

20 January 2020

Specialty chemicals

52-WEEK HIGH	6.45p
52-WEEK LOW	1.10p
PRICE	1.30p
MARKET CAP MLN	£3.50

Share Price



Major Shareholders

Shares in issue	269,130,071
Avg Three-month trading volume	1,167,734
Primary Index	AIM

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Itaconix defining the route to market

Termination of chelates partnership

Itaconix (LON:ITX) (US OTC:ITXXF) has announced the mutual agreement to terminate its distribution partnership with Nouryon in the field of chelates for detergent applications. Other product-based partnerships are unaffected.

Within automatic dishwasher detergents formulations chelates are used, typically in combination with acrylate polymers, as replacements for phosphates to manage water hardness that diminishes cleaning performance and can cause calcium deposits. Non-phosphate detergents are an important application for Itaconix's polymers due to their potential to replace both chelates and acrylate polymers.

The agreement with Nouryon was completed in January 2019 for Nouryon to conduct a marketing trial and then make the transition to being the exclusive distributor of Itaconix polymers in the detergent market. The results of the marketing trial showed that the two companies were unlikely to meet their joint expectations with Nouryon distributing Itaconix polymers. The arrangement did not advance to the stage whereby Itaconix sold any detergent polymers to Nouryon nor to point at which Nouryon was selling any Itaconix polymers in the market.

Meanwhile, Itaconix has continued to grow revenues and reach commercial milestones for its detergent additives into brands with whom it has a direct relationship. The termination of the Nouryon agreement leaves Itaconix free to directly pursue and expand its pipeline of customer projects through these direct sales channels.

The financial outlook

On 9 January 9 Itaconix released a trading update for the financial year to December 2019 (FY2019). The company should report revenues of £1.1mln, up 60% versus FY2018, and a year-end net cash position of £0.6mln. We continue to expect substantial revenue growth in 2020 and beyond.

The termination of the Nouryon chelates distribution agreement has no impact on 2020 as the arrangement was not expected to generate new revenues beyond Itaconix's current project pipeline for at least 18-24 months. The non-phosphate detergent market does nonetheless represent a significant market for Itaconix, outside of the Nouryon agreement. This segment accounted for £0.7mln of the company's revenues in 2019, up 37% versus 2018. We expect this segment to continue growing along with overall group revenue.

Growth opportunities

Itaconix's family of functional polymers can potentially address target markets that run to hundreds of millions of dollars (\$US) annually, including household products, personal care products such as haircare and skincare, and industrial applications. There are three main product areas which make up the current revenue stream and near-term pipeline: Personal Care; Odour Control and Non-Phosphate Detergents. These are summarised on p2.

We believe that the 60% revenue growth delivered in 2019 demonstrates that the company is gaining traction in these key markets, and we believe that there is potential for revenue growth to accelerate in the coming years.

John Shaw, chief executive. Shaw has a broad experience of building speciality chemical and medical technology businesses, and was a co-founder of Itaconix Corporation

Dr Yvon Durant, chief technical officer. Durant is a world expert and leading innovator in itaconate chemistries, and the co-founder of Itaconix Corporation.

Personal care. Polymers produced by Itaconix are used to give hair styling products their “hold”. Other applications exist in shampoos, conditioners and skincare. Itaconix signed an exclusive supply agreement with Nouryon in February 2019 that has given rise to purchase orders and which continues to offer further growth potential.

Odour control. Itaconix entered into an exclusive global supply and joint marketing agreement with Croda in January 2017 in respect of the polymer-based odour removal additive Itaconix ZINADOR 22L. This agreement was expanded in October 2019 to include an additional product, and the odour control market remains a focus for further revenue growth.

Non-phosphate detergents. Itaconix continues to grow revenues from existing customers and add new customers to generate further growth. For example, the licence agreement with New Wave Global Services in North America has demonstrated that Itaconix’s polymers can present a competitive offering on functionality, price and safety. The company also delivered its first order for use of its polymer in a European ADW detergent.

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