

## Corporate

 Current price **275p**

 Sector **Chemicals**

 Code **BIOM.L**

 AIM **AIM**

### Share Performance



Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **7.7**

 Shares in issue (m) **2.8**

52 weeks	High	Low
	<b>450p</b>	<b>275p</b>

 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

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## Biome Technologies plc (BIOM.L)

### *A year of continued strong progress in Bioplastics*

Biome's year end trading update revealed that revenues generated from the Bioplastics division reached a record £3.4m (2018: £1.9m). Stanelco RF Technologies (RF) on the other hand evidenced a decline in revenues of 43% as the division (as forecast by management) reverted to a more normalised level of activity following an exceptional FY2018. The outlook for FY2020 remains encouraging for Bioplastics but RF is experiencing weaker demand in the fibre optic furnace market which is expected to result in lower sales in FY2020 leading to an overall reduction in our EBITDA forecasts for the Group. However net cash at the year-end was higher than anticipated at £2.1m and our cash forecast for the end of FY2020 is unchanged at £0.6m.

- Bioplastics revenues reached a record £3.4m for the year** - Sales in the Bioplastics division accelerated through the year peaking at £1.2m in Q4, an increase of 175% on the quarter and 79% for the year. This continued to be generated by strong underlying demand for established products as well as others in the earlier stages of market deployment such as nutrition pods. Management anticipates that Bioplastics revenues will grow substantially in FY2020 as a number of these new applications come on stream.
- RF reverts to a more typical level of activity** - Following a record FY2018, revenues in the cyclical RF division reverted to a level of activity more akin to those generated in FY2017 of £4m. However, analysis of the fibre optic cable market indicated that prices of such cable began to fall in late 2018 and continued to fall subsequently in the face of global over-capacity which, together with a current absence of any large furnace contracts has prompted the Board to anticipate a reduction in expectations for this division in FY2020. Any recovery in demand is not anticipated until 2021.
- 2020 forecasts reduced** - We are encouraged by the continued progress in Bioplastics and look forward to further strong revenue growth from this division in FY2020 to £6.7m. However, the lowering of revenue expectations in RF now suggests to us that instead of a positive Group EBITDA in FY2020, EBITDA is more likely to be similar to that of FY2019 which we estimate to be a loss of around £0.5m. However, despite the impact of a weaker RF outlook, we remain encouraged by the continued impetus of the Bioplastics division which is expected to become Biome's dominant revenue generator in FY2020.
- 2021 forecasts introduced** - For FY2021 we expect Bioplastics to continue to demonstrate the strong growth evidenced to date with a circa 30% uplift over FY2020 sales to £8.8m while we anticipate RF generating a modest increase in revenue to £3.25m as overcapacity begins to unwind. Close management of working capital, a reduction in losses and lower capitalised development costs should ensure that cash remains adequate. Thus, the negative impact from the RF decline should be limited to FY2020 only.

### Year End: December

(£'000)	2017	2018	2019E	2020E	2021E
<b>REVENUE</b>	6,233	8,850	7,400	9,450	12,050
<b>UNDERLYING EBITDA</b>	54	628	-500	-500	300
<b>UNDERLYING (L)/PBT</b>	-364	285	-850	-850	-50
<b>UNDERLYING EPS (p)</b>	-6.6	14.6	-34.1	-30.4	-1.8
<b>NET CASH (£m)</b>	2,293	2,614	2,100	600	750

Source: Biome; Allenby

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

## Financial Summary

<b>PROFIT &amp; LOSS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Y/E December</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019E</b>	<b>FY 2020E</b>	<b>FY 2021E</b>
Revenue	6,233	8,850	7,400	9,450	12,050
Gross Profit	3,102	4,808	3,200	3,000	3,700
<i>GP margin</i>	<i>49.8%</i>	<i>54.3%</i>	<i>43.2%</i>	<i>31.7%</i>	<i>30.7%</i>
Total Operating costs	-3,048	-4,180	-3,700	-3,500	-3,400
<b>EBITDA</b>	<b>54</b>	<b>628</b>	<b>-500</b>	<b>-500</b>	<b>300</b>
<i>EBITDA margin</i>	<i>0.9%</i>	<i>7.1%</i>	<i>-6.8%</i>	<i>-5.3%</i>	<i>2.5%</i>
Statutory profit/(loss) before tax	-442	84	-1,000	-950	-100
<b>Underlying profit/(loss) before tax</b>	<b>-364</b>	<b>285</b>	<b>-850</b>	<b>-850</b>	<b>-50</b>
Net Profit/(Loss)	-232	143	-1,000	-950	-100
Weighted Average Shares (fully diluted) (m)	2.35	2.78	2.83	3.14	3.14
Underlying EPS (pence)	-6.6	14.6	-34.1	-30.4	-1.8
<b>CASH FLOW</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Y/E December</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019E</b>	<b>FY 2020E</b>	<b>FY 2021E</b>
Net cash inflow/(outflow) from operating activities	675	730	-1,574	-1,200	300
Net cash inflow/(outflow) from investing activities	-127	-409	-350	-450	-250
Net cash inflow/(outflow) from financing activities	0	0	1,210	0	0
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>	<b>758</b>	<b>321</b>	<b>-514</b>	<b>-1,500</b>	<b>150</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,293</b>	<b>2,614</b>	<b>2,100</b>	<b>600</b>	<b>750</b>
<b>BALANCE SHEET</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Y/E December</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019E</b>	<b>FY 2020E</b>	<b>FY 2021E</b>
<b>Total non-current assets</b>	<b>1,037</b>	<b>1,103</b>	<b>1,103</b>	<b>1,203</b>	<b>1,103</b>
Other current assets (excluding cash)	2,132	1,828	2,914	3,579	3,880
Cash and cash equivalents	2,293	2,614	2,100	600	750
<b>Total current assets</b>	<b>4,425</b>	<b>4,442</b>	<b>5,114</b>	<b>4,179</b>	<b>4,630</b>
<b>Total Assets</b>	<b>5,462</b>	<b>5,545</b>	<b>6,117</b>	<b>5,382</b>	<b>5,733</b>
<b>Total current liabilities</b>	<b>-2,125</b>	<b>-1,792</b>	<b>-1,592</b>	<b>-1,392</b>	<b>-1,192</b>
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>-2,125</b>	<b>-1,792</b>	<b>-1,592</b>	<b>-1,392</b>	<b>-1,191</b>
<b>Net current assets</b>	<b>2,300</b>	<b>2,650</b>	<b>3,322</b>	<b>2,687</b>	<b>3,338</b>
<b>Net Assets</b>	<b>3,337</b>	<b>3,753</b>	<b>4,425</b>	<b>3,890</b>	<b>4,442</b>

Source: Biome Technologies; Allenby Capital

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