

18 February 2020

### Specialty chemicals

<b>52-WEEK HIGH</b>	<b>£4.40</b>
<b>52-WEEK LOW</b>	<b>£1.10</b>
<b>PRICE</b>	<b>£1.64</b>
<b>MARKET CAP MLN</b>	<b>£4.42</b>

### Share Price



### Major Shareholders

Shares in issue	269,130,071
Avg Three-month trading volume	1,059,589
Primary Index	AIM

### Company Information

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## Itaconix – expanded opportunity in detergents

### Extension of the collaboration with New Wave

Itaconix (LON:ITX) (US OTC:ITXXF) has announced an expansion of its existing agreement with New Wave Global Services, in the field of dishwashing formulations. The agreement will allow New Wave to offer its customers a new dishwashing formulation based on the new Itaconix TSI 322 detergent polymer that Itaconix introduced last month, and includes a supply agreement giving New Wave a guaranteed level of supply of Itaconix's detergent polymers to support a volume ramp-up of up to 1,000,000 lbs of polymer over two years. We estimate that this could generate up to US \$1.5mln of incremental revenue over and above Itaconix's existing business with New Wave, heavily weighted toward 2021.

Itaconix announced its original licence agreement with New Wave in December 2018, for use of the Itaconix CHT polymer. Since that agreement, New Wave has been growing its volumes and adding new customers, and we believe that the expansion to include the new product will help sustain that growth. New Wave is a leading automatic dishwashing detergent supplier in the North American private label market (retailer own-brands and similar).

### The significance for Itaconix's detergent additives segment

The non-phosphate detergent market is an important application for Itaconix's family of polymers. This segment accounted for some 2/3 of the company's revenues in 2019, at a segment growth rate of 37% for the year.

In January 2020 Itaconix announced that it would terminate its distribution partnership with Nouryon, a market leader in the detergent space, and focus on directly selling to customers (such as New Wave). The partnership with Nouryon had not yet reached the stage of producing any revenue in 2019, or in our expectation for 2020.

We argue that the expanded deal with New Wave demonstrates the continued growth potential for Itaconix in detergent additives, through its direct relationships with the customer base.

### Growth potential versus current valuation

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 that make up the current revenue stream and near-term pipeline – Personal Care, Odour Control, and Non-Phosphate Detergents. These are summarised on p2.

In the year to 31 December 2019 the company delivered 60% year-on-year revenue growth across its product categories, bringing annual revenue to £1.1mln. We believe that there is strong potential to continue to build on this based on the advantages that Itaconix's proprietary polymers offer in terms of performance, safety, and cost-effectiveness.

We argue that Itaconix's current market capitalisation of £4mln represents a very conservative valuation relative to the medium-term market opportunity.

**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.

### Three product segments for the near-term

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

**Odour control.** The odour control market remains a focus for future revenue growth with two new product initiatives. 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 ZINADOR 22L. This agreement was expanded in October 2019 to include the new ZINADOR 35L, a more cost-effective version that is expected to expand the market in homecare. Itaconix markets its own VELAFRESH product line directly and through distributors for use in personal care products such as aluminium-free underarm deodorants.

**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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