

## Veratin Limited

### Riding on the sheep's back

Veratin (VTN) was incorporated in 2016 and listed on the NSX on 16 February 2022, raising \$0.77m at \$0.10/share to deliver a market capitalisation at listing of \$9.5m. VTN is a research and development company that is developing products derived from low-grade wool. The company's flagship product, Verigrow, is a patent-pending trademarked fertiliser and soil improver. The company is developing other products using the same technology platform including liquid keratin, keratin-based gels, drug carriers, amino acids and peptides, and biodegradable polymers. The company's process adds value to the wool-farming industry using benign "green chemistry" processes to reduce waste, improve efficiency and reduce costs.

### Business model

Following listing on the NSX, Veratin aims to grow the revenues from its Verigrow® product and expand manufacturing capacity to grow Verigrow volumes produced for sale. Spending on marketing and promotion of Verigrow will increase in 2022. The product is now stocked in over 40 outlets in New South Wales, Queensland, Western Australia and expanding into other states. Main customer groups are commercial farms, councils and major retail chains including Better Pets and Gardens, Mitre 10 and IGA and other independent hardware stores and nurseries. Simultaneously, VTN intends to continue research and development of additional products using the company's IP regarding conversion of wool to alternative products. Large opportunities for the company are the production of amino acids for use in the pharmaceutical, chemical and food supplement industries and liquid keratin for use in skin-care and beauty products.

### Delivering a very effective fertiliser

Since listing in February, VTN has announced successful completion of a broadacre trial of high-concentration Verigrow on wheat compared to two alternative fertilisers. Net average crop yield was significantly higher (4.5x) per unit of nitrogen applied when using Verigrow. Veratin appointed a Chief Scientific Officer to work on the development of amino acids from wool in addition to the other products already considered and under development.

### Fertiliser sector dominated by major ASX-listed operators

Veratin operates predominantly in the fertiliser market which, in Australia, is dominated by major ASX-listed operators such as Incitec Pivot (ASX:IPL), Elders (ASX:ELD), Orica (ASX:ORI) and Wesfarmers (ASX:WES), and Norwegian-based, Oslo-listed Yara International (YAR:Oslo). While it is not meaningful to compare a company of Veratin's market capitalisation and relatively early nature to these companies, it is worth noting that, with more than 350 listed and unlisted operators in the fertiliser sector, the industry is ripe for consolidation and the major operators historically have been active acquirers of smaller players.

#### Earnings history (A\$m)

Year ended	Revenue	EBITDA	PBT	NPAT
Jun-19	0.000	(0.207)	(0.207)	(0.207)
Jun-20	0.017	(0.067)	(0.070)	(0.070)
Jun-21	0.041	(0.067)	(0.071)	(0.071)

Source: Prospectus; Company data based on shares on listing and pro-forma financials at June 21

#### Shares Summary

Share code	VTN
Share price at 10-Mar-22	\$0.10
Market capitalisation	\$9.5M
Number of shares	95.1M
Net cash at 09-Mar-22	\$0.56M
Share registry	Automic Group

#### RaaS 5-Point Score\* = 3/5

Revenue increasing (1); EPS increasing (1); Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1); Gross operating cash flow/EBITDA >90% (0)

#### Upside Case

- Increased penetration of fertiliser market
- Successful expansion of product offer
- Acceptance of product in retail market

#### Downside Case

- Fertiliser use fluctuates with weather
- Time to develop distribution is greater post-COVID
- Sheep herd numbers reduced by farmers

#### Board of Directors

Exec Chairman	Ramiz Boulos
Non-Exec Director	David Vincent
Non-Exec Director	Giuseppe Lenzo

#### Catalysts

- Additional distribution deals
- Further commercial trial results
- Commercialisation of new products

#### Comparable Companies

Wesfarmers (Fertilisers) (ASX:WES), Incitec Pivot (ASX:IPL), Orica (ASX:ORI); Elders (ASX:ELD)

#### RaaS Contacts

Scott Maddock	+61 418 212 625 scott.maddock@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com

\* The RaaS 5-Point score is based on the company's performance in its last reported full year. Past performance is not a reflection of future performance.

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# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS: 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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