

Aligning AGM commentary to our investment thesis

Nanoveu Ltd (ASX:NVU) has made a number of announcements since our initiation and recently held their AGM, providing further commentary. Relative to our forecasts and investment thesis we make the following observations. **Revenue** – 1H21 revenue is on-track to be at least \$280k, which compares to our forecast of \$575k and the PCP of \$17k. The ramp-up of revenue post commercialisation is difficult to forecast particularly when there are a number of distributors globally. The key to a material ramp-up in our view is the marketing material that potentially comes from the release of the peer-reviewed Nestle study comparing the effectiveness of Nanoshield against other technologies already in the market. This is due any month now and should provide distributors with valuable sales ammunition. **Laminating machines** (Customskins) now on the ground in Singapore offering a range of mobile phone screen protectors with accuracy of 150 microns for both flat and curved screens. We have nothing in our numbers for this initiative but have highlighted the importance of penetrating the mobile phone market given its size and margin potential. **EPA-approved US supplier of Cupron materials** MoU for use in Nanoshield products, which bypasses the often time-consuming and expensive EPA approval process in the US, promising more immediate sales in this region. **Other product development** continues in the form of EyeFyx, with a beta product expected in CY21 prior to mass launch in CY22. EyeFyx is designed to correct the output from digital displays for people suffering far sightedness or presbyopia. Our numbers have nothing specifically for EyeFyx, and instead focus on the medium-term potential of Nanoshield sales using performance targets (for both staff and distributors) as a guide.

Business model

NVU has developed a number of treated film applications, with the current focus an antiviral & antimicrobial film called Nanoshield. This product is 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.

Nestle study details key to sales acceleration

In securing Nestle as the product of choice to protect their out-of-home touch screen coffee machines, Nestle undertook a comparative study of various anti-viral solutions at its Institute of Food Safety and Analytical Sciences, and chose Nanoshield, implying superior performance relative to peers. The detailed results are expected to be peer-reviewed and published any month now in a respected journal. It is this publication that we feel will accelerate Nanoshield sales with marketing material validated by a global food major. Distributors with Minimum Order Requirements (MORs) are in place across ANZ, Singapore, Thailand, Malaysia, UK, Turkey, the Philippines and India.

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 a somewhat subjective exercise. Our sales assumptions to derive a DCF of A\$0.124/share on the current share count (down from \$0.128 due to share issues) is well below that implied for distributors to achieve their (MORs) and around that required for staff to achieve hurdles for performance rights out to FY23.

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	17.61
12/21e	2.6	(1.1)	(1.1)	(0.01)	nm	3.32
12/22e	5.8	(0.1)	(0.1)	(0.00)	nm	1.47
12/23e	7.6	0.4	0.4	0.00	nm	1.09

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

Film manufacturing

5th July 2021

Share details

ASX Code	NVU
Share price (2 July)	\$0.054
Market Capitalisation	\$8.5M
Shares on issue	162.1M
Net cash 31 Mar 2021	\$1.1M
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

- Release of Nestle peer reviewed study
- Follow-up distributor orders
- 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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Exhibit 1: Financial Summary

Nanoveu Ltd						Share price (2 July 2021)						A\$	0.054				
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)						Total Revenue						0.0	0.3	0.6	2.0	3.1	2.7
Y/E 31 December	FY19A	FY20A	FY21F	FY22F	FY23F	EBITDA	(2.8)	(1.7)	(1.1)	(0.1)	0.4						
EBITDA	(2.8)	(1.7)	(1.1)	(0.1)	0.4	Gross profit	0.0	0.1	0.2	0.8	1.2	1.1					
Interest	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%					
Tax	0.0	0.0	0.0	0.0	0.0	Operating Costs											
Working capital changes	(2.4)	0.7	0.4	(0.0)	0.1	Selling & Distribution	0.2	0.3	0.3	0.4	0.3	0.4					
Operating cash flow	(5.2)	(1.0)	(0.7)	(0.1)	0.5	Administration	0.5	0.6	0.6	0.7	0.7	0.7					
Mtce capex	0.1	0.0	0.0	0.0	0.0	Other	0.1	0.1	0.1	0.1	0.2	0.1					
Free cash flow	(5.1)	(1.0)	(0.7)	(0.1)	0.5	Total costs	0.8	1.0	1.0	1.1	1.1	1.3					
Growth capex	0.0	0.0	0.0	0.0	0.0	EBITDA	(0.8)	(0.9)	(0.8)	(0.3)	0.1	(0.2)					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA margin %	#####	(260.1%)	(133.9%)	(15.7%)	2.8%	(5.9%)					
Other	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns		FY19A	FY20A	FY21F	FY22F	FY23F					
Cash flow pre financing	(5.1)	(1.0)	(0.7)	(0.1)	0.5	EBITDA margin %		(4573.8%)	(471.3%)	(42.1%)	-1.3%	4.6%					
Equity issues	0.0	0.0	0.0	0.0	0.0	EBIT margin %		(4573.8%)	(471.3%)	(42.1%)	-1.3%	4.6%					
Debt	0.0	1.3	1.2	0.6	0.0	NPAT margin (pre significant items)		(4516.4%)	(459.1%)	(42.1%)	-1.3%	4.6%					
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		-2.2	-0.8	-0.4	-1.0	-1.2					
Net cash flow for year	(5.1)	0.3	0.5	0.5	0.5	Net debt/EBITDA (x)	(x)	0.8 x	0.5 x	0.4 x	13.1 x	-3.4 x					
Balance sheet (A\$m)						ND/ND+Equity (%)	(%)	53.1%	40.6%	25.2%	34.3%	35.1%					
Y/E 31 December	FY19A	FY20A	FY21F	FY22F	FY23F	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0x					
Cash	2.2	1.1	0.8	1.3	1.5	ROA		nm	(79.6%)	(59.0%)	(3.4%)	12.8%					
Accounts receivable	0.2	0.2	0.5	0.6	0.8	ROE		nm	nm	nm	nm	nm					
Inventory	0.0	0.4	0.4	0.4	0.4	ROIC		nm	nm	nm	nm	nm					
Other current assets	0.0	0.0	0.1	0.1	0.1	NTA (per share)											
Total current assets	2.4	1.7	1.8	2.4	2.9	Working capital		-0.3	0.3	0.7	0.7	0.8					
PPE	0.1	0.1	0.1	0.1	0.1	WC/Sales (%)		(557.4%)	83.7%	26.5%	11.5%	10.1%					
Goodwill	0.0	0.0	0.0	0.0	0.0	Revenue growth		nm	501.4%	602.0%	125.3%	31.4%					
Right of use asset	0.0	0.0	0.0	0.0	0.0	EBIT growth pa		nm	nm	n/a	n/a	(575.3%)					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Pricing		FY19A	FY20A	FY21F	FY22F	FY23F					
Other	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	132.5	135.0	166.7	176.0	176.0					
Total non current assets	0.1	0.1	0.1	0.1	0.1	Weighted Av Dil Shares	(m)	132.5	135.0	166.7	176.0	176.0					
Total Assets	2.6	1.8	1.9	2.5	3.0	EPS Reported	cps	nm	(0.013)	(0.006)	(0.000)	0.002					
Accounts payable	0.5	0.2	0.2	0.3	0.4	EPS Normalised/Diluted	cps	nm	(0.012)	(0.006)	(0.000)	0.002					
Short term debt	0.0	0.3	0.3	0.3	0.3	EPS growth (norm/dil)		nm	nm	-48%	n/a	-575%					
Provisions	0.0	0.0	0.0	0.0	0.0	DPS	cps										
Lease liabilities/other	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Total current liabilities	0.6	0.6	0.5	0.7	0.8	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Long term debt	0.0	0.0	0.0	0.0	0.0	Dividend imputation		30	30	30	30	30					
Other non current liabs	0.0	0.0	0.0	0.0	0.0	PE (x)			nm	-	8.3	-	128.1	27.0			
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	PE market		18	18	18	18	18					
Total Liabilities	0.6	0.6	0.5	0.7	0.8	Premium/discount			nm	(146.2%)	(811.8%)	49.8%					
Net Assets	2.0	1.2	1.3	1.9	2.2	EV/EBITDA		(1.8)	(3.7)	(7.9)	(115.1)	23.6					
Share capital	13.3	14.2	15.4	16.0	16.0	FCF/Share	cps	-0.2	-1.7	-0.9	0.0	0.1					
Retained Earnings	(10.2)	(11.9)	(13.0)	(13.1)	(12.8)	Price/FCF share		-27.4	-3.2	-6.1	-118.4	42.1					
Reserves	(1.2)	(1.1)	(1.1)	(1.1)	(1.1)	Free Cash flow Yield		(3.1%)	(26.8%)	(17.4%)	(0.9%)	2.7%					
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	1.9	1.2	1.3	1.9	2.2												

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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

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