HEIQ

SPECIALTY CHEMICALS

13 September 2022

HEIQ.L

70.5p

Market Cap: £94.9m

SHARE PRICE (p)

12m high/low	140p/70p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	$7.3m *(at 30/06/22)*
Enterprise value	£89.1m
Index/market	LSE
Next news	FY update - Jan '23
Shares in Issue (m)	134.6
Chairwoman	Ester Dale-Kolb
Chief Executive	Carlo Centonze
CFO	Xaver Hangartner

COMPANY DESCRIPTION

HeiQ is an IP creator and established global brand in materials and textile innovation.

www.heiq.com

HEIQ IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

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Resilient H1 performance + cautious optimism on H2 prospects = unchanged forecasts

Against a backdrop of continuing global economic and market challenges, HeiQ has delivered a robust performance in H1. Management remains cautiously optimistic on meeting FY22E expectations. The company has made good progress on its four key technology platforms, including further product launches with strong revenue potential. The focus of the business model continues to shift towards commercialisation of its key technology platforms and IP (Intellectual Property) generation and monetisation, including licensing and partnerships with customers.

- **Interim results – resilience in testing times.** Against the corresponding H1 period last year, sales revenues rose 17% to $30.3m with a gross margin of 46.7%, as reported in August's H1 trading update. Profit measures and margins fell against last year's H1, driven primarily by China's three-month lockdown, increased investment in innovation and headcount, with adjusted EBITDA down 27% at $3.5m. This does not paint the complete picture however, as gross margin (+3% over H2 FY22) and both adjusted EBITDA and PBT made significant progress over H2 FY21.

- **IP developments – significant progress and more innovation launches.** H1 was business very much as usual in terms of business development. The August trading update had already highlighted positive developments at HeiQ AeoniQ (pilot commercialisation plant launched), HeiQ GrapheneX (validation of a solid-state battery at double energy capacity) and HeiQ Synbio (peer review confirming the potential to reduce Hospital Acquired Infections (HAI)). In addition, HeiQ ECOS, the group's silver nanowire technology platform, with numerous potential commercial building energy saving and defence applications, launched its first products to market. Q2 also saw the launch of HeiQ Mint, which delivers botanical odour control for textiles. In total, 21 new R&D projects were initiated in H1, with seven innovations launched onto market and two patents filed, underlining the importance of innovation to HeiQ's business model and the long-term delivery of shareholder value.

- **Forecasts – no changes, on assumption of stable backdrop.** With HeiQ expressing cautious optimism on meeting FY22E expectations, we leave our forecasts unchanged. This implies stronger sales growth in H2, together with further gross margin expansion and a lower rate of cost growth – hence the importance of a stable backdrop with no further shocks to the global ecosystem.

FYE DEC ($M)	2020	2021	2022E	2023E	2024E
Revenue	50.4	57.9	70.0	80.0	92.0
Adj EBITDA	14.1	6.5	9.9	12.6	16.8
Fully Adj PBT	11.7	3.2	5.3	7.5	11.2
Fully Adj Dil EPS (c)	6.9	2.1	3.3	4.7	6.9
EV/Sales (x)	2.2x	1.9x	1.6x	1.4x	1.2x
EV/EBITDA (x)	8.0x	17.3x	11.3x	8.9x	6.7x
PER (x)	12.8x	42.8x	27.1x	18.9x	12.9x

Source: Company Information and Progressive Equity Research estimates.

Moving apace on several fronts

HeiQ has been actively making progress on the commercialisation of its IP within its key innovation platforms. The following provides a brief synopsis of key developments and the next milestones for HeiQ's leading technology platforms.

Progress updates and next milestones

HeiQ AeoniQ

All contractual milestones with HUGO BOSS were met, releasing $9m of contractual payments and equity investments. Subsequently, the pilot commercialisation plant for HeiQ AeoniQ, the world's first climate positive cellulose yarn product to substitute for polyester and nylon, was successfully launched in Q2 FY22. A gigafactory with 30,000 tons annual capacity, delivering an estimated $200m+ of sales, is to be completed by the end of 2025, likely to be located in Portugal. HeiQ is currently negotiating with several Fortune 500 brands with a view to extending further equity investments and volume commitments.

HeiQ Synbio

HeiQ Synbio achieved recognition in a peer reviewed publication by one of Europe's leading hospitals, Charité Berlin, confirming the potential of HeiQ Synbio to reduce Hospital Acquired Infections (HAI). The potential of this area should be supported by a significant shift in EU regulations in favour of probiotic cleaners replacing traditional disinfectants. The company is well-positioned to profit from the change in regulation by its IP portfolio and performance data generated in the healthcare industry over recent years. The company is currently also negotiating with a market-leading supplier to form a joint venture for commercialisation in the cosmetics industry, with synbiotics and probiotics having multiple applications across a variety of industries.

HeiQ GrapheneX

The HeiQ GrapheneX highly porous graphene membrane technology also has multiple applications across a variety of industries, most notably electronics and batteries. Successful prototypes have been developed for the initially identified target areas of solid-state batteries and electronic vent applications. The company achieved validation with the Swiss Federal Institute of Technology (ETH) of a revolutionary solid-state battery at double energy capacity for HeiQ GrapheneX. A $2m pilot commercialisation plant was ordered in Q1 and is on track to be commissioned by the end of 2023, with an additional IP patent also filed in Q2. HeiQ is also looking to secure a Joint Development Agreement with a leading battery and electronic vent manufacturer.

HeiQ ECOS – a new technology launch

HeiQ ECOS is a silver nanowire technology for Low-E coatings. The silver nanowires are invisible, transparent, conductive and heat-reflecting. As such they have a wide range of potential applications, including transparent heating (eg rear windows of cars), radar and infrared shielding (with multiple defence applications from camouflage nets and uniforms to plane/drones coatings), and energy saving transparent heat reflection in building insulation or horticulture (eg greenhouses). The first two products have been launched to market – HeiQ ECOS HC and HeiQ ECOS SURFLINK – along with the successful completion of a confidential defence application. With the rising cost of energy, a key objective is to secure a project with a leading European building materials supplier to develop a thin, transparent window insulation for rapid retrofitting application.

H1 results

The table below summarises HeiQ's financial performance in H1 FY22.

Given the impacts of the coronavirus pandemic, subsequent supply-side issues as global demand picked up quickly after widespread lockdowns and more recently soaring energy prices exacerbated by the situation in Ukraine, we have compared the current year's financial performance for H1 not only with H1 FY21, but also H2 FY21. This enables not only a direct comparison with the equivalent time period but also a linear temporal comparison with the immediately preceding half-year period.

Overview of H1 FY22E results – vs H1 and H2 FY21 ($m – unless otherwise indicated)

Reported:	H1 FY22	H1 FY21	Variance	H2 FY21	Variance
Revenue	**30.280**	**25.795**	**17%**	**32.079**	**(6%)**
Gross profit	14.153	12.955	9%	**14.021**	1%
Gross margin (%)	*46.7%*	*50.2%*		*43.7%*	
SG&A	(13.878)	(10.576)	31%	(13.889)	(0%)
Other net income	0.965	0.928	4%	(0.322)	(400%)
Operating profit	**1.240**	**3.307**	**(63%)**	(0.190)	**(753%)**
Operating margin (%)	*4.1%*	*12.8%*		*-0.6%*	
Finance charges	(0.047)	0.063		(0.494)	
Pre-tax profit	**1.193**	**3.370**	**(65%)**	(0.684)	**(274%)**
Fully diluted EPS (c)	**0.81**	**2.38**	**(66%)**	(0.370)	**(319%)**
Adjusted measures:					
Adjusted EBITDA	3.481	4.769	(27%)	1.714	103%
Adjusted operating profit	1.726	3.694	(53%)	(0.079)	(2285%)
Adjusted PBT	1.679	3.757	(55%)	(0.566)	(397%)

Source: HeiQ, Progressive Equity Research

As outlined on the front page, with the exception of the revenue line (down 6% vs H2 FY21), HeiQ made very significant progress against H2 FY21 on all other measures – namely gross margin percentage (+300bps), SG&A (held flat), operating profit (an uplift of $1.4m) and pre-tax profit (an uplift of $1.9m). Adjusted EBITDA more than doubled to $3.5m, delivering an adjusted EBITDA margin of 11.5% compared with 5.3%.

Revenues

HeiQ presents its revenues in three principal ways: by product type, functionality and territory. In the following tables, we present not only the comparative figures for H1 in FY22 and FY21, but also for FY21 in total and for H2 FY21. The inclusion of the latter enables a fuller picture of sales patterns and progress over the past 18 months, with the challenges thrown up initially by the pandemic (and its aftermath) and more recently the hostilities in Ukraine.

It should be noted that recent US dollar strength against the Euro, Swiss franc and sterling has had a negative impact on reported top-line sales revenues, which are predominantly US dollar and Euro denominated; however, with HeiQ's naturally hedging cost centres in Euro, US dollar and Swiss franc, a strong US dollar tends to favour HeiQ.

HeiQ revenues by type of product ($m)

	H1 FY22	H1 FY21	Variance	% change	FY21	H2 FY21
Functional ingredients	21.156	19.890	1.266	6%	43.661	23.771
Functional materials	0.434	0.249	0.185	74%	0.850	0.601
Functional consumer goods	4.803	4.469	0.334	7%	10.069	5.600
Services, royalties and other	3.180	1.187	1.993	168%	2.692	1.505
Licenses	0.707				0.602	0.602
Total revenue	**30.280**	**25.795**	**4.485**	**17%**	**57.874**	**32.079**

Source: HeiQ, Progressive Equity Research

In terms of revenue generation by type of product, HeiQ is proactively shifting the mix, with the growing importance of monetising IP through the last two categories in the table above. These are not ingredients or products directly, but represent revenue streams such as royalty payments, innovation services and licensing fees from third parties using HeiQ's IP, in terms of both ingredients/products and manufacturing processes. Thus, HeiQ is moving from the earlier model of only using its own resources and commercialisation to licensing third parties to deploy their own resources and commercialisation incorporating HeiQ's IP. This is efficient for HeiQ in terms of both capital deployment and revenue generation, with high potential returns on a lower capital base to drive shareholder value. It should be noted that licensing revenues are recognised over time (as per IAS14), whereas all other revenue streams are recognised at a point in time.

Functional ingredients, the historical driver of HeiQ from its inception, remain the largest part of the revenue mix. In H1 FY22, they accounted for 70% of revenues, compared with 77% in H1 FY21 (and 74% in H2 FY21). Functional consumer goods increased by 7% in H1 FY22 over the corresponding period in FY21, accounting for 16% of revenues (compared with 17% in both H1 FY21 and in H2 FY21). The combined categories of 'Licences' and 'Services, royalties and other' have increased their share of revenue from just 5% in H1 FY21 to 13% in H1 FY22 (and from 7% in H2 FY21). Revenues of these two categories combined more than tripled in H1 FY22 compared with H1 FY21. With the further development of its blockbuster technologies, most immediately and notably HeiQ AeoniQ over the short term, we would expect the mix participation of these categories to increase further.

HeiQ revenues by functionality ($m unless otherwise stated)

	H1 FY22	H1 FY21	Variance	% change	FY21	H2 FY21
Comfort	5.689	5.419	0.270	5%	12.979	7.560
Hygiene	12.912	13.790	(0.878)	(6%)	29.314	15.524
Protection	1.439	0.997	0.442	44%	2.076	1.079
Resource efficiency	10.241	5.589	4.652	83%	13.505	7.916
Total revenue	**30.280**	**25.795**	**4.485**	**17%**	**57.874**	**32.079**

Source: HeiQ, Progressive Equity Research

In terms of revenues by functionality, Hygiene remains the largest category at 43% of group revenues in the period, down from 54% in the corresponding period last year. This reflects the declining importance of mask sales, along with further lockdowns in China, HeiQ's main market for Hygiene ingredients. Resource efficiency has enjoyed an 83% increase over last year, to now account for 34% of revenues, driven largely by revenues from HeiQ AeoniQ, Process Optimisation Chemicals, and Innovation Services. The increase in Protection was facilitated by the launch of a carpet soil release technology.

HeiQ revenues by geographic region ($m unless otherwise stated)

	H1 FY22	H1 FY21	Variance	% change	FY21	H2 FY21
North & South America	11.820	9.551	2.269	24%	21.689	12.138
Asia	8.955	8.880	0.075	1%	19.636	10.756
Europe	9.327	7.093	2.234	31%	16.237	9.144
Rest of World	0.177	0.271	(0.094)	(35%)	0.312	0.041
Total revenue	**30.280**	**25.795**	**4.485**	**17%**	**57.874**	**32.079**

Source: HeiQ, Progressive Equity Research

Revenues by geographic region also reflect some changes within mix participation, but this has been the most stable of the three platforms for revenue presentation. There have been some challenges within the context of geographic region, most notably the ongoing imposition of lockdowns within China.

Further details on the revenue splits above can be found in the Half Year Results 2022 presentation on HeiQ's corporate website.

Gross margin

Gross margin percentage in H1 FY22 was some 350bps lower at 46.7% than in H1 FY21 (50.2%) but showed a strong 300bps recovery compared to H2 FY21. This linear progression from H2 FY21 reflects a positive benefit in terms of sales mix to higher-margin areas (including services, licences and royalties), as well as some initial benefit from agreed price increases with clients. With further benefits anticipated to accrue from price increases in H2, HeiQ is optimistic that the margin gap with H1 FY21 can be further reduced over the balance of FY22.

SG&A expenses

SG&A expenses were 31% higher than in H1 FY21, but flat compared with H2 FY21. Acquisitions accounted for $1.9m of the overall $3.3m increase over H1 FY21. The remaining/organic part of the increase has been driven by a combination of factors. Primarily, these relate to personnel expenses (driven by increased headcount), investments in building the HeiQ AeoniQ team, along with innovation, global ERP systems and organisational structure investments.

While dollar strength adversely impacted on reported sales, as outlined above, the corollary is that it has a beneficial impact on reported costs. HeiQ states that the positive impact of the translation effect on operating costs outweighed the negative impact of the translation impact on reported revenues.

Within the cost of goods sold (COGS), the major constituent, material expenses, increased by 21% to $12.1m. Within SG&A expenses, the biggest component, personnel expenses, rose by 43% to $7.8m. Total personnel expenses, including those within COGS, increased by 42% to $9.3m. HeiQ now employs more than 200 full-time equivalent (FTE) employees of 29 nationalities across 14 offices, seven manufacturing sites and eight R&D hubs.

Profitability measures

Further restoring and improving the gross margin percentage will be a critical driver of short-term profitability. HeiQ was unable to respond to inflationary cost pressures due largely to its competition holding back until Q4 2021 with price increases as well as existing contracts previously negotiated with customers, who in turn were facing inflationary pressures within their own businesses. Subsequent negotiations with customers have seen a phased introduction of price increases, the initial but not full impact of which can be seen in the 300bps gross margin percentage improvement delivered in H1 FY22 compared with that achieved in H2 FY21.

HeiQ is optimistic that price increases delivered in H1 should continue to narrow the gap with the gross margin percentage achieved in H1 FY21. At 50.2%, this was 350bps higher than the gross margin percentage achieved in H1 FY21 of 46.7%. The impact can be best illustrated by the simple calculation of the gross profit that would have been achieved in H1 FY22 on the same percentage margin achieved in H1 FY21. H1 FY22 gross profit would have been $1.05m higher at $15.2m. Had this dropped through the P&L account to the bottom line, the delivered PBT would have been $2.24m, a fall of 34% rather than the 65% decline in reported PBT.

Cash flow and balance sheet

The period-end cash balance as of 30 June 2022 stood at $9.5m, down some $5m from the $14.5m held as of 31 December 2021. Period-end net cash, taking into account borrowings, stood at $7.3m, compared with $12.9m as of December 2021.

Cash from operations (pre-tax) decreased by $1.5m over this period. The prime driver of this was a $4.2m investment in working capital since the year-end. Within this, inventories increased by $2.4m following strong FY21 year-end sales and a deliberate build-up of inventories for key items and ingredients in the face of supply chain pressures and inflationary prices. The $1.4m increase in receivables resulted from two factors, namely payment delays from some Chinese distributors due to lockdowns and the invoicing of $3m to HUGO BOSS following the delivery of agreed contractual milestones, with monies collected in July 2022 after the H1 period-end.

The overall cash balance was adversely affected by the exchange rate effect on cash balances, alongside other investing and financing activities. Total investments of $4.6m included some $1.6m of earn-out instalment payments for earlier prior-period acquisitions. HeiQ did also raise $2.3m from financing activities, most notably and importantly the sale of a minority stake in HeiQ AeoniQ GmbH (Austria) to Hugo Boss AG.

Forecasts and newsflow

Forecasts – no changes

We make no changes to our forecasts given that the company remains cautiously optimistic that it can achieve the sales and profit growth forecasts of analysts for FY22E. This assumes, relative to our forecasts, a faster rate of revenue growth, a higher gross margin percentage and a lower level of operating cost growth than achieved in H1. This cautiously optimistic view at revenue, gross margin and operating cost levels is supported by the following factors:

- HeiQ expects several major customer projects starting to add revenues across the rest of H2, together with some catch up from lost sales in China in H1 due to regional lockdowns.
- Milestone achievements relating to HeiQ AeoniQ should deliver incremental revenue in H2 FY22E. The company remains optimistic that the first HeiQ AeoniQ yarns will be delivered to customers, facilitating the production of capsule collections of carbon negative apparel items.
- H2 should also see a full-period benefit from price increases implemented in H1, which will be reflected in further expansion of the gross margin, as seen in H1 FY22E relative to H2 FY21.
- HeiQ could also switch textile production from Europe to the US in short order, were that to be more cost effective and economically viable, should energy supply issues prompt further economic deterioration in European economies.
- Continued dollar strength, particularly in relation to the Euro, has an overall positive impact on HeiQ’s financial performance.

The above is, however, based on the premise of no further significant disruptions to both global demand, and supply chains. Should disruption adversely impact either or both, then risk to forecasts would be to the downside.

Next newsflow

Assuming no economic shocks caused by global events, we would expect the next group trading update in early 2023, covering FY22E’s performance. Given HeiQ’s indication of incremental revenues from the achievement of agreed milestones in H2 relating to the HeiQ AeoniQ development project, there is a possibility of further newsflow on HeiQ AeoniQ over the coming months before the full-year trading update.

Summary of HeiQ profit & loss account and cash flow forecasts ($m unless otherwise stated)

Profit and loss account						
Year to December	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
Turnover	**28.0**	**50.4**	**57.9**	**70.0**	**80.0**	**92.0**
Cost of sales	(14.4)	(22.3)	(30.9)	(35.3)	(38.4)	(43.2)
Gross profit	13.6	28.1	27.0	34.6	41.6	48.8
Gross margin (GM) (%)	*48.6%*	*55.8%*	*46.6%*	*49.5%*	*52.0%*	*53.0%*
Operating costs	(11.9)	(15.3)	(23.4)	(28.7)	(33.5)	(37.0)
Adjusted operating profit	**1.6**	**12.9**	**3.6**	**5.9**	**8.1**	**11.8**
Operating profit margin (%)	*5.8%*	*25.5%*	*6.2%*	*8.4%*	*10.1%*	*12.8%*
Depreciation and amortisation	(1.3)	(1.3)	(2.9)	(4.0)	(4.5)	(5.0)
Adjusted EBITDA	**2.9**	**14.1**	**6.5**	**9.9**	**12.6**	**16.8**
EBITDA margin (%)	*10.3%*	*28.0%*	*11.2%*	*14.1%*	*15.8%*	*18.2%*
Interest/finance costs	(0.4)	(1.2)	(0.4)	(0.7)	(0.6)	(0.6)
Adjusted PBT	**1.2**	**11.7**	**3.2**	**5.3**	**7.5**	**11.2**
Exceptional charges	(0.2)	(4.5)	(0.5)	(0.4)	(0.4)	(0.4)
Reported operating profit	1.4	8.4	3.1	5.5	7.7	11.4
Reported profit before tax	1.0	7.2	2.7	4.9	7.1	10.8
Adjusted diluted EPS (c)	**0.90**	**6.94**	**2.08**	**3.27**	**4.70**	**6.91**
Diluted EPS (c)	0.71	4.32	2.01	3.05	4.48	6.69
Dividend (c)	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow						
Year to December	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
Operating profit	1.4	8.4	3.1	5.5	7.7	11.4
Depreciation and amortisation	1.3	1.3	2.9	4.0	4.5	5.0
Inventory (increase)/decrease	0.7	(8.3)	1.4	(3.0)	(0.8)	(2.6)
Debtors (increase)/decrease	(2.0)	(4.8)	(5.4)	3.6	(4.7)	(2.9)
Creditors increase/(decrease)	1.4	2.8	3.7	2.3	(0.1)	1.6
Other	(0.6)	2.4	0.4	0.0	0.0	0.0
Operating cash flow	**2.2**	**1.7**	**6.1**	**12.3**	**6.6**	**12.5**
Interest	(0.2)	(0.3)	(0.2)	(0.7)	(0.6)	(0.6)
Tax	(0.2)	(0.0)	(2.5)	(1.2)	(1.8)	(2.7)
Dividends	(0.1)	0.0	0.0	0.0	0.0	0.0
Deferred tax	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	(0.5)	(1.6)	(4.0)	(7.0)	(3.0)	(3.0)
Trading cash flow	**1.2**	**(0.2)**	**(0.6)**	**3.4**	**1.2**	**6.2**
Acquisition of businesses	(1.3)	25.7	(21.2)	0.0	0.0	0.0
Disposal of businesses	0.0	0.0	0.0	0.0	0.0	0.0
Share issues	0.0	0.0	12.3	5.0	0.0	0.0
Currency effects, other	1.0	(2.4)	(8.4)	0.0	0.0	0.0
Net cash inflow/(outflow)	**0.9**	**23.1**	**(17.8)**	**8.4**	**1.2**	**6.2**
Net (debt)/cash - inc lease liabilities	**(1.7)**	**21.5**	**3.7**	**12.1**	**13.3**	**19.5**
Net (debt)/cash - exc lease liabilities	1.1	24.1	12.9	21.0	22.0	27.8

Source: HeiQ, Progressive Equity Research

Summary of HeiQ balance sheet forecasts ($m unless otherwise stated)

Balance sheet						
Year to December	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
Tangible fixed asssets	6.6	8.0	15.9	18.9	17.5	15.8
Intangible fixed assets	4.5	5.3	32.2	32.2	32.1	31.8
Investments and other	0.5	1.0	1.0	1.0	1.0	1.0
Total fixed assets	**11.6**	**14.3**	**49.2**	**52.2**	**50.7**	**48.7**
Stock	3.2	13.5	13.8	16.8	17.6	20.2
Trade and other debtors	9.5	16.0	24.3	20.8	25.5	28.4
Deferred tax	0.0	0.0	0.0	0.0	0.0	0.0
Cash and short term deposits	3.6	25.7	14.6	22.7	23.7	29.5
Current assets	**16.3**	**55.3**	**52.7**	**60.3**	**66.7**	**78.1**
Total assets	**27.9**	**69.6**	**101.8**	**112.5**	**117.4**	**126.8**
Trade and other payables	(1.9)	(7.3)	(9.4)	(11.9)	(12.0)	(13.8)
Borrowings	(2.5)	(0.2)	(1.0)	(1.0)	(1.0)	(1.0)
Other current liabilities	(4.7)	(4.5)	(13.4)	(13.2)	(13.0)	(12.8)
Current liabilities	**(9.2)**	**(12.0)**	**(23.8)**	**(26.1)**	**(26.0)**	**(27.6)**
Borrowings	0.0	(1.4)	(0.7)	(0.7)	(0.7)	(0.7)
Other non-current liabilities	(5.4)	(6.6)	(12.7)	(12.4)	(12.1)	(11.8)
Non-current liabilities	**(5.4)**	**(8.0)**	**(13.4)**	**(13.1)**	**(12.8)**	**(12.5)**
Total liabilities	**(14.6)**	**(20.0)**	**(37.2)**	**(39.2)**	**(38.8)**	**(40.1)**
Net assets	**13.3**	**49.6**	**64.6**	**73.3**	**78.6**	**86.7**

Source: HeiQ, Progressive Equity Research

Financial Summary: HeiQ

Year end: December ($m unless shown)

PROFIT & LOSS	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Revenue	50.4	57.9	70.0	80.0	92.0
Adj EBITDA	14.1	6.5	9.9	12.6	16.8
Adj EBIT	12.9	3.6	5.9	8.1	11.8
Reported PBT	7.2	2.7	4.9	7.1	10.8
Fully Adj PBT	11.7	3.2	5.3	7.5	11.2
NOPAT	9.0	2.9	4.4	6.1	8.8
Reported EPS (c)	4.3	2.0	3.1	4.5	6.7
Fully Adj Dil EPS (c)	6.9	2.1	3.3	4.7	6.9
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Operating cash flow	1.7	6.1	12.3	6.6	12.5
Free Cash flow	(0.2)	(0.6)	3.4	1.2	6.2
FCF per share (c)	(0.2)	(0.4)	2.6	1.0	4.7
Acquisitions	25.7	(21.2)	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	12.3	5.0	0.0	0.0
Net cash flow	23.1	(17.8)	8.4	1.2	6.2
Overdrafts / borrowings	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)
Cash & equivalents	25.7	14.6	22.7	23.7	29.5
Net (Debt)/Cash	24.1	12.9	21.0	22.0	27.8
NAV AND RETURNS	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Net asset value	49.6	64.6	73.3	78.6	86.7
NAV/share (c)	39.4	49.5	56.1	60.2	66.4
Net Tangible Asset Value	44.3	32.4	41.1	46.5	54.8
NTAV/share (c)	35.2	24.8	31.4	35.6	42.0
Average equity	31.5	57.1	69.0	75.9	82.6
Post-tax ROE (%)	37.0%	5.6%	7.6%	9.9%	13.5%
METRICS	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Revenue growth		14.8%	21.0%	14.3%	15.0%
Adj EBITDA growth		(54.0%)	52.7%	27.4%	32.9%
Adj EBIT growth		(71.9%)	63.2%	37.3%	45.2%
Adj PBT growth		(72.6%)	64.6%	42.8%	48.8%
Adj EPS growth		(70.1%)	57.7%	43.6%	47.0%
Dividend growth		N/A	N/A	N/A	N/A
Adj EBIT margins	25.5%	6.2%	8.4%	10.1%	12.8%
VALUATION	**2020**	**2021**	**2022E**	**2023E**	**2024E**
EV/Sales (x)	2.2	1.9	1.6	1.4	1.2
EV/EBITDA (x)	8.0	17.3	11.3	8.9	6.7
EV/NOPAT (x)	12.5	38.8	25.4	18.5	12.7
PER (x)	12.8	42.8	27.1	18.9	12.9
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(0.2%)	(0.5%)	3.0%	1.1%	5.3%

Source: Company information and Progressive Equity Research estimates

13 September 2022

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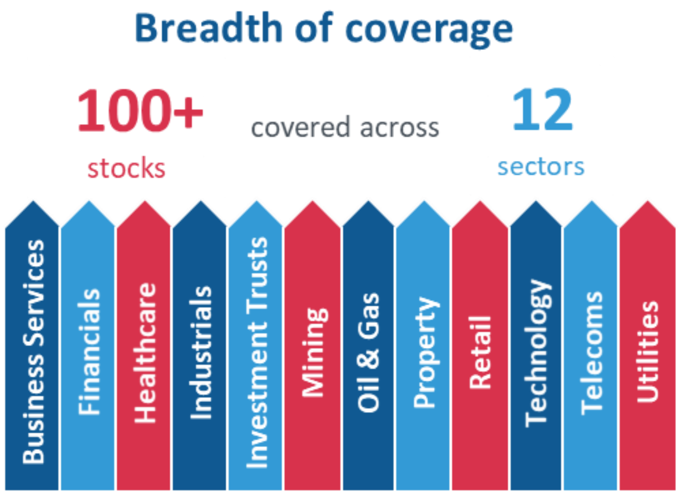

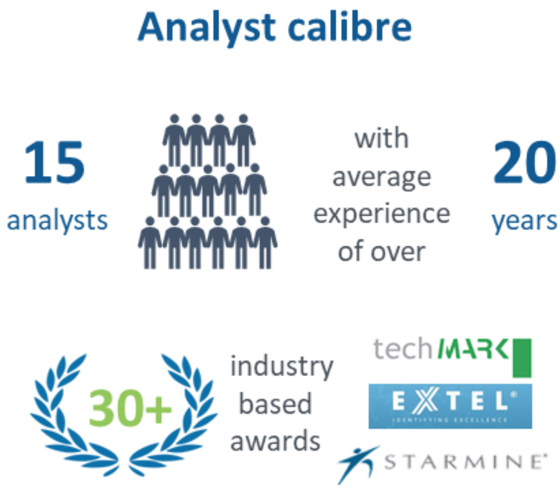

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