EDISON

Nanoco Group

Funding secured for patent infringement lawsuit

Litigation funding agreement

Tech hardware & equipment

In February Nanoco announced that it had filed a patent infringement lawsuit against Samsung. The lawsuit alleges that Samsung has wilfully infringed the patents relating to Nanoco's unique synthesis and resin capabilities for quantum dots. Nanoco is seeking a permanent injunction from further acts of infringement and unspecified but significant monetary damages. Nanoco has now secured litigation finance for the lawsuit from a very large US litigation finance specialist, removing the need for Nanoco and its shareholders to fund the process. Our estimates remain under review.

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.

Nanoco has signed a litigation funding agreement with a very large, undisclosed US litigation finance specialist with extensive experience in financing technology-based IP patent litigation matters. The finance specialist will fund the costs of the litigation against Samsung, which is likely to take two years or more to complete and cost many millions of dollars to prosecute. It undertook extensive due diligence, including the use of independent experts, before signing the agreement, giving management greater confidence in the likelihood of winning the case. Nanoco has already appointed US-based international IP law firm Mintz Levin to represent it in patent enforcement and litigation. This firm has also carried out extensive due diligence and has successfully litigated against Samsung a number of times.

While the value of the potential pay-out has not been disclosed, in our May update we calculated that the lost revenue in the US attributable to the patent infringement to date could be in the region of US$200–250m. Any damages award could also make an additional allowance for sales in other territories and for future sales of Samsung TVs using quantum dots.

Completing the litigation funding agreement means that there is no diversion of cash towards pursuing the patent infringement lawsuit, which would reduce the length of the cash runway, recently extended to Q221 by the recently announced framework agreement with ST Micro to manufacture nano-materials for use in infra-red sensors. Management can now focus on securing additional business in the sensing and display sectors to further extend the cash runway. Management will no doubt continue to seek medium-term funding to increase options for the business.

13 July 2020

Price	**18.34p**
Market cap	**£52m**
Net cash (£m) at 31 July 2019 (excluding £0.4m convertible loan)	7.0
Shares in issue	286.2m
Free float	85.8%
Code	NANO
Primary exchange	LSE
Secondary exchange	N/A

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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