

Corporate

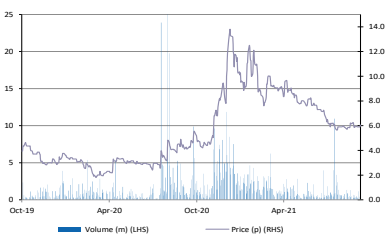
 Current price **6.05p**

 Sector **TMT**

 Code **CPX.L**

 Listing **AIM**

Share Performance



	1m	3m	12m
CPX.L	3.4%	-19.9%	+42.3%

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **30.5**

 Shares in issue (m) **508.4**

52 weeks (p) High Low

13.75 **4.1**

 Financial year end **30 June**

Source: Company Data, Allenby Capital

Key Shareholders

Canaccord Genuity 14.8%

Quilter Cheviot 8.0%

Ruffer LLP 4.8%

David & Monique Newlands 2.6%

Anthony Kongats (CEO) 2.0%

Source: Company Data, Allenby Capital

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CAP-XX Ltd (CPX.L)

Sales order book up more than 160%

Finals from CAP-XX Ltd (CPX.L), the leading designer and manufacturer of prismatic and cylindrical supercapacitors, were in line with forecasts and June's update. Revenue +14% to A\$4.1m with Product sales revenue +30% to A\$3.5m as the coatings, DMF and DMT manufacturing assets acquired from Murata came online. Adj. EBITDA loss of A\$0.4m reduced A\$1.2m and was comfortably better than forecast (ACLe: A\$0.6m). CPX continues to defend its IP with the ongoing case against Maxwell/Tesla and is pursuing an existing licensee for royalty underpayment. Management reports that the closing sales order book was up more than 160% y-o-y with contract announcements across multiple sectors in CY21. FY21 cash of A\$0.2m was lower than expected (A\$0.6m) but has since been bolstered by July's placing (£2.6m net) and option exercise (£0.4m) and we anticipate an R&D tax rebate of c. A\$3.0m later this year. P&L forecasts and 16.5p/share fair value unchanged but cash forecasts increased to reflect the funding.

— **Financial performance:** FY21 revenue +14% to A\$4.1m represented a creditable performance given the disruption caused by COVID-19 and the execution of the Murata project. Product revenue increased an encouraging 30% to A\$3.5m as Murata customers moved to CAP-XX. That said, full capacity has not yet been reached on the coating, DMT and DMF production lines and some Murata customers are still working through stock. Management expects >75% of Murata's customers by value will be retained. The reduction in Licence Fees & Royalties +34% to A\$0.6m, reflected the expected reduction in Murata royalties and this impacted GM (42.9% vs 52.0%). Underlying operating costs (excluding one-offs, Murata project costs and share based payments and litigation costs) reduced 10% to A\$5.9m and adj. EBITDA loss was \$0.4m (FY20: A\$1.6m; ACLe; A\$0.6m loss). Cash of A\$0.2m was lower than expected due to timing (share options and legal invoices) and a royalties' underpayment but has since been boosted by July's placing and option exercise and we anticipate a substantial tax rebate (A\$3.0m) later this FY.

— **Commercial progress:** The standout feature of FY21 was the successful recommissioning of the ex-Murata coating, DMF and DMT lines on time and within budget, in spite of ongoing COVID-19 disruption. The capacity and yield from these lines continues to increase and will be able to produce c. 4.8m units per annum. Attention now turns to the DMH line that is in position but has yet to be commissioned. The DMH at only 400 microns in thickness is believed to be the best performing supercapacitor in its class and there have been enquiries for multiple applications. This would add another 2.4m units per annum capacity. COVID-19 restrictions have inevitably hampered progress with some disruption to production and hiring in Sydney and planned production initiatives and the launch of 3V production in Malaysia. That said, CPX has secured multiple contracts so far in 2021 across various sectors and the closing sales order book was up >160% y-o-y.

Year End: 30 June

(A\$'000)	2019A	2020A	2021A	2022E	2023E
REVENUE	3,205	3,588	4,101	6,434	11,151
EBITDA†	-1,793	-4,447	-2,852	-428	2,844
ADJ. EBITDA*	-1,609	-1,584	-404	122	3,144
ADJ. PBT*	-1,954	-1,766	-1,338	-358	2,619
ADJ. EPS* (c)	-0.62	-0.46	-0.16	-0.04	0.28
CASH	2,429	2,895	183	3,371	4,576
EV/REVENUE (x)	17.3	15.3	14.1	8.5	4.8

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Joint Broker to CAP-XX Ltd (CPX.L).

† excludes share based payments.

* excludes net Murata project costs, patent infringement and share based expenses and AASB16 lease costs.

Equity Research

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Positive outlook

Strong supply and demand

Management reports that the sales order book as at July was more than double the same point last year and 2021 has been notable for the number and range of new wins secured. These demonstrate the breadth of applications for supercapacitors in general and CAP-XX's super thin prismatic supercapacitors in particular. With the new DMT and DMF production lines up and running and moving towards full capacity of c. 4.8m units per annum complemented by the existing manufacturing lines in Malaysia and the prospect of the DMH coming online during 2022, CAP-XX can offer a range of prismatic supercapacitors in volume. Alongside this, the company has a growing cylindrical supercapacitor business.

Most recently, Spire Health, a provider of respiratory remote patient monitoring (RPM) modules, announced that it had selected CAP-XX's prismatic supercapacitor to provide the peak power needed to deliver respiratory and pulse rate monitoring for pulmonary patients in Spire's new Health Tag garment-adhered sensor. Spire's original tags for wellness alerts used CAP-XX's supercapacitors. The new tag's 3V coin cell battery continuously trickle charges the CAP-XX HA114T supercapacitor that then provides the pulses of 660mW to power LED pulse rate notifications. The tags need no charging and last up to twelve months and can be washed and dried.

Cylindrical supercapacitors

In July, RGM SpA, a specialist in the development and production of custom power conversion and energy storage systems for industrial, transportation and medical applications, selected the CAP-XX GY12R760138VS308L 3000F high-power cylindrical supercapacitors for its new Automotive Energy Storage Module. RGM SpA chose the CAP-XX 3000F 2.85-volt supercapacitor for its ability to store and release large amounts of energy and power for the industrial automotive market.

Prismatic supercapacitors

In June, Sensys Networks, developer of an advanced in-roadway Wireless Vehicle Detection System, selected the CAP-XX DMT470 supercap for its FlexMag Flush and Deep Sensor IoT devices. The system uses wireless magneto-resistive sensors to detect the presence and movement of vehicles. The sensors, installed without wires or cables, transmit vehicle detection data over the air via low-power radio frequency (RF) technology to a nearby Sensys Networks access point. This data is then relayed to a traffic signal controller or remote traffic management centre. That month it was also announced that Everactive would use the CAP-XX HA230F for its batteryless Eversensors for IoT remote asset monitoring applications. The supercapacitor stores energy harvested from indoor and outdoor solar and temperature differentials, sufficient to sense, process and wirelessly transmit data continuously, eliminating the need for battery replacement.

Other wins include Jack, part of AGC Automotive Europe, a major windscreen manufacturer (May), for its windscreen breakage detection system; VAIMOO for data communications in its magnetic smartphone docking station for e-bikes (April); Portal Instruments to power its needle-free drug delivery system (March); and Epishine for the energy storage on indoor light energy harvesting (LEH) evaluation modules (February). These design wins, plus the success of migrating existing Murata customers (c. 75% by value expected), provide multi-year revenue opportunities and demonstrate real commercial traction. The sales order book is currently up 127% on the end of FY20. [Insert heading here]

Routes to market

CAP-XX is also increasing its routes to market. This month, it announced the appointment of Kessler Batteries, a long standing and leading distributor of 3V lithium coin cell batteries for industrial electronic devices, as a CAP-XX full line distributor for the Americas. It selected Kessler for its expertise in 3V where prismatic supercapacitors can support high power requirements and its large sales organisation covering the Americas.

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