**Aeris Environmental Ltd(AEI)**

22 May 2020

*Price 73.5¢
Shares 242.2 mill
Mkt cap $178m*

**What it does**
Environmental hygiene, including surfaces, skin, air quality, food safety and energy efficiency.
Disruptive technology, developed after decades of research in collaboration with leading institutions such as CSIRO and UNSW.
Uses a non-toxic environmentally friendly polymer biocide disinfectant which forms a <1 micron invisible film over surfaces, giving viricidal, bactericidal and fugicidal protection lasting up to 7 days or 200 touches. Also prevents corrosion, mould and odours.
Is effective against coronavirus.

**Potential**
Each segment is a multi-billion dollar opportunity, which in aggregate is over $90b and growing at over 8% annually.
Distributor network drives scalable business model.
Rapidly growing global footprint.
Strong repeat revenue, akin to annuity growth.
Gross margin approaching 50%.
Operating expenses projected at $6m annually.

**Financial**The March quarter saw maiden cash from operations at $1.1m after customer receipts of $4.0m. The quarter closed with cash of $3.0m and no debt.
The company undertook a $12m placement at 43¢ in April 2020 to accelerate growth.

**Profitability**
Sales revenue likely to exceed $13m in FY20 (June year) up 90%, because the first 9 months revenue was $7.3m and that booked for April alone was $4.0m.
Accelerating growth is expected in FY21.
So assuming FY21 revenue is $24m, gross profit $12, pretax profit would be $6m.
And assuming FY22 revenue is $40m, gross profit $20m, pretax profit would be $14m.

**People**
Key directors are Maurie Stang (Chairman) with 23.9m shares and his brother Bernard Stang with 20.3m shares. They have many business and health care interests, the main one being the Regional Health Care Group of companies and Novapharm Research. Both are also major shareholders of Nanosonics, of which Maurie is still chairman, while Bernard is a director of Weizmann Australia.
Other directors are Steven Kritzler (MSc from UNSW in polymer chemistry, technical director of Novapharm Research) with 8.3m shares and Michael Ford with 75,000 shares.
Michael Ford is the current CFO of News Corp Australia. He was appointed a non-executive director of AEI in April following a vacancy and straightaway bought his 75,000 shares at 62.2¢.
Peter Bush, an accountant, is CEO and CFO and alternate director to the Stangs, and owns 2.1m shares. He is also CFO of the Regional Health Care Group of companies.
Robert Waring is company secretary and owns 1.0m shares.
Laurence Freedman is a major shareholder with 15.7m shares
Michael Kotowicz handles investor relations.