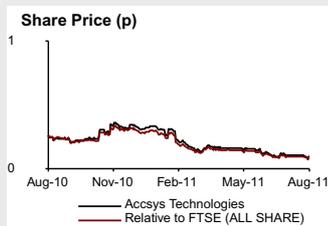


BUY

Current Share Price	EUc9
Target Price	EUc45
Market Capitalisation	€36,279,225
Shares In Issue	403m
RIC/BLBG	ACCS.L/AXS LN
Avg. Daily Volume (3M)	654,595
Net Cash (Debt) (03/12F)	€24.5m
Broker	Yes

Current share price(s) timed at 4:30pm on 09/08/11



Performance %	1M	3M	12M
Absolute	-14	-41	-66
Relative	1	-32	-64

Source: Datastream

Analyst

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Accsys Technologies

Company Update

All good news

The Q1 IMS contains a plethora of good news. Many of the items disclosed square with guidance at the time of the June preliminaries but they are welcome nevertheless, whilst there is a new plus in the form of a supply agreement with Medite for acetylated material (Tricoya) which should underpin an eventual move to a licensing agreement under the existing Joint Development Agreement (JDA).

- Highlights: Q1 underlying revenue growth of 12% for Accoya (adjusted to exclude Diamond Wood sales which halted in August 2010); a 4% gross manufacturing margin in Q1; and a Q1 cash outflow of only €1.0m. An agreement has also been reached for production of Medite Tricoya panels (durable class 1 MDF panels suitable for exterior use) with Accsys to supply 7,500 m3 of acetylated material to be used in these from its Arnhem plant over the next 17 months.
- The underlying revenue advance was aided by Accoya price rises (some at the start of CY 2011, some still being progressed) but underlying volume growth was 5-6%.
- The 4% gross manufacturing margin compares with the 4.2% loss (ex R&D and licensing costs) in 2010/11. The aim of a positive 2010/11 margin was flagged in June.
- The modest cash burn has been aided by the +ve gross manufacturing margin, the 16% reduction in other operating costs (expected given head count reductions/cost cutting measures) and the reduction in stocks flagged up in June. The first €2.2m tranche of monies from the Arnhem sale & leaseback deal was only banked in Q2.
- Accsys is to supply up to 7,500 m3 of acetylated material from its Arnhem plant to Medite, with the first shipments of Medite Tricoya to reach the market in FY 2010/11. This will enable final market testing and seeding prior to a possible license deal. The JDA has also been extended to grant Medite the exclusive right to make and sell Medite Tricoya in Holland, as well as in the UK and ROI.
- 7,500 m3 of acetylated material over 17 months equates to 5,294 m3 pa. To place this in perspective, Accsys sold 11,935 m3 of Accoya last year. So the supply agreement bodes well for future loss reduction as the Arnhem plant is more fully loaded. Forecasts are unchanged for now though as the sale price for the acetylated material is confidential and the timing of shipments to Medite has still to be clarified.

Year to Mar	Sales (€m)	EBIT (€m)	EBITDA (€m)	PBT (€m)	EPS (€c)	Free Cash Flow (€m)	Net Cash/(Debt) (€m)
2011A	13.7	(14.00)	(12.10)	(14.0)	(0.07)	(19.0)	27.6
2012F	20.4	(11.30)	(9.40)	(10.7)	(0.03)	(7.1)	24.5
2013F	34.1	(7.90)	(5.60)	(7.6)	(0.02)	(18.4)	6.1
2014F	51.4	(0.50)	2.8	(0.4)	0.00	(2.0)	4.1
2015F	62.6	8.3	11.5	8.4	0.02	8.6	12.6

Source: Accsys Technologies (historical) and Numis Securities Research Department (forecast)

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Buy	> +20%
Add	> +10% to +19.99%
Hold	0% to +/-9.99%
Reduce	-10% to -19.99%
Sell	> -20%

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Add	23.3%	18.0%	21.8%	17.1%
Hold	29.0%	12.4%	27.4%	6.8%
Reduce	3.6%	0.0%	3.7%	0.0%
Sell	1.2%	0.0%	1.5%	0.0%
	100%		100%	

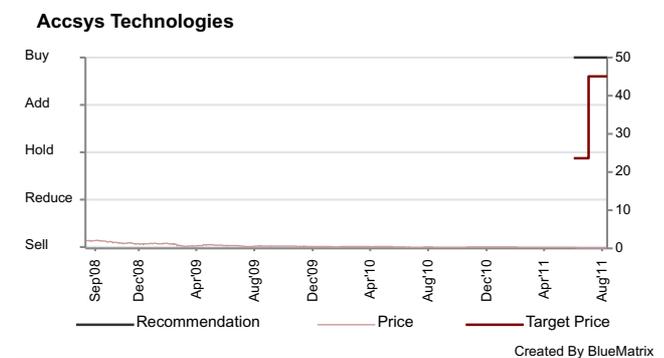
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Three Year - Recommendation, Target Price, Share History



Source: Numis Securities Research Department