

Corporate

 Current price **485p**

 Sector **Chemicals**

 Code **BIOM.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **18.2**

 Shares in issue (m) **3.76**

52 weeks High Low

505p 155p

 Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Mr V Pereira (and spouse) 17.77%

Mr JM Rushton-Turner 10.82%

Mr P Evershed 7.44%

Seguro Noms 5.16%

Mr J Waite 3.01%

Directors 3.14%

Source: Company Data, Allenby Capital

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Biome Technologies plc (BIOM.L)

Customer issues and logistics result in downgrade

Biome Technologies (Biome) has warned that delays in a new customer's implementation of a bioplastics project, ongoing disruption to global shipping and adverse exchange rates, are likely to result in a material decrease in revenue and earnings expectations for FY2021 and into 2022. These issues are transitory but are impacting on the expected timing and growth in the Bioplastics division. Our fair value target for the shares of 750p, while still valid longer term, will now clearly take longer to achieve.

- Important contract commitment received in March** – In March 2021, Biome announced that it had secured a contract commitment from a second US end-customer to accelerate the commercialisation of its proprietary compostable filtration material. It also stated that “this important customer's business would support a significant proportion of the Group's expected revenue growth in 2021 and beyond”.
- Project implementation now delayed** – It is therefore disappointing that although commercial production of coffee pods using the Biome filtration mesh at the customer began in Q1 2021, the customer has recently made the Group aware that it had discovered an unexpected constraint within its factory services that limits the scale of deployment. It was anticipated that such deployment would enable the use of Biome's material on a significant portion of the customer's installed capacity. While the customer has already identified engineering solutions to mitigate this constraint it will take time to implement. Consequently, Biome expects this delay to have a material impact on anticipated growth.
- Shipping issues** – Biome has a significant reliance on containerised ocean shipping and the disruption in the global container shipping industry has impacted Biome with transatlantic deliveries to the USA taking over 3 months rather than the 3 weeks taken in more normal times. With the disruptions showing no signs of being resolved quickly, management is now taking a more conservative view in relation to the timing of the commercialisation of opportunities.
- FX** – Given the majority of Group sales are generated in the US, the impact of a stronger pound has had implications on the translation of US generated revenues into sterling and this has negatively impacted the Group's P&L.
- Forecasts reduced** – The Board now expects revenues and LBITDA for FY2021 will be materially below current market expectations and that the Group will make a LBITDA for FY2022 against our previous expectation of a positive EBITDA. For 2021, revenue is reduced from £8.6m to £6.8m and LBITDA increased from £0.62m to £0.85m. For 2022 we have reduced our revenue expectation from £12.0m to £9.6m and EBITDA of £0.3m has been reduced to a loss of £0.3m.
- Cash levels unchanged** - The reduced level of activity is expected to translate to a lower working capital requirement that in turn should result an unchanged year-end cash position for end 21 and 22. We take comfort from the fact that revenues are still expected to show growth in 2021 of 18% and 2022 of 42%, that demand for Group products remains strong and that management expects a return to higher growth rates once the customer's factory constraints have been rectified.

Year End: December

(£'000)	2019A	2020A	2021E	2022E
REVENUE	6,957	5,705	6,747	9,548
ADJ. LBITDA	-492	-917	-847	-312
ADJ. LBT	-887	-1,459	-1,338	-731
NET CASH (£m)	2,126	1,678	593	765

Allenby Capital acts as Nomad & Broker to Biome Technologies plc (BIOM.L).

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

Financial summary

EXHIBIT1: FINANCIAL SUMMARY				
	£000	£000	£000	£000
Y/E December	FY 2019	FY 2020	FY 2021E	FY 2022E
PROFIT & LOSS				
Revenue (pre grant income)	6,957	5,705	6,747	9,548
Gross Profit	3,024	1,676	2,018	2,714
<i>margin</i>	43.5%	29.4%	29.9%	28.4%
Total Operating costs	-4,344	-3,311	-3,456	-3,604
Operating profit/(loss)	-884	-1,335	-1,230	-690
EBITDA	-492	-917	-847	-312
<i>EBITDA margin</i>	-7.1%	-16.1%	-12.6%	-3.3%
Statutory profit/(loss) before tax	-1,023	-1,699	-1,338	-731
Underlying profit/(loss) before tax	-887	-1,459	-1,338	-731
Net Profit/(Loss)	-877	-1,544	-1,213	-606
Weighted Average Shares (fully diluted)	2.47	3.03	3.72	3.74
Underlying EPS (pence)	-35.5	-50.9	-32.6	-16.2
	£000	£000	£000	£000
Y/E December	FY 2019	FY 2020	FY 2021E	FY 2022E
CASH FLOW				
Net cash inflow/(outflow) from operating activities	-1,573	-1,055	-960	293
Net cash inflow/(outflow) from investing activities	-303	-275	-275	-145
Net cash inflow/(outflow) from financing activities	1,185	920	0	-38
Net increase/(decrease) in cash and cash equivalents in the year	-488	-448	-1,085	172
Cash and cash equivalents at end of period	2,126	1,678	593	765
	£000	£000	£000	£000
Y/E December	FY 2019	FY 2020	FY 2021E	FY 2022E
BALANCE SHEET				
Assets				
Total non-current assets	1,536	1,395	1,386	1,153
Current assets				
Other (excluding cash)	2,440	2,340	2,605	2,284
Cash and cash equivalents	2,126	1,678	593	765
Total current assets	4,566	4,018	3,198	3,049
Total Assets	6,102	5,413	4,584	4,202
Liabilities				
Total current liabilities	-1,457	-1,114	-1,181	-1,503
Total non-current liabilities	-438	-400	-400	-362
Total Liabilities	-1,895	-1,514	-1,581	-1,865
Net current assets	3,109	2,904	2,017	1,546
Net Assets	4,207	3,899	3,003	2,337

Source: Biome Technologies; Allenby Capital

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