26 October 2023

Commissioned research: Agilyx – Several key operational and organizational announcements released – key milestones for next steps

Marketing material commissioned by Agilyx

Agilyx released several operational and organizational announcements this evening which positions the company for a new phase of growth. First, the company announced that it has signed a binding agreement with ExxonMobil and LyondellBasell to invest in Cyclyx, the sourcing platform of Agilyx. In the agreement, LyondellBasell and ExxonMobil will together invest USD 135m (NOK 1.5bn) in Cyclyx for a stake in the platform. The use of proceeds will be to advance the Cyclyx Circularity Centre (CCC) to FID (expected in short order) as well as fund construction costs through commissioning (expected 2025). The first CCC is supported by offtake agreements from ExxonMobil and LyondellBasell, with the agreement also envisioning a second CCC. Post the transaction, Agilyx will own 50% of Cyclyx, with ExxonMobil and LyondellBasell owning 25% each. In addition to the initial investment, Agilyx this evening announced a proposed placing of around USD 15-20m in order to fund/support commercialization of key projects and the transformation to more of a “build/own/operate” approach. Finally, the company announced that Tim Stedmen will be stepping down as CEO of the company for personal reasons. Tim will remain as CEO until the end of the year with a search for his successor underway.

On a first take, we note the announcements holding several key points. First, the capital injection from blue-chip partners LyondellBasell and ExxonMobil (both are now minority investors) is a key validation of the Cyclyx value proposition; to this point, we calculate that the USD 135m injection corresponds to an indicative Cyclyx value of USD 400m, or USD 200m for Agilyx’s portion. Taking today’s FX rate, this equates to NOK 2.24bn, which is over 20% above Agilyx’s entire current market cap (and therefore implying Agilyx’s conversion business holds negative future value). Second, we highlight that the capital injection, alongside the proposed placing, would leave Agilyx fully funded through 2023 and 2024, with funds also perhaps being utilized in a more “build-own-operate” approach, thus benefitting both conversion projects and CCC developments. Going forward however, the company will be looking to fill the CEO spot following Tim Stedman’s exit; we expect the company to update the market in short order (in the next month or so), and thus expect the company to provide further colour on this process and the aforementioned announcements then.

Summary of announcements

1. **LyondellBasell & ExxonMobil investment into Cyclyx ([click here for announcement])**

    - LyondellBasell and ExxonMobil invest USD 135m into Cyclyx

- Funding for ramp-up of first Cyclyx Circularity Centre (CCC)
- LyondellBasell and ExxonMobil to provide intake and offtake for first CCC
- Agreement includes proposed second CCC
- Previous Cyclyx structure: 75% Agilyx, 25% ExxonMobil
- Structure post transaction : 50% Agilyx, 25% ExxonMobil, 25% LyondellBasell

2. **Proposed USD 15-20m placing of shares (click here for announcement)**
    - Agilyx has proposed an equity raise in conjunction with ExxonMobil/LyondellBasell capital injection
    - Pre-commitments from Saffron Hill (top shareholder), funds held by Virgin Group and management totals USD 7.3m
    - Net proceeds to support commercialization of key projects and to fund key strategic direction into a more "build own operate" model
3. **CEO to step down (click here for announcement)**
    - Agilyx has announced that Tim Stedman will step down as CEO
    - Tim will continue in his role until the end of the year
    - A process for a successor to Tim is underway

SUMMARY TABLE - KEY FIGURES

USDm	2020	2021	2022	2023E	2024E	2025E
Total revenue	4	5	16	21	57	111
EBITDA (adj)	-6	-15	-21	-18	-10	-4
EBIT (adj)	-7	-16	-22	-19	-12	-5
EBIT (adj) margin	-154.3%	-321.1%	-133.0%	-89.6%	-20.3%	-4.7%
EPS (adj, USD)	-0.14	-0.22	-0.27	-0.25	-0.16	-0.08
EPS (adj) growth	n.a.	-59.6%	-26.1%	9.3%	36.9%	46.6%
DPS (ord, USD)	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	76.6	61.1	17.3	8.2	3.2	1.6
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
P/BV	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease adj	-2.9%	-5.9%	-6.3%	-14.9%	-9.0%	-4.4%
Net debt	-36	-18	-13	-2	0	-6
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROIC after tax	n.m.	n.m.	n.m.	n.m.	n.m.	-73.0%

Source: Company data and Nordea estimates

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