

Update: Report Q3 2023

2023-11-22

Bioextrax: Facilitating advances in client projects

- EU proposes measures targeting microplastic pollution
- Enhanced cost control
- Our model implies a fair valuation of SEK 10.5 per share



During the third quarter, Bioextrax reached a commercial milestone when the American licensee exercised its option to advance in the existing licensing agreement. The licensee will be able to produce up to 1,000 tons of PHA annually starting from October 2023. The agreement implies a minimum payment of USD 25,000 per month to Bioextrax. The "Tech transfer" was successfully conducted at their partner's facility in the US in September. Further scaling-up, involving industrial-scale fermentation, is planned for early 2024. The license covers processes for producing various types of PHA, with initial emphasis on PHBV, a PHA similar to the fossil-based polymer polypropylene (PP). PP is one of the most common polymers globally, with a total market value of approximately USD 120 billion.

Other projects are also moving forward. More resources are allocated towards scaling up the process to produce microfibers from feathers. During the third quarter, production reached kilogram scale, and the microfibers were delivered to two customers for testing.

Bioextrax reported net revenues of SEK 275 thousand in Q3, compared to our estimate of SEK 509 thousand. The operating expenses came in at SEK 5.2 million, SEK 1.1 million lower than our projections. This is mainly a consequence of lower development and consultancy costs. The lower OPEX resulted in an EBITDA loss of SEK 5.3 million, SEK 513 thousand better than our expectations.

In summary, the Q3 figures led to minor changes in our model. We maintain our fair value of SEK 10.5 per share. Looking ahead, we continue to expect some of the current customer discussions to materialise into term sheets. We see this as crucial to support our valuation.

Table 1: Financial Overview

MSEK	2021	2022	2023e	2024e	2025e
Total revenues	1.0	2.2	3.1	4.6	10.4
Growth (%)	351.3%	115.4%	39.8%	46.7%	127.5%
EBITDA	-10.2	-18.3	-19.8	-21.0	-20.3
EBITDA margin (%)	neg	neg	neg	neg	neg
EBT	-10.5	-18.7	-20.5	-21.8	-21.1
Cash holdings	9.0	27.5	12.5	23.0	33.7
Total assets	12.6	37.9	23.5	35.0	47.4
Total equity	7.5	31.8	21.5	32.2	43.6
Solidity (%)	59.3%	83.8%	91.4%	92.2%	92.1%
P/E	neg	neg	neg	neg	neg
ROE	neg	neg	neg	neg	neg
EV/EBIT (x)	neg	neg	neg	neg	neg
EV/Sales (x)	60.1	27.9	20.0	13.6	6.0

Source: Västra Hamnen Corporate Finance

EU propositions would favour demand Bioextrax services

The European Commission has proposed measures to address microplastic pollution caused by the spillage of plastic pellets into the environment. Approximately 176,000 metric tons of microplastics are unintentionally released annually, with pellets ranking as the third-largest source after tires and paint. Microplastics in various ecosystems and organisms pose environmental and health risks. The proposition targets plastic pellets, suggesting preventive measures to avoid spills, containment strategies to prevent environmental pollution, and cleanup procedures if spills occur. The goal is to reduce the annual release of pellets by 74 per cent according to Virginijus Sinkevicius, EU environment commissioner. We monitor the situation closely as this could imply an up-shift in demand for Bioextrax services and lead to a revision of our financial forecast.

Lower OPEX than our projections

As for the financials during the quarter, Table 2 depicts the differences between our estimates and the actual outcome. All in all, the reported numbers were in line with our expectations. Net revenue and cost of goods sold came in as expected. As for OPEX, other operating expenses came in at SEK 1.1 million lower than our expectations, which is mainly a consequence of lower development and consultancy costs.

Table 2: Estimates vs actual, Q3 2023

kSEK	Q3 '22	Q3 '23e	Q3'23 act	Diff
Net Revenues	120	509	275	-234
Other Revenues	368	350	0	-350
Total Revenues	488	859	275	-584
Cost of Goods Sold	-344	-381	-347	34
Gross Profit	144	477	-72	-549
Personnel Expenses	-2 199	-3 121	-2 976	145
Other Operating Expenses	-2 416	-3 150	-2 233	917
Total OPEX	-4 615	-6 271	-5 209	1 062
EBITDA	-4 472	-5 794	-5 281	513
Amortisation and Depreciation	-128	-206	-232	-26
EBIT	-4 599	-5 999	-5 513	486
Net Financial Items	0	0	10	10
EBT	-4 599	-5 999	-5 503	496
Net Profit	-4 599	-5 999	-5 503	496
Cash and Equivalents	11 582	19 221	18 525	-696
Total Equity	15 246	26 333	26 776	443

Source: Västra Hamnen Corporate Finance

The exercise of TO3 added SEK 10.5 million

On September 15, Bioextrax announced that approximately 96 per cent of the outstanding warrants of series TO3, were exercised for the subscription of 3,771,812 shares at 2.80 SEK per share. This added SEK 10.6 million to the company before costs. Additionally, in our financial forecast, we anticipate the need for additional funds in Q2 2024 to ensure sustained operations. However, the timing, magnitude, and structure of the financing are still unclear and highly dependent on the company's financial performance and projections.

Further upscaling and conversions expected

We keep our long-term scenario intact and only make minor short-term adjustments. The exercised option from the US start-up implying revenues of USD 25,000 per month is included in our projections for coming quarters. We expect the US start-up to initiate the +1,000 tons option which would give Bioextrax an additional USD

25,000 per month, which would support our fair value of the company. Being able to convert first-phase customer agreements to license agreements validates the sales model and would be a proof-of-concept for the company.

Managing costs

We also expect the company to manage costs more efficiently. Bioextrax has been subject to recurring delays which have led to reduced cost efficiency. To endorse the current valuation, we expect to project lead times to come down.

Furthermore, we are reducing other external expenses, as the previously elevated level for this financial item was primarily attributed to the installation of the scale-up facility. Moving forward, we anticipate a substantial decrease in these costs.

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	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e
Net revenues	276	394	2 217	4 578	10 415	27 716	67 459	145 477
Other revenues	760	1 837	904	0	0	0	0	0
Total revenues	1 036	2 232	3 121	4 578	10 415	27 716	67 459	145 477
Cost of goods sold	-1 033	-1 344	-1 400	-2 289	-3 736	-4 772	-5 369	-7 598
Personnel costs	-6 792	-10 028	-11 664	-12 897	-14 486	-17 017	-21 981	-27 948
Other external costs	-3 395	-9 230	-9 848	-9 905	-11 688	-13 971	-18 354	-23 727
Other operating expenses	-3	115	6	-456	-785	-1 240	-1 613	-2 584
EBITDA	-10 188	-18 255	-19 785	-20 970	-20 281	-9 283	20 142	83 620
Amortisation & depreciation	-350	-476	-754	-806	-850	-1 035	-1 468	-2 171
EBIT	-10 537	-18 732	-20 539	-21 776	-21 131	-10 318	18 674	81 450
Financials, net	-3	-1	12	0	0	0	0	0
EBT	-10 541	-18 732	-20 527	-21 776	-21 131	-10 318	18 674	81 450
Taxes	0	0	0	0	0	0	0	0
Net profit	-10 541	-18 732	-20 527	-21 776	-21 131	-10 318	18 674	81 450
Earnings per share (SEK)	-1.78	-1.07	-0.76	-0.61	-0.49	-0.21	0.38	1.65
Growth (%)								
Net revenues	351.3%	115.4%	39.8%	46.7%	127.5%	166.1%	143.4%	115.7%
EBITDA	na	na	na	na	na	na	na	315.2%
EBIT	na	na	na	na	na	na	na	336.2%
Net profit	na	na	na	na	na	na	na	336.2%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	29.9%	57.5%
EBIT margin	neg	neg	neg	neg	neg	neg	27.7%	56.0%
EBT margin	neg	neg	neg	neg	neg	neg	27.7%	56.0%
Profit margin	neg	neg	neg	neg	neg	neg	27.7%	56.0%
Personnel costs	2463.0%	2542.1%	526.2%	281.7%	139.1%	61.4%	32.6%	19.2%
Total OPEX	3695.5%	4852.7%	970.3%	508.1%	258.9%	116.3%	62.2%	37.3%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	35.9%	61.1%
ROIC	neg	neg	neg	neg	neg	neg	0.0%	0.0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data		2021	2022	2023e	2024e	2025e	2026e	2027e	2028e
kSEK									
Inventories	0	0	0	0	0	0	0	0	0
Receivables	119	33	531	1 211	1 320	2 717	7 471	13 656	
Other short-term receivables	578	1 176	970	1 228	1 606	2 066	2 326	2 618	
Prepaid costs & accrued income	1 744	1 656	1 484	1 465	1 512	1 581	1 657	1 737	
Cash and cash equivalents	8 977	27 532	12 483	23 000	33 722	18 623	26 772	95 353	
Total current assets	11 418	30 397	15 468	26 904	38 160	24 988	38 225	113 364	
Tangible assets	1 223	7 487	8 066	8 060	9 210	12 175	18 708	26 537	
Intangible assets	0	0	0	0	0	0	0	0	
Financial assets	0	33	0	0	0	0	0	0	
Total fixed assets	1 223	7 520	8 066	8 060	9 210	12 175	18 708	26 537	
Total assets	12 641	37 917	23 534	34 964	47 370	37 163	56 933	139 901	
Accounts payable	2 222	3 558	1 062	1 615	1 980	2 038	2 615	3 414	
Accrued cost & prepaid income	2 606	1 986	212	269	528	543	697	910	
Other short term liabilities	251	477	691	774	1 188	1 223	1 569	2 048	
Short term tax liabilities	63	129	53	67	66	68	87	114	
Total current liabilities	5 142	6 150	2 019	2 725	3 762	3 872	4 968	6 487	
Long term liabilities	0								
Total equity	7 499	31 767	21 515	32 239	43 608	33 291	51 965	133 414	
Total equity and liabilities	12 641	37 917	23 534	34 964	47 370	37 163	56 933	139 901	

Source: Västra Hamnen Corporate Finance

Cash flow statement		2021	2022	2023e	2024e	2025e	2026e	2027e	2028e
kSEK									
Operating activities	-10 182	-18 191	-19 773	-20 970	-20 281	-9 283	20 142	83 620	
Changes in working capital	1 706	584	-4 254	-212	502	-1 816	-3 993	-5 039	
Investing activities	-975	-6 774	-1 300	-800	-2 000	-4 000	-8 000	-10 000	
Financing activities	16 377	42 935	10 277	32 500	32 500	0	0	0	
Cash flow for the period	6 926	18 555	-15 049	10 518	10 721	-15 099	8 149	68 581	
Beginning cash balance	2 052	8 978	27 532	12 483	23 001	33 722	18 623	26 772	
Ending cash balance	8 978	27 532	12 483	23 001	33 722	18 623	26 772	95 353	

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data								
kSEK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	Q1 2024e	Q2 2024e
Net revenues	120	32	429	543	275	970	970	1 162
Other revenues	368	795	628	276	0	0	0	0
Total revenues	488	827	1 057	819	275	970	970	1 162
Cost of goods sold	-344	-558	-146	-422	-347	-485	-485	-581
Personnel costs	-2 199	-2 833	-2 618	-2 964	-2 976	-3 106	-3 152	-3 200
Other external costs	-2 410	-3 229	-2 439	-2 938	-2 142	-2 329	-2 375	-2 422
Other operating expenses	-6	131	59	147	-91	-109	-111	-112
EBITDA	-4 472	-5 662	-4 087	-5 358	-5 281	-5 059	-5 154	-5 154
Amortisation & depreciation	-128	-131	-135	-185	-232	-202	-202	-202
EBIT	-4 599	-5 793	-4 222	-5 543	-5 513	-5 261	-5 355	-5 355
Financials, net	0	0	0	2	10	0	0	0
EBT	-4 599	-5 793	-4 222	-5 541	-5 503	-5 261	-5 355	-5 355
Taxes	0	0	0	0	0	0	0	0
Net profit	-4 599	-5 793	-4 222	-5 541	-5 503	-5 261	-5 355	-5 355
Earnings per share (SEK)	-0.29	-0.23	-0.17	-0.22	-0.19	-0.18	-0.19	-0.14
Y-o-Y Growth (%)								
Net revenues	129.3%	-82.6%	250.3%	352.5%	129.2%	2929.7%	126.0%	114.0%
EBITDA	na							
EBIT	na							
Net profit	na							
% of revenues (%)								
EBITDA margin	neg							
EBIT margin	neg							
EBT margin	neg							
Profit margin	neg							
Personnel costs	451.1%	342.6%	247.7%	361.9%	1082.2%	320.3%	325.2%	275.4%
Total OPEX	946.7%	717.2%	472.8%	702.7%	1894.2%	571.8%	581.6%	493.5%
Profitability (%)								
ROE	neg							
ROIC	neg							

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data								
kSEK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	Q1 2024e	Q2 2024e
Inventories	0	0	0	0	0	0	0	0
Receivables	285	33	656	107	173	531	637	891
Other short-term receivables	3 539	1 176	739	808	506	970	1 066	1 162
Accrued cost & prepaid income	1 918	1 656	1 652	1 419	1 038	1 484	1 440	1 386
Cash and cash equivalents	11 582	27 532	20 147	14 546	18 525	12 483	6 864	33 967
Total current assets	17 325	30 397	23 194	16 880	20 242	15 468	10 008	37 406
Tangible assets	1 621	7 487	7 968	8 221	8 068	8 066	8 065	8 063
Financial assets	33	33	33	33	0	0	0	0
Intangible assets	0	0	0	0	0	0	0	0
Total fixed assets	1 654	7 520	8 001	8 254	8 068	8 066	8 065	8 063
Total assets	18 979	37 917	31 195	25 134	28 310	23 534	18 073	45 469
Accounts payable	573	3 558	1 291	1 227	958	1 062	1 116	1 273
Other short term liabilities	338	477	304	427	462	691	531	573
Short term tax liabilities	22	129	72	55	77	53	53	64
Accrued cost & prepaid income	2 800	1 986	1 756	1 193	37	212	212	255
Total current liabilities	3 733	6 150	3 423	2 902	1 534	2 019	1 912	2 165
Long term liabilities	0	0	0	0	0	0	0	0
Total equity	15 246	31 767	27 772	22 232	26 776	21 515	16 160	43 305
Total equity and liabilities	18 979	37 917	31 195	25 134	28 310	23 534	18 073	45 469

Source: Västra Hamnen Corporate Finance

Cash flow statement								
kSEK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	Q1 2024e	Q2 2024e
Operating activities	-4 472	-5 662	-4 087	-5 356	-5 271	-5 059	-5 154	-5 154
Changes in working capital	3 336	5 295	-2 909	192	-753	-784	-265	-43
Investing activities	-42	-5 997	-616	-437	-47	-200	-200	-200
Financing activities	0	22 313	227	0	10 050	0	0	32 500
Cash flow for the period	-1 177	15 949	-7 385	-5 601	3 979	-6 042	-5 619	27 104
Beginning cash balance	12 760	11 582	27 532	20 147	14 546	18 525	12 483	6 864
Ending cash balance	11 582	27 532	20 147	14 546	18 525	12 483	6 864	33 967

Source: Västra Hamnen Corporate Finance

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