EDISON

Accsys Technologies

Strong EBITDA growth until FY30 expected

Investor strategy day

General industrials

25 February 2025

At its investor strategy day, Accsys set financial targets for the coming years, with a combined volume and revenue CAGR of 14% for FY25–30e for the plant in the Netherlands and the Accoya USA plant (60%/40% joint venture (JV)). Driven by increasing volumes, higher efficiency and operating leverage, Accsys targets adjusted group EBITDA to improve from €10.5m in FY25e (consensus) to €54m by FY30 (including its 60% share in the JV), exceeding our previous estimates. Accsys aims to bring down net debt to zero by FY30, which we think is achievable fuelled by increasing free cash flows. On higher long-term margins, our discounted cash flow indicates a value per share of 83p or €1.00 (up from €0.95 previously).

Year end	Revenue (€m)	EBITDA (€m)	Net profit (€m)	EPS (€)	EV/sales (x)	EV/EBITDA (x)
3/23	162.0	22.9	9.5	0.04	1.0	6.9
3/24	136.2	4.8	(10.2)	(0.04)	1.2	32.4
3/25e	135.5	10.7	(8.6)	(0.04)	1.2	14.7
3/26e	147.0	20.1	0.8	0.00	1.1	7.8

Note: EBITDA, net profit and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. EBITDA includes 60% share of the Accoya USA JV.

Long-term financial targets set at investor day

Accsys outlined its Focus strategy, which includes optimising efficiency and returns and expanding distribution to maximise sales volumes. The company targets a combined run rate volume for Arnhem and Kingsport of 100,000m^3 by the end of FY27, increasing to 120,000m^3 by the end of FY30 when both plants will be nearing full capacity. Based on the effects of larger scale and optimised efficiency, Accsys targets the Arnhem plant to significantly improve its EBITDA from around €16m in FY25 to €40m by FY30, while the Kingsport plant is expected to improve from a loss this year of €5m to an EBITDA of €14m by FY30 (for Accsys's 60% share in the JV).

Rapidly improving financial position

Accsys aims to have zero net debt by FY30, from the H125 net debt level of €40m. Based on higher revenues and increasing margins, we expect free cash flow generation to improve from €6m in FY26e to €21m in FY30e, resulting in a net cash position by FY30. The expansion of the Accoya USA plant by two reactors in due course requires an investment by Accsys of $45–48m for its 60% share in the JV. Based on the estimated net cash position from FY30 and the borrowing capacity on an adjusted EBITDA of €40m by FY30 for Arnhem, it seems the company would not need a capital raise to fund this expansion.

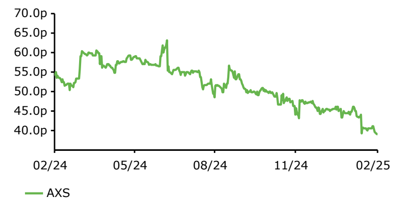
Valuation raised on higher long-term margins

For the valuation of Accsys we use a discounted cash flow (DCF) model as there are no other listed companies with a business profile close to that of Accsys. We note that Accsys is currently valued at EV/sales of 1.1x and EV/EBITDA of 7.8x in FY26e, which seems undemanding for a growth company. Our model is based on specific estimates for the Arnhem plant, and we add a separate DCF value for the Accoya USA plant. As we now see higher margin potential for Arnhem, while having rolled over the DCF for Accoya USA by one year, our total DCF points to a value per share of €1.00 (from €0.95 previously).

Price[1]	**39.55p**
Market cap[2]	**£97m**
	€1.21/£
Net cash/(debt) at 30 September 2024	€(40.2)m
Shares in issue	240.4m
Code	AXS
Primary exchange	LSE
Secondary exchange	NXT AM

[1]€0.50
[2]€120m

Share price performance



%	1m	3m	12m
Abs	(9.1)	(12.8)	(25.5)
52-week high/low		63.4p	39.0p

Business description

Accsys Technologies is a chemical technology company enhancing the natural properties of wood to make high performance and sustainable building products. Its processes are based on the acetylation of solid wood and wood elements.

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Accsys Technologies is a research client of Edison Investment Research Limited

Investment summary

Company description: Specialist in sustainable wood products

Accsys Technologies manufactures sustainable and highly durable modified wood products through the technology of acetylation. The acetylated products exhibit superior dimensional stability and durability compared with natural and treated wood. Its products are branded Accoya for solid wood and Tricoya for panels, and are ideally suited to outdoor applications that require rot, insect and water resistance.

Accsys is the only company worldwide with an established acetylation manufacturing footprint, with a plant in Arnhem in the Netherlands and a second plant in Kingsport, US, which opened in September 2024. The US plant is owned with Eastman Chemical Group via a 60%/40% JV, which is equity accounted for. The company's main geographic areas are North America and Europe.

Valuation offers significant upside

As there are no other listed companies with a business profile close to that of Accsys, we only use a DCF model for the valuation of the company. Accsys is valued at EV/sales of 1.1x and EV/EBITDA of 7.8x in FY26e, which does not seem too demanding given its growth profile. Our financial model includes our estimates for the Arnhem plant with four reactors, and we add a separate value for the Accoya plant in the US, which currently has two reactors.

Following the investor strategy day, which clearly showed the margin potential of the business, we have raised our long-term margin estimates for the Arnhem plant. We have lowered the pace of ramp up of the Accoya USA plant but have also rolled over the DCF for the Accoya USA plant by one year. Including these adjustments, our DCF model indicates a value per share of €1.00 (from €0.95 in our December 2024 update).

Financials: Targeting jump in EBITDA and net cash position by FY30

Accsys's current market share in its addressable markets for cladding, decking, windows and doors is less than 1% in the US and around 5% in the UK, offering ample room for growth in the coming years. Market research expects the global construction materials market to grow by 4–6% a year until FY30, and we think that Accsys should be able to outpace market growth with its high-performance products while growing from a relatively small basis.

At its investor day, Accsys set specific financial targets for FY25–30e, which in short reflect a volume and revenue CAGR of 14% for Arnhem and Kingsport combined with a fivefold increase in adjusted group EBITDA (including the 60% JV share) from €10.5m in FY25e (consensus according to Accsys) to €54m by FY30, which suggests higher margins than we previously anticipated.

Driven by higher volumes and better profitability, we estimate free cash flow generation to significantly improve in the next five years, with the company being able to achieve its target of zero net debt by FY30. Based on this improved financial position, Accsys should be able to finance the anticipated expansion of Accoya USA without needing another capital raise.

Sensitivities

Despite the attractiveness of its durable products, Accsys remains vulnerable to economic conditions and, in particular, developments within the construction sector.

We see the following triggers to Accsys's investment case and our forecasts: a faster ramp up at Accoya USA, which could trigger a quicker expansion of the plant; a push by governments to lower CO_2 emissions faster; higher operating leverage than anticipated; faster expansion into new European countries; and other parties interested in constructing an Accoya plant.

The downside risks include: prolonged weakness in the construction market; a hike in energy prices; increased competition in the modified wood segment; and the emergence of alternative products in the different market segments.

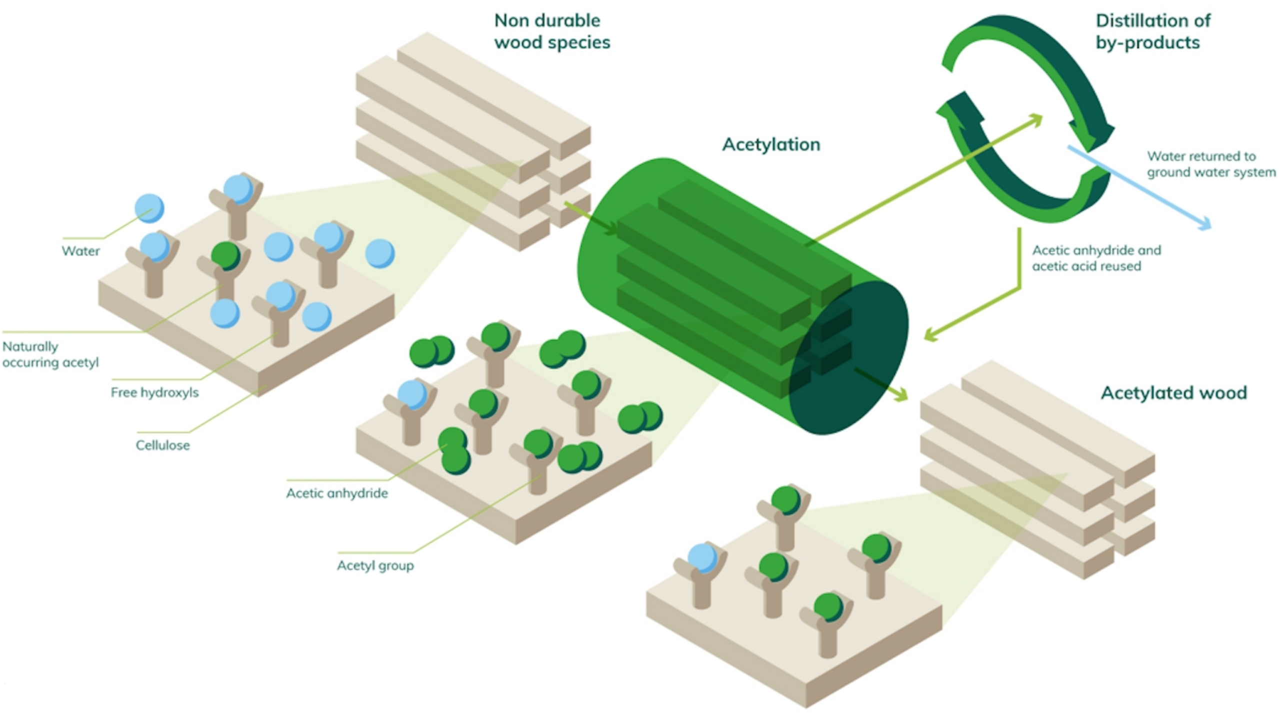
Company description: High-performance wood specialist

Accsys is specialised in premium, high-performance and sustainable wood building materials. Via an acetylation process, Accsys transforms fast-growing certified wood into a highly durable building material that has better properties than non-natural building materials. Within this segment Accsys is the only company worldwide with an established acetylation manufacturing footprint. The company's products are ideally suited to outdoor applications that require resistance to rot, insects and water. The acetylated wood competes on performance and contributes to the circular economy as it stores carbon for years and comes from fully sustainable sources.

Acetylation process

Wood contains hydroxyl groups that are hydrophilic, thus attracting water and causing cellulose to swell, shrink and become more susceptible to biological organisms. Wood cellulose also contains a small number of acetyl groups that are hydrophobic (repel water). There are not enough acetyls in natural wood to provide a durable and stable performance as a building material. The acetylation process is a reaction of wood with acetic anhydride at high temperatures, which changes hydroxyl groups into moisture-resistant acetyl groups. The acetylated wood contains the same constituents as natural wood, but at enhanced levels. This results in high performance due to increased dimensional stability and enhanced biological durability. During the reaction, acetic acid is formed as a by-product that can be converted into acetic anhydride again. To protect its technology and products, Accsys has more than 330 patents covering 27 distinct inventions in over 40 countries.

Exhibit 1: Acetylation process of Accoya



Source: Accsys Technologies

Accsys's acetylation process in Arnhem handles around $40m^3$ of wood per cycle. The load of wood is stacked with small sticks in between the pieces of solid wood in order to maximise the treatable surface. The reactor is filled with anhydride and the chemical reaction takes place at high temperatures. Afterwards, the wood is dried within the reactor and further dried outside the reactor (at the Arnhem premises or at external locations). The by-product acetic acid is sold by Accsys to external parties, which on average adds 5–7% to annual wood revenues.

High-performance acetylated wood

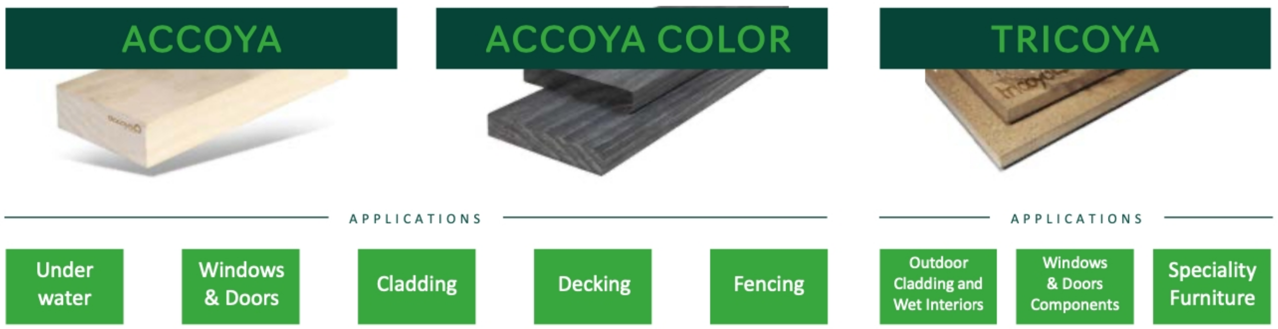
The enhancement of the wood via the acetylation process makes softwood suitable for applications formerly only applicable for durable hardwoods, plastic and composite materials. The benefits of acetylated products when compared to other wood applications (natural or treated) are summarised below:

- High durability with UV-resistance, water resistance and decay resistance: the company gives a 50-year warranty for use above the ground and a 25-year warranty for use in the ground or in fresh water.
- Outstanding dimensional stability, indoors or outdoors: due to the over 75% reduction in swelling from moisture uptake, the acetylated wood shrinks and swells much less when wet and is much less susceptible to decay or insect attack. The improvements have no impact on the strength properties of the material, the appearance of the material or on the toxicity of the material. The dimension stability also helps coatings to last much longer than on other wood species.
- Sustainable: Accsys's products are carbon negative, storing carbon for years, and the company uses fast-growing wood species that grow twice as fast compared to the lifespan of the Accsys products.

Focus on three products

Accsys focuses on three products for the building materials markets, with applications such as cladding (Accsys estimates 30% of revenues), decking (25%), windows and doors (40%) and other applications such as specialty furniture and fencing (5%).

Exhibit 2: Accsys's product groups



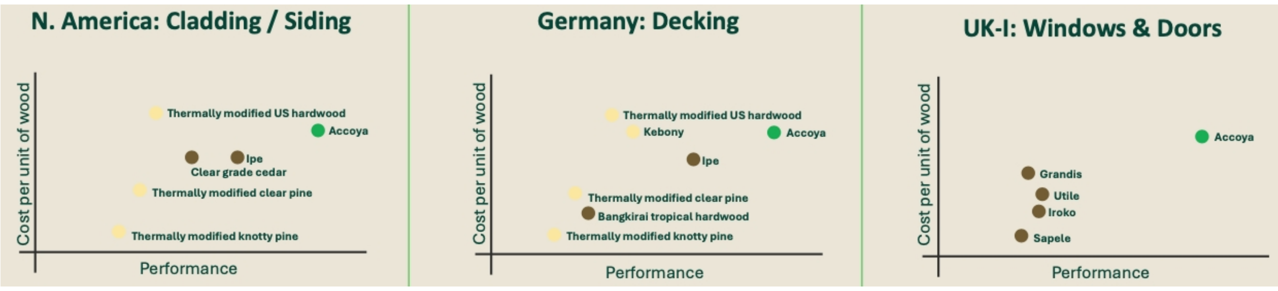
Source: Accsys Technologies

- Accsys's main product is Accoya, which is acetylated solid wood up to a diameter of 10cm. The company has a plant in Arnhem, the Netherlands, with capacity of 80,000m³, and a plant in Kingsport, US, with capacity of 43,000m³ (this plant is owned in a 60%/40% JV with Eastman Chemical Group).
- Accoya Color: in 2021, Accsys acquired a wood colouring facility in Barry, Ireland, for Accoya colouring and profiling. The current annual capacity is 6,000m³ and the focus is on the global production of Accoya Color and on increasing efficiency. Accoya Color combines the benefits of Accoya wood with colour all the way through the wood from surface to core. This is the company's highest priced product. The benefits of Accoya Color over painting wood include improved aesthetics, colouring the wood throughout (not only the surface), whereas paint can be damaged and look worn after a number of years.
- Tricoya panels: after the construction of the Tricoya project in Hull, England, was terminated, Accsys continued to deliver Accoya wood, which is used in the manufacture of Tricoya panels. Accoya has offtake agreements with its two partners, Medite in Ireland and Finsa in Spain. The partners acquire (lower-grade) Accoya wood, which is processed to fibres and compressed into panels. These panels therefore have the same properties as Accoya.

Accsys continuously focuses on product innovation, such as different types of wood to be acetylated, expansion of the product range of Accoya Color, acetylated veneers (via partner Latvijas Finieris) and developing fire retardant Accoya (via partners).

The initial cost for Accsys's products is much higher compared to competitive products, with a price difference in the range of 200–300%. Its products deliver much higher performance; in the exhibit below, Accsys shows the difference in performance compared to several hardwoods and thermally modified woods.

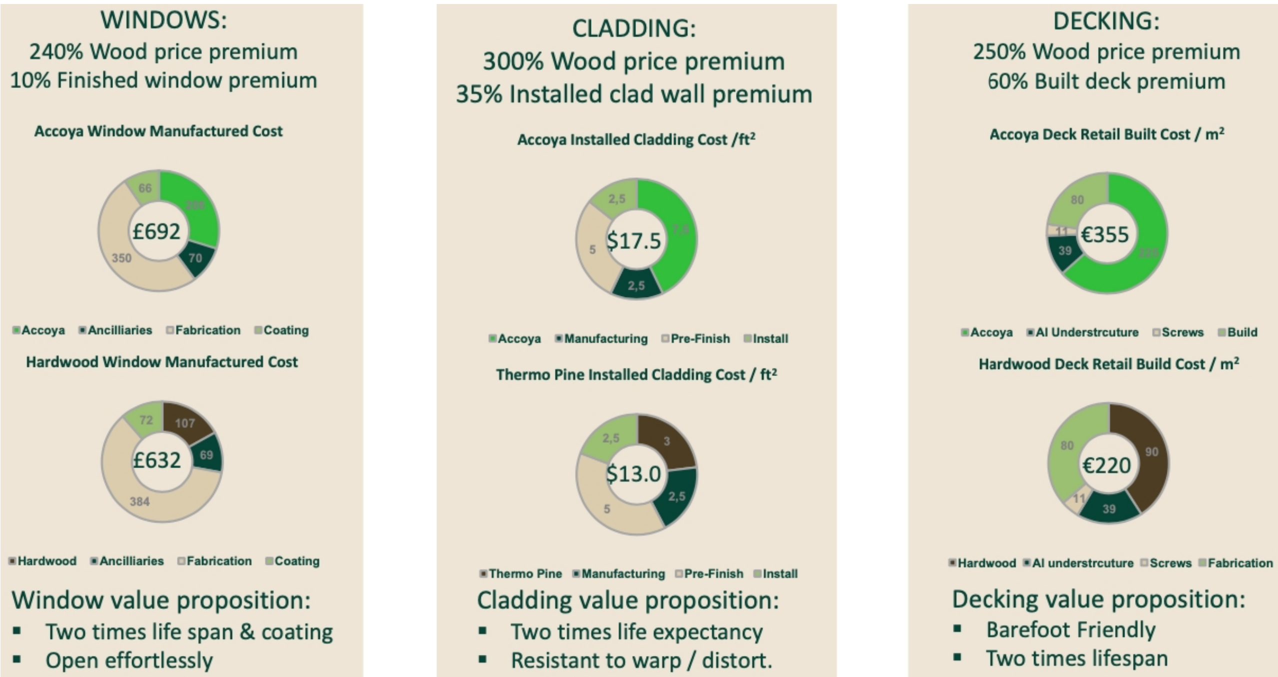
Exhibit 3: Pricing premium for higher performance



Source: Accsys Technologies

When looking at the total cost of installation, these products are much more competitively priced, while maintenance costs are significantly lower. According to Accsys, the total cost of installation for windows and doors is only 10% higher when compared to several hardwoods, which should make its products attractive for large construction companies, whereas Accsys currently sells its products on a project-by-project basis. At the investor day, management commented that it is in discussions with several construction companies.

Exhibit 4: Value proposition versus other applications



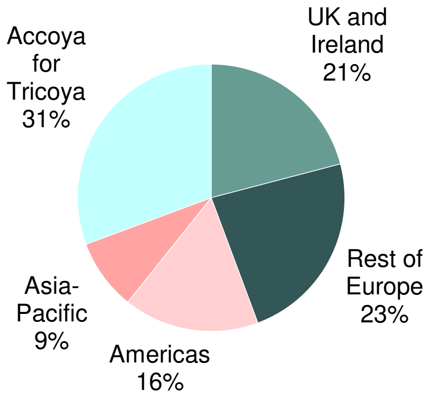
Source: Accsys Technologies

Market position and growth opportunities

Accsys operates in large wood markets for cladding, decking, windows and doors, which are estimated by Principia at 8.6m m³ for the US and by AFRY at 1.5m m³ for Europe. The company's current market share in its addressable markets is less than 1% in the US and around 5% in the UK, which offers plenty of room to grow in the coming years. Market growth is driven by several megatrends such as urbanisation and population growth, housing shortages and ageing stock and sustainable construction and biophilic design (to increase occupant connectivity to the natural environment). Based on research from Markets Insights and Technavio, the global construction materials market is expected to show good growth in the midterm of 4–6%, with North America showing the highest growth of 5–8%, followed by Europe with 3–4% and the UK with 2–5%. Based on good market demand and the current low market penetration of Accsys's products, we expect the company to be able to significantly outperform market growth. At the investor day, management commented that it would not shy away from price actions from time to time to gain further market share.

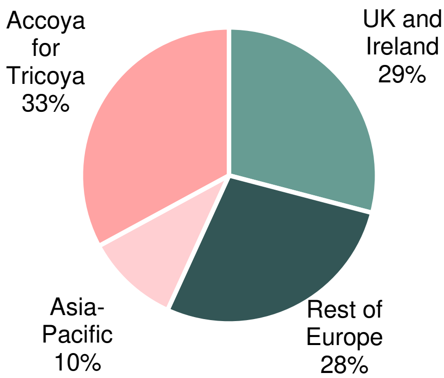
Accsys's distribution is targeted at manufacturers, architects and building developers, while also aiming to increase direct deliveries. In the US, the focus is on expansion of direct delivery in Texas, California and Florida, which are the largest markets for cladding and decking. In the US, the company is focused on getting Accoya closer to the consumer through expansion of the number of outlets of wood products. In Europe, the company can further develop its market position in France and Germany while adding Southern European countries. Accsys will keep investing heavily in education and end user awareness to accelerate demand generation, whereby it increasingly uses social media to create customer experience. Its geographical focus is on the US and Europe and to a lesser extent to Asia. The next charts show the sales volumes by end market for the Arnhem plant for FY24 and also FY26e without US deliveries from Arnhem. Previously, Accsys delivered its products worldwide from its plant in Arnhem. Since September 2024, the US market has been serviced by the Kingsport plant and the existing volumes to US customers from Arnhem are being transferred to the US plant. This provides the US plant a kick-start of almost 10,000m³, while Arnhem has a gap to fill; management previously stated that it expects this gap to be filled within 12 months after the start of the US plant.

Exhibit 5: Sales volume by end market, FY24



Source: Accsys Technologies

Exhibit 6: Sales volume by end market, FY26e



Source: Edison Investment Research

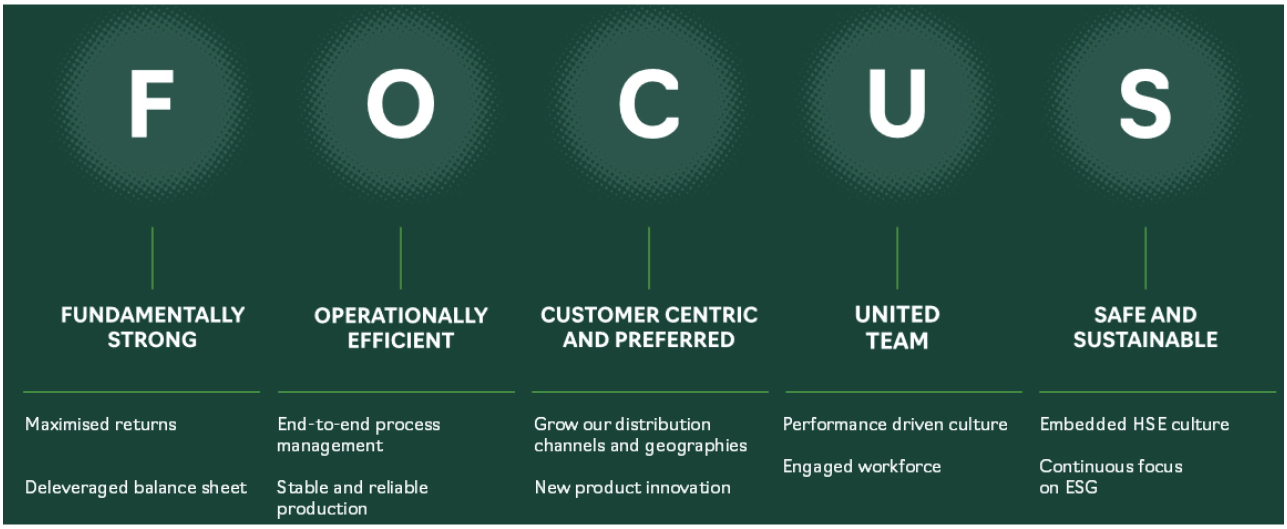
Strategy and financial targets

A large part of the investor day was spent on the company's Focus strategy, including expansion of its distribution network, and the financial targets for the coming years.

Focus strategy

Accsys explained its Focus strategy, which is shown in the chart below. All the building blocks of a modern, fast-growing company are there: optimising efficiency and returns, expanding distribution to maximise sales volumes and creating an engaged workforce in a sustainable environment.

Exhibit 7: Accsys's Focus strategy



Source: Accsys Technologies

Financial targets

Accsys also set out financial targets, divided in three phases. After specific targets for FY25–27 (Phase one) and FY28–30 (Phase two), the target for FY31 and beyond is to grow further and to expand the plant in the US (Phase three, without specific targets). In short, the targets are a run rate volume of 100,000m³ by the end of FY27 and 120,000m³ by the end of FY30, while adjusted group EBITDA margin should improve from 7% in FY25 (consensus according to Accsys) to 12% in FY27 and 15% in FY30, which we consider as very cautious targets. Accsys expects to increase returns without a significant increase in capital employed.

Exhibit 8: Financial targets: consensus FY25 and targets for FY27 and FY30

€m	FY25	By the end of FY27	By the end of FY30
Sales volume in m^3 (run rate for FY27 and FY30)	61,000–63,000	100,000	120,000
– Sales volume in m^3 in Arnhem (run rate for FY27 and FY30)	55,000–56,000	70,000–75,000	80,000–85,000
– Sales volume in m^3 in Kingsport (run rate for FY27 and FY30)	6,000–7,000	25,000–30,000	35,000–40,000
Revenues group (100% Arnhem, 60% Kingsport)	151		290
– Revenues Arnhem	139		230
– Revenues Kingsport (Accsys's 60% share)	12		60
Gross margin	30.1%	30.0%	30.0%
Adjusted group EBITDA (incl 60% share in JV)	10.5		54.0
Adjusted EBITDA Arnhem including Holding/R&D	15.5		40.0
Adjusted EBITDA Kingsport (for Accsys's 60% share)	(5.0)		14.0
Adjusted group EBITDA margin	6.9%		18.6%
Adjusted EBITDA margin Arnhem	11.1%		17.4%
Adjusted EBITDA margin Kingsport	N/A		23.3%
Net debt	35.7		0.0
Cash conversion		>75%	>75%

Source: Accsys Technologies, Edison Investment Research. Consensus FY25 provided by Accsys.

Volume CAGR of 14% until FY30

Accsys maintained its run-rate volume target of 100,000m³ by the end of FY27, which implies annual growth of 26% on average, compared to midpoint consensus of 62,000m³ in FY25 (which is 55,500m³ for Arnhem and 6,500m³ for Kingsport). The company's focus in phase two is to bring both plants towards full capacity, reflecting a run-rate sales volume of at least 120,000m³ by FY30, or a CAGR of 6% for FY28–30, bringing the volume CAGR for the period FY25–30 to 14% (with a volume CAGR of 9% for the Arnhem plant).

At the investor day, the managing director of the Arnhem plant commented that the efficiency programme Solid Roots should underpin a higher output in Arnhem than the previously anticipated 20,000m³ per reactor. Hence, the target of 80,000–85,000m³ by the end of FY30, with each reactor performing better than the initial 20,000m³, while Accsys commented that a maximum of 25,000m³ per reactor might be feasible in the longer term (after FY30). One reason for the higher output is the shorter cycle time, which has come down from 24 hours in 2007 to currently under 20 hours (for a 24/7 operating plant, apart from the three- to four-week stop for annual maintenance), while the company is investigating another 5–10% improvement.

Previous management had indicated a three-year ramp up to 43,000m³ in Kingsport, but current management is more cautious, expecting nearing full capacity in five to six years, via a run rate volume of 35,000–40,000m^3 by the end of FY30. Management also remarked that growth expansion is the company's focus for the period beyond FY30. As a result, we have lowered our expected pace of ramp up for the US plant. However, we would not be surprised if the company announced expansion plans before FY30, and we note that such a decision would be made around two years before the new capacity is needed. All in all, our estimates currently assume volumes of around 120,000m^3 by FY30 on a consolidated basis.

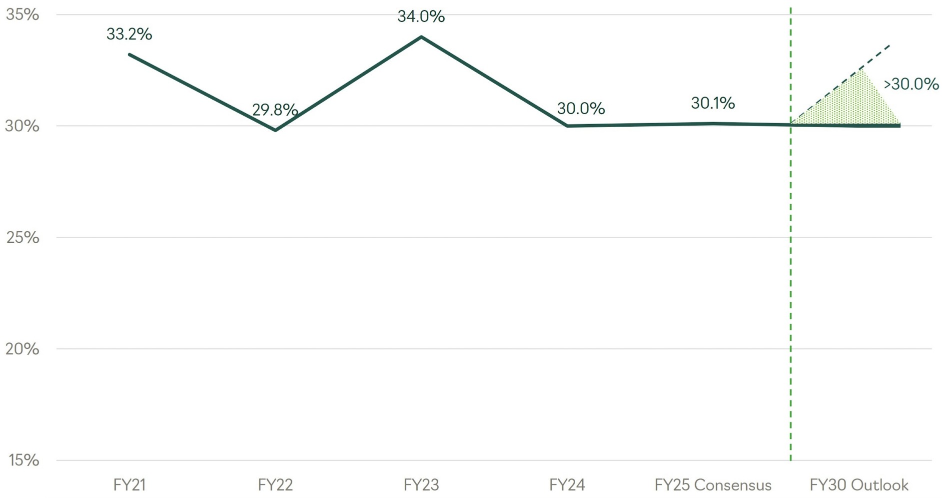
Revenues for Arnhem and Kingsport

With an expected CAGR in total sales volumes of 14% for the period FY25–30e (Arnhem and Kingsport), Accsys also expects a CAGR of a solid 14% in total revenues by maintaining the company's current premium pricing. For Arnhem, the company expects a revenue level of €230m by the end of FY30, which is including Tricoya panel sales and acetic acid sales. This level compares to our more cautious €213m, with the main difference being pricing. For Accoya USA, Accsys expects revenues of around €100m by the end of FY30, or €60m for Accsys's 60% share in the JV. We have adjusted our too optimistic estimates to bring them more in line with company guidance, although we would not be surprised if these estimates are beaten.

Gross margin of 30%, too conservative

Accsys maintains its gross margin target of 30%, which we think is very conservative. The plants in Arnhem and Barry are currently operating at a gross margin of 31%, while Arnhem has realised 33–34% in the past. The company's main costs are raw wood, anhydride and logistics. The company is executing its optimisation programme Solid Roots, which is partly to compensate for price inflation. Solid Roots focuses on, among others, maximising asset utilisation and supply chain optimisation for wood and acetyls. Management has previously communicated that the plant in the US should be able to reach gross margins higher than in Arnhem, due to acetyl supply proximity (delivered via pipes rather than via trucks like in Arnhem) and the US market premium (although short-term discounts are offered to create higher demand). Sourcing more local wood instead of radiata pine from New Zealand could also further help profitability. We estimate that the difference in gross margin between Arnhem and Kingsport could potentially be 300bp, and our model assumes a gross margin for the Arnhem plant of 32.5% by FY30. The gross margin slide from the company's presentation also hints at potentially higher gross margins.

Exhibit 9: Gross margin development



Source: Accsys Technologies

Significant upside in adjusted group EBITDA margin

For operating costs, the company focuses on strict cost control and the expected increase in volumes will also deliver scale benefits. We estimate holding and R&D costs in the range of €6–7m until FY30. Accsys targets a group EBITDA margin of 12% for FY27 and 15% for FY30, which we consider very cautious and might be based on a gross margin level of 30%. If the company manages to optimise efficiency and to ramp up the US plant smoothly, higher gross margins are definitely possible, directly filtering through to EBITDA margin. The Arnhem facility is already at an EBITDA margin of 17% (including holding and R&D costs) and management indicated that a margin of 20% should be achievable. As can be seen in Exhibit 8, the separate revenue and adjusted group EBITDA targets should lead to much higher margins of more than 18% in FY30, which are broadly in line with our assumptions

Zero net debt by FY30 achievable

Consensus expects a net debt level for Accsys in FY25 of €36m (from €40.2m in H125) and one of the company's main priorities is to be debt free by FY30, which means an average decline in net debt of €7m a year.

Now that Accsys has established two Accoya plants, it has passed its peak investment. Management expects maintenance capex for the Arnhem plant of €3–4m per annum, while the new plant in the US only needs €1–2m per annum for the foreseeable future. Management has also indicated it expects growth capex of €1–2m per annum for individual projects. The overall capex for the next few years therefore will be in the range €5–8m and we use €6–7m in our model until FY30.

Based on our estimates, we expect the company to generate increasing free cash flow (FCF), from €6m in FY26 to €21m in FY30, which should be more than sufficient to bring the company into a net cash position by FY30.

Financials

The company provided consensus numbers for FY25 with a revenue level of €139m and adjusted EBITDA of €10.5m, and we therefore leave our estimates for the current financial year unchanged. Accsys defines adjusted group EBITDA as the EBITDA from Arnhem, including holding and R&D costs, and the 60% JV share of the Kingsport EBITDA.

Exhibit 10: Change in estimates

P&L, € m	FY25e			FY26e			FY27e		
	Old	New	Change	Old	New	Change	Old	New	Change
Sales	135.5	135.5	0.0%	149.0	147.0	-1.3%	173.9	172.2	-0.9%
Gross margin	30.2%	30.1%		30.8%	30.3%		31.6%	31.2%	
EBITDA (incl 60% share JV)	10.7	10.7	0.0%	19.4	20.1	3.5%	30.4	29.8	-1.8%
EBITDA margin	12.0%	12.1%		14.2%	13.3%		15.0%	15.1%	
Net profit	(25.6)	(29.5)		2.5	0.8	-68.2%	12.2	9.2	-25.0%
Net profit adjusted	(4.7)	(8.6)	84.0%	2.5	0.8	-68.2%	12.2	9.2	-25.0%

Source: Edison Investment Research

For FY26 and FY27, we have only made small changes in our revenue estimates, which were broadly pointing in the same direction as the company's newly set financial targets. On slightly lower revenues for Arnhem we also have slightly lowered our EBITDA estimates for this plant. On the other hand, we have raised our FY26e estimate for Kingsport as Accsys indicated it expects a positive EBITDA compared to our estimated loss of €1.7m (for the 60% share in the JV). For FY27, we keep our EBITDA estimates broadly unchanged, with a lower-than-expected ramp up of the Kingsport plant delivering a less rapid increase in profitability. We have lowered our net profit estimates, mainly due to increased interest expenses. However, we still expect Accsys to report a net profit from FY26.

Exhibit 11: P&L Accsys

€m	FY23	FY24	FY25e	FY26e	FY27e
Sales	162.0	136.2	135.5	147.0	172.2
Growth	*34%*	*-16%*	*0%*	*8%*	*17%*
Volumes Arnhem, in m³	*63,344*	*56,568*	*57,007*	*60,788*	*69,906*
Gross margin	34.0%	30.0%	30.1%	30.3%	31.2%
Other operating expenses	(31.6)	(32.3)	(24.5)	(24.9)	(27.8)
EBITDA	23.6	8.5	16.3	19.6	25.9
EBITDA margin	14.6%	6.3%	12.1%	13.3%	15.1%
Depreciation	(7.5)	(8.8)	(5.3)	(7.8)	(6.9)
EBITA	16.1	(0.2)	11.1	11.8	19.0
EBITA margin	9.9%	-0.2%	8.2%	8.0%	11.0%
Amortisation	(0.8)	(0.8)	(3.7)	(1.2)	(1.2)
EBIT pre restructuring	15.3	(1.0)	7.4	10.6	17.8
EBIT margin	9.4%	-0.8%	5.4%	7.2%	10.3%
Restructuring and other items	(1.5)	(1.2)	(3.9)	0.0	0.0
Impairment	(86.0)	(7.0)	(18.0)	0.0	0.0
EBIT reported	(72.2)	(9.2)	(14.5)	10.6	17.8
Financial income and expenses	6.1	(3.8)	(5.7)	(6.3)	(7.3)
Pre tax income	(66.0)	(13.0)	(20.3)	4.3	10.5
Taxes	(2.8)	(0.8)	(1.0)	(0.6)	(1.1)
Result Joint venture	(1.0)	(4.1)	(8.2)	(2.9)	(0.3)
Minority interest	30.8	0.0	0.0	0.0	0.0
Net profit reported	(39.0)	(17.9)	(29.5)	0.8	9.2
Net profit adjusted	9.5	(10.2)	(8.6)	0.8	9.2
Shares outstanding, average	210.7	227.9	238.0	240.4	240.4
EPS reported (€)	(0.19)	(0.08)	(0.12)	0.00	0.04
EPS adjusted (€)	0.05	(0.04)	(0.04)	0.00	0.04
DPS (€)	0.00	0.00	0.00	0.00	0.00

Source: Accsys Technologies, Edison Investment Research

For FY30, we have raised our volume forecast for Arnhem from 80,000m³ to around 82,500m³ as higher efficiency and lower cycle times will push the capacity per reactor to more than 20,000m³. On the other hand, we have lowered our volume forecast for Accoya USA as the ramp up is now expected to take much longer than we previously anticipated. Our overall volume forecast is around 120,000m^3 on a consolidated basis. If Accsys manages to ramp up the US plant smoothly there will be clear upside potential to the run-rate volume target of 120,000m^3 by the end of FY30.

For FY30, we have raised our EBITDA estimates as the margin potential of the business is higher than we previously anticipated, which is partly supported by the initiatives of Accsys to improve efficiency and maximise output levels. For FY30, we now estimate EBITDA of around €50m, compared to the company's €54m target.

Financial position improving

As already discussed, the financial position of Accsys is rapidly improving after a few years of high investment levels. With improving margins on the back of higher volumes, we expect FCF to improve from €6m in FY26 towards €21m in FY30. Based on these estimates, the company would have net cash in FY30.

Exhibit 12: Cash Flow development

in € m	FY23	FY24	FY25e	FY26e	FY27e
Cash flow from operations	16.6	7.1	7.8	11.2	14.5
Cash flow from investments	(59.3)	(8.4)	(11.6)	(8.3)	(10.5)
Cash flow from financing	27.2	2.1	2.0	(3.3)	(4.4)
Change in cash	(15.5)	0.8	(1.7)	(0.4)	(0.4)
Free cash flow	(13.6)	3.7	4.3	5.8	8.9

Source: Accsys Technologies, Edison Investment Research

The CFO thinks that a net debt/EBITDA ratio of 1.0-1.5x suits the company when looking at the period after FY30. Considering the planned adjusted group EBITDA of €40m and assuming that banks are willing to (temporarily) finance at 3x, Accsys might be able to arrange €120m in debt.

The next large investment will be the expansion of the plant in the US, which has space for 6 more reactors on top the current two with capacity of 43,000m^3. Costs of the plant in the US are shared with 60-40% JV partner Eastman Chemical Company. According to Accsys, expansion of this plant by two reactors will cost an estimated $75-80m with Accsys's part at $45-48m. Based on Accsys's estimated financial position around FY30, it seems that the company may not need a new capital raise for financing this expansion. If the ramp up in the US develops much quicker than currently anticipated, financing of this expansion should be arranged way earlier than FY30 as it takes roughly two years to build two new reactors, which might require a small capital raise if the full $45-48m needs to be financed around FY28.

Valuation

For the valuation of Accsys we use a discounted cash flow (DCF) model as there are no other listed companies with a business profile close to that of Accsys. We note that Accsys is currently valued at EV/sales of 1.1x and EV/EBITDA of 7.8x in FY26e, which seems undemanding for a growth company.

Our model includes our estimates for the Arnhem plant with four reactors and we add a separate value for the Accoya plant in the US to the overall value. Our DCF model is based on the following assumptions:

- We only consider organic revenue growth in our model as we do not expect the company to be very active in M&A.
- A terminal revenue growth rate of 2%, as market demand for Accsys's high-performance wood products remains high in a market segment that is far from mature.
- A terminal EBIT margin of 17%, as Accsys is well on the way to further building its profitability, driven by expanding its scale.
- Accsys's tax rate will remain low due to fiscal facilities and the large amount of tax losses carried forward. In our DCF model, we use a normalised tax rate of 25% and have added the net present value (NPV) of the tax losses, which we expect to be utilised over the next few years.
- We use a beta of 1.25 to reflect the relatively small size of the company while it builds up a track record for successfully ramping up production plants over the next few years.
- We set a risk-free rate of 3.5% and a market equity risk premium of 6.0%, delivering a WACC of 10.1%.

Mainly on our raised EBITDA estimates for the Arnhem plant, our DCF model now suggests a fair value for Accsys of €1.00 per share (€0.95 in our previous update).

The sensitivity analysis in the following Exhibits show the fair value outcome under different sales growth, EBIT margins and WACC scenarios.

Exhibit 13: Sensitivity analysis: WACC vs perpetual growth

Sensitivity		Perpetual growth				
Analysis		1.0%	1.5%	2.0%	2.5%	3.0%
	9.1%	1.07	1.11	1.16	1.22	1.29
	9.6%	1.00	1.03	1.07	1.12	1.18
WACC	10.1%	0.93	0.96	1.00	1.04	1.08
	10.6%	0.87	0.90	0.93	0.96	1.00
	11.1%	0.82	0.84	0.87	0.90	0.93

Source: Edison Investment Research

Exhibit 14: Sensitivity analysis: WACC vs EBIT margin

Sensitivity		EBIT margin				
Analysis		15.0%	16.0%	17.0%	18.0%	19.0%
	9.1%	1.07	1.12	1.16	1.21	1.25
	9.6%	0.99	1.03	1.07	1.12	1.16
WACC	10.1%	0.92	0.96	1.00	1.03	1.07
	10.6%	0.86	0.90	0.93	0.96	0.99
	11.1%	0.81	0.84	0.87	0.90	0.93

Source: Edison Investment Research

Exhibit 15: Financial summary

€m	FY23	FY24	FY25e	FY26e	FY27e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue (reported)	162.0	136.2	135.5	147.0	172.2
Volumes Arnhem, in m³	63,344	56,568	57,007	60,788	69,906
Gross Profit	55.2	40.9	40.8	44.5	53.7
EBITDA underlying, incl share Accoya USA jv	22.9	4.8	10.7	20.1	29.8
EBITDA underlying, excl share Accoya USA jv	23.6	8.5	16.3	19.6	25.9
EBITDA reported	22.1	7.3	12.4	19.6	25.9
Depreciation & Amortisation	(8.3)	(9.6)	(9.0)	(9.0)	(8.1)
EBIT normalised	15.3	(1.0)	7.4	10.6	17.8
Exceptionals (Edison definition)	(87.5)	(8.2)	(21.9)	0.0	0.0
EBIT reported	(72.2)	(9.2)	(14.5)	10.6	17.8
Net Interest	6.1	(3.8)	(5.7)	(6.3)	(7.3)
Results of associates/Accoya USA jv	(1.0)	(4.1)	(8.2)	(2.9)	(0.3)
Profit Before Tax	(67.1)	(17.1)	(28.5)	1.4	10.5
Reported tax	(2.8)	(0.8)	(1.0)	(0.6)	(1.1)
Profit After Tax	(69.9)	(17.9)	(29.5)	0.8	9.5
Minority interests	30.8	0.0	0.0	0.0	0.0
Net profit (normalised)	9.5	(10.2)	(8.6)	0.8	9.2
Net profit (reported)	(39.0)	(17.9)	(29.5)	0.8	9.2
Average number of shares (m)	210.7	227.9	238.0	240.4	240.4
Average number of shares, diluted (m)	219.1	234.9	245.0	247.4	247.4
EPS normalised (€)	0.05	(0.04)	(0.04)	0.00	0.04
EPS reported (€)	(0.19)	(0.08)	(0.12)	0.00	0.04
Revenue growth	34%	-16%	0%	8%	17%
Gross Margin	34.0%	30.0%	30.1%	30.3%	31.2%
Normalised EBITDA margin	14.6%	6.3%	12.1%	13.3%	15.1%
Normalised operating margin	9.4%	-0.8%	5.4%	7.2%	10.3%
Reported EBIT margin	-44.5%	-6.8%	-10.7%	7.2%	10.3%
BALANCE SHEET					
Fixed Assets	151.4	138.9	125.5	124.9	125.2
Intangible Assets	10.5	10.0	6.8	6.0	5.2
Tangible Assets	110.1	97.2	83.1	80.3	78.5
Investments & other	30.9	31.7	35.7	38.6	41.5
Current Assets	75.1	71.0	70.0	73.3	81.2
Stocks	29.9	25.7	25.6	27.8	32.6
Debtors	14.4	14.0	14.7	15.9	18.7
Other current assets	4.1	3.8	4.0	4.3	5.0
Cash & cash equivalents	26.6	27.4	25.7	25.3	24.9
Current Liabilities	42.5	26.2	27.4	28.2	31.5
Creditors	17.9	11.8	11.8	12.1	13.5
Other current liabilities	14.0	13.7	12.9	13.3	15.3
Short-term borrowings	10.5	0.7	2.7	2.7	2.7
Long-Term Liabilities	61.6	65.0	65.0	61.7	57.3
Long-term borrowings	60.2	63.9	63.9	60.6	56.2
Other long-term liabilities	1.4	1.1	1.1	1.1	1.1
Shareholders' equity	122.5	118.8	103.2	108.4	117.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Balance sheet total	226.5	210.0	195.5	198.2	206.4
CASH FLOW					
Op Cash Flow before WC and tax	28.2	3.6	14.4	18.6	24.9
Working capital	(6.1)	(1.8)	(1.5)	(3.0)	(4.8)
Other	0.6	1.5	1.5	1.5	1.5
Tax	0.1	0.1	(1.0)	(0.6)	(1.1)
Net interest	(6.1)	3.8	(5.6)	(5.2)	(6.0)
Net operating cash flow	16.6	7.1	7.8	11.2	20.5
Capex	(30.2)	(3.5)	(3.6)	(5.4)	(5.6)
Investments in financial assets/joint ventures	(29.0)	(4.9)	(8.0)	(2.9)	(4.9)
Equity financing	19.2	12.7	0.0	0.0	0.0
Other	6.6	(4.5)	0.0	0.0	0.0
Net Cash Flow	(16.8)	6.9	(3.7)	2.9	10.0
Opening net debt/(cash), including lease liabilities	27.3	44.1	37.1	40.8	38.0
Closing net debt/(cash), including lease liabilities	44.1	37.1	40.8	38.0	27.9

Source: Accsys Technologies, Edison Investment Research

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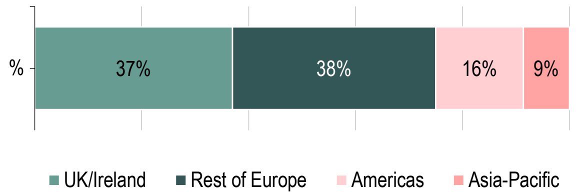
Revenue by geography



Management team

CEO: Jelena Arsic van Os

Jelena joined the Accsys board on 27 June 2023 and has over 20 years' experience in senior executive leadership roles in large-cap multinational companies. She has a proven track record in transforming and driving complex businesses, delivering on profitable growth targets. Prior to joining Accsys, she had senior executive roles at Imerys and AkzoNobel.

CFO: Sameet Vohra

Sameet joined Accsys on 30 September 2024 and has over 25 years' experience in finance, with over 20 years' experience working in UK-listed PLCs primarily in manufacturing, engineering and natural resources. His previous CFO roles were at Sureserve and Science, and he was group director of finance at Spectris and group financial controller at TT Electronics.

Principal shareholders	%
Teslin Participaties Coöperatief U.A.	15.0%
De Engh	14.3%
BGF	8.0%
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