

# Nanoco

Shareholder returns

## Mechanisms for shareholder returns confirmed

Following receipt of the £58.8m second tranche from the Samsung litigation on 24 January, Nanoco plans to return £30m to shareholders via a tender offer (c 38.5% of outstanding shares), alongside a £3m share buyback. After completing this £33m return and repaying c £5m outstanding debt, Nanoco expects to have c £23m cash to accelerate commercial production of nanomaterials at scale. With its validated technology, robust pipeline and strong financial position, we believe the group is positioned to drive long-term shareholder value creation. With Nanoco only valued marginally higher than the second tranche proceeds, we believe the market is undervaluing the group's several commercial opportunities and intellectual property (IP) despite recent progress.

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)	28.1	N/A
07/22	2.5	(2.1)	(4.6)	(1.3)	23.8	N/A
07/23	5.6	(0.4)	(3.6)	(0.7)	10.4	N/A
07/24e	8.6	1.3	(0.4)	(0.1)	6.9	N/A

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

Nanoco first signalled its intention to return significant funds to shareholders on 3 February 2023 when the final settlement agreement was signed with Samsung. The second tranche of the agreement was received on 24 January and on 11 March, the board determined a tender offer up to £30m and a £3m share buyback was the most appropriate means to return value and provide flexibility to shareholders.

The tender offer is at a fixed 24p per share, representing a premium of 25.1% to the 8 March closing price and 19.6% to the 60-day VWAP. It covers up to 38.5% of issued capital, with Nanoco potentially acquiring a further 3.9% through the share buyback (assumed at the tender price). If a material portion of the £33m is not returned via these mechanisms, Nanoco may consider a special dividend. The tender offer is subject to shareholder approval at a general meeting on 28 March.

Following completion of the £33m return and repaying c £5m of outstanding debt, management expects to retain £23m cash to:

- Invest in the group's production capability to enhance efficiencies and support gross margin expansion.
- Build and fit out the new 300mm wafer device facility (see our previous [note](#)).
- Develop new second and further generation sensing materials.
- Self-fund the early stages of its IP portfolio licensing programme, to support overall commercial objectives and mitigate potential downsides to returns from utilising licensing agents or third-party funding.
- Fund commercial activities until the company is self-financing (management expects this in CY25). We have previously [stated](#) that the group would need to generate over £8m in sales from products and services, assuming a modest 70% gross margin and minimal capex to generate free cash flow.

After fulfilling initial commercial orders for two new materials and with more nanomaterial projects underway, we believe the group is well-positioned for growth.

## Tech hardware and equipment

12 March 2024

**Price** **19.19p**

**Market cap** **£62m**

Net cash (£m) at 31 July 2023 3.6

Shares in issue 324.4m

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.

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