

Nanoco

£1.8m milestone payment from major partner

Nanoco's £1.8m milestone payment from its major US partnership confirms the scale up is on track for commercial production to start in January 2019. The company remains on a course to deliver a significant inflection in financial performance, starting in H2.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/sales (x)	P/E (x)
07/16	0.5	(12.3)	(5.2)	0.0	193.5	N/A
07/17	1.3	(10.6)	(4.5)	0.0	74.4	N/A
07/18e	4.7	(6.4)	(2.3)	0.0	20.6	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

This is the second of three milestones related to the development and manufacturing scale up for the production of infrared nanomaterials by the company's large US listed partner. The total value of the two milestone payments received so far is £2.6m. The statement confirms the company is confident of meeting the timelines to start commercial production in January 2019.

We do not yet have enough visibility to introduce forecasts for 2019 or beyond, but the fact that manufacturing capacity is being doubled indicates the partner intends to ship significant volumes.

We do know the partnership centres around developing an innovative image sensor product. This is a very large market – Research and Markets estimates the global image sensor market was worth \$14.19bn in 2017 and forecasts that it will grow at a 9.75% CAGR to reach \$24.8bn by 2023. The biggest single growth opportunity within this category is the introduction of 3D sensors in the 1.5bn unit per year smartphone market. We have seen the inclusion of first-generation 3D sensors in front-facing cameras significantly boost the financial performance of the likes of IQE and Lumentum. This adoption curve still has a long way to run, especially given their expected adoption in the rear-facing camera as well as the front within one or two generations of devices. The commercialisation cycle in automotive is longer, but similar technology is expected to be widely adopted for use in LIDAR laser detection systems for automotive safety and autonomous driving systems.

Launch of new business

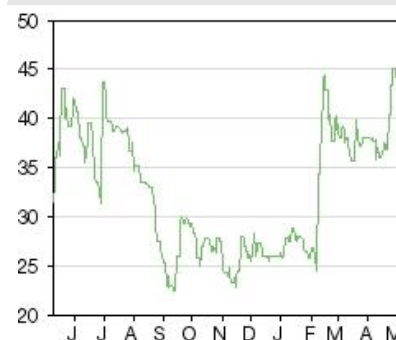
Tech hardware and equipment

8 May 2018

Price 44.5p
Market cap £127m

Net cash (£m) at 31 January 2018	8.7
Shares in issue	285.9m
Free float (%)	89.9
Code	NANO
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Nanoco is the leading commercial supplier of cadmium-free quantum dots and IP. The initial focus was on the display market, as well as lighting and medical imaging. Recently the company has partnered with a major US corporate to scale up production in advanced electronic devices.

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