

# Nanoco Group

Trial update

## Context on no-fault settlement of litigation

Nanoco's regulatory news release gives more information on its proposed settlement with Samsung and adds useful context in the face of speculation on investor forums and share price volatility after the 6 January no-settlement announcement. Nanoco expects to issue another update when it completes the final binding agreement within the next 30 days. We leave our estimates unchanged.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)
07/20	3.9	(2.9)	(4.9)	(1.4)	0.0	N/A
07/21	2.1	(2.8)	(4.7)	(1.3)	0.0	N/A
07/22	2.5	(2.1)	(4.6)	(1.3)	0.0	N/A
07/23e**	2.9	(2.2)	(3.5)	(0.9)	0.0	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*Excluding revenues from potential production orders or litigation settlement.

On 6 January, Nanoco announced that a term sheet for a no-fault settlement of the current litigation has been agreed with Samsung. Both parties have 30 days to agree the detailed terms of a binding agreement and have jointly requested a stay to the trial, which was scheduled to start on 6 January 2023. This has triggered significant speculation on investor forums and led to share price volatility.

Today's announcement provides more context around the settlement process. It states three things. First, the gross settlement value is expected to be towards the lower end of the range for a successful jury trial outcome. Second, the settlement removes the risks of the litigation process, potential appeal processes of the trial and the ongoing appeal of the Patent Trial and Appeal Board decisions, further litigation costs and the time value of money. Third, the precedent shows any final agreement is likely to be a one-off payment, with no forward royalties.

For context, we have [previously calculated](#) that lost revenue in the US attributable to the patent infringement so far could be US\$200–250m or more. This figure would increase if non-US sales and future shipments are included. However, a settlement is likely to be based around lost earnings rather than revenues, with a further discount on the potential jury outcome reflecting uncertainties about risk and the time value of money, noting the full trial and appeal process could take years. Lawyers' success-based fees will also be deducted from the settlement.

Settlement of the litigation will enable Nanoco's management to focus on commercialising its nanomaterials. At the AGM on 20 December 2022, management noted that, based on its visibility of customer final validation plans, it had a high level of confidence that Nanoco would receive sensing-application production orders in CY23.

If the company retains any of the final settlement money, this will likely be to de-risk the cash runway (currently until CY25) and allay going-concern fears. We await the final settlement details before commenting further.

### Tech hardware and equipment

9 January 2023

**Price** **55.8p**

**Market cap** **£180m**

Net cash (£m) at end July 2022 (excluding lease liabilities) 2.8

Shares in issue 322.4m

Free float 85.2%

Code NANO

Primary exchange LSE

Secondary exchange OTC (NNOCF)

### Share price performance



### Business description

Nanoco Group is a global leader in developing and manufacturing cadmium-free quantum dots and other nanomaterials, with c 560 patents. Focus applications are advanced electronics, displays, bio-imaging and horticulture.

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