EDISON

# Nanoco

## Fundraising extends cash runway further

Trading update and fundraising

Tech hardware & equipment

**16 July 2020**

| | |
|---|---|
| **Price** | **18.0p** |
| **Market cap** | **£52m** |

| | |
|---|---|
| Net cash (£m) at 31 January 2020 (excluding lease liabilities and £0.4m convertible loan) | 4.2 |
| Shares in issue (excluding 19.5m from subscription which will start trading on 20 July) | 286.2m |
| Free float | 85.8% |
| Code | NANO |
| Primary exchange | LSE |
| Secondary exchange | N/A |

**In May Nanoco announced it had taken actions to extend the cash runway from July this year to calendar year Q221. Since then it has signed a five-year framework agreement with STMicroelectronics covering multiple infrared sensing applications, won a development contract for a new technology application in the display sector and secured third-party funding for its patent infringement lawsuit against Samsung. Having achieved these key goals, the company has now raised £3.4m to extend the cash runway to at least the end of calendar year 2022. While our estimates remain under review, we hope to see fresh guidance from management in the new financial year.**

| Year end | Revenue (£m) | PBT* (£m) | EPS* (p) | DPS (p) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 07/18 | 3.3 | (7.1) | (2.6) | 0.0 | N/A | N//A |
| 07/19 | 7.1 | (5.0) | (1.8) | 0.0 | N/A | N/A |
| 07/20e | N/A | N/A | N/A | N/A | N/A | N/A |

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

The subscription raised £3.4m (gross) through the issue of 19.5m new shares at 17.5p per share, which is a 2.8% discount to the closing price on 15 July. The subscription was initially intended to raise a minimum of £2.2m (gross), indicating strong levels of investor appetite. The fundraising will enable management to retain key skilled personnel to support business development activity with existing and potential new customers across a range of applications in both display and sensing. Some of these development activities may lead to significant future revenue from commercial production at the Runcorn facility from end calendar year 2021 onwards. Any new commercial opportunities will extend the cash runway further.

Securing third-party funding for the patent infringement lawsuit means the proceeds from the fundraising can be focused on development work for customers and company operations. In our May update we calculated that the lost revenue in the US attributable to the patent infringement to date could be US$200–250m. Any damages awarded could also make an additional allowance for sales in other territories and for future sales of Samsung TVs using quantum dots. With a fully funded lawsuit and the underlying business operations now funded to the end of calendar year 2022, the risk of a reduction in value through delaying tactics in the litigation is now significantly reduced.

### Share price performance




### Business description

Nanoco Group is a global leader in the development and manufacture of cadmium-free quantum dots and other nanomaterials. Its platform includes c 750 patents and specialist manufacturing lines. Focus applications are advanced electronics, displays, lighting and bio-imaging.

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