

Applied Graphene Materials

Technology
31 March 2020

First commercial successes

In October 2019 Applied Graphene's (AGM's) management announced it was re-aligning resources around dispersion and application technology to better support product development with customers presenting the nearest-term revenue opportunities. This focus supported six customer launches of coating products containing AGM's graphene dispersion during calendar year 2019. These launches are for both mass-market and specialist applications. As a result of the ensuing uptick in product sales, revenues so far for FY20 are already 20% higher than the whole of FY19.

Delivering new products to the market

Further customer product launches in H120 brought the total number of products containing AGM graphene launched during calendar year 2019 to six. These six included a graphene containing primer for Halford's retail range and a Hycote branded aerosol primer from James Briggs that is sold to consumers via Amazon and to professional automotive paint shops. In July 2019 Alltimes Coatings, a supplier of specialist coatings to the construction industry, launched its Advantage Graphene Coatings system, with the graphene enabling it to extend the warranty period for its system from 20 to 30 years. Coatings innovator Blocksil introduced a high-performance, anti-corrosion coating for industrial applications. This was recently approved by Avanti for application on its large satellite communications dishes. Together with its partner SHD Composites, AGM recently demonstrated a 10m-long tool for manufacturing composite parts for aircraft. The graphene-enhanced material helps the tool last longer, reducing manufacturing costs. AGM continues to work with Airbus on product and flight qualification of a graphene enhanced thermal paste adhesive.

Strong revenue uptick continuing into H220

Revenues increased by 35% y-o-y during H120 to £35k, driven by rising product sales. Following a strong February, sales for FY20 to date total £60k, which is 20% higher than the £50k achieved in FY19. EBITDA losses narrowed by 15% to £1.9m, reflecting the initial impact of the realignment programme which has reduced the cost base by £1m on an annualised basis. This progress on both revenue and EBITDA loss supports the FY20 consensus estimates. Net cash (there is no debt) reduced by £1.8m in H120 to £4.3m at the period end. Management estimates the realignment has extended the company's cash runway to at least Q421.

Valuation: Too early to form a view

AGM only recently started to commercialise its products and the sector generally is at an early stage of evolution, precluding us from providing a detailed valuation.

Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)
07/17	0.3	(4.0)	(4.2)	(13.6)	0.0	N/A
07/18	0.2	(4.0)	(4.2)	(7.5)	0.0	N/A
07/19	0.1	(4.6)	(4.8)	(7.9)	0.0	N/A
07/20e	0.1	(3.7)	(3.9)	(6.5)	0.0	N/A

Source: Company data, Refinitiv

Price 9.0p
Market cap £4m

Share price graph



Share details

Code	AGM.L
Listing	AIM
Shares in issue	49.4m

Business description

AGM develops graphene dispersions that customers use to enhance the properties of coatings, composites and functional materials. It also manufactures high purity graphene nanoplatelets using a proprietary process based on sustainable, readily available raw materials instead of graphite.

Bull

- Understanding of dispersion technology enables AGM to support customers developing commercial applications.
- Standardisation of some graphene dispersion products reduces length of sales cycle.
- Debt-free balance sheet.

Bear

- Revenue development dependent on success of individual customer product launches.
- Extensive testing required prior to customer acceptance.
- COVID-19 outbreak likely to lengthen sales cycles, especially in Asia.

Analysts

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