

Corporate

 Current price **2.75p**

 Sector **TMT**

 Code **(CPX.L)**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **11.6**

 Shares in issue (m) **438.4**

52 weeks High Low

6.05 **2.55**

 Financial year end **30 June**

Source: Company Data, Allenby Capital

Key Shareholders

Canaccord Genuity 12.1%

Quilter Cheviot 8.0%

Ruffer LLP 6.8%

David Newlands 6.5%

Anthony Kongats (CEO) 2.3%

Source: Company Data, Allenby Capital

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CAP-XX Ltd (CPX.L)

Manufacturing expansion project on track

Interims from CAP-XX Ltd, the leading designer and manufacturer of thin, flat supercapacitors and energy management systems, were in line with management expectations with growth in revenue, improved gross margin and operating costs essentially flat resulting in reduced losses. The project to transfer the former Murata manufacturing assets remains on track. As set out in November's [note](#), this transaction provides access to established product designs, proven manufacturing assets and potential customers in its small form factor target markets. Management also continues to pursue its IP licensing/patent infringement strategy. Management reports strong sales pipelines for both prismatic and cylindrical can supercapacitors although some customers and suppliers are starting to report a negative Covid-19 impact with delivery dates extended and manufacturing constraints. Hence, we temper our revenue growth assumptions (50% to 41% in FY20). FY21 growth unchanged but off a lower base.

- Interims:** Revenue +21% to A\$1.9m with royalty and licence fees up A\$0.2m to A\$0.6m due to increased activity levels from both Murata and AVX. Gross margin increased 130bps to 55.4%, reflecting the change in revenue mix. Operating expenses (excluding share based payments) increased slightly to A\$2.9m and adj. EBITDA losses reduced A\$0.2m to A\$0.8m. Cash of A\$1.8m (H1 FY19: A\$4.6m; FY19: A\$2.4m) included the R&D Tax Rebate of A\$1.6m but not the capital raise related to Murata transaction (A\$6.4m net). Cash at the end of February 2020 was A\$6.4m, post the initial consideration.
- Murata project update:** The project relating to the acquisition of the Murata manufacturing assets remains on track. A lease has been secured on a new 3,300m² facility in Western Sydney to house the production lines and three new engineers and a Head of Sales for North America have been recruited. The first shipment occurred on schedule in March and the initial consideration. The final shipments are expected to leave Murata in April. The recommissioned lines are expected to be in production and shipping to customers in Q1 FY21.
- Compelling transaction:** The acquisition of the Murata manufacturing assets represented a unique opportunity to transform CAP-XX's profitability by increasing sales and gross margin for a minimal capital outlay and provides CAP-XX with the capacity to capitalise on the high levels of sales enquiries. Murata was already generating >A\$13m in sales with c. 60 customers. Murata is CAP-XX's longest standing IP licensee and has invested >\$100m in its supercapacitor manufacturing division and is currently operating third generation manufacturing lines. Murata has been working closely with CAP-XX to facilitate the relocation and recommissioning of the production lines.

Year End June

(A\$'000)	2019A	2020E (New)	2020E (Old)	2021E (New)	2021E (Old)
REVENUE	3,204	4,520	4,796	9,570	9,962
ADJ. EBITDA	(1,604)	(1,376)	(1,235)	1,410	1,617
ADJ. PBT	(1,766)	(1,606)	(1,465)	360	567
ADJ. EPS (p)	(0.31)	(0.22)	(0.21)	0.04	0.07
NET CASH	2,429	2,134	964	3,994	3,031
EV/REVENUE (x)	6.5	4.6		2.0	
EV/EBITDA (x)	NEG	NEG		53.1	

Allenby Capital acts as Nomad & Broker to CAP-XX Ltd (CPX.L). FX rate: £/A\$: 1.99

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