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Zacks Small-Cap Research

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FRX Innovations, Inc. (OTCQB:FRXIF)

FRXIF: New Product Results in Raised Price Target.

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 $0.80 per share based on a discounted cash flow model with a 15% discount rate.

Current Price (04/17/23)	$0.19
Valuation	**$0.80**

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.

The company also just announced that it is filing for a new patent for a fire retardant that is free of "forever chemical" for polycarbonate plastics. This is a large market that we believe will be beneficial to FRX and increase potential future revenues.

SUMMARY DATA

52-Week High	**$0.50**
52-Week Low	**$0.19**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**895**
Shares Outstanding (mil)	**80**
Market Capitalization ($mil)	**$15**
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	0.4 A	0.6 E	3.4 E
2023	1.0 E	1.2 E	1.5 E	1.4 E	5.1 E
2024	1.8 E	2.0 E	2.0 E	2.1 E	7.9 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	-0.04 E	-0.03 E	-0.13 E
2024	-0.05 E	-0.01 E	-0.02 E	-0.02 E	-0.10 E

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Update

FRX Innovations is a company that continues to produce new fire-retardant products that are free of "forever chemicals" that are increasingly being banned by local and national governments. The company just announced that it was filing for an additional patent on a fire retardant for polycarbonate (PC) plastics and its alloys. The company noted in a press release that, "This invention is free of the increasingly banned "forever" PFAS chemicals and allows for completely PFAS-free formulations in polycarbonate, including elimination of the well-known anti-drip agent, PTFE.

PC and its alloys are used in a wide range of products used by consumers around the world in everyday life, including such items as: electric vehicles, consumer electronics and home appliances. Major equipment manufacturers that consumers use every day, such as Apple and IKEA, among many others, have committed that their products will be PFAS free. The company notes that it has already demonstrated the capability to replace the well-known PFAS chemical KPFBS in PC and its major blends. These companies are also looking at replacing the well-known anti-drip—PTFE. Anti-drips are chemicals included in products to reduce the potential for dripping material when it comes into contact with fire. The company notes that replacing PTFE and maintaining the needed flame-retardant properties has been difficult, but that it believes FRX has now achieved that goal.

We have written in previous reports about new regulations banning these potentially dangerous chemicals from fire retardants increasing around the world. We believe, through growing customer acquisition and glowing reviews from existing customers, that FRX is well positioned to use this new product to further expand its retardant market.

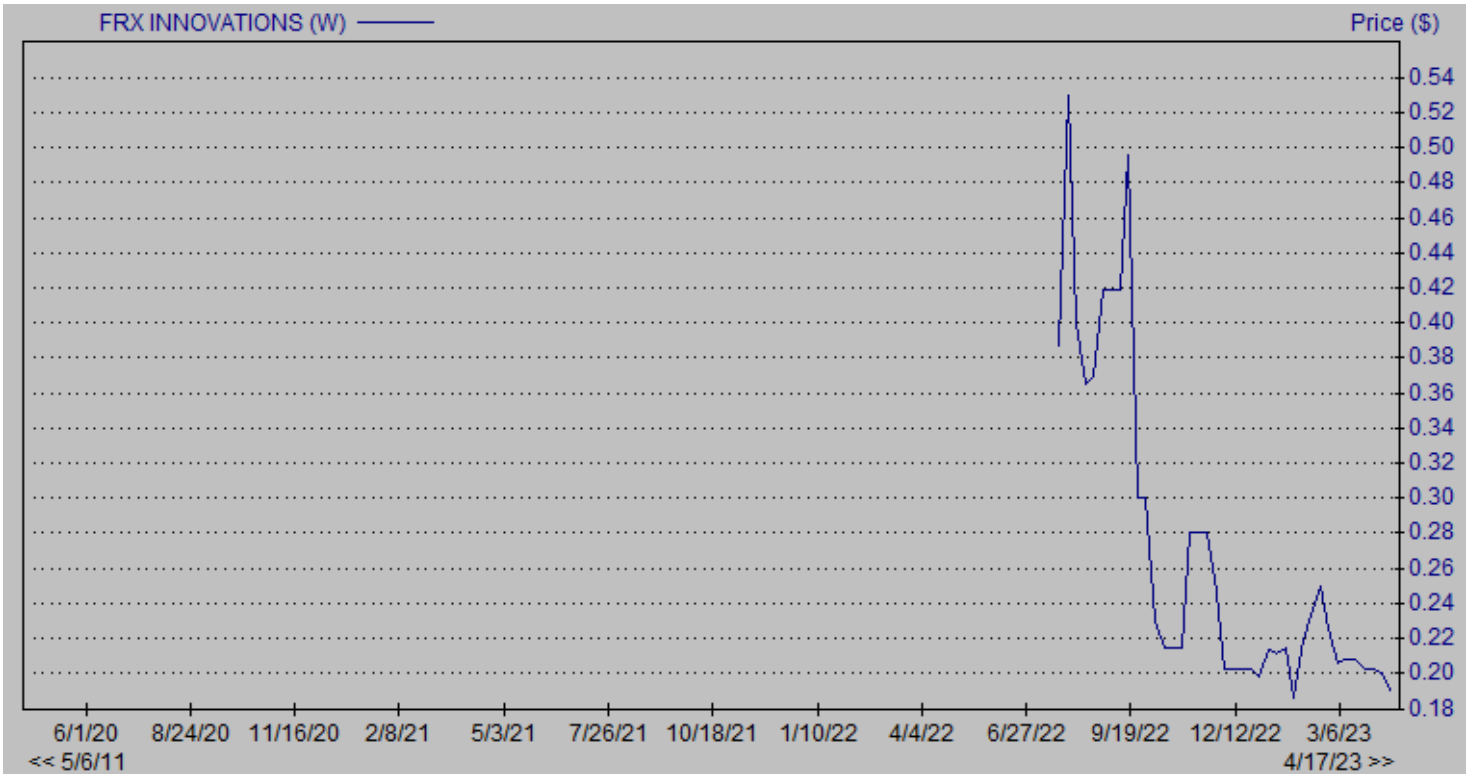
As we've previously discussed, Nofia is a registered trademark of FRX and is the company's signature fire retardant product. Nofia products are manufactured at its manufacturing facility on the Port of Antwerp in Belgium, one of the world's largest chemical producing clusters. The FRX production plant 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. This new product will be an exciting addition to FRX's portfolio that included 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 are raising our price target to $0.80 per share on the belief that this new product will enable the company to gain a greater share of the market in the coming years.

INCOME STATEMENT AND BALANCE SHEET

FRX Innovations Income Statement and Balance Sheet								
		1Q2022A	2Q2022A	3Q2022A	2022E	2023E	2024E	2025E
Revenue		1,100,132	1,305,790	397,182	3,398,877	5,098,316	7,902,389	12,248,703
Cost of Goods Sold		1,596,927	1,799,344	1,405,437	6,387,708	4,588,484	5,136,553	7,349,222
	Gross Margin	(496,795)	(493,554)	(1,008,255)	(2,988,831)	509,832	2,765,836	4,899,481
Operating Expenses								
	Administative	1,121,345	1,055,333	655,476	5,276,665	5,540,498	5,817,523	6,108,399
	Sales and Mktg	156,495	132,914	132,097	797,484	837,358	879,226	923,187
	Research	143,745	161,274	51,684	806,370	846,689	889,023	933,474
Total Operating Expenses		1,421,585	1,349,521	839,257	6,880,519	7,224,545	7,585,772	7,965,061
Operating Gain/(Loss)		(1,918,380)	(1,843,075)	(1,847,512)	(9,869,350)	(6,714,713)	(4,819,936)	(3,065,580)
Other Income/(Expenses)								
	Interest Expense	(658,971)	(301,942)	(138,609)	(899,522)	(854,546)	(811,819)	(771,228)
	Other Income/(Expense)	(2,067,164)	(42,939)	(70,406)	(4,180,509)	(3,762,458)	(3,386,212)	(3,047,591)
Total Other Income/(Expense)		(2,726,135)	(344,881)	(209,015)	(5,080,031)	(4,617,004)	(4,198,031)	(3,818,819)
Total Gain/(Loss)		(4,644,515)	(2,187,956)	(2,056,527)	(14,949,381)	(11,331,717)	(9,017,967)	(6,884,398)
Total Gain/(Loss) per share		$ (0.17)	$ (0.04)	$ (0.03)	$ (0.19)	$ (0.13)	$ (0.10)	$ (0.08)
Wtd avg num. of shares outstanding		27,878,063	53,654,032	79,994,865	79,994,865	83,994,608	88,194,339	89,076,282
Assets								
Current Assets								
	Cash and equivalents	353,474	1,795,770	548,169	1,093,474	1,148,148	1,205,555	1,265,833
	Net receivables	1,591,855	1,588,138	522,081	1,672,443	1,756,065	1,843,868	1,936,062
	Net inventories	2,507,524	2,389,303	2,390,655	2,634,467	2,766,190	2,904,500	3,049,725
	Other current assets	4,606,685	447,367	383,354	4,839,898	5,081,893	5,335,988	5,602,787
Total Current Assets		9,059,538	6,220,578	3,844,259	10,240,282	10,752,296	11,289,911	11,854,406
Non-Current Assets								
	Plant and Equipment	18,579,938	17,301,626	15,969,583	18,579,938	18,208,339	17,844,172	17,487,289
	Right-of-use assets	490,717	458,558	426,619	490,717	500,531	510,542	520,753
	Intangible assets	385,728	384,624	490,113	385,728	393,443	401,311	409,338
	Patents	403,876	391,376	378,876	403,876	411,954	420,193	428,596
	Other non-current assets	1,564,928	-	-	1,564,928	1,596,227	1,628,151	1,660,714
Total Non-Current Assets		21,425,187	18,536,184	17,265,191	21,425,187	21,110,493	20,804,370	20,506,690
Total Assets		30,484,725	24,756,762	21,109,450	31,665,469	31,862,789	32,094,280	32,361,096
Current Liabilities								
	Accounts Payable	3,789,560	3,040,062	2,680,888	3,981,407	4,061,034	4,142,256	4,225,102
	Accrued Expenses	1,066,689	903,203	729,143	1,120,690	1,143,104	1,165,966	1,189,285
	Other current liabilities	6,480,818	1,567,890	1,479,333	6,808,909	6,945,087	7,083,989	7,225,669
Total Current Liabilities		11,337,067	5,511,155	4,889,364	11,911,006	12,149,225	12,392,211	12,640,056
Long-term Liabilities								
	Note and conv. note	21,079,054	10,939,995	10,133,956	11,079,054	11,633,007	12,214,657	12,825,390
	Common stock warrants	5,385,571	2,063,459	1,933,517	2,385,571	2,266,292	2,152,978	2,045,329
	Conv. Debenture	4,519,697	-	-	5,259,697	5,522,682	5,798,816	6,088,757
	Lease liability	460,163	441,320	408,306	437,155	459,013	481,963	506,062
Total Long-Term Liab.		31,444,485	13,444,774	12,475,779	19,161,477	19,880,994	20,648,414	21,465,537
Total Liabilities		42,781,552	18,955,929	17,365,143	31,072,483	32,030,219	33,040,625	34,105,593
Stockholders Equity/(Deficit)								
	Common stock	27,878	48,363	47,153,057	48,096,118	48,096,118	48,096,118	48,096,118
	Additional Paid-in Capital	25,180,302	47,153,058	-	-	-	-	-
	Accumulated Deficit	(36,494,696)	(41,033,924)	(42,798,413)	(46,608,821)	(47,854,806)	(48,621,459)	(49,406,981)
	Other	(1,010,311)	(366,664)	(610,337)	(894,311)	(408,741)	(421,004)	(433,634)
Total Stockholders Equity/(Deficit)		(12,296,827)	5,800,833	3,744,307	592,986	(167,429)	(946,345)	(1,744,496)
Total Liabilities and Shareholder Equity		30,484,725	24,756,762	21,109,450	31,665,469	31,862,790	32,094,280	32,361,096

HISTORICAL STOCK PRICE



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