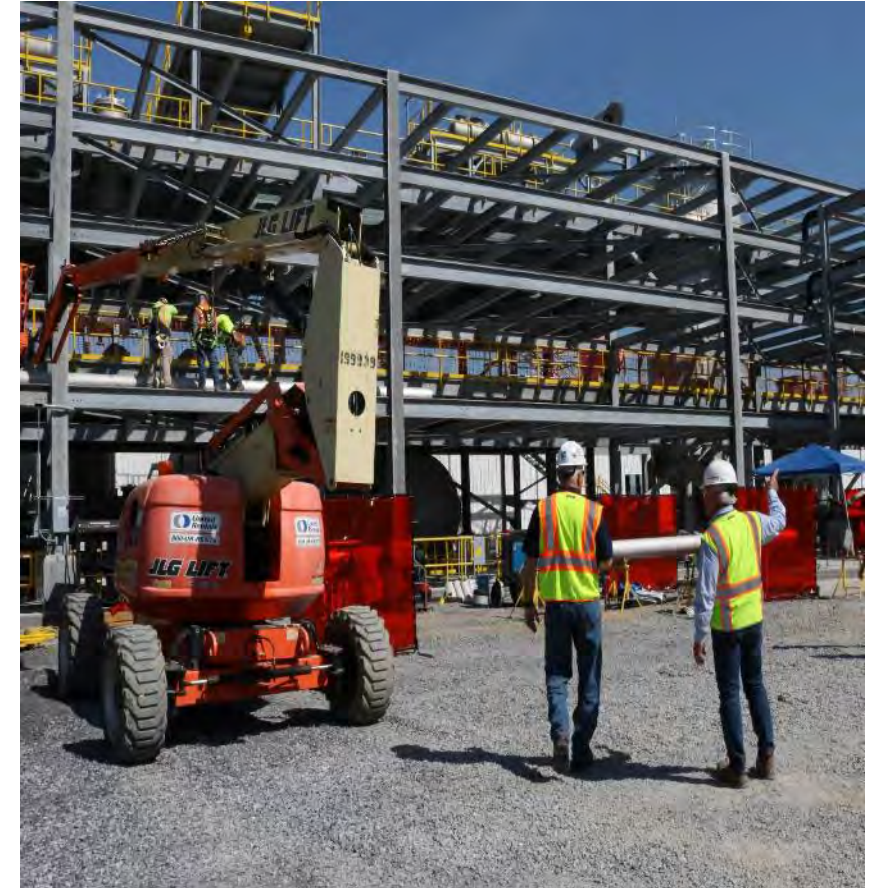
# ACCOYA

## STRATEGIC DEVELOPMENT CONT'D



### Accoya USA Joint Venture with Eastman

- Construction of Accoya plant in USA with initial approximate 43,000m<sup>3</sup> capacity at Eastman's Kingsport, Tennessee site:
  - Good progress on construction, which commenced April 2022
  - Key milestones include completion of ground works, ongoing steelwork and main warehouse construction, installation of reactors on site, placement of multiple large sub-contracts and procurement of more than 80% of major equipment
  - However, project has experienced some delays and cost inflation - commercial operations now anticipated to commence mid-2024
  - Health & Safety established as a key site priority: over 150,000 hours worked with only one minor first aid injury by year end



**Full commitment from Accsys and Eastman on Accoya USA plant, which will replicate the proven technology of our successful plant in Arnhem.**

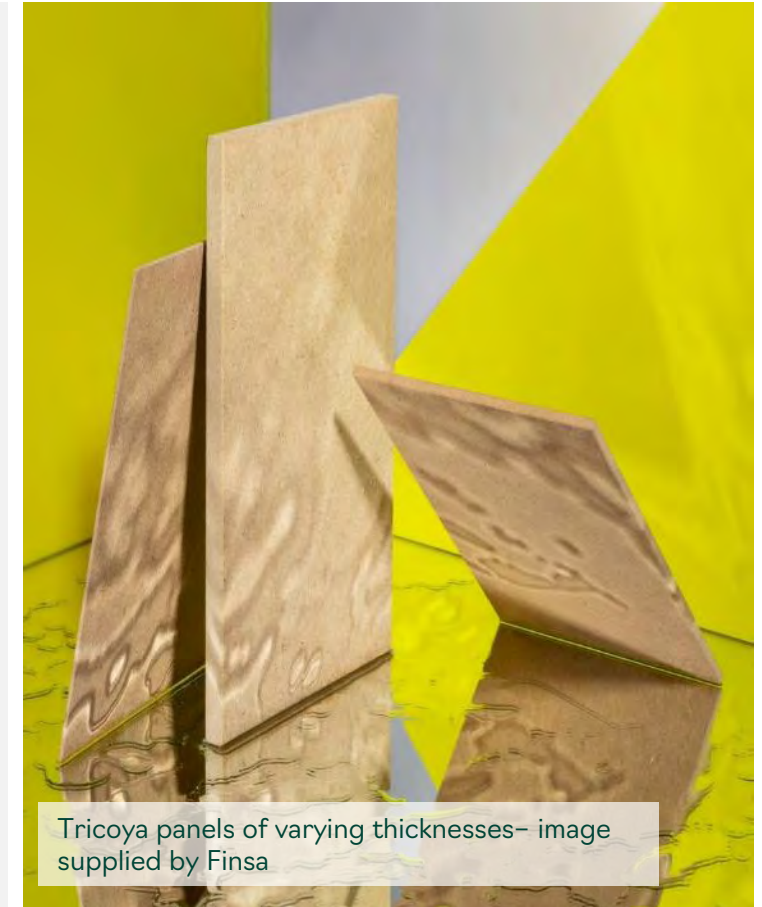
# TRICOYA

## STRATEGIC DEVELOPMENT



### Tricoya UK (Hull Plant)

- **Announcement in November 2022 of Accsys' 100% ownership and control of Hull project – put in hold period for at least six months to assess future capability and funding options**
- Good progress with Board review:
  - Construction substantially complete; cost assessment work stream confirms remaining costs required of up to c.€35m
  - Funding discussions held with potential strategic partners but agreeable terms not reached
  - Absent third-party funding, Accsys will use modest levels of internally generated cash to maintain plant and progress certain pre-construction work
  - Continued work with our partners to develop Tricoya market using Accoya, including exploring the expansion of dedicated capacity for greater volume production within our existing facilities
  - Ongoing Board engagement with stakeholders in respect of Hull and its prospects.



Tricoya panels of varying thicknesses– image supplied by Finsa

**We continue to believe in the value proposition of completing Hull and will continue to explore funding options to support construction, including strategic partners & lending institutions.**

# SUMMARY & OUTLOOK

## FY23 Results

- 34% increase in revenue despite operational challenges
- 6% growth in Accoya volumes; H2 volumes 64% higher than H1
- 120% growth in underlying EBITDA at €22.9m
- Average price increases substantially offsetting wider market pressures from raw materials costs and supply chain disruption
- Successful completion of reactor 4 in Arnhem
- Good progress with USA Accoya JV but project has experienced some delays and cost inflation
- Hull remains in hold period, but good progress with Board review

## Outlook for FY24

- Further leverage from greater economies of scale associated with higher plant volumes
- Implementation of actions to secure future sustainable growth of the business, including:
  - Moving towards completion of Kingsport Plant
  - Key investments in the core business to support higher volume production
  - Progress Hull construction preparation work and continue to explore third-party funding options
- In view of increased capacity from Arnhem expansion and future capacity from Kingsport, and in light of some softening of price and demand in the global construction industry, more resource to be dedicated to sales and marketing activity globally, particularly in the US, to prepare for a greater level of supply

“We have made a good start to FY24, with performance in line with our expectations. With our new executive management team in place to drive the business forward in its next phase of growth, we are confident in delivering further financial and operational progress in the coming year, and in the longer-term demand and growth opportunity for Accoya and Tricoya.”