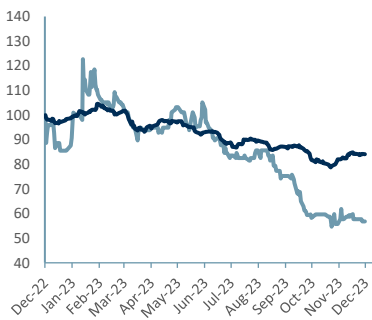


CIC

VALUE RANGE

GBP 1.54 – 1.58



12m price relative ITX.L (lighter line) vs. FTSE AiM

Thursday, 02 May 2024

FTSE AiM  
Year End  
Currency

ITX.L  
31-Dec  
GBP

**Business Activity**  
Specialty Chemicals

**Key Metrics**  
Close Price (GBP) 160.00  
MCAP (GBP) (k) 21,578  
Net Debt (Cash) GBP (k) (6,820)  
EV (k) 14,758  
52 Wk Hi 324.90  
52 Wk Lo 113.00

**Key Ratios**  
Net Cash / Equity Value 31.61%  
%

**Fintech Sector Research**  
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## Itaconix Plc – Safety & Performance

### Core Investment Case – Itaconic acid growth

Our CICs do not have valuations or forecasts. Financials are from Refinitiv et al. Itaconix Plc's (AIM: ITX.L, OTC: ITXXF) vision - safer chemicals in consumer goods. ITX makes IP protected innovative bio-polymers that replace acrylic acid and styrene based polymers (US\$ 20bn market) in consumer products. IA polymers have commercial applications in consumer and specialty chemicals markets including detergents markets as water softeners and dispersants; odour capture markets and hair products markets for hold, texture and flexibility. ITX's innovations are protected by 16 patent families. ITX revenues YE22A rose to US\$ 5.6m up 115% vs. 2.6m y/y. ITX's recent YE23A preliminary revenues US\$ 7.86m, despite a recent YE24 downgrade, ITX' IP product strategy has attractive long run growth and margin characteristics.

- IP protected pioneering plant-based polymers for retail products;
- Disruptor – short run market US\$ 2.3bn, long run US\$ 20bn ;
- Substitutable bio good for petrochemical based products;
- Attractive long run growth and margin profile remains intact;
- C&CE + Short Term Investments YE23A statement US\$ 8.75m.

ACF est. USD (k)	Revenue	EBITDA	FCFF	EPS	EPS (diluted)	CPS	CPS (diluted)
2022A	5,600	-1,395	-278	-18.26	-18.26	-0.02	-0.02
2023A	7,866	-925	-2,178	-11.59	-11.59	-0.16	-0.16
Multiples	EV/ Sales	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2022A	3.3x	NM	NM	NM	NM	NM	NM
2023A	2.3x	NM	NM	NM	NM	NM	NM

## Investment Case

Itaconix Plc (FTSE AIM: ITX.L, OTC: ITXXF) has a current addressable market of US\$ 2.3bn and US\$ 7.9m in revenues and a US\$ 30m in customer projects. The entire market opportunity is currently around US\$ 20bn ITX is aiming for >US\$ 100m in revenues. ITX's carbon sequestering sustainable bio-polymer specialty chemical ingredients replace petrochemical intermediaries for significant scale markets in cleaning, hygiene and beauty with potential in other industrial applications. ITX's polymers are often less expensive in use due to the efficacy of their functionality.

*Our ACF core investment cases do not come with a valuation or forecasts. They often precede a full initiation note with valuations and forecasts.*

*The financial metrics in this core investment case are based solely upon financial report and accounts and publicly available data from platforms such as Refinitiv, they do not contain our analysis, forecasts or valuation work, these will be found in our forthcoming initiation note and subsequent research updates et al.*

**ITX has an IP protected family** of 12 bio-based innovative itaconic acid (IA) polymer products and processes. Itaconix has delivered revenue growth with a 4-yr CAGR of 58.8% to YE22A. Revenues hit US\$ 7.9m YE23A. In our assessment, Itaconix's revenue growth has entered a growth acceleration inflection point. ITX's current revenue model suggests growth is largely dependent on repeat orders and new strategic partnerships. **Diverse application portfolio** – ITX claims that its formulations are in a relatively wide range of brands, showcasing the versatility of itaconic acid biopolymers and highlighting the potential for broad market acceptance for substituting petrochemical intermediates in consumer products.

**Process efficiency** – ITX claims it produces itaconic acid biopolymers with a **95% yield in less than an hour**, which is higher, faster, and at lower cost. ITX biopolymers also match or surpass the performance of its competitors' petrochemical alternatives.

**Lower dosage and cost** – In dishwasher detergents, Itaconix's biopolymer TSI 322 offers **cost savings of ~49.3%** via an ~33% reduction in required grams of dishwash detergent per dose (**12g vs. 18g** in petrochemical alternatives). There is a **23.9%** reduced ingredient cost per dose of **US\$0.035 vs. US\$0.046** as well as bio sustainability advantages compared to the leading North American petrochemical-based formula.

**Strategic growth initiatives** – In Feb 2023 ITX raised **US\$ 12.7m (gross proceeds, over-subscribed)**, with net funds of US\$ 11.5m, which will be used for WCAP, staff hiring, lab kit, product process and new product applications.

## Catalysts

New partners, increased forward sales book, successful monetization of plant-based super-absorbents; Exceeding traditional petro-polymers' performance; new applications; ITX 23A sales US\$ 7.9m beat (ACF 23E \$7.7m).

## Operational Strategy

*Our ACF core investment cases do not come with a valuation or forecasts. They often precede a full initiation note with valuations and forecasts.*

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Itaconix operational strategy is to displace acrylic acid and styrene across US\$ 20bn of potential applications in markets from cleaning to beauty to paints and composites. ITX intends to exploit three product advantages, lower price, higher performance and the demand for sustainable specialty chemical intermediates that have a lower environmental burden.

ITX states that it has manufacturing capacity to respond to customer demand into 2024 and is increasing its goods inventories. It is planning investment in production upgrades, process efficiencies and production rates for future demand and investments in sales and marketing capabilities to accelerate demand. The company raised a net US\$ 11.5m to fund this operational growth strategy, of which approximately US\$10m remains on the balance sheet at the date of this note.

Itaconix is targeting more brands, higher volume applications and geographical revenue footprint expansion, particularly in Europe.

**Key operational metrics** - key underlying drivers for growth are growth in consumer and industrial brands using Itaconix IA polymer intermediates in their products; new product introductions by Itaconix and new applications announcements.

Itaconix patented processes deliver up to 18x higher polymerization rates and 15% higher yields compared to patented processes from Pfizer and Rohm & Haas.

**Revenue model** – Itaconix manufactures and sells its proprietary carbon sequestering plant-based itaconic acid polymers, which are functional ingredients within formulas for specific performance. ITX deploys a version of the channel partner strategy with a small number (currently) of companies such as Croda. The channel partners sell a fully packaged product to their clients. ITX's IP protected polymers are intermediate compounds (building blocks enabling the production of more complex chemicals) in the final consumer products.

ITX does not have offtake contracts for its intermediate polymers so volumes of sales are subject to market dynamics, as would be expected. ITX is targeting a share of an **existing US\$ 2.3bn addressable market** for its polymer intermediates in the cleaning, hygiene and beauty consumer products markets. ITX believes it can expand its total addressable market to additional segments of the overall US\$ 20bn market in which it operates, by developing applications for acrylic acid and styrene subsectors such as coatings and paints, where its IA biopolymers can replace acrylic acid and styrene petrochemicals based polymers across the entire applications market.

## Management Team

➤ **Chief Executive Officer & Founder, John Roger Shaw.**



Mr. John Shaw became CEO in July 2018, He has co-founded and led Itaconix Corporation since 2008. With 35+ years in senior roles across pharmaceutical, biomedical, and specialty chemicals, he brings expertise in marketing, strategy, and business management. Previous experience includes roles at SmithKline Beecham, Westaim, and Mitek Systems, Inc. Holds a BA in Economics from Pomona College and an MBA from Harvard Business School.

➤ **Chief Financial Officer, Laura Elizabeth Denner.**



Laura joined the Board in July 2022; she has been instrumental in Itaconix's growth since joining as Controller in 2013. Beginning her career in public accounting with Feeley & Driscoll, PC, she focused on manufacturing company audits. Holds a BA in Accounting and International Studies from Bryant University, an MS in Accounting from Boston College, and is a Certified Public Accountant.

➤ **Chief Technology Officer, Dr Yvon Durant.**



Dr. Yvon is a co-founder of Itaconix and serves as the Chief Technology Officer. Before this, he held positions at BASF and Rhone Poulenc. Yvon, a former Associate Research Professor at the University of New Hampshire, earned his Ph.D. in Polymer Chemistry from the University of Lyon and an MBA from the University of New Hampshire.

## Notes [Intentionally Blank]

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<b>Is the research provided by a broker and paid for after it has been produced.</b>	<b>NO</b>	<input checked="" type="checkbox"/>
<b>Is the research potentially cross subsidised by other investment banking services.</b>	<b>NO</b>	<input checked="" type="checkbox"/>
<b>Is the research potentially or actually paid for in shares or other financial instruments.</b>	<b>NO</b>	<input checked="" type="checkbox"/>
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Christopher Nicholson  
 Managing Director  
 Head of Research  
 ACF Equity Research Ltd

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