

Corporate

 Current price **390p**

 Sector **Chemicals**

 Code **BIOM.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **14.6**

 Shares in issue (m) **3.8**

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 Patrick Evershead 7.44%

Seguro Noms 5.16%

Mr Justin Waite 3.01%

Directors 3.14%

Source: Company Data, Allenby Capital

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Biome Technologies plc (BIOM.L)

Trading continues in line with Board's expectations

Biome Technologies (Biome) reported LBITDA for the half year of £520k (H1 2020 restated: £448k) and continues to trade in line with our forecasts which were amended following the July trading update. The Bioplastics division continues to see a healthy level of orders and enquiries and the opportunity pipeline is increasing. Revenues in the Stanelco RF division were relatively stable given the cyclical downturn in demand for fibre optic cable and there are early signs that demand is beginning to recover. We remain optimistic that revenues in both divisions will show good growth in 2022 and consequently retain our mid-term price target of 750p.

- Interim results show overall year-on-year stability in revenues** – For the half year to June 2021, Biome reported an increase in revenues of 4% to £2.6m (H1 2020: £2.5m). The Bioplastics division reported yoy growth of 7% to £2.3m while Stanelco RF reported a slight decline in revenues from £0.4m to £0.3m. Overheads continued to be tightly controlled, leading to a LBITDA of £0.5m (H1 2020 restated: £0.4m) and a period end cash position of £1.4m (December 2020: £1.7m) and no debt.
- Bioplastics revenue growth despite external challenges** – Revenues from the Bioplastics division were constrained by the disruption within the global sea container industry but nevertheless still showed growth over the comparative period. The opportunity pipeline for the division continues to expand with sales to existing customers being supplemented with sample and pre-production sales being made to customers in North America and the UK and the Board anticipates some of these opportunities moving into larger scale production during H2 2021.
- RF Stanelco bumping along the cyclical bottom** – Revenues within the Stanelco RF division were marginally lower yoy but likely represent the bottom of the cyclical downturn in demand for fibre optic cable. There are encouraging signs that this market is now beginning to recover and the division has received several enquiries and has provided quotations to a number of long-established customers.
- Earlier reduction in forecasts** – We reduced our forecasts following Biome's July trading update which highlighted production constraints at an important customer's facility in the US. Supply of filtration material for this second US customer were expected to support a significant portion of the Group's expected revenue growth in H2 2021 and beyond and the Board stated at the time that it expected that this delay would have a significant impact on the Group's expected growth in the nearer term. We are therefore greatly encouraged that offtake from this customer is expected to accelerate during Q4 2021.
- Amended forecasts are unchanged** – Following this reduction in earnings expectations and given the Board's statement that current trading continues in line with its expectations we are keeping forecasts for 2021 and 2022 unchanged. Our belief that the Group will revert to strong growth in 2022 is also unchanged and thus our fair value of 750p is maintained.

Year End: December

(£'000)	2019A	2020A	2021E	2022E
REVENUE	6,957	5,705	6,747	9,548
ADJUSTED LBITDA	-492	-1,005	-913	-312
ADJUSTED LOSS BEFORE TAX	-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

Biome Technologies plc is an AIM listed, growth-orientated, commercially driven technology group. The Group comprises two divisions, Biome Bioplastics Limited (“Bioplastic”) and Stanelco RF Technologies Limited (“RF Technologies”).

Biome Bioplastics is a leading developer of highly-functional, bio-based and biodegradable plastics. The Company’s mission is to produce bioplastics that challenge the dominance of oil-based polymers.

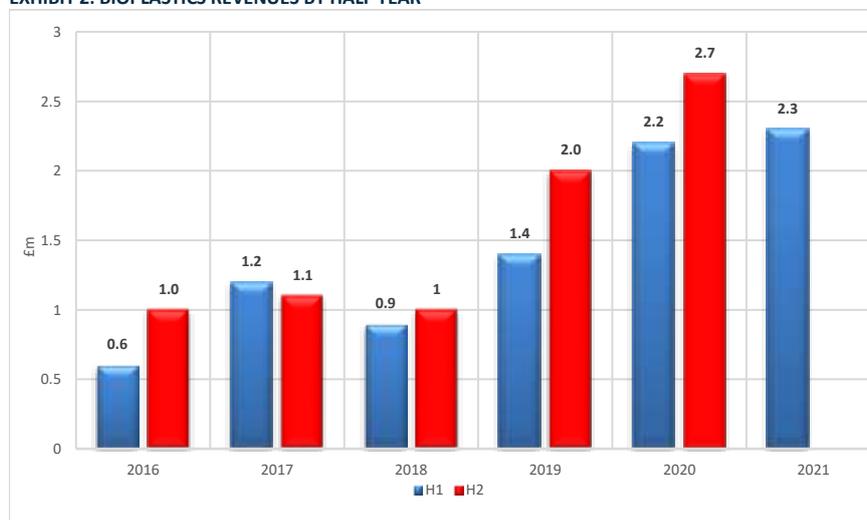
Stanelco RF Technologies designs, builds and services advanced radio frequency (RF) systems. Dielectric and induction heating products are at the core of a product offering that ranges from portable sealing devices to large furnaces for the fibre optics markets.

EXHIBIT 1: HALF YEAR FINANCIAL SUMMARY			
6 months to June	2021	2020	Dec-20
	£000	£000	£000
INCOME STATEMENT			
Revenue	2,589	2,500	5,705
Gross profit	858	754	1,676
<i>margin</i>	33.1%	30.2%	29.4%
Other income	110	87	300
Administrative expenses (before D&A and SBP)	-1,488	-1,289	-2,981
Adjusted LBITDA	-520	-448	-1,005
<i>margin</i>	-20.1%	-17.9%	-17.6%
D&A	-213	-186	-418
Net interest	-19	-17	-36
Adjusted loss before tax	-752	-651	-1,459
Share based charges	-38	-170	-240
Statutory loss before tax	-790	-821	-1,699
BALANCE SHEET			
Total non-current assets	1,338	1,389	1,395
Current assets	2,433	2,778	2,340
Cash	1,390	1,074	1,678
Total current assets	3,823	3,852	4,018
Total assets	5,161	5,241	5,413
Total current liabilities	-1,630	-1,280	-1,114
Total non-current liabilities	-381	-401	-400
Total liabilities	-2,011	-1,681	-1,514
Net assets	3,150	3,560	3,899
Net current assets	2,193	2,572	2,904
CASH FLOW			
Operating cash flow before working capital	-520	-448	-1,005
Net working capital movement	290	-552	-50
Tax	155	0	0
Interest paid	-19	0	-38
Net cash outflow from operating activities	-94	-1,000	-1,093
Net cash used in investing activities	-155	-37	-275
Net proceeds from fund raise	30	0	996
Repayment of obligations under leasing activities	-30	-15	-76
Net cash from financing activities	-39	-15	920
Net decrease in cash	-288	-1,052	-448
Year-end cash	1,390	1,074	1,678

Source: Biome Technologies

Bioplastics division

EXHIBIT 2: BIOPLASTICS REVENUES BY HALF YEAR



Source: Biome Technologies

Revenue growth of 7% yoy to £2.3m was modest by recent standards but was impacted by the international sea container disruptions and has had a material impact on the short-term growth in the business.

The majority of revenues and development opportunities for the division lie in North America. In addition, the division's final products are manufactured both in Europe and the USA with raw materials sourced from around the world, which means that the business has a significant reliance on containerised ocean shipping.

These delays have proven to be a significant constraint on the division's ability to quickly undertake the multiple development iterations that are required to support growth with new customers. Given that there is little sign that the current disruption will be resolved soon the division has been investing in inventory to mitigate some of the effects as it progresses through the second half year.

Nevertheless, growth was achieved through a continuance of sales of outer packaging for the US coffee market and by growing revenues for rigid ring materials for coffee-pod applications.

A major milestone for the division was the receipt in March 2021 of a contractual commitment from a second end customer for biodegradable filtration material. At the time it was anticipated that this important customer's business would support a significant portion of the Group's expected revenue growth in 2021 and beyond.

However, in July the customer discovered an unexpected constraint within its factory services that was limiting the scale of deployment. In today's interim results it has been further announced that an engineering solution addressing this constraint is now underway and it is the Board's understanding that the work required will be completed shortly and that it expects to see the acceleration of offtake during Q4 2021. This is exceptionally good news.

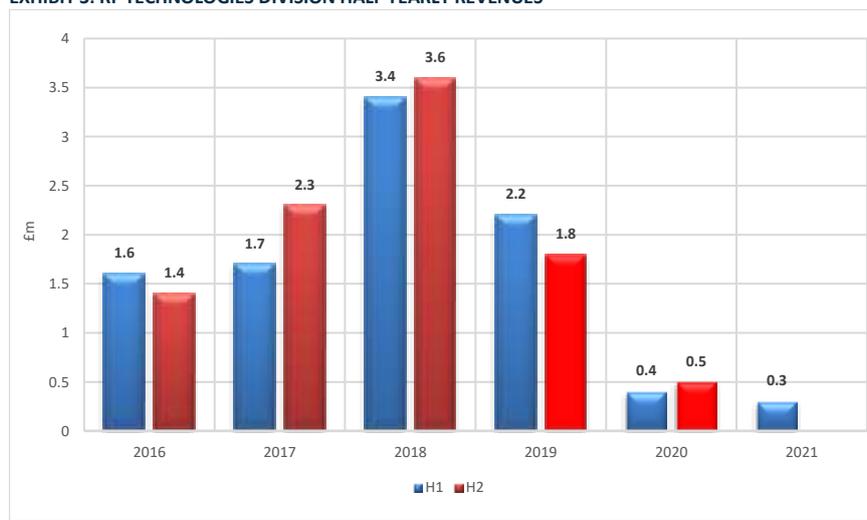
The opportunity pipeline has continued to expand, with sales to existing customers being supplemented with development work together with sample and pre-production sales being made in H1 2021 to a greater number of customers both in North America and UK. The Board anticipates a number of these opportunities moving into larger scale production during H2 2021 underwriting the division's growth expectations.

These prospects include filtration mesh, coffee pod material, packaging film and tree shelters and the division is currently working on an increasing pipeline of opportunities in the North America and the UK.

In March 2021 Biome announced that it had secured a grant for £248,000 from Innovate UK to complete the development phase and reach commercial production of the Group's biodegradable tree shelters. Activity on this project accelerated significantly in the first half period and with further extensive laboratory testing of materials now completed, UK-wide field trials are expected to commence later this year in conjunction with UK end customer Suregreen. Initial production is expected to commence in H2 2021.

Stanelco RF Technologies division

EXHIBIT 3: RF TECHNOLOGIES DIVISION HALF YEARLY REVENUES



Source: Biome Technologies

The RF Technologies division operates in a cyclical end market primarily related to the global demand for fibre optic cable for which the division manufactures fibre optic furnaces. As illustrated in Exhibit 3, for Biome, this market reached a cyclical peak in 2018, since when revenues have steadily declined.

In the first six months of the current year this downturn has continued to limit the opportunities for the division. However, the period also saw some customers ordering spares and some early signs that the fibre optic market is recovering with reduced inventory and higher pricing for fibre optic cable being reported. The division has received several enquiries and quotations have been provided to several long-established clients.

The expectation is that in the longer term the fibre optic cable market will benefit from the pandemic through the enhanced pace of global digitisation required to meet the

demands of, for example, increased home working and the 5G roll-out. However, the reality is that in the short term, demand is likely to remain weak.

The division's efforts to grow a diversified revenue stream - beyond its traditional fibre optic cable market - are producing some tangible results but it is frustrating that some sales were delayed from H1 2021, because of component shortages.

We do not anticipate the cyclical downturn being a cash drain on the Group, partly because of the cost reductions that have already taken place which have positioned the business to run pretty much at breakeven at current revenue levels.

Financial summary and forecasts

EXHIBIT 4: FINANCIAL SUMMARY AND FORECASTS

Y/E December	£000 FY 2019	£000 FY 2020	£000 FY 2021E	£000 FY 2022E
INCOME STATEMENT				
Revenue	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	-3,399	-3,522	-3,604
Operating profit/(loss)	-884	-1,423	-1,296	-690
Adjusted EBITDA	-492	-1,005	-913	-312
<i>EBITDA margin</i>	-7.1%	-17.6%	-13.5%	-3.3%
Statutory profit/(loss) before tax	-1,023	-1,699	-1,338	-731
Adjusted profit/(loss) before tax	-887	-1,459	-1,338	-731
Net Profit/(Loss)	-877	-1,544	-1,213	-606
Weighted Average Shares (m)	2.472	3.033	3.756	3.756
Adjusted EPS (p)	-35.5	-50.9	-32.3	-16.1
CASH FLOW				
Net cash inflow/(outflow) from operating activities	-1,370	-1,093	-810	355
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
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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