

Corporate

Current price **190p**

Sector **Chemicals**

Code **BIOM.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **5.3**

Shares in issue (m) **2.8**

52 weeks High Low

375p **130p**

Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Mr V Pereira **21.46%**

Mr JM Rushton-Turner **13.03%**

Directors **3.50%**

Source: Company Data, Allenby Capital

Ian Jermin

0203 328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

Biome Technologies plc (BIOM.L)

Growth in Bioplastics but COVID impacts Stanelco

Despite COVID-19 disruption, Biome Technologies reported continued strong growth in its key Bioplastics operation with the division showing H1 revenue growth of 53%. However, COVID-19 negatively impacted an already weak market for fibre optic furnaces and consequently H1 revenues from the Stanelco division were down 82% at £0.4m. While enquiries and order books in the latter division have begun to show some modest improvement, significant growth in H2 would be required to meet management's previous revenue expectations. We are therefore reducing our revenue forecast for the division from £1.75m to £0.9m. Although due to prudent cost management, Group LBITDA stays unchanged at £1m.

- Bioplastics revenues rise to £1.1m** - Sales in the Bioplastics division grew by 38% in Q2 to £1.1m and rose by 53% to £2.2m for the half year (H1:2019 £1.4m) as demand for coffee pods for home consumption increased due to the COVID-19 lockdown. The revenue increase was achieved from a largely static cost base courtesy of some judicious cost savings and were generated from increased sales of outer packaging for the US single serve coffee market and by an increase in revenues for rigid ring materials for the coffee-pod market. Progression to commercialisation on other projects was limited as COVID-19 impacted customers' developmental activities but some pick-up is already being seen.
- Stanelco RF impacted by reduced demand for fibre optic furnaces** - As expected, revenues from the Stanelco RF division were impacted by the reduction in demand for optical fibre furnaces, particularly from China and India, following global over capacity of fibre optic cable. In addition, this overcapacity was aggravated by the pandemic as cable deployment by telcos was restricted. Revenues fell by 71% in the quarter to £0.2m (Q1 2019: £0.7m) and it is unlikely that any recovery in demand from this market will be seen in 2020. Our revenue expectations for the full year have consequently been cut from £1.75m to £0.9m. However, working capital requirement on lower activity levels and cost savings mean that any further hits to the bottom line have been negated. Enquiries and orders for other induction heating applications has seen a recent encouraging upward trend.
- Strong balance sheet** - The Group ended the half with cash of £1.1m (Q1 2020: £1.8m) and no borrowings. We continue to anticipate a positive cash balance of around £0.5m at the end of the current financial year.
- Reduction in revenues but LBITDA remain unchanged** - In our Q1 research note we cautioned that given the high level of uncertainty engendered by the pandemic our forecasts were subject to revision as the year progressed and could be amended as more clarity becomes available. Thus, revenue forecasts for the Group have been revised lower from £7m to £6.2m although due to cost savings we do not anticipate any changes to our LBITDA of £1m, loss before tax of £1.35m and a year-end cash balance £0.5m. We anticipate further strong growth in Bioplastics but depressed markets for Stanelco.

Year End: December

(£'000)	2017A	2018A	2019A	2020E
REVENUE (pre grant income)	6,233	8,459	6,957	6,200
UNDERLYING EBITDA	54	628	-492	-1,000
UNDERLYING (L)/PBT	-365	302	-884	-1,350
UNDERLYING EPS (p)	-9.9	6.1	-35.5	-51.8
NET CASH (£m)	2,293	2,614	2,126	501

Source: Biome; Allenby

Please refer to the last page of this communication for all required disclosures and risk warnings.

Financial Summary

	£000	£000	£000	£000
Y/E December	FY 2017	FY 2018	FY 2019	FY 2020E
PROFIT & LOSS				
Revenue (pre grant income)	6,233	8,459	6,957	6,200
Gross profit	3,102	4,417	3,024	1,700
Margin	49.8%	52.2%	43.5%	27.4%
Total operating costs	-3,467	-4,527	-4,344	-3,250
Operating profit/(loss)	-365	281	-884	-1,350
EBITDA	54	628	-492	-1,000
EBITDA margin	0.9%	7.4%	-7.1%	-14.2%
Statutory profit/(loss) before tax	-442	84	-1,023	-1,450
Underlying profit/(loss) before tax	-364	302	-887	-1,350
Net Profit/(Loss)	-232	143	-877	-1,450
Weighted Average Shares (m) (fully diluted)	2.35	2.78	2.47	3.14
Underlying EPS (p)	-9.9	6.1	-35.5	-51.8
	£000	£000	£000	£000
Y/E December	FY 2017	FY 2018	FY 2019	FY 2020E
CASH FLOW				
Net cash inflow/(outflow) from operating activities	675	730	-1,573	-1,500
Net cash inflow/(outflow) from investing activities	-127	-409	-303	-275
Net cash inflow/(outflow) from financing activities	0	0	1,185	0
Net increase/(decrease) in cash and cash equivalents in the year	758	321	-488	-1,625
Cash and cash equivalents at end of period	2,293	2,614	2,126	501
	£000	£000	£000	£000
Y/E December	FY 2017	FY 2018	FY 2019	FY 2020E
BALANCE SHEET				
Assets				
Total non-current assets	1,037	1,103	1,465	1,390
Current assets				
Other (excluding cash)	2,132	1,828	2,440	2,005
Cash and cash equivalents	2,293	2,614	2,126	501
Total current assets	4,425	4,442	4,566	2,506
Total Assets	5,462	5,545	6,031	3,896
Liabilities				
Total current liabilities	-2,125	-1,792	-1,446	-981
Total non-current liabilities	0	0	-379	0
Total Liabilities	-2,125	-1,792	-1,825	-981
Net current assets	2,300	2,650	3,120	1,525
Net Assets	3,337	3,753	4,206	2,915

Source: Biome Technologies; Allenby Capital

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Allenby Capital, 5 St Helen’s Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com