

## Promising trial orders for a new product extension

Nanoveu Ltd (ASX:NVU) has announced a A\$125k initial “trial” order for newly developed antiviral face masks from key distributor SANYO (Thailand and Malaysia), and the prospect of A\$250k in quarterly orders should the trial be successful. To put these orders into perspective A\$125k represents 40% of likely 1HCY21 revenue while A\$1m in sales (quarterly sales annualised) represents 40% of our current CY21 revenue forecasts. SANYO represents the group’s second largest distributor by disclosed Minimum Order Requirements (MORs) behind the UK. The antiviral face mask is a new product extension with the non-woven fabric containing the same antiviral copper compound as the group’s Nanoshield™ film. The product is also said to reduce smells enabling repeat use (up to five days) rather than requiring disposal after a single use. The recent Nestle peer-review study published in the American Society for Microbiology (ASM) Journal (<https://journals.asm.org/doi/10.1128/AEM.01098-21>) has undoubtedly provided validation for then Nanoshield technology and we expect orders across the product portfolio to accelerate. Our revenue estimates are unchanged as we have already incorporated an element of product take-up but highlight the expanded product portfolio and Nestle study marketing material as key confidence drivers and the reason we recently lower our discount rate for valuation purposes. We have stated previously that key distributors have been waiting for peer-reviewed validation to provide marketing support and the Nestle study does this.

## Business model

NVU has developed a number of antiviral and antimicrobial products using the group’s copper compound technology including treated film, tape, face masks and a spray, with most selling under the Nanoshield brand. These products are being sold via exclusive B2B resellers, and potentially to OEMs and direct to larger customers. Resellers will typically add a mark-up to the wholesale price in order to fund the value-add required in the form of product application and maintenance. The direct route is more suited to higher volume, cookie cutter products cut to specific dimensions for specific application.

## A new product added to an expanding portfolio

NVU has added a non-woven, 4-ply antiviral face mask to its product portfolio and signed an initial A\$125k trial order with Thailand/Malaysia distributor SANYO. The portfolio now includes antiviral film applications from mobile phones to self-check kiosks, antiviral tape and thermoformed plastics. Distributors are in place across the USA, ANZ, Singapore, Thailand, Vietnam, Malaysia, UK, Turkey, the Philippines, MEA and India, with most set MORs to retain product exclusivity.

## Valuation implies \$19.5m market cap vs \$8.5m currently

We are at the very early stages of product recognition and distributor sign-up, and as a result, framing the take-up in terms of revenue and resulting profit is difficult. Our sales assumptions currently imply an uplift as the product gains traction, and these are unchanged. We recently increased our DCF to \$0.155/share on the back of a lower risk rate, and this deal supports such a move. We continue to note that our sales estimates are well below minimum order requirements required for distributors and sales targets for performance shares.

### Historical earnings and RaaS Advisory estimates

Year end	Revenue (A\$m)	EBIT reported (A\$m)	NPAT adjusted (A\$m)	EPS(adj) (c)	P/E (x)	EV/Sales (x)
12/20a	0.4	(1.7)	(1.7)	(0.01)	nm	15.40
12/21e	2.6	(1.1)	(1.1)	(0.01)	nm	2.93
12/22e	5.8	(0.1)	(0.1)	(0.00)	nm	1.29
12/23e	7.6	0.4	0.4	0.00	nm	0.95

Source: Company data, RaaS Advisory, Estimates for FY21e, FY22e and FY23e

## Film manufacturing

24<sup>th</sup> August 2021

### Share details

ASX Code	NVU
Share price (i23rd Aug)	\$0.047
Market Capitalisation	\$7.5M
Shares on issue	162.1M
Net cash 30 Jun 2021	\$0.8M
Free float	~51.6%

### Share performance (12 months)



### Upside Case

- New enterprise & distribution customers
- Secures major vending retail/telco partner
- Commercial progress of EyeFyx and EyeFly

### Downside Case

- Distributors fail to penetrate respective markets
- COVID vaccine programs reduce importance of antiviral products
- Ability to secure funding

### Catalysts

- Distribution order announcements
- New product development
- Success of Customskins machines on the ground

### Board of Directors

Alfred Chong	Executive Chairman
Michael van Uffelen	Executive Director/CoSec
Stephen Apedaile	Non-Executive Director
David Nicol	Non-Executive Director

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\*The analyst holds shares

## Exhibit 1: Financial Summary

Nanoveu Ltd						Share price (23 August 2021)						AS		0.047
Profit and Loss (A\$m)						Interim (A\$m)		H120	H220	H121F	H221F	H122F	H222F	
Y/E 31 December	FY19A	FY20A	FY21F	FY22F	FY23F	Revenue	0.0	0.3	0.6	2.0	3.1	2.7		
Revenue	0.1	0.4	2.6	5.8	7.6	EBITDA	(0.8)	(0.9)	(0.8)	(0.3)	0.1	(0.2)		
Gross profit	(0.0)	0.1	1.0	2.3	3.0	EBIT	(0.8)	(0.9)	(0.8)	(0.3)	0.1	(0.2)		
GP margin %	(24.6%)	34.6%	40.0%	40.0%	40.0%	NPAT (normalised)	(0.8)	(1.0)	(0.8)	(0.4)	0.0	(0.2)		
Underlying EBITDA	(2.8)	(1.7)	(1.1)	(0.1)	0.4	Minorities	0.0	0.0	0.0	0.0	0.0	0.0		
Depn	0.0	0.0	0.0	0.0	0.0	NPAT (reported)	(0.8)	(1.0)	(0.8)	(0.4)	0.0	(0.2)		
Amort	0.0	0.0	0.0	0.0	0.0	EPS (normalised)	nm	(0.007)	(0.005)	(0.002)	0.000	(0.001)		
EBIT	(2.8)	(1.7)	(1.1)	(0.1)	0.4	EPS (reported)	nm	(0.007)	(0.005)	(0.002)	0.000	(0.001)		
Interest income	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000		
Tax	0.0	0.0	0.0	0.0	0.0	Imputation								
NPAT	(2.8)	(1.7)	(1.1)	(0.1)	0.4	Operating cash flow	na	na	na	na	na	na		
Adjustments	0.0	0.0	0.0	0.0	0.0	Free Cash flow	na	na	na	na	na	na		
Adjusted NPAT	(2.8)	(1.7)	(1.1)	(0.1)	0.4	Divisionals	H120	H220	H121F	H221F	H122F	H222F		
Abnormals (net)	(0.5)	(0.1)	0.0	0.0	0.0									
NPAT (reported)	(3.2)	(1.8)	(1.1)	(0.1)	0.4									
Cash flow (A\$m)														
Y/E 31 December	FY19A	FY20A	FY21F	FY22F	FY23F	Total Revenue	0.0	0.3	0.6	2.0	3.1	2.7		
EBITDA	(2.8)	(1.7)	(1.1)	(0.1)	0.4									
Interest	0.0	0.0	0.0	0.0	0.0	Gross profit	0.0	0.1	0.2	0.8	1.2	1.1		
Tax	0.0	0.0	0.0	0.0	0.0	Underlying GP Margin %	23.5%	35.1%	40.0%	40.0%	40.0%	40.0%		
Working capital changes	(2.4)	0.7	0.4	(0.0)	0.1	Operating Costs								
Operating cash flow	(5.2)	(1.0)	(0.7)	(0.1)	0.5	Selling & Distribution	0.2	0.3	0.3	0.4	0.3	0.4		
Mtce capex	0.1	0.0	0.0	0.0	0.0	Administration	0.5	0.6	0.6	0.7	0.7	0.7		
Free cash flow	(5.1)	(1.0)	(0.7)	(0.1)	0.5	Other	0.1	0.1	0.1	0.1	0.2	0.1		
Growth capex	0.0	0.0	0.0	0.0	0.0	Total costs	0.8	1.0	1.0	1.1	1.1	1.3		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0									
Other	0.0	0.0	0.0	0.0	0.0	EBITDA	(0.8)	(0.9)	(0.8)	(0.3)	0.1	(0.2)		
Cash flow pre financing	(5.1)	(1.0)	(0.7)	(0.1)	0.5	EBITDA margin %	#####	(260.1%)	(133.9%)	(15.7%)	2.8%	(5.9%)		
Equity issues	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns		FY19A	FY20A	FY21F	FY22F	FY23F		
Debt	0.0	1.3	1.2	0.6	0.0	EBITDA margin %		(4573.8%)	(471.3%)	(42.1%)	-1.3%	4.6%		
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT margin %		(4573.8%)	(471.3%)	(42.1%)	-1.3%	4.6%		
Net cash flow for year	(5.1)	0.3	0.5	0.5	0.5	NPAT margin (pre significant items)		(4516.4%)	(459.1%)	(42.1%)	-1.3%	4.6%		
Balance sheet (A\$m)						Net Debt (Cash)		-2.2	-0.8	-0.4	-1.0	-1.2		
Y/E 31 December	FY19A	FY20A	FY21F	FY22F	FY23F	Net debt/EBITDA (x)	(x)	0.8 x	0.5 x	0.4 x	13.1 x	-3.4 x		
Cash	2.2	1.1	0.8	1.3	1.5	ND/ND+Equity (%)	(%)	53.1%	40.6%	25.2%	34.3%	35.1%		
Accounts receivable	0.2	0.2	0.5	0.6	0.8	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0x		
Inventory	0.0	0.4	0.4	0.4	0.4	ROA		nm	(79.6%)	(59.0%)	(3.4%)	12.8%		
Other current assets	0.0	0.0	0.1	0.1	0.1	ROE		nm	nm	nm	nm	nm		
Total current assets	2.4	1.7	1.8	2.4	2.9	ROIC		nm	nm	nm	nm	nm		
PPE	0.1	0.1	0.1	0.1	0.1	NTA (per share)								
Goodwill	0.0	0.0	0.0	0.0	0.0	Working capital		-0.3	0.3	0.7	0.7	0.8		
Right of use asset	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(557.4%)	83.7%	26.5%	11.5%	10.1%		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Revenue growth		nm	501.4%	602.0%	125.3%	31.4%		
Other	0.0	0.0	0.0	0.0	0.0	EBIT growth pa		nm	nm	n/a	n/a	(575.3%)		
Total non current assets	0.1	0.1	0.1	0.1	0.1	Pricing		FY19A	FY20A	FY21F	FY22F	FY23F		
Total Assets	2.6	1.8	1.9	2.5	3.0	No of shares (y/e)	(m)	132.5	135.0	166.7	176.0	176.0		
Accounts payable	0.5	0.2	0.2	0.3	0.4	Weighted Av Dil Shares	(m)	132.5	135.0	166.7	176.0	176.0		
Short term debt	0.0	0.3	0.3	0.3	0.3									
Provisions	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	nm	(0.013)	(0.006)	(0.000)	0.002		
Lease liabilities/other	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	nm	(0.012)	(0.006)	(0.000)	0.002		
Total current liabilities	0.6	0.6	0.5	0.7	0.8	EPS growth (norm/dil)		nm	nm	-48%	n/a	-575%		
Long term debt	0.0	0.0	0.0	0.0	0.0	DPS	cps							
Other non current liabs	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a		
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Total Liabilities	0.6	0.6	0.5	0.7	0.8	Dividend imputation		30	30	30	30	30		
Net Assets	2.0	1.2	1.3	1.9	2.2	PE (x)			nm	-	7.2	-	111.5	23.5
						PE market		18	18	18	18	18		
Share capital	13.3	14.2	15.4	16.0	16.0	Premium/(discount)			nm	(140.2%)	(719.6%)	30.4%		
Retained Earnings	(10.2)	(11.9)	(13.0)	(13.1)	(12.8)	EV/EBITDA		(1.4)	(3.2)	(6.8)	(98.5)	20.1		
Reserves	(1.2)	(1.1)	(1.1)	(1.1)	(1.1)	FCF/Share	cps	-0.2	-1.7	-0.9	0.0	0.1		
Minorities	0.0	0.0	0.0	0.0	0.0	Price/FCF share		-23.9	-2.8	-5.3	-103.1	36.7		
Total Shareholder funds	1.9	1.2	1.3	1.9	2.2	Free Cash flow Yield		(3.5%)	(30.8%)	(20.0%)	(1.1%)	3.1%		

Source: RaaS Advisory

# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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