



**ALEXIMUM**  
SPECIALITY CHEMICALS AND SOLUTIONS

NEWSLETTER  
DECEMBER 2017



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## A NOTE FROM THE CEO

As people enter December and prepare for the holiday season, Alexium continues to build on the progress made in 2017 and prepare for a busy 2018. Late in November, CFO Aaron Krech and I went on an extended road show promoting Alexium's accomplishments, growth and outlook for the future. We visited institutional and retail clients in Hong Kong, Perth, Adelaide, Sydney and Melbourne, culminating in our Annual General Meeting on November 15th.



Dirk Van Hyning - CEO

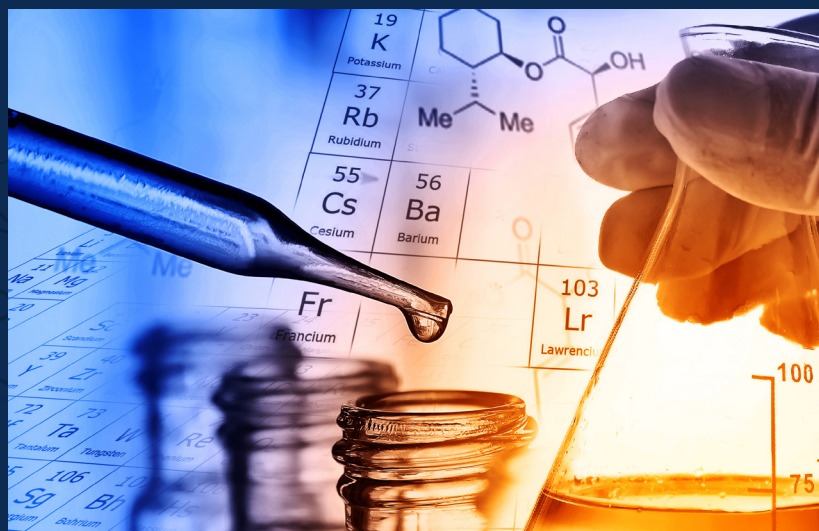
In addition to my address detailing 2017 performance and growth potential for Alexium, Non-Executive Chairman Gavin Rezos outlined changes made to remuneration structure to address concerns from the 2016 Annual General Meeting. Additionally, two highly accomplished new Australian Non-Executive Directors Susan Thomas and Claire Poll joined the board. As CEO and Managing Director, I feel these changes to the board are very positive steps in staging Alexium for its next phase of growth. For those not in attendance, see below for a summary of my AGM address and information on Alexium's new Non-Executive directors.



# HIGHLIGHTS

## Key Points from November's AGM Address

- Revenue from chemistry sales up 593% from \$3M in FY2016 to \$24M;
- Virtually 100% of revenue converted to recurring revenue streams with varying size and frequency by customer;
- Average GP margins on chemical sales increased by 13.3 percentage points from FY2016 to 1% and now at 23% with higher margin business over 40%;
- GP margins increased by 37 percentage points from Q3 2017 to Q1 2018 with further growth forecasted;
- Alexium realized its first ever whole quarter of cash generation in the September FY2018 Quarter
- Introduction and rapid growth of new Alexicool platform product in the mattress market, with shipments growing 1800% from 5MT sold in December 2016 to a monthly run rate of nearly 90MT by the end of FY2017;
- More than tripled high margin revenue customers over the course of FY2017 with an additional 4x increase in customer base forecasted over the course of FY2018;
- The regulatory environment swung heavily in Alexium's favor as the US Federal Consumer Product Safety Commission took sweeping action against non-polymeric organohalogens in favor of eco-conscious alternatives such as Alexium's chemistries and where our chemistries have additional benefits of performance enhancement and being cost effective.



# HIGHLIGHTS

## Key Points from November's AGM Address (Continued)

### Nimble Shifts in Strategy as Markets Continue to Open Up – Platform Technology Based Products

In the middle of 2016, Alexium was successfully executing its stated strategy of growing the top line and establishing its name as a world-class specialty chemistry provider. During that effort, Alexium, as an offshoot of its initial attempt to launch an FR product onto its first bedding line, saw a new type of opportunity, the platform technology product. During 2017, Alexium has created 6 different platform products based on clear market needs with the potential to grow the customer base and gain market share much faster than Alexium has historically.

Listed below are some highlights about the technology and customer set for Alexium's six platform products:

#### 1) Alexicool AL for Mattresses

Alexium's first platform product, a combination of flame retardant, PCM, anti-odor and anti-dye-transfer chemistries, and a binder package. Launched in early FY2017, Alexicool shipments grew by 1800% during the year by expanding to eight finishers on over 25 mattress brands. In the next year, we expect continued expansion into other components of the mattresses and lower price/higher volume mattresses which will potentially increase sales volumes by a factor of 400-500%. Additional growth opportunities lie in Europe, where Alexium is just starting to build on our initial foothold.

#### 2) Alexicool HT for Home Textiles

Alexium's second platform product is a PCM backcoating for removable mattress toppers, duvet covers and pillows. This product requires the ability to be backcoated and have limited wash durability. Alexium has now initiated sales with Pegasus Home Fashions, a major supplier of pillows into US retailers with a long-term sales volume outlook of US\$10M per annum. With total global pillow units sold per annum is approximately 100,000,000, the potential upside for Alexicool sales into this sector is substantial. The work on this contract started in January 2017 and through expanded product opportunities for which additional product trials were required, production commenced in the last quarter.

#### 3) Alexiflam FR for Military/Protective Applications

Alexium advanced its efforts toward major military uniform contracts in 2017 on two fronts. To make the standard ACU pass the standards of the Fire Retardant Army Combat Uniform (FRACU), Alexium has partnered with a major supplier to the US Army and is tailoring the weight and breathability of the base fabric to meet all FRACU specifications. Successful final results are possible as early as Q3 FY2018 for when initial procurement could start. The second drive is to take the standard Army Combat Uniform (ACU) and give it a minimal level of FR protection at the uniform level and Alexium is working with another key potential provider to achieve this end goal. Conservative p.a. revenue from these parallel efforts is \$40M on a recurring basis. Defense industry contracts are generally long term and every effort is made by the end customers to ensure the best product specifications are achieved before the initial procurement commences. It is because of the long term valuable nature of these contracts that they take time to conclude and we have been working in this area for over 2 years to meet the US Army and now US Marines highest expectations.



# HIGHLIGHTS

## Key Points from November's AGM Address (Continued)

### 4) Alexiflam NF for natural fibers (cellulose and wool)

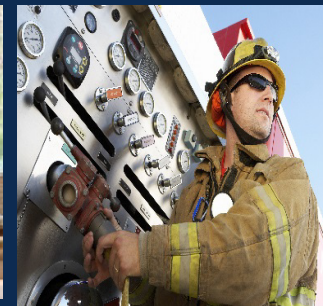
During 2017, Alexium developed a groundbreaking new chemistry, Alexiflam NF, designed to make cellulosic materials (cotton, wool and wood) flame retardant. The FR cotton chemical market is ~\$100-\$200M per annum and is dominated by two products (Pyrovatex CP, Proban) which are difficult to apply correctly and contain very high levels of free formaldehyde, a known carcinogen. Alexiflam NF is inexpensive, very easy to apply and contains no reportable free formaldehyde. During 2017FY, Alexium launched a marketing campaign around Alexiflam NF and the result of that effort was a large number of customers ready to convert to Alexium's chemistry and a number of global partners interested in licensing agreements of some scope following recommendations to increase wash durability which has now been achieved. The potential for Alexium in just the cotton market alone is \$100M or higher.

### 5) Alexicool DR for Apparel

After the development of our initial Alexicool AL line for bedding, we identified a technology gap in the apparel "cooling" function, which is highly touted by every major underwear/activewear brand. While the current "cooling" product refers to a moisture wicking technology, no chemical supplier has been able to provide a PCM-wicking combination. In 2017, Alexium developed the first-ever wicking-PCM combination which is 30 wash durable. Alexium is currently in implementation and scale-up with global market leaders in this ultra-high-volume market. News will be released as and when these new opportunities are finalized or through our quarterly market updates depending on size.

### 6) Alexiflam PB for Outdoor Fabrics

Alexiflam PB is an all-in-one product chemical package which contains flame retardant, water repellent and protective coating which has been Oeko-Tex registered, one of the highest environmental seals of approval. With the recent US CPSC decision on organohalogens, Alexium has been educating end tent retailers on the hazards of current flame retardant treatments and has made significant headway towards new revenue streams.





Alexium also recently announced the appointment of two independent non-executive directors to the Board, effective 10 December 2017. Read below for more about Claire Poll and Susan Thomas, both Australian-based.

## **Claire Poll, BA B.JURIS. LLB ASIA**



Claire is an experienced corporate director having led, over the past 20 years, strategy and corporate development for startup technology companies through to large multi-billion dollar companies in Australia, the UK and more recently the US as a Founding Executive for the October listing of Verona Pharma plc (Nasdaq:VRNA) for which Claire “rang the bell”.

Claire, who originally qualified as a solicitor in Western Australia, has worked as a Director, general counsel and as a company secretary in public listed companies in the US, UK and Australia in the areas of venture capital, mobile satellite communications, internet services, software and biopharmaceuticals. Claire, who is based in Perth WA, started her corporate career with Burns Philp Company Limited, the diversified global company involved in food manufacturing, shipping and general trading.

Claire also holds a post graduate diploma in Applied Corporate Finance, M&A and Advanced Industrial Equity Analysis.

## **Susan Thomas, LLB B.Com. FAICD**



Sue has demonstrated a successful career as a technology entrepreneur, executive coach and governance specialist having established and grown Flexiplan before selling that company to MLC (now National Australia Bank) after originally qualifying in law as a solicitor in New South Wales. Sue also has experience in capital markets, corporate strategy, governance and risk

and is currently Chair of the Audit & Risk Committee of PEXA Limited and of Temple & Webster Limited (ASX:TPW). Sue is also a Director of Westpac subsidiaries in the financial services sector, including BT Portfolio Services and ASGARD Capital Management, and a Director of royalty company, Fitzroy River Holdings Limited (ASX:FZR).

Previously, Sue was a Director and Chair of Audit and Risk at Grant Thornton Australia Limited from 2011 to 2016. Sue, who is based between Sydney and Perth, has also been a Senior Executive Coach since 2011 at Foresight Global Coaching having successfully coached C Suite executives at ASX top 50 companies.



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