

Applied Graphene Materials

Technology
28 January 2021

Cash runway extended well into calendar 2023

Applied Graphene Materials (AGM) has raised c £6.0m (gross) through a placing, subscription and PrimaryBid offer at 41p/share. Management estimates that the funds raised extend the company's cash runway from October 2021 well into calendar 2023, enabling it to convert the current opportunity pipeline into meaningful annual revenues during the period.

Oversubscribed placing, subscription and offer

At the end of July 2020, net cash (there is no debt except for minimal IFRS 16 lease liabilities) totalled £3.7m. The recent placing, subscription and PrimaryBid offer respectively raised £5.3m, £0.2m and £0.5m (gross). The placing is being conducted in two tranches. The second, which is of c £4.3m, is subject to shareholder approval at a general meeting to be held on 12 February. The cash raised will be used primarily for working capital as the company builds up revenues. The company had 119 active engagements at the end of November 2020. Management estimates that this opportunity pipeline, if fully realised, represents annualised revenues of £7.6m, or around £3m if a success-probability factor is applied.

Growing opportunity

Revenue growth is driven by innovative businesses incorporating AGM's graphene-based dispersions in new products, which they are developing with enhanced properties. For example, one of AGM's existing customers, Halo Autocare, has recently launched a graphene-enhanced wax for alloy wheels that can protect wheels for four to six months. Encouragingly, this is Halo's second product to incorporate AGM's Genable graphene dispersion technology. AGM continues to expand its distribution network, most recently with the appointment of chemicals distributor Manho Polymers in South Korea, enabling the company to access the fourth largest coatings market in Asia. The enlargement of the distribution network means that the number of people selling AGM's products has trebled over the last year to around 60. In a significant development for the graphene industry, EU regulator ECHA has approved the use of graphene powder at larger volumes of 1–10 tonnes a year. The approval allays concerns that potential customers considering large-scale deployments of products containing graphene may have regarding the availability of graphene in sufficient volume.

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)
07/17	0.2	(4.0)	(4.2)	(7.3)	0.0	N/A
07/18	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)	N/A	(6.0)	0.0	N/A

Source: Company data, Refinitiv

Price 47.5p
Market cap £24m

Share price graph



Share details

Code	AGM
Listings	AIM and OTCQB
Shares in issue (prior to January fund-raising)	49.7m

Business description

Applied Graphene Materials (AGM) 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 of dispersion technology enables AGM to support customers developing commercial applications.
- Standardisation of some graphene dispersion products reduces length of sales cycle.
- Expansion of distribution network accelerates the pace of introducing AGM's dispersions.

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 who cannot access sites to deploy coating products.

Analysts

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