

# Nanoco Group

Trading update

## Steps on the pathway to volume production

Nanoco's trading update confirms that H124 revenues and EBITDA are anticipated to be in line with company expectations. The main new information is that the company has commenced the build and fitout of a new 300m wafer device facility to accelerate product development and test cycles with both existing and new clients. This gives Nanoco scope to grow development revenues in the near term and reduce time to market of new production materials, while aligning the development platform with infrastructure used for high-volume semiconductor manufacture.

Year end	Revenue (£m)	EBITDA* (£m)	PBT* (£m)	EPS* (p)	EV/sales (x)	P/E (x)
07/21	2.1	(2.8)	(4.7)	(1.3)	29.3	N/A
07/22	2.5	(2.1)	(4.6)	(1.3)	24.8	N/A
07/23	5.6	(0.4)	(3.6)	(0.7)	10.9	N/A
07/24e	8.6	1.3	(0.4)	(0.1)	7.2	N/A

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

The building and fitout of a wafer device development and test facility at the Runcorn site will enable Nanoco to apply its nanomaterials to 300mm CMOS semiconductor wafers, the dominant format for semiconductor chips used in high-volume applications. This should significantly accelerate the company's development and testing cycle, as currently materials need to be sent to clients for on-wafer testing – a process that can take months. The investment required for this facility is not disclosed, but we understand that the equipment is used and has been acquired at significantly discounted rates. Therefore we do not expect large-scale adjustments to our investment forecasts.

The rest of the trading update confirms milestones previously announced. The company has received the second and final tranche of the litigation proceeds (net \$71.75m) and is on track to return the previously communicated £33–40m to shareholders, with proposals for the amount and structure set to be announced shortly. The company fulfilled its first commercial order in November (we assume this is with STMicroelectronics), heralding Nanoco's transition from development stage to a commercial supplier of quantum materials. We note that STMicro's fab in Crolles has significant 300mm capacity, typically associated with high volume production, which matches Nanoco's new test facility. This was followed up by a joint development agreement (JDA) with STMicroelectronics to optimise second-generation sensing materials, adding to the development revenues from a two-year JDA with the company's major Asian chemical partner, also for second-generation sensing materials. Nanoco has added very relevant expertise to its board, hiring Jalal Bagherli (ex Dialog Semiconductor CEO) and Dieter May (ex chairman and CEO of Osram Opto Semiconductors) as non-executive directors.

Nanoco's current market cap of £65m is only slightly above the planned £33–40m shareholder return plus the £20m expected to be retained. This implies the market is assigning almost no value to Nanoco's commercial opportunities, which have taken very meaningful steps forward over the last 18 months, or its intellectual property, validated through the Samsung settlement. This seems to be an overly pessimistic valuation scenario.

### Tech hardware and equipment

8 February 2024

**Price** **20p**
**Market cap** **£64.9m**

Net cash (£m) at 31 July 2023 3.6

Shares in issue 324m

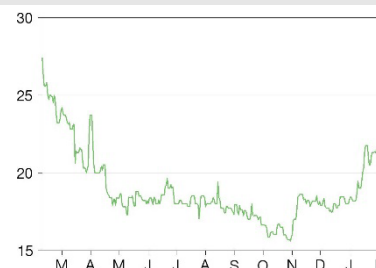
Free float 84%

Code NANO/NNOCF

Primary exchange LSE

Secondary exchange OTC

### Share price performance



### Business description

Nanoco Group is a global leader in developing and manufacturing cadmium-free quantum dots and other nanomaterials, with c 375 patents. Focus applications are advanced electronics, displays, bio-imaging and horticulture.

### Analysts

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