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# Zacks Small-Cap Research

*Sponsored – Impartial - Comprehensive*

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## FRX Innovations, Inc. (OTCPK:FRXIF)

**FRXIF: Providing a solution that companies are demanding.**

FRXIF is growing its market penetration in the sustainable fire-retardant business and is getting a tailwind from increasing government regulation. We continue to value FRXIF at $1.20 per share based on a discounted cash flow model with a 15% discount rate.

| | |
|---|---|
| Current Price (01/19/23) | $0.24 |
| **Valuation** | **$1.20** |

### OUTLOOK

FRX Innovations is a company on the cutting edge of a growing demand for a fire retardant without the potential negative health impacts many of the current retardants have. The company's Nofia product is endorsed by numerous "green" organizations and customer testimonials are glowing.

We believe the safe fire-retardant market is getting ready to explode and the FRX will be a major beneficiary of that projected increase in demand. The recent investor demand illustrates the potential for growth to expand over the coming months and years.

### SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$0.50** |
| **52-Week Low** | **$0.20** |
| **One-Year Return (%)** | **N/A** |
| **Beta** | **N/A** |
| **Average Daily Volume (sh)** | **667** |
| **Shares Outstanding (mil)** | **85** |
| **Market Capitalization ($mil)** | **$21** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **N/A** |
| **Insider Ownership (%)** | **N/A** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2022 Estimate** | **-2.9** |
| **P/E using 2023 Estimate** | **-6.1** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **Medium** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **Industrials** |

### ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2021 | N/A | N/A | N/A | N/A | N/A |
| 2022 | 1.1 A | 1.3 A | 1.8 E | 2.3 E | 6.5 E |
| 2023 | 2.3 E | 2.4 E | 2.5 E | 2.7 E | 9.8 E |
| 2024 | 3.0 E | 3.4 E | 4.0 E | 4.3 E | 14.7 E |

**Earnings per share**

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2021 | N/A | N/A | N/A | N/A | N/A |
| 2022 | -0.17 A | -0.04 A | 0.04 E | 0.05 E | -0.12 E |
| 2023 | -0.03 E | -0.03 E | 0.00 E | 0.00 E | -0.06 E |
| 2024 | -0.05 E | -0.01 E | 0.02 E | 0.03 E | -0.01 E |

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## Update

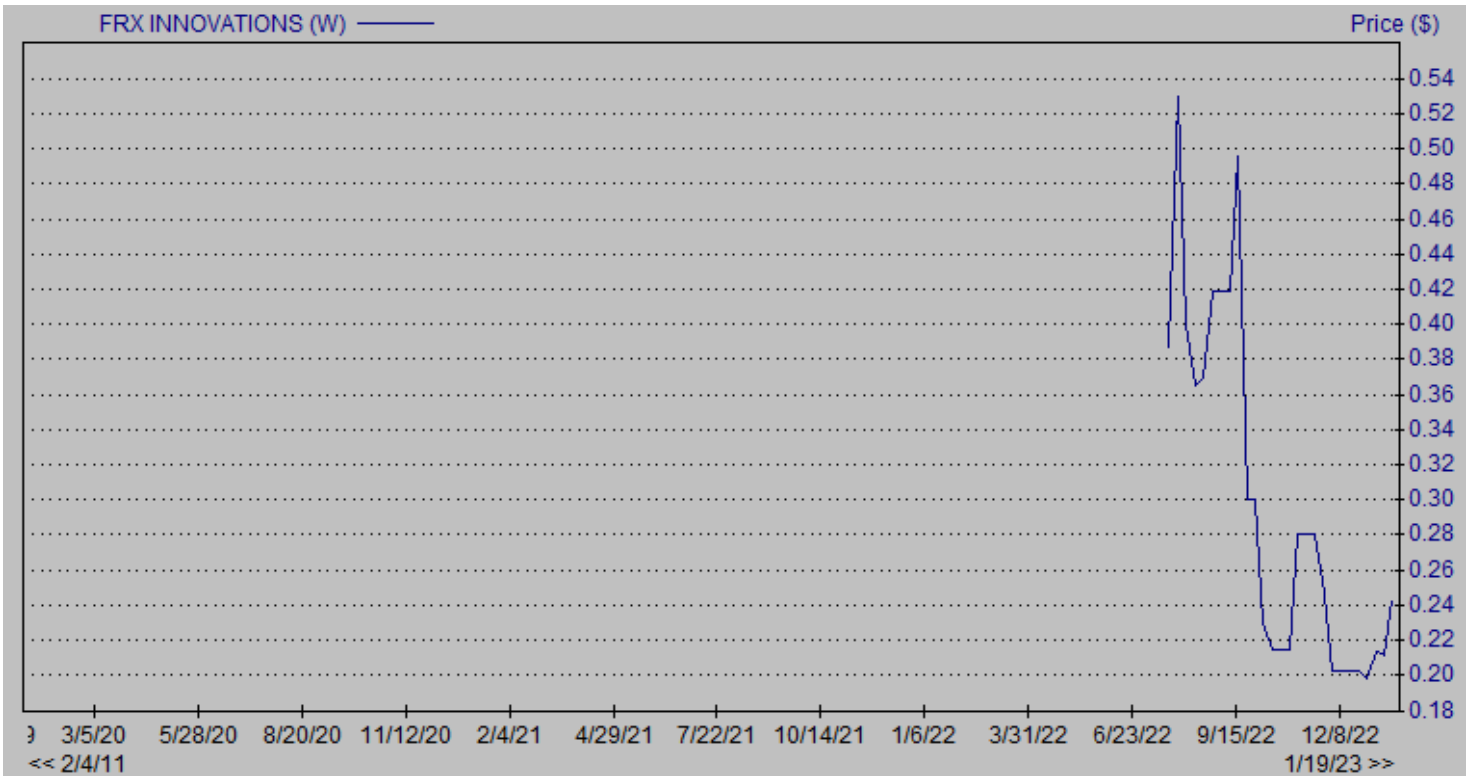
If there was ever a more perfect solution for a problem it would be tough to find a better example than the Nofia product from FRX Innovations, an eco-friendly flame retardant solution, is for the 47 investors that manage $8 trillion in assets that called for the phase out of potentially harmful halogenated flame retardants and PFAS chemicals. Studies previously cited by the FRX note that over 60% of fire-retardant plastic formulations are based on halogen-containing additives. The EPA has noted undesirable side effects of these materials, such as persistence in the environment and bio-accumulation in animal and human tissues. Additionally, when fires or incinerations occur, a substance with halogen may contribute to the formation of highly toxic substances. As a result, global government and regulatory agencies have pushed for the elimination of halogen-containing fire retardants. All this underscores the recent investor call for a solution that has already been addressed by many government entities. Additionally, late last year, 3M Co announced that it was setting a 2025 deadline to stop producing PFAS chemicals used in any products.

This continues the momentum we've seen building for FRX and illustrates the enormous market potential the company has. We believe FRXIF is undervalued by investors and the company is not being rewarded for its cutting-edge product that solves a problem that almost everyone admits is one that needs to change.

As mentioned, Nofia is a registered trademark of FRX. Nofia products are manufactured at its manufacturing facility on the Port of Antwerp in Belgium, one of the world's largest chemical producing clusters. The FRX production plant in Antwerp was constructed in 2013 with completion in 2014. It is highly efficient and requires only two technical operators per shift. It operates to the highest quality standards and is ISO 9001 certified. Nofia Polyphosphonates are produced using sustainable green chemistry principles such as a solvent-free production process, no waste byproducts, and near 100% atom efficiency. FRX's portfolio includes an extensive patent estate with 64 patent applications globally as of March 31, 2022. Per company management, Nofia flame retardants are independently assessed by the following organizations to have the best sustainability ratings of any similar product: GreenScreen, Benchmark 3, ChemFORWARD SAFER Class B, TCO listing, ChemSec Marketplace Alternative as an Oeko-Tex for textile applications—an impressive list that helps confirm that Nofia is safe for humans to be around.

Fire retardant requirements are not going away for the millions of products that are required to have them, but the allowable retardants are changing, and not just by force. Companies are now realizing it's good business to provide safer products to consumers. We reiterate our bullish view on FRXIF and believe investors looking for a growing company with explosive potential should give the stock a good look.

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