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Zacks Small-Cap Research

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FRX Innovations, Inc. (OTCQB:FRXIF)

FRXIF: Demand continues to increase.

FRXIF is growing its market penetration in the sustainable fire-retardant business and is getting a tailwind from increasing government regulation. We value FRXIF at $0.75 per share based on a discounted cash flow model with a 15% discount rate.

Current Price (03/02/23)	$0.21
Valuation	**$0.75**

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	**$0.20**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**9,384**
Shares Outstanding (mil)	**94**
Market Capitalization ($mil)	**$20**
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	**N/A**
P/E using 2023 Estimate	**N/A**
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

Demand continues to increase for a flame retardant that doesn't have toxic chemicals and the Nofia product from FRX Innovations, an eco-friendly flame retardant solution, is the perfect solution. 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. Recently, we heard from the European Chemicals Agency as they named three common flame retardants as Substances of Very High Concern (SVHC). Marc Lebel, CEO of FRX, noted that "our Nofia flame retardants are the ideal alternative solution.

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.

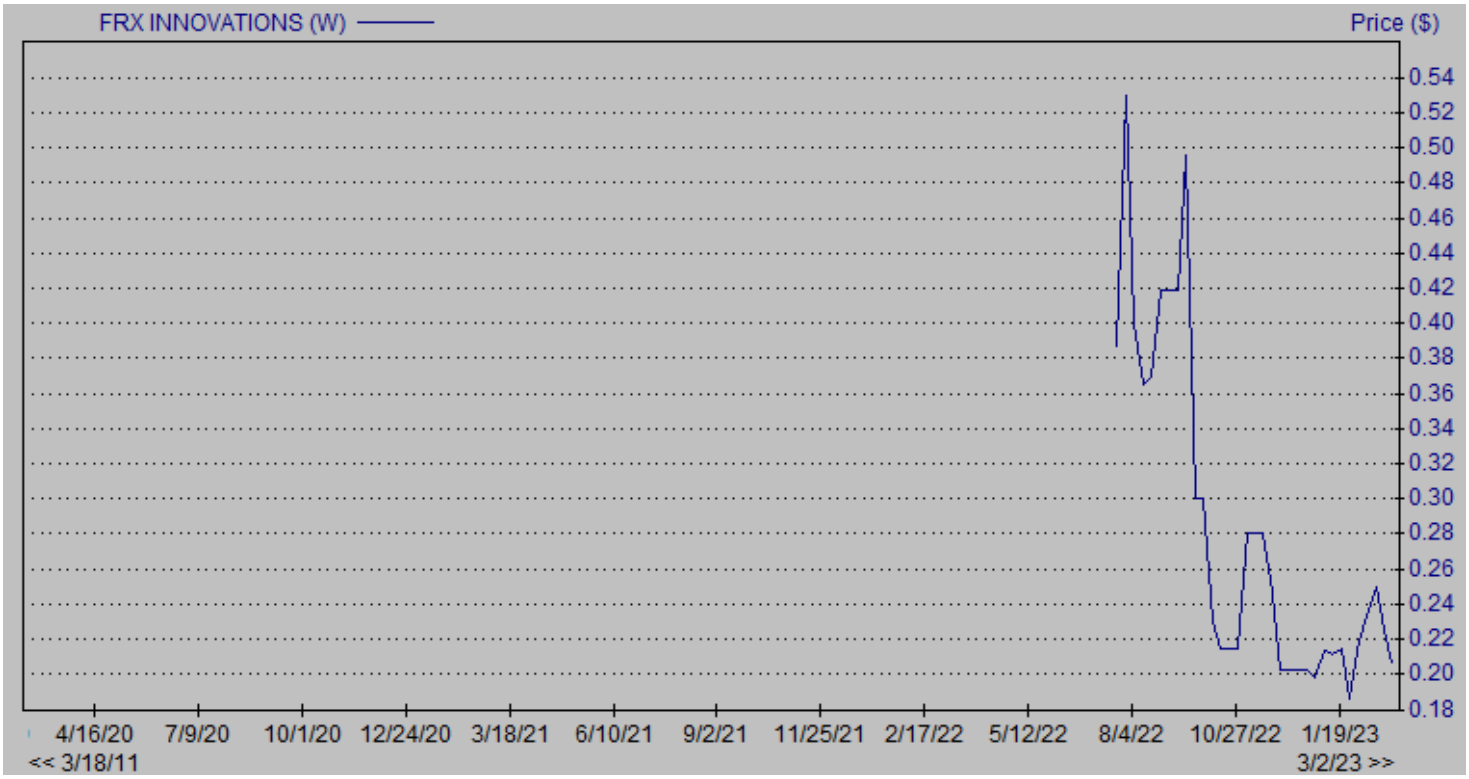
We were also encouraged to hear from the Heimtextil International Trade Fair that the hospitality market of the textile market was recovering. FRX saw some weakness in demand as hospitality companies dealt with the COVID pandemic but demand is rebounding as people are gathering together again, with FRX noting that they are hearing from customers much the same, with orders rebounding and in some cases, being rushed.

In order to finance this growth and keep up with demand, FRX has closed several non-brokered private placement in the last couple of months, while also issuing shares to settle outstanding debt. We certainly agree with the decision to finance the growth rather than pass up the opportunity due to a lack of funding. However, as a result of the new share issuance, we are adjusting our price target to account for the dilution that occurs. The new price target of $0.75 solely reflects the issuance of new shares and should not be viewed as downgrade of our bullish expectations for FRX.

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.

HISTORICAL STOCK PRICE



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