

Nanoco Group

Contract extension with major partner

Contract extension

Nanoco's contract extension for work with its US customer fully underpins our FY19 estimates and gives the business a c £3m+ head start entering FY20. Our forecasts are unchanged, but progress with this major customer has shone a bright light on Nanoco's IP and execution credentials. Discussions are now ongoing with a number of parties, which could drive upside to our near-term estimates.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/sales (x)	P/E (x)
07/17	1.3	(10.6)	(4.5)	0.0	87.9	N/A
07/18	3.3	(7.1)	(2.6)	0.0	34.6	N/A
07/19e	6.7	(5.6)	(1.9)	0.0	17.1	N/A
07/20e	13.0	(2.1)	(0.7)	0.0	8.8	N/A

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

The contract extension runs from January 2019 to December 2019 and relates to stress testing and process optimisation on the new production facility. The statement highlights that the agreement only has limited deferrals or contingent or milestone payments, and it substantially underpins our FY19 £6.7m revenue estimate. With £3m of revenue already contracted prior to this agreement, this implies the extension has a total value of £6–7m to be recognised broadly equally across H2 of FY19 and H1 of FY20. We understand that the extended agreement has no bearing on the expected timing of the move to volume production nor the revenue opportunity from commercial volume shipments to this client.

With FY19 underpinned, the statement goes on to say that the company is in active discussions on additional potential commercial agreements with a number of parties, which could drive upside to expectations. We highlighted in our October report [Building foundations for volume uptake in FY20](#) that the rising volume of patent filings mentioning quantum dots may signal that the technology is now starting to come of age with potential for commercialisation across a range of applications. Nanoco is a leading patent holder in this field, with over 650 patents, while we believe that the successful engagement with the major partner so far will certainly strengthen the company's credentials with other potential partners.

Tech hardware and equipment

25 January 2019

Price 44p

Market cap £125m

Net cash (£m) at 31 July 2018 10.7

Shares in issue 285.9

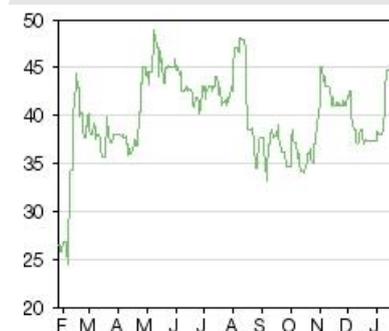
Free float 95%

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 over 650 patents and specialist manufacturing lines. Focus applications are advanced electronics, displays, lighting and bio-imaging.

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