

CORPORATE

Current price 8.625p

Sector Electronic & Electrical Equipment

Code (CPX.L)

Listing AIM

SHARE PERFORMANCE


Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap (£) 25.7m

Shares in issue (m) 297.7

52 weeks High Low

12.375p 4.05p

Financial year end 30 June

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Hargreaves Lansdown 16.2%

Hargreave Hale 9.7%

Old Mutual 8.0%

Anthony Kongats (Founder & MD) 3.2%

Source: Thomson Reuters

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CAP-XX LIMITED (CPX.L)
Licence delays do not impair Group prospects

A recent trading update from CAP-XX highlighted the probability that certain licence opportunities were now unlikely to be completed prior to the year end. As a consequence, the Board now anticipates revenue of A\$4.11m and an EBITDA loss of A\$1.15m which compares to our earlier forecast of A\$5.1m and a loss of A\$0.56m. Nevertheless, we believe that industry interest in CAP-XX's technology and range of supercapacitors has probably never been stronger and we sense no diminution of the Board's optimism regarding future prospects. This being the case, we have presented our forecasts for FY2018 which assume continued growth in product sales and in licencing income from AVX and Murata. However, in line with our previous conservatism they do not take into account the conclusion of any new licencing deals or major sales opportunities.

- **Activity levels at Murata and AVX are pleasing** – CAP-XX has major licencing agreements with AVX and Murata and both of these companies are continuing to launch new products from which CAP-XX has and will receive royalty payments. An additional payment of £0.75m has recently been received from the former under existing agreements while payments from Murata were at record levels with the last quarterly payment being over 50% higher than in the comparative period.
- **Encouraging licence and sales opportunities** – In the interim statement of 20 March 2017, CAP-XX noted that it expected to finalise additional licence and sales opportunities by 30 June 2017. However, the timing and conclusion of these opportunities is always difficult to estimate with any degree of certainty. While the Company continues to make excellent progress in advancing negotiations on new licencing deals and high value customer contracts and expects these prospects to be realised in the next few months, the delay against earlier expectations has resulted in some reduction to our earlier forecasts.
- **Year-end estimate of net cash likely to remain unchanged** – Even though our estimate of net loss has increased by A\$0.6m, we do not expect to materially change our net cash expectation of A\$3.6m as the requirement for working capital will likely be lower due to the delay in licencing and sales activity.
- **An anticipated improvement for FY2018** – We continue to base our forecasts on existing licencing deals and a steady increase in product sales. Given the deferral of some product sales into FY2018 we are confident that the Group can produce an improved performance in the new financial year. Any additional licencing deals or sales opportunities would of course serve to enhance this position and be supportive to the share price.

EXHIBIT 1: FINANCIAL SUMMARY

Year End: June (A\$'000)	2015A	2016A	2017E	2018E
REVENUE	4,435	4,965	4,110	5,300
EBITDA	-1,585	-687	-1,150	-510
PRE-TAX PROFIT (ADJUSTED)	-1,753	-876	-1,340	-710
EPS (ADJUSTED) (p)	-0.78	-0.19	-0.28	-0.14
NET CASH	2,643	-668	3,608	2,499

Source: CAP-XX, Allenby Capital.

Allenby Capital acts as Nomad and Broker to CAP-XX Limited.

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FINANCIAL SUMMARY

EXHIBIT 2: FINANCIAL SUMMARY				
PROFIT & LOSS SUMMARY				
Y/E June	A\$'000 FY 2015A	A\$'000 FY 2016A	A\$'000 FY 2017E	A\$'000 FY 2018E
Revenues	4,435	4,965	4,110	5,300
Gross Profit	1,354	2,606	2,260	2,940
margin	30.5%	52.5%	55.0%	55.5%
Other income	1,333	1,893	1,500	1,500
SG&A costs	-4,567	-5,791	-5,500	-5,400
as a% of revenue	103.0%	116.6%	133.8%	101.9%
(Loss) from Operations	-1,880	-1,292	-1,740	-960
Operating margin (%)	-42.4%	-26.0%	-42.3%	-18.1%
EBITDA (adjusted)	-1,585	-687	-1,150	-510
Loss before tax (statutory)	-1,880	-1,292	-1,740	-960
Loss before tax (adjusted for share based charges)	-1,753	-876	-1,340	-710
EPS adjusted (fully diluted) (cents)	-1.20	-0.33	-0.48	-0.24
<i>Translation rate</i>	<i>1.70</i>	<i>1.70</i>	<i>1.70</i>	<i>1.70</i>
EPS adjusted (fully diluted) (pence)	-0.71	-0.19	-0.28	-0.14
CASH FLOW				
Y/E June	A\$'000 FY 2015A	A\$'000 FY 2016A	A\$'000 FY 2017E	A\$'000 FY 2018E
Net cash inflow/(outflow) from operating activities	-2,157	-3,146	800	-1,010
Net cash inflow/(outflow) from investing activities	-92	-253	-100	-100
Net cash inflow/(outflow) from financing activities	4,132	1,132	2,577	0
Net increase/(decrease) in cash and cash equivalents in the year	1,883	-2,267	3,277	-1,110
Cash and cash equivalents at end of period	2,643	331	3,608	2,499
BALANCE SHEET				
Y/E June	A\$'000 FY 2015A	A\$'000 FY 2016A	A\$'000 FY 2017E	A\$'000 FY 2018E
Assets				
Non-current assets	538	602	512	412
Current assets (excluding cash)	3,346	5,144	3,244	3,544
Cash	2,644	331	3,608	2,499
Total Assets	6,528	6,077	7,364	6,455
Liabilities				
Non-current liabilities	-42	-66	-66	-66
Current liabilities	-1,991	-2,305	-1,305	-1,305
Total liabilities	-2,033	-2,371	-1,371	-1,371
Net Assets	4,495	3,706	5,993	5,084

Source: Cap-XX; Allenby Capital

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Ian Jermin is the author of this research recommendation. Ian is employed by Allenby Capital Limited as an Equity Analyst.

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Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

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