

BioLargo

Guidance: Odor-No-More break-even by YE19

BioLargo reported record revenue in 2018 of \$1.4m, more than doubling from the previous year, with the majority of this revenue attributable to Odor-No-More at \$1.1m. Odor-No-More continues to improve its margins and is expected to break even by the end of 2019. Moreover, it expects to provide the data needed to complete a 510(k) for its Clyra wound care product in six months, with a spin-off planned for around the end of 2019, and for the Advanced Oxidation System (AOS) to be commercially available in late 2019 or early 2020 and eventually operating independently.

Margins improving for Odor-No-More

Odor-No-More continues to be loss-making (gross margin of \$552,000 and net loss of \$433,000 for 2018), although the investment in increased sales staff is showing early signs that this is translating into an improved bottom line, and in Q418, the unit's operational loss was reduced to \$51,000. CupriDyne Clean was recently integrated into the purchasing system for its fourth national account, and BioLargo has guided to break-even by the end of 2019. The company has also announced a strategic initiative to target the product to the cannabis industry, and has established an undisclosed distributor agreement in the space.

Clyra animal data due with FDA in six months

In December 2018, Clyra completed its transaction with Scion Solutions for intellectual property to its SkinDisc stem cell therapy technology. Clyra is independently financed and the goal is to acquire a portfolio of wound care products and to operate as an independent company around the end of 2019. The FDA has provided guidance on the market clearance pathway for the company's iodine based antimicrobial product. The company is preparing to initiate a large animal study to support a 510(k) application, and it expects to be able to provide the needed information to the FDA within six months.

AOS enters additional pilot projects

The AOS product developed by BioLargo Water is currently being deployed in a number of pilot projects and is largely financed via grants. The first pilots are being placed in a poultry processing facility in Alberta and a microbrewery in California. Additionally the company is negotiating a pilot program for the processing of storm water in California in accordance with a recent initiative to provide \$300m for this purpose in Los Angeles. These projects have shifted resources away from the petrochemical waste water pilot in Tianjin, where funding has not been secured. Per guidance, AOS is targeting commercialization in late 2019 or early 2020.

Historical financials

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/15	0.1	(5.1)	(0.06)	0.0	N/A	N/A
12/16	0.3	(8.1)	(0.09)	0.0	N/A	N/A
12/17	0.5	(9.5)	(0.10)	0.0	N/A	N/A
12/18	1.4	(10.7)	(0.09)	0.0	N/A	N/A

Source: BioLargo reports

Healthcare & industrial services

4 April 2019

Price \$0.18
Market cap \$26m

Share price graph



Share details

Code	BLGO
Listing	OTCQB
Shares in issue	143.1m
Net debt (\$m) at 31 December 2018	2.8

Business description

BioLargo has a number of subsidiaries and products focused on using iodine chemistry. CupriDyne is a product that is currently on the market for industrial odor control. The subsidiary Clyra Medical is a wound care company with an iodine-based irrigation solution and SkinDisc, a cell therapy for wounds. It is developing the AOS as a low-cost water purification device. Finally, the company has a full service environmental engineering team.

Bull

- Diversified portfolio of products.
- Unique technology with broad applications.
- CupriDyne gaining market share.

Bear

- Additional capital needed.
- Sales ramp has been slow.
- Regulatory and development risk for Clyra and AOS.

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