

# Applied Graphene Materials

**Technology**
**15 October 2020**

## Unlocking the potential of graphene

Applied Graphene Material's (AGM's) FY20 results show the beneficial impact of management's decision in October 2019 to focus on dispersion and application technology to better support product development with those customers presenting the nearest-term revenue opportunities. Revenues increased by 66% year-on-year in FY20 to £83k and adjusted EBITDA losses narrowed by £1.5m to £3.1m. With three new customer products launched in FY20 and three launched so far in FY21, progress looks set to continue.

## Enabling customers to develop new products

Customer product launches during FY20 included a graphene-containing primer for Halford's retail range and a Hycote-branded aerosol primer from James Briggs, which is sold to consumers via Amazon and to professional automotive paint shops. Coatings innovator Blocksil introduced a high performance, anti-corrosion coating for industrial applications that was approved by Avanti for application on its large satellite communications dishes. Since the year end, customers Infinity Wax and Halo Automotive have both launched products for the car-care market and Kent Europe has launched an aerosol anti-corrosion primer. AGM has expanded its distribution network to include partners in Benelux, Greece, North America, Spain and Scandinavia, bringing the total number of salespeople to over 60. During FY20 AGM launched the Genable 1400 series of dispersions of graphene nanoplatelets. Like the other Genable products, these dispersions are very well characterised and stable, making it easier for customers to deploy AGM's graphene in their own formulations, but contain higher levels of graphene, giving greater flexibility.

## Realignment reduced losses while growing sales

Revenues increased by 66% y-o-y during FY20 to £83k, driven by rising product sales. Adjusted EBITDA losses narrowed by £1.5m to £3.1m, reflecting the impact of the realignment programme on costs. This progress on both revenue growth and EBITDA loss supports the FY21 consensus estimates. Net cash (there is no debt except for minimal IFRS 16 lease liabilities) reduced by £2.5m during FY20 to £3.7m at the year end. Noting the working capital required to support the anticipated commercial expansion, management estimates the realignment has extended the company's cash runway to October 2021 and states it will need to raise additional financing.

## Valuation: Still too early to form a view

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

### Consensus estimates

| Year end | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (p) | DPS (p) | P/E (x) |
|----------|--------------|-------------|----------|---------|---------|---------|
| 07/18    | 0.1          | (4.0)       | (4.2)    | (7.5)   | 0.0     | N/A     |
| 07/19    | 0.1          | (4.6)       | (4.8)    | (7.9)   | 0.0     | N/A     |
| 07/20    | 0.1          | (3.1)       | (3.5)    | (6.1)   | 0.0     | N/A     |
| 07/21e   | 0.2          | (3.2)       | (3.6)    | (6.0)   | 0.0     | N/A     |

Source: Company data, Refinitiv

**Price** 32.5p  
**Market cap** £16m

### Share price graph



### Share details

Code AGM  
Listings AIM  
Shares in issue 49.7m

### Business description

Applied Graphene Materials develops graphene dispersions that are used by customers 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 dispersion technology enables Applied Graphene Materials 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 pandemic prolonging sales cycles and dampening demand from end-users.

### Analysts

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