PETRA CAPITAL

24 August 2017

Alexium International (AJX) BUY Share Price: A$0.43

Forging a new phase of growth

Target Price: A$1.10

Management's teleconference yesterday highlighted what we see as a compelling story of new product development, increasing market penetration and the building of a unique and increasingly strong brand. Key in our view was the discussion surrounding (1) the imminent launch of Alexiflam NF, and (2) the securing of an extended working capital facility, to fund growth through FY18E. This should go some ways to alleviating funding concerns which was understandable given such a prolific product roll-out through H217. Trading near a three-year low represents a compelling entry point for a business where we see strong upside potential to earnings in coming years. Our $1.10sh price target remains and we maintain our Buy recommendation.

Key takeaways from Management call

- New working cap facility extended and increased, US$5m => US$10m at lower rates. Final 31 August.
- Now seeking to license sales of Alexiflam NF; stringent testing now completed with 3 customers.
- Customer selectivity remains a focus, looking to push GP margins to c40%.

Why buy now?

- New product lines deliver access to fast growing performance wear and consumer product markets.
- Alexicool ramp up continues, moving from 0t sales in Nov-16, to c90t at Jun-17. Alexiflam NF launched, sales expected in late 2017.
- US Government contracts on defence uniforms in final test phase – late 2018 opportunity.
- Company approaching positive cash generation 1H18, with positive (albeit small) cash flows expected Sep-18 quarter. Meaningful earnings growth through FY18-20F.
- Share price sits at a three year low; valuation on forward year multiples remains compelling.

Valuation and forecasts

- We make changes to forecasts reflecting cash drawdown, with our assumptions now incorporating the use of 50% of the new facility in 2018E.
- All other forecasts remain unchanged.
- Our PT of $1.10 is derived from applying an equal weighting of (1) 14x EBIT multiple to FY20 earnings, discounted using a cost of equity of 13.0% and (2) DCF, which utilises a WACC of 11.0% and LT growth rate of 3%.

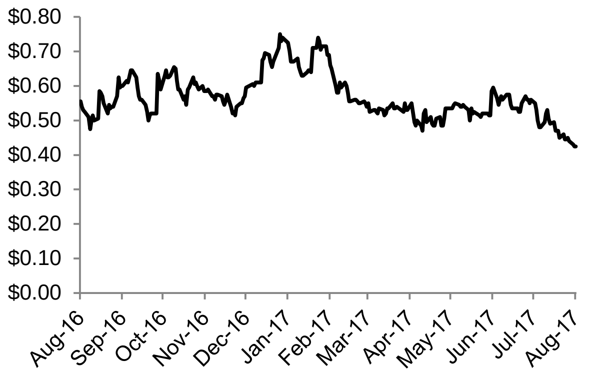
Company Data

Shares – ordinary (M)	303.7
Dilution (M)	9.1
Total (fully diluted) (M)	312.8
Market capitalisation ($M)	147.3
12 month low/high ($)	46.5 / 90.5
Average monthly turnover ($M)	7.4
Index	All Ordinaries
GICS Industry	Industrials

Financial Summary (fully diluted/normalised)

Year end June	2016A	2017F	2018F	2019F	2020F
Revenue ($M)	3.0	22.4	45.0	74.3	97.6
Costs ($M)	(18.5)	(34.8)	(43.1)	(60.6)	(73.2)
EBITDA ($M)	(15.5)	(12.4)	1.9	13.7	24.4
NPAT ($M)	(15.7)	(13.1)	0.7	12.5	23.8
EPS (¢ps)	(5.0)	(4.2)	0.2	4.1	7.8
EPS Growth (%)	n/a	16.7%	105.7%	1636.4%	89.9%
PER (x)	(8.5)	(10.2)	179.1	10.3	5.4
Free Cashflow ($M)	(3.8)	(7.3)	3.2	2.8	21.1
FCFPS (¢ps)	(0.0)	(0.0)	0.0	0.0	0.1
PFCFPS (x)	nm	nm	40.3	45.5	6.1
Enterprise Value ($M)	117.9	138.9	142.4	132.9	111.8
EV / EBITDA (x)	(7.6)	(11.2)	75.4	9.7	4.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividends (¢ps)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0

AJX.AU – share price performance over one year



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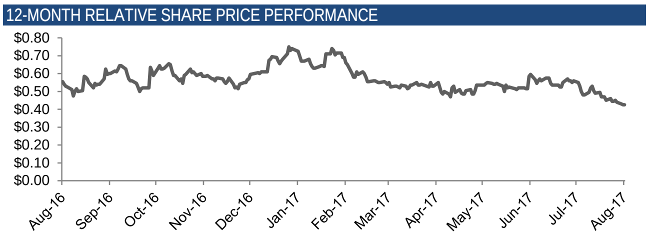
Analysis

Alexium International Group Ltd

Year end 30 June (A$m)

MARKET DATA		
Recommendation		BUY
Price	$	0.43
Price target (12-month)	$	1.10
52 week high / low	$	0.405 - 0.905
Market capitalisation (fully diluted)	$m	129.1
Shares on issue (basic)	no.	303.7
Options / rights	no.	9.1
Other equity	no.	0.0
Shares on issue (diluted)	no.	312.8

12-MONTH RELATIVE SHARE PRICE PERFORMANCE



INVESTMENT FUNDAMENTALS		FY16	FY17F	FY18F	FY19F	FY20F
Reported NPAT	$m	(15.7)	(13.1)	0.7	12.5	23.8
NPAT normalised	$m	(15.7)	(13.1)	0.7	12.5	23.8
Reported EPS (undiluted)	¢	(5.0)	(4.2)	0.2	4.0	7.6
EPS normalised (undiluted)	¢	(5.0)	(4.2)	0.2	4.1	7.8
....Growth	%	n/a	17%	106%	1636%	90%
PER normalised/undiluted	x	(8.5)	(10.2)	179.1	10.3	5.4
Operating cash flow per share	¢	(0.1)	(0.0)	(0.0)	0.0	0.1
Free cash flow per share	¢	(0.0)	(0.0)	0.0	0.0	0.1
Price to free cash flow per share	x	nm	nm	40.3	45.5	6.1
FCF yield	%	(2.9%)	(5.7%)	2.5%	2.2%	16.4%
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0	0.0	0.0	0.0	0.0
Yield	%	0.0	0.0	0.0	0.0	0.0
Franking	%	0.0	0.0	0.0	0.0	0.0
Enterprise value	$m	117.9	138.9	142.4	132.9	111.8
EV/EBITDA	x	(7.6)	(11.2)	75.4	9.7	4.6
EV/EBIT	x	(7.5)	(11.1)	87.7	9.9	4.7
Price to book (NAV)	x	11.5	76.0	21.7	7.0	3.1
Price to NTA	x	11.6	(14.7)	(8.8)	(17.4)	10.6

KEY RATIOS		FY16	FY17F	FY18F	FY19F	FY20F
EBITDA margin	%	nm	nm	4.2%	18.5%	25.0%
EBIT margin	%	nm	nm	3.6%	18.0%	24.6%
NPAT margin	%	nm	nm	1.7%	16.8%	24.3%
ROE	%	nm	nm	12.5%	67.8%	56.3%
ROA	%	nm	nm	4.7%	28.7%	31.9%
Net tangible assets per share	¢	0.0	0.0	0.0	0.1	0.1
Net debt /(cash)	$m	(11.2)	9.8	13.3	3.8	(17.3)
Interest cover (EBIT / net interest)	x	nm	25.1	(1.8)	(15.2)	(105.6)
Gearing (net debt / EBITDA)	x	0.7	nm	7.0	0.3	nm
Leverage (net debt / (net debt + equity)	x	nm	0.9	0.7	0.2	nm

DUPONT ANALYSIS		FY16	FY17F	FY18F	FY19F	FY20F
Net Profit Margin	%	(522.9)	(58.3)	1.7	16.8	24.3
Asset Turnover	x	0	1.1	1.3	1.6	1.3
Return on Assets	%	(111)	(66.9)	2.1	26.8	31.6
Financial Leverage	x	1.3	11.5	5.9	2.5	1.8
Return on Equity	%	(139)	(769.7)	12.5	67.8	56.3

INTERIM SUMMARY		1H15	2H15	1H16	2H16
Total revenue	$M				
Operating expenses	$M				
EBITDA	$M				
Depreciation & amortisation	$M				
EBIT	$M				
Net interest	$M		Not material		
Pretax profit	$M				
Tax expense	$M				
Minorities/preference dividend	$M				
Operating NPAT	$M				
Significant items	$M				
Reported NPAT	$M				
Reported EPS (diluted)	¢				
Normalised EPS	¢				

PROFIT AND LOSS		FY16	FY17F	FY18F	FY19F	FY20F
Total revenue	$m	3.0	22.4	45.0	74.3	97.6
Costs (COGS & opex)	$m	(18.5)	(34.8)	(43.1)	(60.6)	(73.2)
EBITDA	$m	(15.5)	(12.4)	1.9	13.7	24.4
Depreciation & amortisation	$m	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
EBIT	$m	(15.7)	(12.6)	1.6	13.4	24.0
Net interest	$m	0.0	(0.5)	(0.9)	(0.9)	(0.2)
Non-operating income	$m	0.0	0.0	0.0	0.0	0.0
Pretax Profit	$m	(15.7)	(13.1)	0.7	12.5	23.8
Tax expense	$m	0.0	0.0	0.0	0.0	0.0
Minorities	$m	0.0	0.0	0.0	0.0	0.0
Operating NPAT	$m	(15.7)	(13.1)	0.7	12.5	23.8
Significant items	$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	$m	(15.7)	(13.1)	0.7	12.5	23.8

GROWTH PROFILE		FY16	FY17F	FY18F	FY19F	FY20F
Operating revenue	%	n/a	647.5	100.4	65.3	31.3
EBITDA	%	n/a	88.5	23.6	40.7	20.8
EBIT	%	n/a	19.9	112.9	724.8	79.1
Operating NPAT	%	n/a	16.7	105.7	1,585.9	89.9
Normalised EPS	%	n/a	16.7	105.7	1,636.4	89.9
DPS	%	n/a	n/a	n/a	n/a	n/a

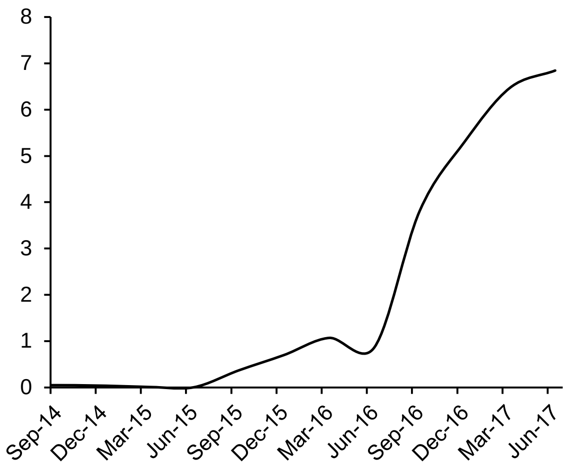
BALANCE SHEET		FY16	FY17F	FY18F	FY19F	FY20F
Cash/(overdraft)	$m	11.2	3.4	6.6	9.5	30.6
Receivables	$m	0.2	1.5	2.7	4.5	5.9
Inventory	$m	1.7	2.2	2.2	3.7	4.9
Other	$m	0.1	0.1	0.1	0.1	0.1
Current	$m	13.2	7.3	11.6	17.7	41.4
Prop, plant & equip	$m	0.8	1.8	2.6	3.1	3.6
Other	$m	0.2	10.5	20.6	25.9	30.1
Non current	$m	1.0	12.3	23.3	29.0	33.7
Total assets	$m	14.2	19.5	34.9	46.7	75.1
Accounts Payable	$m	2.8	4.5	9.0	14.9	19.5
Borrowings	$m	0.0	13.2	19.9	13.3	13.3
Other	$m	0.1	0.1	0.1	0.1	0.1
Total liabilities	$m	2.9	17.8	29.0	28.2	32.9
Net assets	$m	11.3	1.7	5.9	18.5	42.2
Equity	$m	51.6	51.6	51.6	51.6	51.6
Retained earnings/other	$m	(40.4)	(49.9)	(45.7)	(33.2)	(9.4)
Shareholder's equity	$m	11.3	1.7	5.9	18.5	42.2

CASH FLOW		FY16	FY17F	FY18F	FY19F	FY20F
EBITDA	$m	(15.5)	(12.4)	1.9	13.7	24.4
Change in provisions	$m	0.0	0.0	0.0	0.0	0.0
Change in working capital	$m	(0.5)	(0.2)	(3.3)	(2.6)	(2.1)
Net interest	$m	0.0	(0.9)	(0.9)	(0.9)	(0.2)
Tax paid	$m	0.0	0.0	0.0	0.0	0.0
Other	$m	0.0	0.7	0.0	0.0	0.0
Operating cash flow	$m	(16.0)	(12.8)	(2.3)	10.2	22.1
Stay in business capital expenditure	$m	(2.0)	(1.1)	(1.1)	(0.7)	(1.0)
Acquisitions/divestment/other	$m	(0.3)	(0.6)	0.0	0.0	0.0
Investing cash flow	$m	(2.3)	(1.7)	(1.1)	(0.7)	(1.0)
Equity	$m	0.0	0.0	0.0	0.0	0.0
Increase / (decrease) in borrowings	$m	14.5	6.6	6.6	(6.6)	0.0
Dividend/other	$m	0.0	0.6	0.0	0.0	0.0
Financing cash flow	$m	14.5	7.2	6.6	(6.6)	0.0
Free cash flow	$m	(3.8)	(7.3)	3.2	2.8	21.1

Source: Petra Capital

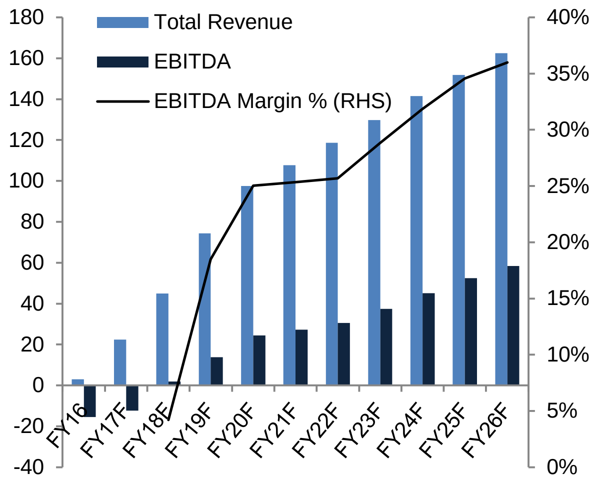
Alexium in pictures

Figure 1: Quarterly revenues to Jun'17 (A$m)



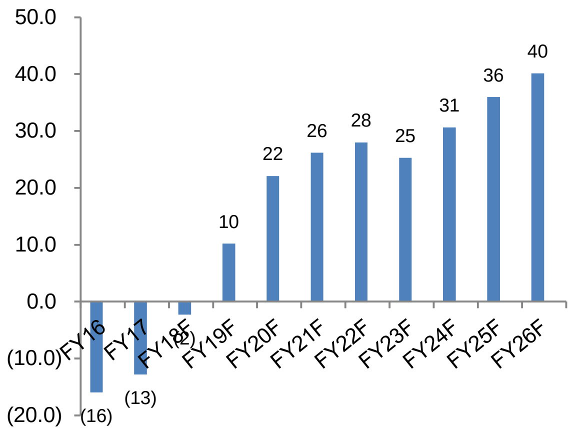
Source: Company data, Petra Capital

Figure 2: Revenue, EBITDA and margin (A$m, %)



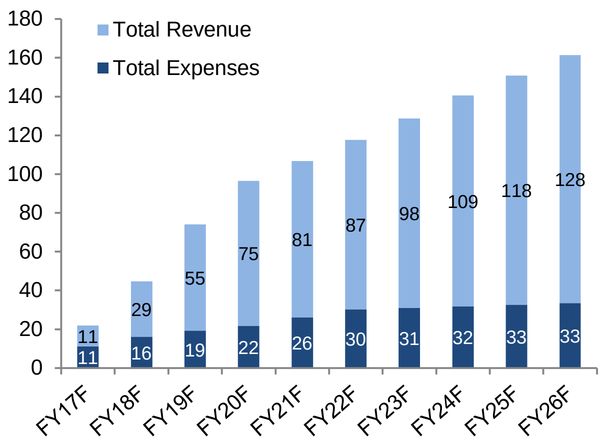
Source: Company data, Petra Capital

Figure 3: Operating cash flow (A$m)



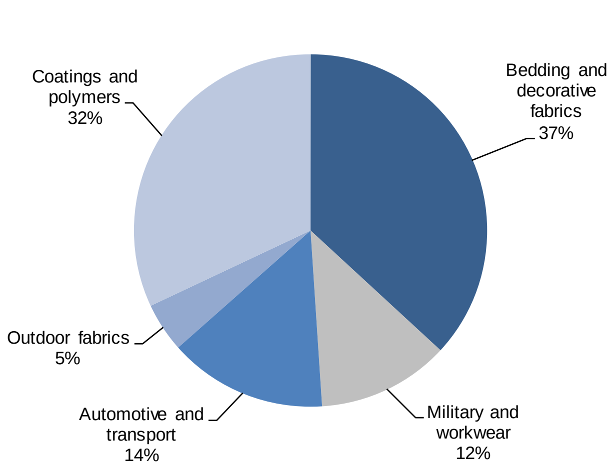
Source: Company data, Petra Capital

Figure 4: Operating leverage is significant (A$m)



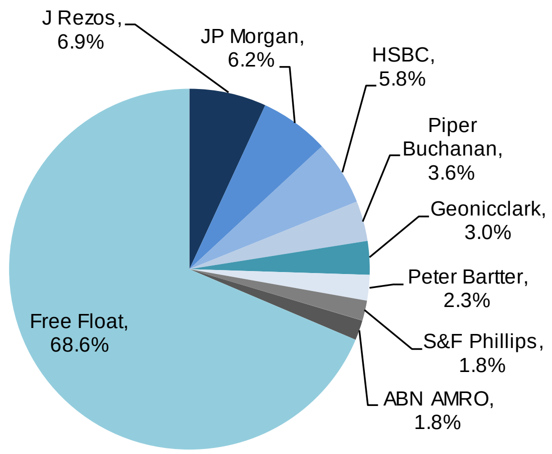
Source: Company data, Petra Capital

Figure 5: Divisional revenue breakdown (%, 2017E)



Source: Company data, Petra Capital

Figure 6: Shareholder register (%)



Source: Company data, Petra Capital

Forging a new phase of growth in FY18

Management yesterday hosted a thorough discussion of investor questions surrounding key product roll out, market trends and general company strategy. Key in our view, was the discussion surrounding (1) the imminent launch of Alexiflam NF, now through rigorous testing phase with key potential customers and (2) the securing of an extended working capital facility, to be finalised August 31. With market concerns surrounding the funding of growth over the coming months, this should go some way to alleviating some concerns here, with an additional US$5m added and on much lower interest rates.

The outlook for Alexium remains bright, with Alexicool continuing to make significant market inroads. An exciting new product development in cotton flame retardants (Alexiflam NF) complement the existing FR suite, but has the potential to be a genuine game changer in the FR cotton market (US$150-200m size).

Trading near a three-year low of 43c is a compelling entry point in our view, particularly for a business where we see so much upside potential to earnings in coming years. The company is moving to a cash positive position through 1H18 and profitability (albeit small) in FY18. Valuation at this stage is reflective of future growth ambitions, but trading at 4.6x EV/EBIT and 5.4x P/E in FY20E is very attractive. Our $1.10sh price target remains and we maintain Buy.

Minor changes to forecasts

We make minor changes to forecasts, updating the cashflow for actual results from the 4C and making an assumption that half of the extended working capital facility will be drawn down in 2018E. All other forecasts remain largely unchanged. We highlight that at this point in the company's stage of growth, forecasting risk is reasonably high. We highlight key (cash) risks below:

- **Gross profit Margin:** The biggest risk we see to our assumptions lies around Gross Profit Margin. We forecast 38.8% in FY18E, a significant lift from the -7% GP margin we forecast in 2017E. If the company can only lift these to half, or c20%, then cash demands from the business may be greater than we anticipate. Indeed, if GP margins only rise to 10% then the company could draw down all of its extended working capital facility, all else being equal.
- **Working capital demands may increase:** Similarly, if working capital demands increase as new product roll out continues (Alexicool, Alexiflam NF), then cash demands would increase. We forecast a A$(3.3)m outflow in FY18E.

Figure 7: Changes to forecasts

Year end June	FY17F			FY18F			FY19F		
	New	**Old**	**Chg. %**	**New**	**Old**	**Chg. %**	**New**	**Old**	**Chg. %**
Revenue ($M)	22.4	22.2	1.0%	45.0	45.0	(0.1)%	74.3	74.3	0.0%
Costs ($M)	(34.8)	(33.2)	5.0%	(43.1)	(43.0)	0.2%	(60.6)	(60.7)	(0.2)%
EBITDA ($M)	(12.4)	(11.0)	12.9%	1.9	1.9	(0.6)%	13.7	13.7	0.2%
NPAT ($M)	(13.1)	(12.0)	8.9%	0.8	0.8	(7.2)%	12.5	12.4	0.9%
EPS (¢ps)	(4.2)	(3.9)	7.1%	0.2	0.2	18.6%	4.1	4.1	0.5%
EPS Growth (%)	17%	23%	(27.9)%	106%	106.5%	(0.8)%	1636.4%	1538.4%	6.4%
Free Cashflow ($M)	(7.3)	(2.7)	(19.3)%	3.2	2.8	(7.7)%	2.8	15.7	(12.6)%
FCFPS (¢ps)	(0.0)	0.0	170.4%	0.0	0.0	14.4%	0.0	0.1	(81.9)%
PFCFPS (x)	nm	nm	0.0%	40.3	53.1	0.0%	45.5	9.4	(90.7)%
Enterprise Value ($M)	138.9	152.0	n/a	142.4	149.2	n/a	132.9	133.5	n/a
Payout ratio (%)	0.0	0.0	(8.6)%	0.0	0.0	(4.6)%	0.0	0.0	(0.5)%
Dividends (¢ps)	0.0	0.0	(18.9)%	0.0	0.0	(2.6)%	0.0	0.0	(1.3)%
Yield (%)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a

Source: Petra Capital estimates

New working capital facilities agreed

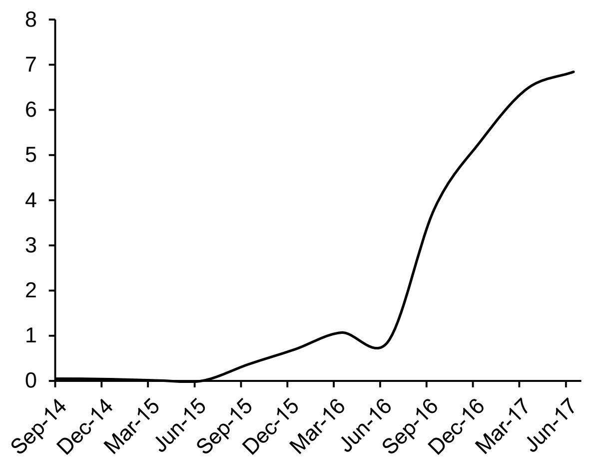
The company used A$16m in cash and debt funding through H217 alone….

Although light on details given the terms have yet to be signed off, Alexium Management have agreed for the extension and on improved terms to one of their undrawn working capital facilities. This is expected to be finalised by August 31.

Alexium had two facilities in place for US$5m, with the second of these undrawn. A high interest rate (mid-teens on our understanding) was prohibitive, and the company instead drew down their cash balance to fund inventory build and operational needs. Management stated they are comfortable with cash on hand of A$3.5m, given they have A$1.5m of debtors they are confident of fully collecting by the end of this month.

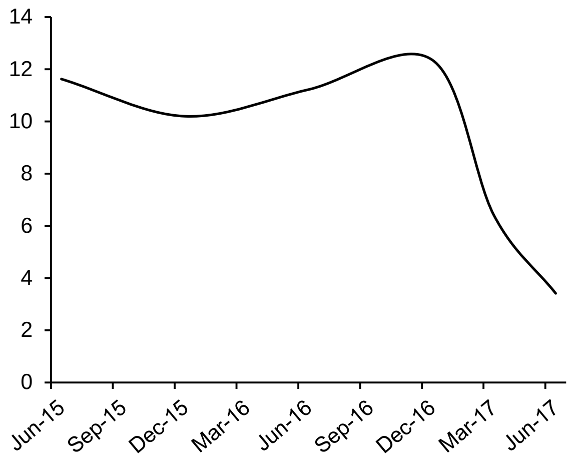
To give some context, with the ramp-up of Alexicool in H217, in conjunction with improving penetration of existing flame retardant products, the company burned A$9m in cash and used A$7.1m (US$5m) in debt funding. Understandably, the market has queried their need for further funding through H118 and beyond, given the product initiatives announced and ongoing ramp-up of Alexicool, Alexiflam NF and also Pegasus in H118.

Figure 8: Quarterly revenue (A$m)



Source: Company data

Figure 9: Quarterly cash balance (A$m)



Source: Company data

Will there be a further requirement for growth capital?

… market concerns around future funding have therefore been understandable given new products to be rolled out in H118, while Alexicool continues to ramp up

Without an ability to compare historical operating cash flows on steady state operations, it is difficult to ascertain what the cash performance of the business is likely to be. Management are confident the business has become cash positive through Q118, however we are unsure of the numbers involved. However, in our modelling we assume and then derive the following:

- Operating leverage is exceptionally high, with little requirement for additional staff outside of sales.
- Capital light, heavy touch business model set to continue.

There are several scenarios in which the company may require capital for growth projects, including:

- Significant contract expansion (i.e. US military or major clothing manufactures), largely to build in inventory.
- Expansion into new markets, or expansion of existing markets.

At this stage, as Alexium ramp-up production, inventory levels for input chemicals, receivables on new contracts and payables for consumables are likely to increase rapidly. This has already been the case through H217, and we expect this to continue through H118 with Alexiflam NF rollout.

Positively, as revenue grows, operating cash flows should grow with it, with capex requirements limited.

Alexiflam NF – testing done and searching for licensing deals

Alexiflam NF is the company's chemistry for application to Flame Retardant Cotton. With this market cUS$15-200m in the US alone, there could be a significant opportunity for the company to displace the incumbent producer, Proban (owned by Solvay). Nonetheless, attacking market share can be time consuming, costly and damaging for profitability and the growing brand.

Management pleasingly noted that they have been in deep negotiations with three potential licensors of the product. We like the licensing approach as it:

- Provides a faster source of revenue;
- Leverage off licensors existing customer base, expanding take up and leverages off the brand of the licensor;
- Avoids the cost of market disruption in a fight to take share; and
- Has a more positive impact on cash flows than own product roll-out.

These have now passed the Industrial Laundering tests, which means the Alexiflam NF chemistry will remain on a garment for 100+ washes, at 65c degrees and with industrial detergents. This is far in excess of a normal household requirement and feedback with the three customers has been exceptionally positive. Management had previously guided to a H118 roll-out, and this appears to be on track.

Military contracts a long time coming; where are we now?

Military uniforms, such as for the US Army and Marines, are generally made from a NyCo material, which is ideal for Alexiflam (FR). Alexium has been working for over three years to bring the first-ever fire retardant 50/50 NyCo to the Military and are nearing the final phase prior to award.

If successful, Alexium would supply the chemistry to the manufacturers of the fabric which goes into the finished garment. Alexium has partnered with one such manufacturer who is a current major supplier of non-FR fabrics into the military. The value of this to the winning chemical supplier could be up to A$50m in annual revenues. However this analysis is limited to the current market only and could represent much more in the fullness of time, when the Alexium products are applied to other types of uniforms.

Figure 10: Estimate of revenue from incumbent on historical US Marines contract (US$m)

US Army personnel	100,000
No. of FR uniforms	4.0
Uniform life	3 months
Uniforms per annum (m)	1.6
Yards per uniform	4.0
Yards per annum (m)	6.4
Tencate price per yard (US$)	25.9
Alexium price per yard (US$)	13.0
Tencate cost (US$m) – peak	166.0
Alexium cost (US$m) – peak (theoretical)	83.0

Source: Company data, Petra capital

Final testing phase is imminent; final award could only be late 2018

Alexium is working with the current provider of fabrics to replace the incumbent technology from TenCate, a NYSE listed company. The next step in the process is to undertake the "PyroMan" test, where the garment is attached to a mannequin and tested with direct flame application. This tests how much of a human would be subjected to burns. Management are confident they will pass this test comfortably, with their own trials yielding excellent results. This will be completed very soon.

Next, a funded wear trial, where Alexium will need to supply chemistry for a significant number of uniforms (i.e. >2,000) to undergo real world testing. This final phase will be entered into sometime in 1H18 (the end of 2017) with final contract award coming in the latter part of 2018. Nonetheless, the specific timing remains somewhat uncertain, given the vagaries of the US Government.

The following represents our estimates for the approximate number of square yards of fabric sold into FR uniform program at this time (Figure 10). Products could be up to 50% cheaper than the incumbent product, but could extend to other uses.

Figure 11: Estimate of potential revenue from first round US Marines contract (US$m)

Uniforms per annum (m)	0.9
Yards per uniform	4.0
Yards per annum (m)	3.6
Tencate price per yard (US$)	25.9
Alexium price per yard (US$)	13.0
Tencate cost (US$m) – current 900k (est)	93.4
Alexium cost (US$m) – current 900k (est)	46.7

Source: Company data, Petra capital

Washington lobbying efforts outsourced

With the departure of former CEO and Non-Executive Board member Nicholas Clark, the Washington presence for Alexium is somewhat diminished. Nonetheless, this role on Capitol Hill will be outsourced to professional Washington lobbying firm, The Nardelli Group (on a retainer basis). At this point in the process, the lobbying efforts are of somewhat limited value in our view, and relies on garment performance in the wear trials to determine the eventual winner of this contract.

Valuation metrics compelling post ramp-up

Figure 12: Enterprise value calculations and key valuation metrics

A$m	2017F	2018F	2019F	2020F	2021F
Market Capitalisation	129.1	129.1	129.1	129.1	129.1
Net Debt	9.8	13.3	3.8	(17.3)	(42.4)
Less: provisions	0.1	0.1	0.1	0.1	0.1
Less: surplus assets	0.0	0.0	0.0	0.0	0.0
Enterprise value	**139.0**	**142.4**	**133.0**	**111.8**	**86.7**
Key metrics					
EV/EBITDA	-11.2x	75.4x	9.7x	4.6x	3.2x
EV/EBIT	-11.1x	87.7x	9.9x	4.7x	3.2x
P/E	-9.9x	173.9x	10.3x	5.4x	4.9x
FCF Yield (maint)	-11.4%	-2.6%	7.1%	16.3%	19.5%
FCF Yield	-11.0%	-2.7%	7.3%	16.4%	19.5%
Net Debt/EBITDA	-0.8x	7.0x	0.3x	-0.7x	-1.6x
Net Debt/EV	7%	9%	3%	-16%	-49%

Source: Petra Capital

Financials

Figure 13: Profit & Loss Summary 2016-2021E

A$m	FY16	FY17F	FY18F	FY19F	FY20F	FY21F
Revenue						
Bedding and decorative fabrics	0.0	8.1	21.8	34.1	40.0	44.7
Military and workwear	0.0	2.6	2.7	6.6	16.6	16.6
Automotive and transport	0.0	3.2	5.0	8.6	10.4	11.9
Outdoor fabrics	0.0	1.0	3.4	5.6	7.1	8.4
Coatings and polymers	0.0	7.0	11.9	19.1	22.5	25.2
Other	3.0	0.5	0.3	0.3	1.0	1.0
Total revenues	**3.0**	**22.4**	**45.0**	**74.3**	**97.6**	**107.7**
y/y growth (%)	4970.5%	647.5%	100.4%	65.3%	31.3%	10.4%
COGS	(3.4)	(24.0)	(27.5)	(41.8)	(51.2)	(54.8)
y/y growth (%)	8045.7%	613.0%	14.7%	52.0%	22.5%	7.0%
Gross profit	**(0.4)**	**-1.6**	**17.5**	**32.5**	**46.3**	**52.9**
y/y growth (%)	(2126.6)%	327.7%	(1225.4)%	86.2%	42.6%	14.1%
GP Margin (%)	(12.1)%	(6.9)%	38.8%	43.7%	47.5%	49.1%
Other income	0.4	0.33	0.50	0.50	0.50	0.50
Expenses						
Administration expenses	(7.9)	(3.2)	(4.2)	(4.8)	(5.5)	(5.8)
Employee benefits expense	(3.7)	(5.4)	(8.1)	(9.8)	(12.2)	(15.3)
R&D expenses	(2.0)	(2.2)	(2.0)	(2.0)	(2.0)	(3.0)
Other Expenses (inc. Production)	(2.0)	(0.4)	(1.8)	(2.7)	(2.7)	(2.0)
Total Expenses	**(15.5)**	**(11.2)**	**(16.1)**	**(19.3)**	**(22.4)**	**(26.1)**
y/y growth (%)	127.2%	(28.0)%	43.6%	19.9%	16.4%	16.2%
EBITDA	**(15.5)**	**(12.4)**	**1.9**	**13.7**	**24.4**	**27.3**
Corporate costs	0.0	0.0	0.0	0.0	0.0	0.0
Group EBITDA	**(15.5)**	**(12.4)**	**1.9**	**13.7**	**24.4**	**27.3**
YOY % change	138.5%	(19.8)%	(115.2)%	627.3%	77.8%	11.9%
Margin %	(516.1)%	(55.3)%	4.2%	18.5%	25.0%	25.4%
Depreciation	(0.2)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)
Amortisation	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Dep. & Amort	**(0.2)**	**(0.2)**	**(0.3)**	**(0.3)**	**(0.4)**	**(0.5)**
Group EBIT	**(15.7)**	**(12.6)**	**1.6**	**13.4**	**24.0**	**26.8**
YOY % change	6.2%	(19.9)%	(112.9)%	724.8%	79.1%	11.6%
Margin %	(522.9)%	(56.0)%	3.6%	18.0%	24.6%	24.9%
Interest Income	0.0	0.0	0.1	0.1	0.1	0.1
Interest Expense	0.0	(0.5)	(1.0)	(1.0)	(0.3)	(0.3)
Net Interest Expense	**0.0**	**(0.5)**	**(0.9)**	**(0.9)**	**(0.2)**	**(0.2)**
Profit Before Tax	**(15.7)**	**(13.1)**	**0.7**	**12.5**	**23.8**	**26.5**
Calculated tax			*(0.2)*	*(3.8)*	*(7.1)*	*(8.0)*
Tax losses balance			*26.7*	*26.4*	*22.7*	*15.6*
Tax Expense	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (underlying)	**(15.7)**	**(13.1)**	**0.7**	**12.5**	**23.8**	**26.5**
Sig. Items - Gross	0.0	0.0	0.0	0.0	0.0	0.0
Sig. Items - Tax	0.0	0.0	0.0	0.0	0.0	0.0
Sig. Items - Net	0.0	0.0	0.0	0.0	0.0	0.0
Reported NPAT	**(15.7)**	**(13.1)**	**0.7**	**12.5**	**23.8**	**26.5**
EPS - Reported (cents)	(7.1)	(4.3)	0.2	4.1	7.8	8.7
Total Ordinary Dividends	0	0	0	0	0	0

Source: Company data, Petra capital

Figure 14: Cash flow summary FY16-21E

	FY16	FY17	FY18F	FY19F	FY20F	FY21F
Cash flow summary (A$m)						
EBIT	(15.7)	(12.6)	1.6	13.4	24.0	26.8
Depreciation & Amortisation	0.2	0.2	0.3	0.3	0.4	0.5
Profit on sale of assets	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	(0.5)	(0.2)	(3.3)	(2.6)	(2.1)	(0.9)
Other	0.0	0.3	0.0	0.0	0.0	0.0
Operating cash flow (pre-interest/tax)	**(16.0)**	**(12.3)**	**(1.4)**	**11.1**	**22.3**	**26.4**
Interest paid	0.0	(0.5)	(0.9)	(0.9)	(0.2)	(0.2)
Tax	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow	**(16.0)**	**(12.8)**	**(2.3)**	**10.2**	**22.1**	**26.2**
Replacement capex	(1.9)	(1.6)	(1.0)	(1.0)	(1.0)	(1.0)
Expansion capex	(0.1)	(0.1)	(0.1)	0.0	0.0	(0.1)
Sale of assets	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.7	0.0	0.0	0.0	0.0
Other	17.6	6.0	6.6	(6.6)	0.0	0.0
Net Debt / (cash) at start of year	**(11.6)**	**(11.2)**	**(3.4)**	**(6.6)**	**(9.5)**	**(30.6)**
Movement during year	**(0.4)**	**(7.8)**	**3.2**	**2.8**	**21.1**	**25.1**
Net Debt / (cash) at end of year	**(11.2)**	**(3.4)**	**(6.6)**	**(9.5)**	**(30.6)**	**(55.7)**

Source: Company data, Petra capital

Figure 15: Balance sheet summary FY16-21E

	FY16	FY17F	FY18F	FY19F	FY20F	FY21F
Current Assets						
Cash & equivalents	11.2	3.4	6.6	9.5	30.6	55.7
Trade & other receivables	0.2	1.5	2.7	4.5	5.9	6.5
Inventories	1.7	2.2	2.2	3.7	4.9	5.4
Prepayments	0.1	0.1	0.1	0.1	0.1	0.1
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	**13.2**	**7.3**	**11.6**	**17.7**	**41.4**	**67.6**
Non-Current Assets						
Receivables	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Investments in associates	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.8	1.8	2.6	3.1	3.6	4.1
Licences	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	0.1	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Other non current assets	0.0	10.3	20.4	25.7	29.9	31.7
Total Non-Current Assets	**1.0**	**12.3**	**23.3**	**29.0**	**33.7**	**36.0**
Total Assets	**14.2**	**19.5**	**34.9**	**46.7**	**75.1**	**103.7**
Current Liabilities						
Trade and other payables	2.8	4.5	9.0	14.9	19.5	21.5
Interest bearing loans and borrowings	0.0	6.6	6.6	6.6	6.6	6.6
Income tax payable	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.1	0.1	0.1	0.1	0.1	0.1
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**2.9**	**11.2**	**15.7**	**21.6**	**26.2**	**28.3**
Non-Current Liabilities						
Other payables	0.0	0.0	0.0	0.0	0.0	0.0
Interest bearing loans and borrowings	0.0	6.6	13.3	6.6	6.6	6.6
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Current Liabilities	**0.0**	**6.6**	**13.3**	**6.6**	**6.6**	**6.6**
Total Liabilities	**2.9**	**17.8**	**29.0**	**28.2**	**32.9**	**34.9**
Equity						
Contributed equity	51.6	51.6	51.6	51.6	51.6	51.6
Reserves	9.1	12.6	16.1	16.1	16.1	16.1
Retained earnings	(49.4)	(62.5)	(61.7)	(49.2)	(25.5)	1.1
Total Equity	**11.3**	**1.7**	**5.9**	**18.5**	**42.2**	**68.8**

Source: Company data, Petra capital

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