

Taronis Technologies

Good start to FY19 sales

Taronis Technologies (formerly MagneGas) has announced its preliminary sales figures for January. These show the seven successive acquisitions made over the last year driving a fivefold year-on-year increase in monthly sales to \$1.42m. Importantly, the figures show 42% growth compared with December, as activity has picked up after the holiday period.

Year end	Revenue (US\$m)	EBITDA (US\$m)	PBT* (US\$m)	EPS* (US\$)	DPS (US\$)	P/E (x)
12/16	3.6	(9.6)	(10.3)	(620.5)**	0.0	N/A
12/17	3.7	(10.3)	(11.0)	(306.2)**	0.0	N/A
12/18e	10.0	(11.5)	(13.7)	(4.29)**	0.0	N/A
12/19e	18.8	(5.6)	(7.3)	(0.36)**	0.0	N/A

Note: Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Adjusted for reverse share splits.

Taronis completed its most recent acquisition, which was of one of the largest remaining independent industrial gas and welding supply distributors in East Texas, partway through January. Had this business been part of the group at the beginning of the month, sales would have risen by 600% year-on-year to \$1.75m. This gives potential for upgrades to our estimates and could take the group close to reaching the \$20–23m annual sales that management estimates is required for Taronis to be profitable and generate cash for re-investing in its water decontamination technology.

Looking at organic growth, the Californian operations generated their second highest monthly sales as they benefited from demand for industrial gases used in commercial production of cannabis. Sales in Florida grew by 17% year-on-year. Sales at Green Arc, with locations in Texas and Louisiana, grew by 48% sequentially. While some of this growth reflects a recovery after the holiday period, management notes that new client acquisitions made in late 2018 have begun to ramp up.

Earlier this month, Taronis announced a placing of 10.8m new shares at \$1.25/share together with warrants to purchase up to 8.1m new shares, also exercisable at \$1.25/share. This is expected to raise \$13.5m (gross). Although this has had a highly dilutive impact, with FY19 EPS falling from \$0.79/share to \$0.36/share (we do not make any other changes to our estimates), management notes that the group is now well funded for the foreseeable future.

Alternative energy

15 February 2019

Price **\$0.92**

Market cap **\$19m**

Net cash (US\$m) at end September 2018 0.9

Shares in issue (after February 2019 placing) 20.3m

Free float 99.9%

Code MNGA

Primary exchange NASDAQ

Secondary exchange N/A

Share price performance



Business description

Taronis is a technology company that has developed a plasma-based system for renewable fuel gasification and water decontamination. This process generates a hydrogen-based fuel called MagneGas as a by-product that is sold as an alternative metal-cutting fuel to acetylene.

Analyst

Anne Margaret Crow +44 (0)20 3077 5700

industrials@edisongroup.com

[Edison profile page](#)

Taronis Technologies is a research client of Edison Investment Research Limited

General disclaimer and copyright

This report has been commissioned by Taronis Technologies and prepared and issued by Edison, in consideration of a fee payable by Taronis Technologies. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

This Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.