

Update: Report Q2 2023

2023-09-28

Bioextrax: Capacity to accommodate rising interest

- American start-up company exercises option for the next period
- Warrants subscription adds SEK 10.6 million before issue costs
- Our model implies a fair valuation of SEK 10.5 per share

Analysts

Tobias Karlsson
076-8337098
tobias.karlsson@vhcorp.se

Filip Stenberg
070-2980258
filip.stenberg@vhcorp.se

Stock ticker: BIOEX
Industry: Biotech
Listed on: Nasdaq First North
Latest share price (SEK): 3.97
Market cap (MSEK): 101.1
Enterprise Value (MSEK): 86.5
Total number of shares (M): 25.46
- of which free float (M): 14.64

VHCF fair value per share
DCF model SEK 10.5

Bioextrax AB
Address: Skiffervägen 76
224 78 Lund
Webpage: bioextrax.com
CEO: Edvard Hall

Main owners (13 Sep 2023)

	Capital (%)
Mohammad H.A. Ibrahim	7.7
Avanza Pension	7.3
Nordnet Pensionsförsäkring	7.2
Rajni Hatti Kaul	6.9
Henrik Nilsson	5.3

Share price history (SEK)



	-1m	-3m	-12m
Change (%)	9.5	-26.4	15.8
52 wk range (Low/Hi) - SEK	2.19 / 8.95		

Source: Västra Hamnen Corporate Finance

Bioextrax shows continued progress in its Q2 report for 2023. The company signed a license agreement with the US start-up, replacing the term sheet from earlier this year. Bioextrax project with the cosmetics company has also made progress entering phase three in the process. Initial runs in Bioextrax scaled-up facility are completed, giving the company the capacity to accommodate a rising customer interest. Bioextrax is in dialogue with several counterparts, discussing the next step after successful tests and evaluations.

Bioextrax reported a net revenue for Q2 2023 of SEK 0.5 million and SEK 0.3 million in other operating income. Cost of Goods Sold amounted to SEK 0.1 million and the operating expenses came in at SEK -5.8 million, implying an EBITDA of SEK -5.4 million.

In September, the 96 per cent exercise rate of the warrant series TO3 added SEK 10.6 million to Bioextrax. The subscription, corresponding to 3,771,812 new shares, implies a dilution of 13 per cent.

Also in September, the US start-up company mentioned above, exercised an option, giving the company exclusivity to produce certain types of PHA. CEO Edvard Hall explained during the Q2 [web conference](#), that this implies monthly payments of USD 25,000 to Bioextrax in order to maintain exclusivity. The agreement stipulates production of up to 1,000 tonnes for a maximum of ten months starting in October 2023. For more details regarding the terms, read our [previous research update](#).

The company's progress led to minor changes in our model. We expect some of the customer discussions will materialise into term sheets and license agreements. We maintain our fair value of SEK 10.5 per share.

Table 1: Financial Overview

MSEK	2020	2021	2022	2023e	2024e
Total revenues	0.2	1.0	2.2	4.1	4.6
Growth (%)	0.0%	351.3%	115.4%	81.7%	12.9%
EBITDA	-5.4	-10.2	-18.3	-20.8	-23.7
EBITDA margin (%)	neg	neg	neg	neg	neg
EBT	-5.6	-10.5	-18.7	-21.5	-24.5
Cash holdings	2.1	9.0	27.5	12.9	20.3
Total assets	3.0	12.6	37.9	24.3	32.7
Total equity	1.7	7.5	31.8	20.6	28.6
Solidity (%)	54.5%	59.3%	83.8%	84.6%	87.4%
P/E	neg	neg	neg	neg	neg
ROE	neg	neg	neg	neg	neg
EV/EBIT (x)	neg	neg	neg	neg	neg
EV/Sales (x)	377.0	83.5	38.8	21.3	18.9

Source: Västra Hamnen Corporate Finance

Progression in existing agreements

Bioextrax has moved forward with one of the world's largest candy producers and new samples have been requested, which is planned to be delivered during the autumn this year. Negotiations regarding a JDA (joint development agreement) are currently underway. A similar agreement is currently being negotiated with a global top three chemical company. Regarding the project with the cosmetics company, the first and second phase has been approved and invoiced, and phase three is underway. The aim was to complete the three steps before summer. However, the timeline was postponed due to a six-week delay from the customer.

Successful launch of the scale-up facility

Overall, the next step in many of the customer projects is larger-scale tests in the customer's facilities of 1,000 litres or more. Bioextrax facility that has been installed is approximately 20 times larger than the previous reactors. The higher capacity leads to greater opportunities to demonstrate the technology and provide customers with sample materials. Bioextrax has successfully produced PHA at a 1,000-litre scale due to potential customers' increasing interest and customers have also visited Bioextrax new scaling facility. This is a crucial step for the company as it reduces the technical risk in the transition to the customers' facilities.

Stronger cash balance than expected

As for the financials during the quarter, Table 2 shows the differences between our estimates and the actual outcome. Net revenue and Cost of Goods Sold came in as expected. As for OPEX, other operating expenses came in at SEK 0.6 million above our expectations, which is mainly a consequence of higher consultancy and development costs for the company's ongoing projects. Altogether, Bioextrax ended the quarter with a cash balance of SEK 14.5 million. The discrepancy of SEK 4.3 million is explained by the lower-than-expected change in working capital for the period.

Table 2: Estimates vs actual, Q2 2023

kSEK	Q2 '22	Q2 '23e	Q2'23 act	Diff
Net Revenues	120	390	543	153
Other Revenues	382	700	276	-424
Total Revenues	502	1 090	819	-271
Cost of Goods Sold	-307	-234	-422	-188
Gross Profit	195	856	397	-459
Personnel Expenses	-3 029	-2 898	-2 964	-66
Other Operating Expenses	-2 609	-2 186	-2 791	-605
Total OPEX	-5 638	-5 085	-5 755	-670
EBITDA	-5 443	-4 229	-5 358	-1 129
Amortisation and Depreciation	-117	-199	-185	14
EBIT	-5 560	-4 428	-5 543	-1 115
Net Financial Items	-0	0	2	2
EBT	-5 561	-4 428	-5 541	-1 113
Net Profit	-5 561	-4 428	-5 541	-1 113
Cash and Equivalents	12 760	10 223	14 546	4 323
Total Equity	19 846	23 344	22 232	-1 112

Source: Västra Hamnen Corporate Finance

Increased microfiber production capacity

A heads-up from the report concerns microfiber from feathers. The company has not communicated about this segment to any greater extent until now. With the new facility in place, the company is set to significantly improve the volume of material per week. This can in turn enable fundamental resources to be put into the upscaling of the mi-

crofiber process. Since the material is currently not available on the market, it is essential that the microfiber process enables sufficient production of material to be able to present samples to potential customers. As explained in our initial report, the company is at an early stage, which in combination with an uncertainty of the target market for microfibers, makes us include microfiber as an optional future business segment within our model, but without adding any value at this stage.

**Bioextrax received
SEK 10.6 million
from warrants**

In connection with the right issue in Q4 2022, the company also issued warrants. The exercise period for the warrant series TO3 ran during the period from September 1, 2023 to September 14, 2023. The subscription price upon exercise of the warrant series TO3 amounted to SEK 2.80 per share. A total of 9,429,530 warrants series TO3, corresponding to approximately 96 per cent of the number of outstanding warrants series TO3, were used to subscribe for 3,771,812 shares. The company thereby receives approximately SEK 10.6 million before issue costs. In our model, we expected full subscription at a slightly higher exercise price, corresponding to SEK 15.8 million. Therefore, we estimate that the company will need funding one quarter earlier than in previous projections, i.e. in Q2 2024 and in Q2 2025.

**We make short-
term adjustments
in our model**

We keep our long-term scenario intact and only make minor short-term adjustments. We slightly increase our personnel costs as we expect the company will add a senior person to the team and a few additional juniors who will be running the facility. Furthermore, the revenues and costs have marginally risen in our model due to an increase in foreign exchange rates. We also adjusted OPEX to better align with recent quarters, where higher consultancy and development costs have been observed.

**We maintain our
fair share estimate
of SEK 10.5**

In summary, our changes do not have a major impact on the value of the company, and we therefore maintain our fair value of SEK 10.5 per share.

Income Statement - Annual Data

kSEK	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Net revenues	22	276	394	2 450	4 578	10 415	27 716	67 459
Other revenues	208	760	1 837	1 604	0	0	0	0
Total revenues	230	1 036	2 232	4 054	4 578	10 415	27 716	67 459
Cost of goods sold	-757	-1 033	-1 344	-1 434	-2 289	-3 736	-4 772	-5 369
Personnel costs	-3 548	-6 792	-10 028	-11 871	-13 155	-14 776	-17 357	-22 420
Other external costs	-1 290	-3 395	-9 230	-11 488	-12 292	-11 922	-14 250	-18 722
Other operating expenses	-30	-3	115	-42	-509	-801	-1 264	-1 646
EBITDA	-5 396	-10 188	-18 255	-20 781	-23 668	-20 820	-9 928	19 303
Amortisation & depreciation	-172	-350	-476	-731	-820	-863	-1 046	-1 478
EBIT	-5 568	-10 537	-18 732	-21 512	-24 488	-21 683	-10 973	17 825
Financials, net	-3	-3	-1	2	0	0	0	0
EBT	-5 571	-10 541	-18 732	-21 510	-24 488	-21 683	-10 973	17 825
Taxes	0	0	0	0	0	0	0	0
Net profit	-5 571	-10 541	-18 732	-21 510	-24 488	-21 683	-10 973	17 825
Earnings per share (SEK)	-1.84	-1.78	-1.07	-0.79	-0.69	-0.47	-0.22	0.36
Growth (%)								
Net revenues	na	351.3%	115.4%	81.7%	12.9%	127.5%	166.1%	143.4%
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	28.6%
EBIT margin	neg	neg	neg	neg	neg	neg	neg	26.4%
EBT margin	neg	neg	neg	neg	neg	neg	neg	26.4%
Profit margin	neg	neg	neg	neg	neg	neg	neg	26.4%
Personnel costs	16293.4%	2463.0%	2542.1%	484.5%	287.4%	141.9%	62.6%	33.2%
Total OPEX	22357.3%	3695.5%	4852.7%	955.1%	567.0%	264.0%	118.6%	63.4%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	38.5%
ROIC	neg	neg	neg	neg	neg	neg	neg	0.0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Inventories	0	0	0	0	0	0	0	0
Receivables	0	119	33	531	1 211	1 320	2 717	7 471
Other short-term receivables	165	578	1 176	970	1 228	1 606	2 066	2 326
Prepaid costs & accrued income	220	1 744	1 656	1 658	1 725	1 808	1 896	1 988
Cash and cash equivalents	2 052	8 977	27 532	12 929	20 315	30 930	15 493	23 402
Total current assets	2 437	11 418	30 397	16 087	24 479	35 664	22 173	35 187
Tangible assets	597	1 223	7 487	8 210	8 190	9 327	12 281	18 804
Intangible assets	0	0	0	0	0	0	0	0
Financial assets	0	0	33	33	33	33	33	33
Total fixed assets	597	1 223	7 520	8 243	8 223	9 360	12 314	18 837
Total assets	3 034	12 641	37 917	24 330	32 702	45 024	34 488	54 023
Accounts payable	153	2 222	3 558	1 594	1 615	1 980	2 038	2 615
Accrued cost & prepaid income	651	2 606	1 986	1 328	1 682	2 376	2 717	3 486
Other short term liabilities	546	251	477	797	774	1 188	1 223	1 569
Short term tax liabilities	30	63	129	27	34	66	68	87
Total current liabilities	1 380	5 142	6 150	3 745	4 104	5 609	6 046	7 757
Long term liabilities	0	0	0	0	0	0	0	0
Total equity	1 654	7 499	31 767	20 585	28 597	39 415	28 441	46 266
Total equity and liabilities	3 034	12 641	37 917	24 330	32 702	45 024	34 488	54 023

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Operating activities	-5 399	-10 182	-18 191	-20 779	-23 668	-20 820	-9 928	19 303
Changes in working capital	1 226	1 706	584	-2 698	-646	935	-1 509	-3 394
Investing activities	-151	-975	-6 774	-1 453	-800	-2 000	-4 000	-8 000
Financing activities	5 791	16 377	42 935	10 327	32 500	32 500	0	0
Cash flow for the period	1 467	6 926	18 555	-14 603	7 386	10 615	-15 437	7 909
Beginning cash balance	585	2 052	8 978	27 532	12 929	20 316	30 931	15 494
Ending cash balance	2 052	8 978	27 532	12 929	20 316	30 931	15 494	23 403

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023e	Q4 2023e	Q1 2024e	Q2 2024e
Net revenues	120	32	429	543	509	970	970	1 162
Other revenues	368	795	628	276	350	350	0	0
Total revenues	488	827	1 057	819	859	1 320	970	1 162
Cost of goods sold	-344	-558	-146	-422	-381	-485	-485	-581
Personnel costs	-2 199	-2 833	-2 618	-2 964	-3 121	-3 168	-3 216	-3 264
Other external costs	-2 410	-3 229	-2 439	-2 938	-3 027	-3 084	-3 142	-3 200
Other operating expenses	-6	131	59	147	-123	-125	-127	-129
EBITDA	-4 472	-5 662	-4 087	-5 358	-5 794	-5 542	-5 999	-6 012
Amortisation & depreciation	-128	-131	-135	-185	-206	-205	-205	-205
EBIT	-4 599	-5 793	-4 222	-5 543	-5 999	-5 747	-6 205	-6 218
Financials, net	0	0	0	2	0	0	0	0
EBT	-4 599	-5 793	-4 222	-5 541	-5 999	-5 747	-6 205	-6 218
Taxes	0	0	0	0	0	0	0	0
Net profit	-4 599	-5 793	-4 222	-5 541	-5 999	-5 747	-6 205	-6 218
Earnings per share (SEK)	-0.29	-0.23	-0.17	-0.22	-0.21	-0.20	-0.22	-0.16
Y-o-Y Growth (%)								
Net revenues	129.3%	-82.6%	250.3%	352.5%	323.8%	2929.7%	126.0%	114.0%
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	451.1%	342.6%	247.7%	361.9%	363.5%	240.1%	331.7%	280.9%
Total OPEX	946.7%	717.2%	472.8%	702.7%	730.5%	483.3%	668.8%	567.4%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023e	Q4 2023e	Q1 2024e	Q2 2024e
Inventories	0	0	0	0	0	0	0	0
Receivables	285	33	656	107	279	531	637	891
Other short-term receivables	3 539	1 176	739	808	864	970	1 066	1 162
Accrued cost & prepaid income	1 918	1 656	1 652	1 419	1 711	1 658	1 658	1 660
Cash and cash equivalents	11 582	27 532	20 147	14 546	19 221	12 929	6 366	32 505
Total current assets	17 325	30 397	23 194	16 880	22 075	16 087	9 728	36 218
Tangible assets	1 621	7 487	7 968	8 221	8 215	8 210	8 205	8 200
Financial assets	33	33	33	33	33	33	33	33
Intangible assets	0	0	0	0	0	0	0	0
Total fixed assets	1 654	7 520	8 001	8 254	8 248	8 243	8 238	8 233
Total assets	18 979	37 917	31 195	25 134	30 324	24 330	17 966	44 451
Accounts payable	573	3 558	1 291	1 227	1 672	1 594	1 594	1 592
Other short term liabilities	338	477	304	427	627	797	531	573
Short term tax liabilities	22	129	72	55	21	27	27	32
Accrued cost & prepaid income	2 800	1 986	1 756	1 193	1 672	1 328	1 434	1 592
Total current liabilities	3 733	6 150	3 423	2 902	3 991	3 745	3 586	3 788
Long term liabilities	0	0	0	0	0	0	0	0
Total equity	15 246	31 767	27 772	22 232	26 333	20 585	14 380	40 663
Total equity and liabilities	18 979	37 917	31 195	25 134	30 324	24 330	17 966	44 451

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023e	Q4 2023e	Q1 2024e	Q2 2024e
Operating activities	-4 472	-5 662	-4 087	-5 356	-5 794	-5 542	-5 999	-6 012
Changes in working capital	3 336	5 295	-2 909	192	569	-550	-363	-149
Investing activities	-42	-5 997	-616	-437	-200	-200	-200	-200
Financing activities	0	22 313	227	0	10 100	0	0	32 500
Cash flow for the period	-1 177	15 949	-7 385	-5 601	4 675	-6 292	-6 562	26 139
Beginning cash balance	12 760	11 582	27 532	20 147	14 546	19 221	12 929	6 366
Ending cash balance	11 582	27 532	20 147	14 546	19 221	12 929	6 366	32 505

Source: Västra Hamnen Corporate Finance

Disclaimer

This marketing material has been prepared by Västra Hamnen Corporate Finance AB ("Västra Hamnen").

The material has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report.

The material has been prepared on the basis of publicly available information that Västra Hamnen has deemed to be reliable. However, it cannot be guaranteed that the information is correct. The material is published for marketing purposes and does not purport to constitute a basis for any investment decision. The information provided herein does not constitute investment advice and neither does the information take into consideration the individual needs, goals and circumstances of any particular recipient of this material. The reader is recommended to seek supplementary information elsewhere and to obtain relevant and specific professional advice before making any investment decision.

All views, opinions and conclusions communicated through this material shall be seen as valid on the publication date of this report only and are subject to change without notice. None of the information herein shall be construed as a recommendation or solicitation for the purchase or sale of any financial instrument.

In no event will Västra Hamnen be liable for direct, indirect or incidental damages resulting from the information in this report. Financial instruments can decrease as well as increase in value. Past performance is not indicative of future results.

The material is not directed at any such person, physical or legal, to whom the distribution of such material would imply a risk of violation of any laws or regulations applicable in Sweden or any other jurisdiction.

Contents of this report shall not be copied, reproduced or distributed to any third party without prior written permission from Västra Hamnen.

Conflicts of interest

Recipients should note that this material has been commissioned by the company mentioned in this report and that Västra Hamnen has received remuneration from the company for the production of the report. The remuneration is fixed and predetermined and in no way dependent on the content of the report or the views expressed herein.

The company mentioned in the report has reviewed the material prior to publication. The recipient may assume that this review has led to changes in the factual information presented in the report. Any assumptions, conclusions and scenarios are however the result of Västra Hamnen's own analysis of available information.

Västra Hamnen has internal rules prohibiting all of its employees from buying or selling shares issued by companies with which Västra Hamnen has ongoing agreements to produce marketing material like the present.

Västra Hamnen has a separate agreement with Bioextrax to act as its Certified Adviser on Nasdaq First North Growth Market Stockholm.

Västra Hamnen Corporate Finance AB

Jungmansgatan 12

211 11 Malmö

Telefon: +46 40 200 250

E-post: info@vhcorp.se

