

## Corporate

Current price **41.0p**

Sector **Chemicals**

Code **AGM.L**

AIM **AIM**

### Share Performance



Source: Thomson Reuters, Allenby Capital

### Share Data

Market Cap (£m) **26.4**

Shares in issue (m) **64.3**

52 weeks High Low

**74.5p** **9.0p**

Financial year end **July**

Source: Company Data, Allenby Capital

### Key Shareholders - as at 31 January 2021

IP Group\* 11.46%

Herald Investment Mangmt 9.35%

North East Finance# 3.68%

Prof Karl Coleman 3.58%

Eden Tree Investment 3.00%

\*as at 18/2/21; # as at 9/3/21

Source: Company Data, Allenby Capital

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# Applied Graphene Materials plc (AGM.L)

## Increasing adoption of AGM technology by customers

Applied Graphene Materials (AGM) reported a 20% increase in revenues in the half year to January 2021 and a 17% reduction in LBITDA, in spite of COVID-19 challenges. Although AGM's graphene nanoplatelet dispersion technology is still at an early stage of commercialisation, we are encouraged by the increasing number of products in the market that are already incorporating its technology and the growing pipeline of projects nearing commercialisation. Aided by a strong global network of third-party distributors, we believe the Group is capable of substantially improving its top line and with tight overhead control moving closer towards a breakeven position over the medium term.

- A revolutionary material** – AGM is a manufacturer of graphene nanoplatelet (GNP) dispersions. The application of these dispersions by customers has been demonstrated to greatly enhance product performance and is targeted by the Group for use in three core markets, coatings, composites and functional materials. AGM continues to work closely with its customers and a number of products incorporating its dispersions are now commercially available. Future revenue growth will be generated through greater sales of dispersions to existing customers and the commercialisation of a pipeline of projects, several which are nearing completion.
- First half revenues up 20%** - Revenues in the first half to January 2021 were ahead by 20% year-on-year (yoy) to from £35,000 to £42,000, and with the benefit of strict cost control the loss before interest, tax, depreciation and amortisation reduced by 17% (£322,000) from £1,900,000 to £1,578,000. The loss before tax reduced by 15% to £1,794,000.
- Strengthened financial position** – The Group's cash position at its year end (31 July 2020) stood at £3.7m and by the end of the first half had fallen to £2.3m. However, in February 2021 AGM's finances were considerably strengthened through a successful placing of new shares which raised £5.5m (net) and was additionally supplemented by the receipt, also in February, of an R&D tax credit of £0.5m. Clearly, while losses continue, the Group will be reliant upon shareholders to fund growth and working capital.
- Sales potential aided by strong distribution network** – Over the past 18 months, AGM has built an effective network of distributors who have been fully trained in its dispersion technology and have helped to build a growing pipeline of current annualised sales opportunities estimated by AGM at around £3.7m per annum.
- Forecasts currently unchanged** – Given the wide scale disruption caused by COVID-19 on business development affecting both AGM and its customers and the associated lack of revenue visibility, we are leaving our existing revenue and loss forecasts unchanged. The only change to forecasts is the increase in year-end cash as a result of the fund raise in February which we now project to be at around £6.1m.
- Customer adoption of graphene is a long process** – We noted earlier that graphene is a revolutionary new material but inevitably the process of developing, testing and incorporating graphene dispersions into products takes considerable time. In this respect, we are encouraged by AGM's progress to date in terms of customer adoption and look forward to this accelerating over time.

| Year End: July       | 2019A   | 2020A   | 2021E   |
|----------------------|---------|---------|---------|
| (£'000)              |         |         |         |
| REVENUE              | 50      | 83      | 160     |
| Adj. EBITDA          | (4,559) | (3,530) | (3,630) |
| Adj. Loss before tax | (4,835) | (3,497) | (3,630) |
| NET CASH (£m)        | 6,135   | 3,853   | 6,075   |

Source: AGM; Allenby Capital. Allenby Capital acts as joint broker to Applied Graphene Materials plc (AGM.L).

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

## Financial summary

| <b>INCOME STATEMENT</b>                                    |               |               |               |
|--|---------------|---------------|---------------|
| Y/E July   | FY 2019A      | FY 2020A      | FY 2021E      |
|  | £000          | £000          | £000          |
| <b>Revenue</b>   | <b>50</b>     | <b>83</b>     | <b>160</b>    |
| Gross loss   | -422          | -132          | -40           |
| Other income   | 74            | 0             | 0             |
| Total operating costs                                      | -4,211        | -2,952        | -3,150        |
| <b>Underlying EBITDA</b>                                   | <b>-4,559</b> | <b>-3,084</b> | <b>-3,190</b> |
| D&A  | -343          | -446          | -440          |
| Net finance  | 67            | 33            | 0             |
| <b>Underlying loss before tax</b>                          | <b>-4,835</b> | <b>-3,497</b> | <b>-3,630</b> |
| Tax  | 908           | 476           | 300           |
| Underlying loss after tax                                  | -3,927        | -3,021        | -3,330        |
| Weighted average shares (m)                                | 49,400        | 49,400        | 49,400        |
| <b>Underlying basic EPS (p)</b>                            | <b>-7.95</b>  | <b>-6.12</b>  | <b>-6.74</b>  |
| <b>CASH FLOW</b>   |               |               |               |
| Y/E July   | FY 2019A      | FY 2020A      | FY 2021E      |
|  | £000          | £000          | £000          |
| Operating cash flow before working capital changes         | -4,256        | -3,266        | -3,190        |
| Net change in working capital                              | 72            | -199          | -100          |
| <b>Net cash inflow from operating activities</b>           | <b>-4,115</b> | <b>-2,108</b> | <b>-2,790</b> |
| <b>Net cash outflow from investing activities</b>          | <b>-193</b>   | <b>-342</b>   | <b>-320</b>   |
| <b>Net cash inflow/(outflow) from financing activities</b> | <b>0</b>      | <b>0</b>      | <b>5,500</b>  |
| Net change in cash   | -4,308        | -2,450        | 2,390         |
| <b>Cash at end of the year</b>                             | <b>6,135</b>  | <b>3,685</b>  | <b>6,075</b>  |
| <b>BALANCE SHEET</b>                                       |               |               |               |
| Y/E July   | FY 2019A      | FY 2020A      | FY 2021E      |
|  | £000          | £000          | £000          |
| <b>Assets</b>  |               |               |               |
| Non-current assets   | 1,800         | 1,696         | 1,576         |
| Current assets (excluding cash)                            | 1,546         | 837           | 1,055         |
| Cash   | 6,135         | 3,685         | 6,075         |
| <b>Total Assets</b>  | <b>9,481</b>  | <b>6,218</b>  | <b>8,706</b>  |
| <b>Liabilities</b>   |               |               |               |
| Current liabilities  | -993          | -929          | -1,029        |
| Non-current liabilities                                    | 0             | -4            | -4            |
| <b>Total Liabilities</b>                                   | <b>-993</b>   | <b>-933</b>   | <b>-1,033</b> |
| <b>Net current assets</b>                                  | <b>6,688</b>  | <b>3,593</b>  | <b>6,101</b>  |
| <b>Net Assets</b>  | <b>8,488</b>  | <b>5,285</b>  | <b>7,673</b>  |

Source: AGM, Allenby

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