

Accsys Technologies

Second Accoya plant operational

Q125 trading update

General industries

9 September 2024

Price **52p/€0.65**

Market cap **£130m/€156m**

€1.19/£

Net debt (€m) at 31 March 2024 37.1

Shares in issue 240.4m

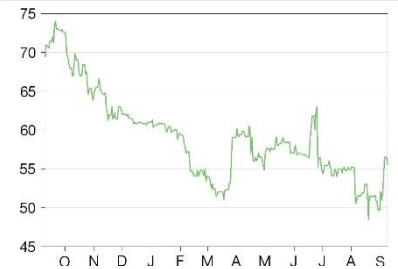
Free float 60%

Code AXS

Primary exchange LSE

Secondary exchange Euronext Amsterdam

Share price performance



% 1m 3m 12m

Abs 10.1 (2.5) (22.2)

Rel (local) 8.2 (1.3) (29.5)

52-week high/low 74p 48p

Business description

Accsys Technologies is a chemical technology company focused on the development and commercialisation of a range of transformational technologies based on the acetylation of solid wood and wood elements for use as high-performance, environmentally sustainable construction materials.

Next events

H125 results November 2024

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Accsys Technologies has achieved the milestone of starting commercial operations at its Accoya USA plant (the second in the world). The company also reported that the improved momentum of Q424 has continued into Q125 and that Accsys has returned to revenue growth after last year's decline. Supported by a good order book, Accsys is positive about its outlook despite the current challenging markets. There was no update on the Tricoya project, for which an external adviser has been hired and a final decision is expected before the end of September. On slightly higher revenue and EBITDA forecasts, our discounted cash flow (DCF) points to an unchanged value of €0.98 per share.

Year end	Revenue (€m)	EBITDA* (€m)	Net profit* (€m)	EPS* (€)	EV/sales (x)	EV/EBITDA (x)
03/23	162.0	22.9	9.5	0.05	1.1	7.6
03/24	136.2	4.8	(10.2)	(0.04)	1.3	20.8
03/25e	137.4	8.5	(7.5)	(0.03)	1.1	14.1
03/26e	152.4	15.3	2.6	0.01	1.0	8.9

Note: *EBITDA, net profit and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. EBITDA includes 60% share of Accoya US joint venture.

Good start to the year despite challenging markets

In June, management commented that Accsys had a good start to the financial year (ending March 2025) and now it reports to have returned to growth, with revenues increasing 3% y-o-y in Q125. This is better than we had anticipated, given the relatively strong comparison base and still weak construction markets. According to management, destocking is over and sold volumes are directly ending up in the market, which is a clear improvement on last year. There is no news yet regarding profitability, but Accsys will benefit from the improving trading conditions (supported by its good order book) and the annualised cost savings of €3m, which supports our expected increase in EBITDA for FY25.

Accoya USA plant started commercial operations

Accsys announced that the new Accoya USA plant has started commercial operations, with the first batches being delivered to clients, which is in line with the latest guidance in June of being operational by the end of the summer. This is an important milestone for Accsys as there now are two Accoya plants in the world: one with capacity up to 80,000m³ in Arnhem, the Netherlands and one with capacity up to 43,000m³ in the US, which has the largest wood market globally. The plant in the US is owned by the 60/40 joint venture (JV) of Accsys and Eastman Chemical Company and will be, therefore, not fully consolidated but equity accounted. Management reiterated that Accsys is on track to reach 100,000m³ in volumes by FY27, with a gradual ramp up at the new plant in the US.

Valuation shows undervaluation

Following the good start of the year, we have slightly raised our revenue forecasts for FY25 and FY26 by 2% y-o-y and our EBITDA forecast by 3–5% y-o-y. Our DCF model is based on specific forecasts for the Arnhem plant and we add a separate value for the Accoya USA JV, pointing to a value per share of €0.91. The option value for Hull adds €0.07, bringing Accsys's value to €0.98 per share ([unchanged](#)).

Revenue estimates slightly raised

Management did not provide specific guidance for FY25 but mentioned that Q2 has started well with a healthy order book across the regions, after the 3% y-o-y revenue growth to €35.9m in Q1 of FY25. This gives management confidence that Accsys has returned to a growth trajectory, despite the current challenging market conditions. During H224, Accsys invested in sales and marketing and this is reflected in the more positive volume trend even though the global wood market is moderately declining. Accsys will also benefit from the greater economies of scale associated with the ramp-up of the Accoya USA plant. In Q125, Accsys experienced solid growth in the North American market, which bodes well for a gradual ramp up of capacity at the new plant.

There was no update on the Tricoya project in the UK, which has been on hold since November 2022. In June, Accsys hired an external adviser and management will make a decision on Hull before the end of September 2024.

Accsys reiterated its goal to reach around 100,000m³ in sales volume by the end of FY27, reflecting around 80% growth compared to FY24. This includes the volumes of Accoya USA, although this JV is equity accounted for, thus the P&L will only show the volumes from the Arnhem plant.

We slightly raised our revenue forecasts by 2% for the next two financial years after the return to growth in Q125, as we had anticipated a small decline in Q1 with a return to growth later in the year (particularly in Q3, which compares to the weakest quarter by far in FY24). With these slightly better revenue trend we also have modestly increased our EBITDA forecasts by 3–5% for FY25e and FY26e.

Exhibit 1: Change in P&L estimates							
€m	FY24	FY25e			FY26e		
	Actual	Old	New	Change	Old	New	Change
Sales	136.2	134.6	137.4	2.1%	149.9	152.4	1.7%
Gross margin	30.0%	29.8%	29.8%		31.4%	31.3%	
EBITDA normalised*	4.8	8.1	8.5	5.1%	14.9	15.3	2.6%
EBITDA margin	6.3%	8.0%	8.1%		10.9%	11.0%	
Net profit (reported)	(17.9)	(7.9)	(7.5)	N/A	2.2	2.6	16.0%
Net profit (normalised)	(10.2)	(7.9)	(7.5)	N/A	2.2	2.6	16.0%

Source: Edison Investment Research. Note: *EBITDA normalised for amortisation and exceptional items and includes the 60% share in the Accoya USA JV plant.

Our new estimates assume a revenue increase of 1% y-o-y in FY25. Starting in Q2, the North American sales will gradually transition from being supplied by the Arnhem plant to the new plant in the US. We do not expect the plant in Arnhem to fully absorb these lost volumes but we now anticipate better pricing levels than previously. For FY26, we still expect stronger revenue growth of 11% y-o-y, driven by improving market conditions and the contribution of new clients due to increased sales and marketing efforts.

Valuation

We value Accsys by using a DCF model as a peer group comparison does not make sense in the absence of other listed companies with comparable business profiles. We base our model on specific forecasts for the four reactors in Arnhem and we add a separate DCF value for the Accoya USA plant, as this is owned by the 60/40 JV with Eastman Chemical Company (therefore not fully consolidated).

Our DCF indicates a value per share of €0.91, with an option value for Hull of €0.07 per share, which brings Accsys's total value per share to €0.98 (unchanged).

Exhibit 2: Financial summary

€m	FY22	FY23	FY24	FY25e	FY26e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue (reported)	120.9	162.0	136.2	137.4	152.4
Gross Profit	36.0	55.2	40.9	40.9	47.7
EBITDA underlying, Accsys definition (incl share Accoya USA JV)	10.4	22.9	4.8	8.5	15.3
EBITDA underlying, excl share Accoya USA JV	10.6	23.6	8.5	11.2	16.8
EBITDA reported	10.3	22.1	7.3	11.2	16.8
Depreciation & Amortisation	(6.2)	(8.3)	(9.6)	(9.6)	(9.1)
EBIT normalised	4.2	15.3	(1.0)	1.6	7.6
Exceptionals (Edison definition)	(0.1)	(87.5)	(8.2)	0.0	0.0
EBIT reported	4.1	(-72.2)	(-9.2)	1.6	7.6
Net Interest	(2.3)	6.1	(3.8)	(4.3)	(3.5)
Results of associates/Accoya USA JV	0.0	(1.0)	(4.1)	(5.1)	(1.1)
Profit Before Tax	1.8	(67.1)	(17.1)	(7.8)	3.0
Reported tax	(1.0)	(2.8)	(0.8)	0.3	(0.4)
Profit After Tax	0.7	(69.9)	(17.9)	(7.5)	2.6
Minority interests	1.6	30.8	0.0	0.0	0.0
Net profit (normalised)	1.9	9.5	(10.2)	(7.5)	2.6
Net profit (reported)	2.4	(39.0)	(17.9)	(7.5)	2.6
Average number of shares (m)	190.4	210.7	227.9	239.9	240.4
Average number of shares, diluted (m)	198.9	219.1	234.9	246.9	247.4
EPS normalised (€)	0.01	0.05	(0.04)	(0.03)	0.01
EPS normalised diluted (€)	0.01	0.04	(0.04)	(0.03)	0.01
EPS reported (€)	0.01	(0.19)	(0.08)	(0.03)	0.01
DPS (€)	0.00	0.00	0.00	0.00	0.00
Revenue growth	21.1%	34.1%	-16.0%	0.9%	10.9%
Gross margin	29.8%	34.0%	30.0%	29.8%	31.3%
Normalised EBITDA margin	8.8%	14.6%	6.3%	8.1%	11.0%
Normalised operating margin	3.5%	9.4%	-0.8%	1.2%	5.0%
Reported EBIT margin	3.4%	-44.5%	-6.8%	1.2%	5.0%
BALANCE SHEET					
Fixed Assets	195.3	151.4	138.9	140.9	136.5
Intangible Assets	10.8	10.5	10.0	9.6	9.2
Tangible Assets	181.3	110.1	97.2	91.6	86.5
Investments & other	3.2	30.9	31.7	39.7	40.7
Current Assets	79.8	75.1	71.0	68.4	80.3
Stocks	20.4	29.9	25.7	26.0	28.8
Debtors	13.2	14.4	14.0	14.9	16.5
Other current assets	4.2	4.1	3.8	4.0	4.5
Cash & cash equivalents	42.1	26.6	27.4	23.5	30.5
Current Liabilities	45.7	42.5	26.2	25.7	27.4
Creditors	16.7	17.9	11.8	11.9	12.9
Other current liabilities	16.4	14.0	13.7	13.1	13.8
Short term borrowings	12.7	10.5	0.7	0.7	0.7
Long Term Liabilities	56.5	61.6	65.0	65.0	65.0
Long term borrowings	56.5	60.2	63.9	63.9	63.9
Other long term liabilities	0.0	1.4	1.1	1.1	1.1
Shareholders' equity	172.9	122.5	118.8	118.6	124.4
Minority interests	35.5	0.0	0.0	0.0	0.0
Balance sheet total	275.1	226.5	210.0	209.3	216.7
CASH FLOW					
Op Cash Flow before WC and tax	7.3	28.2	3.6	11.2	16.8
Working capital	(9.2)	(6.1)	(1.8)	(1.8)	(3.2)
Exceptional & other	1.4	0.6	1.5	1.5	1.5
Tax	0.1	0.1	0.1	0.3	(0.4)
Net interest	2.9	(6.1)	3.8	(3.5)	(3.0)
Net operating cash flow	2.5	16.6	7.1	7.6	11.6
Capex	(45.3)	(30.2)	(3.5)	(3.6)	(3.7)
Investments in financial assets/joint ventures	(3.8)	(29.0)	(4.9)	(8.0)	(1.0)
Equity financing	34.9	19.2	12.7	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other	(3.3)	6.6	(4.5)	0.0	0.0
Net Cash Flow	(15.0)	(16.8)	6.9	(3.9)	7.0
Opening net debt/(cash), including lease liabilities	12.2	27.3	44.1	37.1	41.0
Closing net debt/(cash), including lease liabilities	27.3	44.1	37.1	41.0	34.1

Source: Accsys Technologies, Edison Investment Research

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