

## Established leader in detection solutions

18 January 2022

### H1 FY22 results: platform for 45%YoY FY22 projected growth

For the six months to 31 October 2021 Kromek has reported:

- Revenue of £4.71m +2.9%YoY (H1 21: £4.58m), with gross margin at 46.8% (FY21: 48.4%).
- Adjusted EBITDA loss of £0.63m (H1 21: loss £0.87m).
- PBT loss (rptd.) reduced from £3.4m to £3.1m, and period-end cash at £10.2m (FY21: £15.6m; H1 21: £5.8m). The net cash position remained positive at £3.5m (FY21: £7.4m).

This was a sound, well-managed, H1 performance given industry-wide supply chain and components difficulties and inflationary costs, preserving a healthy cash balance. Kromek reported increased activity in the key medical imaging segment, with three new strategic OEMs, and the receipt of multi-million-dollar contracts in the CBRN (chemical, biological, radiological, nuclear) segment. **Kromek is now in a strong position to meet additional medium-term demand for its imaging equipment solutions, and is confident of market estimates of 45%YoY FY22 revenue growth; we estimate £15.0m for the full year.**

### Market opportunity now in focus

Kromek addresses two markets with strong growth potential: **advanced imaging** - which includes the particularly large opportunity in **medical imaging** - and **hazard detection** (CBRN), where Kromek is operating in homeland defence and security markets worldwide.

The medical imaging sector is undergoing a major shift towards the application of Cadmium-Zinc-Telluride (CZT) technology, in which Kromek specialises, for the improvements in image clarity and diagnostic efficiency it offers. This was recently underlined in the acquisition of CZT specialist Redlen Technologies by Canon for an implied CDN392m (US\$311m) valuation, a multiple of Redlen market estimated revenue of c.25x-30x. As a result, **Kromek emerges as the only remaining independent specialist** in CZT-based medical imaging systems. We estimate that the adoption of CZT-based medical imaging brings the potential for Kromek to augment existing contracts with incremental revenue of the scale of £5m - £10m, rising to over £20m in the medium term.

There are multiple, self-evident sources of demand for CBRN detection, from defence and security to applications in the commercial nuclear industry. For example, the total addressable market currently identified based on public tenders just for Kromek's nuclear security product amounts to almost **US\$400m**, and Kromek's established relationships with key procurers, such as the US government, places it in a strong position.

### Outlook and valuation – a premium for independence

**Kromek reports over 90% visibility on FY22 revenue which is expected to rise 45% YoY.** Kromek's investment in the development of CZT technology for advanced imaging systems has attracted attention, collaboration and orders from the leading OEM manufacturers of medical imaging equipment amongst others.

The US Scientific & Technical Instruments sector, to which Kromek has a 41% H1 22 exposure, trades on 6.0x revenue multiple (source: csimarket.com, FY21E) which, if applied to our FY23 revenue outlook (£18.0mE) **underpins our 26.0p indicative fair value per share.** The Redlen acquisition highlights Kromek's position as the only commercial independent source of CZT-based technology for imaging systems; the read-across from Redlen points to an entirely different valuation, in the range of 65p-75p per share.

#### Company Data

EPIC	KMK.L
Price (last close)	15.2p
52 weeks Hi/Lo	23.5p/12.7p
Market cap	£65.7m
ED Fair Value / share	26p

#### Share Price, p



Source: ADVFN

#### Description

Kromek is a detection and imaging company operating globally in the fields of advanced imaging and hazard detection (CBRN: chemical, biological, radiation and nuclear). Within the advanced imaging segment, medical imaging, including BMD (bone mineral density), CT (computer tomographic) and SPECT (single photon emission computer tomography), is particularly important, utilising Kromek's cadmium-zinc-telluride (CZT) materials technology.

Other key markets in advanced imaging include security screening and industrial imaging. Principally focused on radiation detection, CBRN also includes development of biohazard threat detection, including the presence of COVID-19.

Headquartered in Sedgefield (NE UK), the company has c.160 employees of whom over 100 are involved in R&D, with two US operations (California and Pittsburgh). Kromek has filed or registered over 280 patents.

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## FY22 interim results

Kromek's operations occupy two distinct imaging and detection verticals: medical, security and industrial imaging, and hazard detection (CBRN). H1 22 saw the award of a number of contracts and improved order pipeline. The Group noted increased activity in **medical imaging** with positive signals for H2 22E and beyond, the addition of three new strategic OEMs in SPECT and CT<sup>1</sup> medical imaging, and a 7-year US\$17m industrial detector system supply agreement (October 2021).

Kromek reported a range of new and repeat **CBRN** orders, in addition to ongoing tender activity: a 2-year US federal contract worth up to US\$1.6m for its D3S-ID wearable nuclear radiation detector; a US\$0.17m UK government order for the D5 RIID radiation detector (July 2021); and a (June 2021) US\$6.0m US Dept. of Defense (DARPA) bio-security detection systems contract extension. The airborne Covid-19 detection system moved from pilot studies in public spaces to commercialisation and operational studies in NHS locations, whilst Kromek announced 15 new customers in the civil nuclear industry.

### Summary financial performance H1 21 - H1 22

Semi-annual (£m)	H1 21	H2 21	H1 22	YoY Change
Revenue	4.58	5.78	4.71	2.9%
Gross	2.49	2.51	2.20	
Margin	54.5%	43.5%	46.8%	
EBIT Adjusted	(2.97)	(2.76)	(2.75)	0.22
EBITDA Adjusted	(0.87)	(0.81)	(0.63)	0.24
PBT Adjusted	(3.28)	(3.00)	(3.03)	0.25
Net cash from operations	(1.89)	0.58	(2.21)	(0.32)
Net OpFCF	(4.97)	(2.42)	(5.69)	(0.72)
Net cash from financing	1.52	12.61	(0.63)	(2.15)
Net change in cash	(3.45)	10.20	(6.32)	(2.87)
Cash at period-end	5.81	15.60	10.24	4.43
Net cash	1.55	7.40	3.45	1.90

Source: Company data. Equity Development estimates. <sup>1</sup>SPECT: single photon emission computer tomography; CT: computer tomographic imaging.

## Key features

For the first half we highlight:

- Gross margin recovery and stability at 46.8% compared to 43.5% in H2 21 and 54.5% in H1 21 (FY21: 48.4%).
- Investment in R&D and product development totalling £3.1m (H1 21: £2.7m) reflecting the continued commitment to the development of applications and commercialisation process. Kromek invested £0.26m in equipment (H1 21: £0.295m).
- Inventory build of £1.13m (H1 21: £0.16m) in order to insulate against potential shortages in key components and underpin future contract preparation and commitments.
- Income of £1.34m realised through forgiveness of US Paycheck Protection Programme loans (US\$1.8m granted in FY21), which contributed to the reduction in operating loss to £2.9m (on an adjusted basis, a £2.75m loss).
- The period-end cash balance of £10.2m (FY21: £15.6m), with net cash at £3.45m following a net reduction in debt of £0.14m to £6.8m (FY21: £8.2m).

## Outlook and valuation considerations

As outlined below, we envisage: strong FY22 +45%YoY revenue growth with, in the following year, further growth of 20%YoY growth to reach £18.0m; and gross margin recovery in H2 22(E) to FY21 levels (48.4%) and 47.9% for the full year, with further improvement estimated to 51.5% in FY23. This indicates EBITDA (adj.) profitability of £0.6m in H2 22, break-even for the year and our outlook of £0.8m for FY23.

### Outlook to FY23

Year to 30 Apr (£m)	FY21	FY22E	FY23E	H1 22	H2 22E
Revenue	10.35	15.00	18.00	4.71	10.29
Gross	5.01	7.19	9.27	2.20	4.98
Margin	48.4%	47.9%	51.5%	46.8%	48.4%
EBIT Adjusted	(5.73)	(4.44)	(4.04)	(2.75)	(1.69)
EBITDA Adjusted	(1.69)	(0.03)	0.76	(0.63)	0.60
PBT Adjusted	(6.28)	(4.99)	(4.59)	(3.03)	(1.97)
Net cash from operations	(1.31)	(0.62)	5.68	(2.21)	1.59
Net OpFCF	(7.38)	(6.70)	(0.31)	(5.69)	(1.01)
Net cash from financing	14.13	(1.51)	(1.07)	(0.63)	(0.88)
Net change in cash	6.75	(8.20)	(1.38)	(6.32)	(1.89)
Cash at period-end	15.60	7.40	6.02	10.24	7.40
Net cash	7.40	0.66	(0.94)	3.45	0.66

Source: Company data. Equity Development estimates.

## Medium-term scenario and valuation considerations

We anticipate that, following a sustained period of investment in R&D and commercial development, Kromek should expect in the medium term to receive **substantial OEM orders** in its leading medical imaging segment as equipment providers advance commercialisation of CZT-based solutions. So, assuming the addition of c. £5.0m in additional revenue in FY23, with associated additional costs of £1.5m, we see an improvement in adjusted EBITDA to c.£1.8m. Apart from this scenario analysis, our read-across fair value calculations are based on our FY23 revenue estimates with two inputs and based on a 50:50 revenue split assumed for the medical imaging and CBRN divisions:

- The US Scientific & Technical Instruments sector **6.0x FY21 revenue multiple**, which, when applied to total FY23 estimated revenue, underpins our **26p / share Kromek fair value**.
- Read-across from the Redlen-Canon acquisition multiple of **25x to 30x revenue**, indicates a combined Kromek valuation based on FY23 estimated divisional revenue of **65p - 75p per share**.

### Read-across Kromek EV/revenue valuations

Kromek MI segment FY23E (£m)	9.0	9.0
Redlen multiple assumed	25.0x	30.0x
MI segment valuation (£m)	225.0	270.0
Kromek CBRN segment FY23E (£m)	9.0	9.0
US scientific instruments sector multiple	6.0x	6.0x
CBRN segment valuation (£m)	54.2	54.2
Sum-of-parts total (£m)	279.2	324.2
<b>Per share (p)</b>	<b>64.6</b>	<b>75.1</b>

Source: Equity Development Estimates, various reports. MI: medical imaging segment.

## Established leader in detection solutions

Kromek develops and supplies radiation detection and bio-detection technology solutions for the advanced imaging and CBRN detection market. In advanced imaging, Kromek's technologies are adopted by OEM manufacturers in the medical imaging, aviation security and industrial screening markets. Its advanced imaging solutions are based on proprietary CZT technology, for which Kromek is one of the few independent producers and, in the medical imaging sector, **the only independent producer**, a key differentiator for its operations.

In the CBRN detection market, Kromek supplies end-products for nuclear security and civil nuclear applications, and is developing a biological threat detection platform for the detection, and therefore prevention, of bioterror and public health threats.

A summary of Kromek's activities in its two business segments is as follows:

Kromek's market verticals		
Segment	Advanced Imaging	CBRN Detection
Applications	Medical, security and industrial imaging	Radiation and nuclear threat detection (inc. civil nuclear), pathogen detection
Technology	CZT detectors and solutions with specialist electronics	Scintillators with silicon photomultipliers
Kromek product	Primarily OEM components	Primarily end user products
Customer base	Highly concentrated commercial OEM customers	Globally distributed government customers
Sales channel	Direct to customer	Via distributors or partners
Nature of revenue	Multi-year contracts	Recurring revenue – service and software contracts

Source: Company data.

## Advanced imaging

Of Kromek's imaging solutions, **applications in medical imaging** offer particular potential. Kromek's CZT-based detectors are a key OEM component in a range of next-generation imaging solutions such as: SPECT (single photon emission computer tomography) imaging solutions for 3D analysis of internal organs; CT scanning; bone mineral density (BMD) and DEXA (dual energy X-ray absorptiometry) analysis for diagnosis of osteoporosis; or molecular breast imaging (MBI).

The recent acquisition by Canon-Redlen acquisition highlights the value and potential of CZT-based imaging; and **leaves Kromek as the only remaining independent** specialist in CZT imaging technology and systems.

## CBRN hazard detection

Kromek's **CBRN** (chemical, biological, radiological, nuclear) detection technology is based on the application of photon scintillation measurement of ionising radiation (excepting bio- pathogen-detection systems), with resulting product miniaturisation a major differentiating factor for commercial applications.

Kromek equipment is widely deployed by homeland security, police and armed security organisations, and hazardous materials (HazMat) teams.

Its detection technologies are applicable in a wide range of gamma and neutron radiation detection devices, from wearable to lab- and field-based systems, including drone or robot vehicles used in hazardous environments such as nuclear reactor vessels or highly contaminated infrastructure. Kromek recently added in-situ biohazard and pathogen air analysis technology with applications in rapid-detection area analysis for public spaces, airports or hospitals.

## Markets with major long-term potential

**Kromek’s science and products address major areas of demand and spending.**

More accurate and efficient medical imaging offers the potential to both improve detection rates and diagnosis and to enable more frequent, progressive monitoring and observation during treatment. Kromek’s products form key components in systems which are designed for efficient reliability and long deployed operational use. The replacement cycle for SPECT equipment has commenced which means that major OEMs are securing long-term CZT supplies.

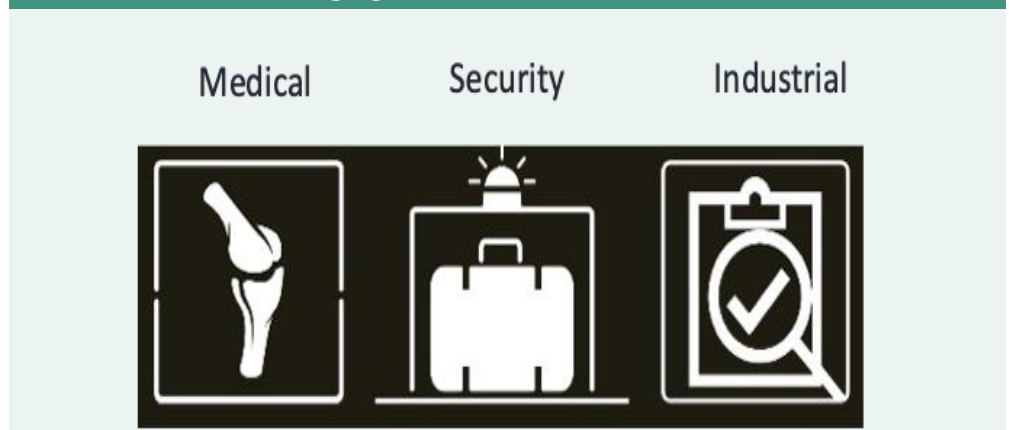
As a result, end-user contract wins for Kromek have a high degree of visibility and long contract life; one example being the H2 19 OEM medical imaging contract worth US\$58.1m over seven years. Following an extensive development phase, we expect this trend to manifest in sizeable contracts in the other major growth market for CT systems over the medium-term.

There are multiple, self-evident sources of demand for CBRN detection, from defence and security to applications in the commercial nuclear industry. For example, the UK’s 2020 defence spending review added £24.1bn to 2024, including a £329m provision for radiation and nuclear detection, whilst the emergence of COVID-19 requires a clear and enduring response in bio-security detection.

## Advanced imaging solutions

Kromek’s advanced imaging technology addresses three market verticals: medical imaging, security screening for dangerous materials and industrial processes scanning - of which we regard the market opportunity for **medical imaging** as having the greatest medium-term potential.

### Kromek’s advanced imaging market verticals



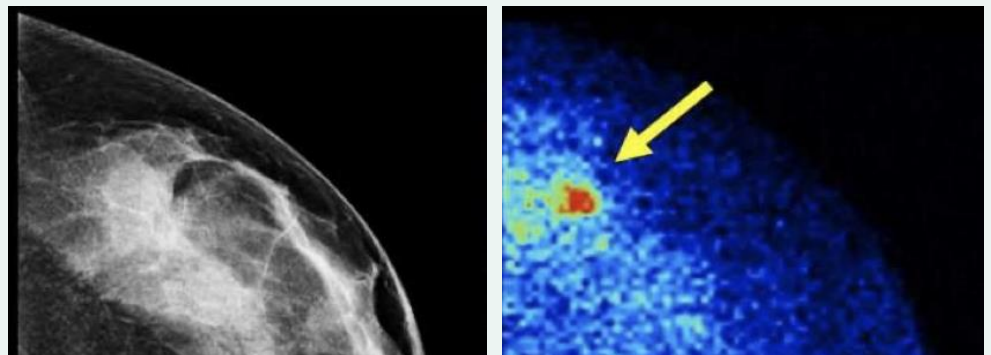
Source: Company data.

The key feature of CZT-based imaging applications is improved image quality and clarity. CZT imaging converts imaging radiation *directly* into electrical signals, eliminating the radiation-to-light and light-to-electrical photodetector stages required in conventional scintillation imaging.

As illustrated below, **MBI (molecular breast imaging)** imaging based on CZT technology produces a digital image with colour enhancement which reveals an abnormality which conventional mammography might not detect. CZT is being applied in a wide range of key investigative processes where image clarity is most valuable for diagnosis: osteoporosis (using BMD, bone mineral density analysis); breast cancer (MBI); detection of cancers; cardiovascular conditions or Parkinson's disease (SPECT – single photon emission computer tomography); and the application of CT scanning.

Most recently, the application of scanning technology has also been highlighted for its potential screening for prostate cancer (BBC News 27 December 2021).

### Conventional mammography imaging compared to MBI imaging



Source: Company data.

## Medical imaging market opportunity

Kromek supplies gamma probes<sup>2</sup> and imaging equipment which is suitable for BMD, SPECT and CT equipment markets, which together have total value accessible to Kromek's products (for CZT assemblies supplied to non-integrated manufacturers) which we estimate at c. **US\$340m**, segmented as follows:

### Medical imaging total market opportunity

	Segment	Market p.a.
<b>Gamma</b>	Gamma probes	US\$1.6m
<b>BMD</b>	Bone mineral density - osteoporosis detection	US\$30m
<b>SPECT</b>	Single photon emission computer tomography	US\$110m
<b>CT</b>	Computer tomography scanning, detector segment	US\$200m

Source: Company data. Equity Development estimates. <sup>2</sup>Gamma probes use a scintillation radioactive counter to locate (sentinel) lymph nodes during treatment programmes and in similar breast cancer procedures.

## Medical imaging market structure and dynamics

Kromek is recognised for its CZT detectors technology amongst the leading imaging equipment OEMs, (excepting those with in-house technology), comprising an addressable market which includes:

- **SPECT:** GMI Medical, Spectrum Dynamics, Philips, Siemens, United Imaging (in-house: Canon, GE).
- **CT:** Samsung NeuroLogica, Mars, Fuji, Mediso medical imaging systems, Analogic, Philips, United Imaging (in-house: Canon, GE, Siemens).



Kromek has invested in product development – over 100 of 160 staff engaged in R&D and production, and over 280 registered patents (with three added in H1 22) – the result of which is a range of embedded OEM relationships which we expect to bear fruit in the coming terms, the potential scale of which is indicated by the FY19, seven-year, US\$58.1m medical imaging OEM contract.

In this market, commercial engagement with customers consists of an initial design phase followed by incorporation of Kromek's detectors and technologies into a customer's system followed by the award of a multi-year supply contract, all of which provides long-term revenue visibility.

## Medical imaging market trends

The medical imaging market shows aspects, particularly in the US, of consolidation against the background of discernible growth drivers. In its Summer 2021 review of the Diagnostic Imaging Equipment Services Market, Duff & Phelps outlines a total market worth US\$100bn providing over 700m diagnostic procedures annually. The report highlights:

- The impact of an aging population, estimated to increase at 3.2% p.a., with the additional impact of pushing US spend on healthcare from 17.7% recorded in 2018 to 19.7% by 2028 (US Census Bureau, 'An Aging Nation: The Older Population in the United States').
- A trend towards localised (including out-patient) provision of diagnostic imaging services.
- The dominance of OEM providers (Canon Medical, Fuji Film, GE Healthcare, Hitachi, Olympus, Shimadzu, Philips, Siemens, Hologic and Carestream) which have the advantage of in-house parts, repair and upgrade capability.

As the survey notes, '**M&A activity remains robust**'. The survey itemises over 1,800 transactions in N. American healthcare worth US\$183bn in 2020, and deal value in to mid-2021 of US\$149.4bn (source: CapitalQ data). Private Equity interest is enhanced by the possibility of add-on acquisitions.

## Other applications – security, industrial

Kromek provides CZT detector modules for airport security systems and in-line industrial processes.

- **Aviation security.** In 2017 Kromek initiated a 2-year OEM contract for liquid explosive detection (LEDs) in cabin baggage, in early 2020 achieving European certification for its Type C scanner, followed by commercialisation. Kromek's bottle scanner device is currently deployed in 55 airports in 12 countries.
- **Industrial imaging for contaminant detection.** Kromek includes a major supply agreement win worth US\$17m over 7 years.

## CZT science

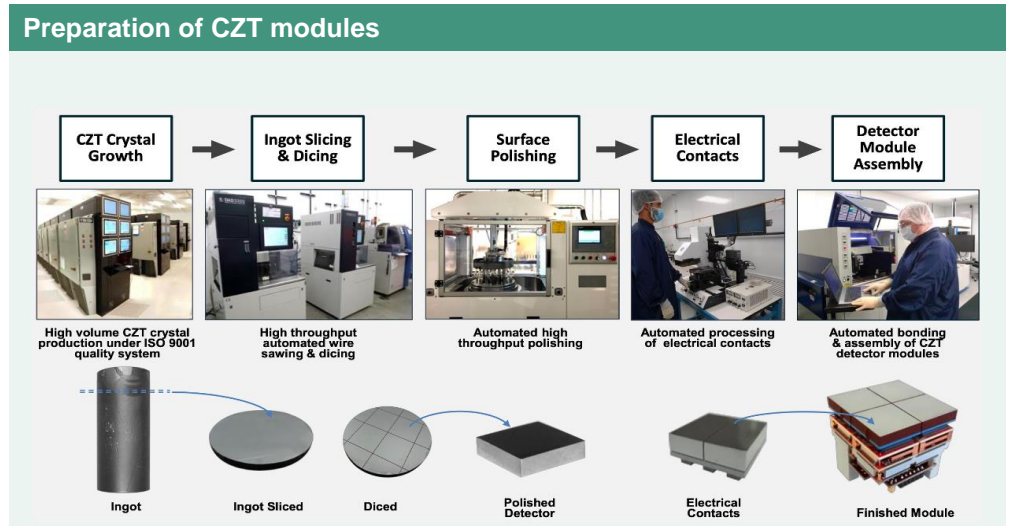
CZT detectors are formed of a layer of metal acting as electrodes sensitive to radiation. When exposed to X-rays or gamma-ray radiation CZT-based semiconducting materials convert photons into electrons.

There are three principal charge effects: photoelectric absorption, transferring photon energy directly into an electron; Compton Scattering, where partial transfer results in an electron and a degraded photon; Pair Production, in which the photon interaction with the nucleus of an atom results in the release of an electron and a positron.

The resulting charge pulse is detected and amplified (e.g. converted to a Gaussian bell-shaped curve showing the normal distribution of values above and below the mean) preparatory to further analysis and display.

## Kromek integrated production process

Kromek has significantly expanded CZT production capacity since FY19 from 40 to 180 ingot furnaces (UK and US), with, as illustrated, fully automated preparation and assembly processes to maintain product purity and throughput. The resulting improvements seen in productivity and cost efficiency are part of an ongoing process.

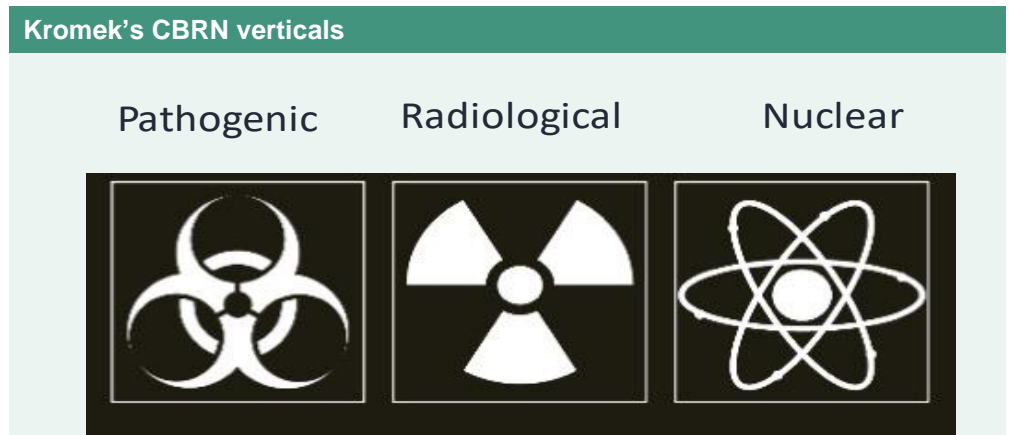


## CBRN hazard detection

Kromek addresses a wide range of homeland security, military and civil nuclear detection markets:

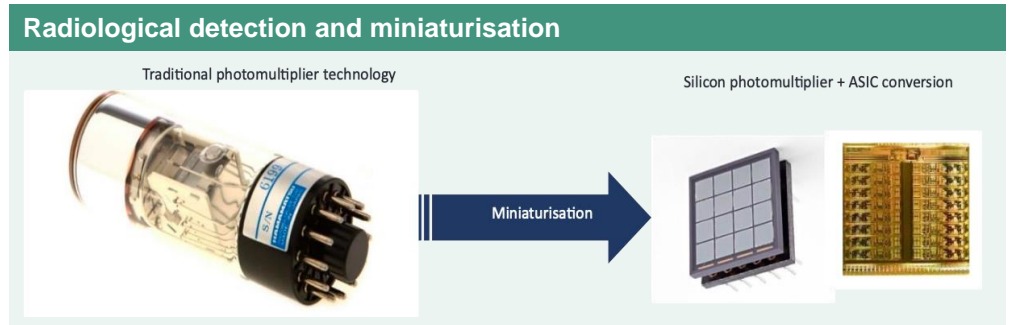
- Wearable and networked sensors for security and military applications – Kromek D3 and D5 device ranges.
- For the civil nuclear power market: hand-held isotope detection; high resolution spectroscopy; sensors for hazardous environments involving remote sensing and deployment via drones or robots.

It is also in advanced development of bio-security solutions for the detection of pathogens, such as SARS-CoV-2 (COVID-19), alongside partners including the US and UK governments.





Detection of radiological or nuclear emission hazards relies on the conversion of gamma radiation photons into electrical signals (electrons). The transition from traditional photomultiplier detection devices to those based on Kromek's photo scintillation technology introduces miniaturisation:



Source: Company data.

## Kromek D3, D5 devices range

Kromek's nuclear radiation detection device range includes PRD - personal radiation detection - and RIID - radiation isotope identifier - devices, and remote monitoring data networking systems:

- PRD products: D3 high accuracy, compact PRD; for D3M gamma and neutron radiation detection; D3S, gamma and neutron radiation detection with real-time isotope identification.
- RIID devices: D3S ID, a wearable gamma and neutron RIID with continuous scanning and real-time isotope identification; D5 range, a ruggedised device for use in military and homeland security situations.

D3 devices and systems are widely deployed by military, security, and safety organisations in the UK, US and extending into the Middle East and SE Asia, within a total addressable market estimated at **c.US\$400m**.

### Flagship product: D5 RIID

The key feature of Kromek's R5 radioisotope identification device (R5 RIID) is the combination of accuracy<sup>3</sup> and size: a hand-held compact format. The R5 is lightweight and compact, suitable for use with full PPE, using either rechargeable or disposable AA batteries for >24-hour life, and integrated with smartphones and communication hubs, for data and image transmission.



Source: Company. <sup>3</sup> Dose accuracy of  $\pm 10\%$ ; isotope dose levels  $< 0.01 \mu\text{Sv/h}$  (micro Sieverts per hour), exceeding the IEE/ANSI (American National Standard) N42.34 performance criteria for radionuclide identification devices.

## Biohazard detection

The COVID-19 pandemic, ongoing threat of terrorist activity and growing awareness of the impact of pollution combine to create a rapidly growing market for biological threat detection and air quality monitoring. Even before the outbreak of the pandemic, Kromek had been working on **a long-term biological threat detection programme** with the US Department of Defense's DARPA (Defense Advanced Research Projects Agency) aimed at combatting bioterrorism.

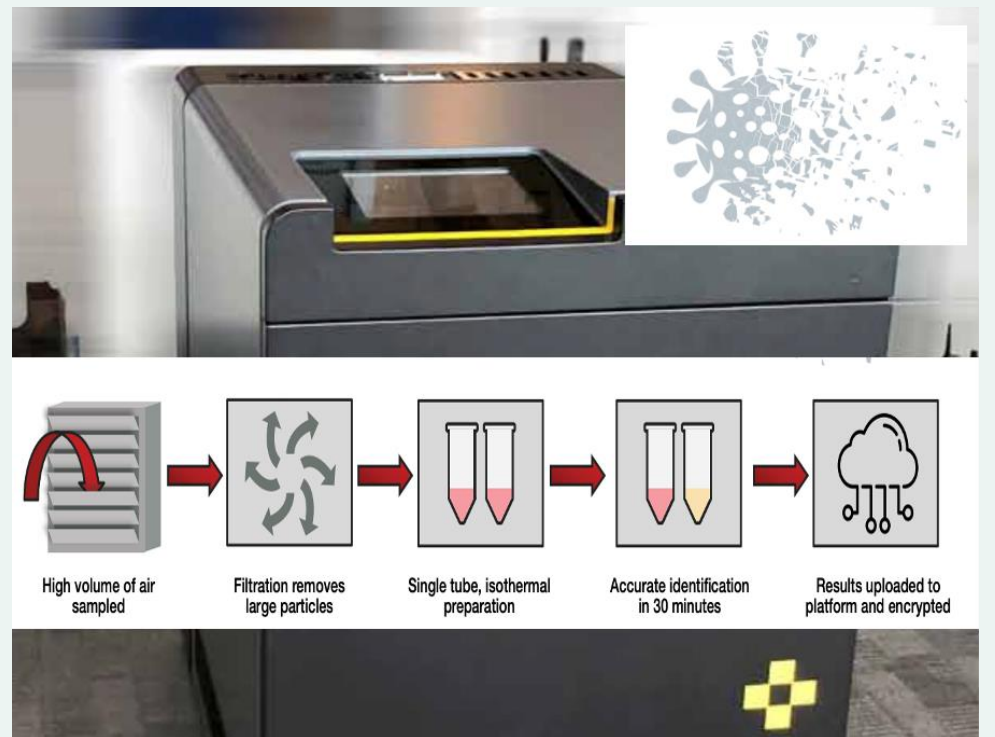
During the period, Kromek received a US\$6.0m 28-month month DARPA contract under Phase II of DARPA's development of a biological threat detection system to detect, identify and analyse airborne pathogens.

With the onset of the COVID-19 pandemic, Kromek began adapting this technology and working with partners to develop solutions for specific applications, such as to provide an early warning for future virus outbreaks. From this, Kromek initiated development of an automated detection device in FY20, leading to several pilot trials in 2021 - Kromek's COVID-19 air sampling and detection system - fully-autonomous and integrated.

The resulting system, illustrated below, has proved highly accurate, with ultra-low false positive generation, capable of detecting the presence of COVID-19, including variants, in large-volume high-footfall spaces such as airport terminals, hospital zones, schools or supermarkets

Readers should note that Kromek's biohazard detection equipment development falls outside the current scope of our commercial projections.

### Biohazard automated detection unit and process



Source: Company data.

## FINANCIALS

### Summary P&L

Profit & Loss					
Year to 30 Apr (£'000)	FY21	H1 22	H2 22E	FY22E	FY23E
<b>Revenue</b>	<b>10,352</b>	<b>4,707</b>	<b>10,293</b>	<b>15,000</b>	<b>18,000</b>
Gross profit	5,006	2,204	4,981	7,185	9,268
	<i>Margin</i>	<i>48.4%</i>	<i>46.8%</i>	<i>48.4%</i>	<i>47.9%</i>
COGS	(5,346)	(2,503)	(5,312)	(7,815)	(8,732)
Other income	379	1,343	0	1,343	0
Distribution	(287)	(273)	(43)	(316)	(325)
Admin.	(10,935)	(6,143)	(6,752)	(12,895)	(13,223)
<b>Sum Op-ex</b>	<b>(10,843)</b>	<b>(5,073)</b>	<b>(6,795)</b>	<b>(11,868)</b>	<b>(13,548)</b>
Exceptional items	52	89	0	89	0
EBIT Reported	(5,785)	(2,780)	(1,814)	(4,594)	(4,280)
<b>EBIT Adjusted <sup>4</sup></b>	<b>(5,731)</b>	<b>(2,749)</b>	<b>(1,694)</b>	<b>(4,443)</b>	<b>(4,040)</b>
Amortisation	(2,359)	(1,265)	(1,392)	(2,657)	(3,007)
Depreciation	(1,685)	(854)	(899)	(1,753)	(1,790)
EBITDA Reported	(1,741)	(661)	477	(184)	517
<b>EBITDA Adjusted</b>	<b>(1,687)</b>	<b>(630)</b>	<b>597</b>	<b>(33)</b>	<b>757</b>
Financial income	2	6	6	12	12
Financial expense	(548)	(282)	(282)	(564)	(564)
PBT Reported	(6,331)	(3,056)	(2,090)	(5,146)	(4,832)
<b>PBT Adjusted</b>	<b>(6,277)</b>	<b>(3,025)</b>	<b>(1,970)</b>	<b>(4,995)</b>	<b>(4,592)</b>
Tax	978	707	543	1,250	1,500
PAT Reported	(5,353)	(2,349)	(1,547)	(3,896)	(3,332)
<b>PAT Adjusted</b>	<b>(5,299)</b>	<b>(2,318)</b>	<b>(1,427)</b>	<b>(3,745)</b>	<b>(3,092)</b>
Basic wtd. av. shares (m)	358.91	431.85	431.85	431.85	358.91
Dil. wtd. av. shares (m)	359.28	453.70	453.70	453.70	453.70
EPS Reported Basic (p) <sup>5</sup>	(1.49)	(0.54)	(0.36)	(0.90)	(0.93)

Source: Company data. Equity Development estimates.

<sup>4</sup> Adjusted for (i) exceptional impairment on trade receivables and amounts recoverable on contracts, and (ii) share-based payments.

<sup>5</sup> EPS loss is not reported on a diluted basis.

## Summary balance sheet

Balance sheet					
Year to 30 Apr (£'000)	FY21	H1 22	H2 22E	FY22E	FY23E
Goodwill net	1,275	1,275	1,275	1,275	1,275
Intangible assets	24,144	26,240	26,787	26,787	29,230
PPE net	11,200	10,884	10,346	10,346	9,277
RoU net	4,076	3,884	3,953	3,953	3,769
<b>Fixed Assets</b>	<b>40,695</b>	<b>42,283</b>	<b>42,361</b>	<b>42,361</b>	<b>43,551</b>
Inventories	6,202	7,336	5,548	5,548	3,748
Trade receivables	6,644	7,166	12,124	12,124	12,945
Tax assets	1,015	422	1,250	1,250	1,500
Cash, Equivalents	15,602	10,243	7,398	7,398	6,022
<b>Current Assets</b>	<b>29,463</b>	<b>25,167</b>	<b>26,320</b>	<b>26,320</b>	<b>24,215</b>
Total Assets	70,158	67,450	68,681	68,681	67,766
Trade payables	(6,174)	(5,959)	(10,274)	(10,274)	(12,970)
Borrowings	(5,387)	(4,813)	(4,134)	(4,134)	(4,134)
Leases	(399)	(389)	(399)	(399)	(399)
<b>Current Liabilities</b>	<b>(11,960)</b>	<b>(11,161)</b>	<b>(14,807)</b>	<b>(14,807)</b>	<b>(17,503)</b>
Total Assets less Current Liabilities	58,198	56,289	53,873	53,873	50,263
Deferred income	(1,071)	(1,221)	0	0	0
Leases	(4,256)	(4,111)	(3,612)	(3,612)	(2,967)
Borrowings	(2,816)	(1,977)	(2,602)	(2,602)	(2,827)
<b>Long-term liabilities</b>	<b>(8,143)</b>	<b>(7,309)</b>	<b>(6,214)</b>	<b>(6,214)</b>	<b>(5,794)</b>
<b>Total liabilities</b>	<b>(20,103)</b>	<b>(18,470)</b>	<b>(21,021)</b>	<b>(21,021)</b>	<b>(23,297)</b>
Net Assets	50,055	48,980	47,659	47,659	44,469
Share Capital	4,319	4,319	4,319	4,319	4,319
Share Premium	72,943	72,943	72,943	72,943	72,943
Capital redemption reserve	21,853	21,853	21,853	21,853	21,853
Translation reserve	0	1,154	1,500	1,500	1,642
Accumulated losses	(49,060)	(51,289)	(52,956)	(52,956)	(56,288)
<b>Equity</b>	<b>50,055</b>	<b>48,980</b>	<b>47,659</b>	<b>47,659</b>	<b>44,469</b>
Net cash/(debt)	7,399	3,453	662	662	(939)

Source: Company data. Equity Development estimates.

## Summary cashflow

Cashflow					
Year to 30 Apr (£'000)	FY21	H1 22	H2 22E	FY22E	FY23E
Net profit/loss	(5,353)	(2,349)	(1,547)	(3,896)	(3,332)
Finance (net)	546	276	276	552	552
Tax	(978)	(707)	(543)	(1,250)	(1,500)
Amortisation	2,359	1,265	1,392	2,657	3,007
Depreciation	1,685	854	899	1,753	1,790
Share-based payments	136	120	120	240	240
Other non-cash	82	(1,253)	0	(1,253)	0
<b>Operating Cash Flow</b>	<b>(1,523)</b>	<b>(1,794)</b>	<b>597</b>	<b>(1,197)</b>	<b>757</b>
<b>Working capital</b>					
Change: inventories	214	(1,134)	1,788	654	1,800
Change: receivables	1,566	(524)	(4,956)	(5,480)	(822)
Change: payables	(2,571)	(61)	4,161	4,100	2,696
<b>Change working capital</b>	<b>(791)</b>	<b>(1,719)</b>	<b>994</b>	<b>(725)</b>	<b>3,674</b>
<b>Cash from operations</b>	<b>(2,314)</b>	<b>(3,513)</b>	<b>1,591</b>	<b>(1,922)</b>	<b>4,431</b>
Tax (paid)/received	1,005	1,300	0	1,300	1,250
Net cash from operations	(1,309)	(2,213)	1,591	(622)	5,681
<b>Investing activities</b>					
Investments	0	0	0	0	0
Interest	2	6	(6)	0	0
PPE/RoU	(454)	(260)	(255)	(515)	(337)
IP	(156)	(96)	(165)	(261)	(200)
Capitalised R&D	(5,463)	(3,125)	(2,175)	(5,300)	(5,450)
<b>Net cash used in investing</b>	<b>(6,071)</b>	<b>(3,475)</b>	<b>(2,601)</b>	<b>(6,076)</b>	<b>(5,987)</b>
Net OpFCF	(7,380)	(5,688)	(1,010)	(6,698)	(306)
<b>Financing activities</b>					
Shares (net)	12,216	0	0	0	0
Borrowings	3,215	560	0	560	1,000
Borrowings repaid	(595)	(704)	(394)	(1,098)	(1,100)
Leases	(395)	(322)	(322)	(644)	(645)
Interest	(309)	(162)	(162)	(324)	(325)
<b>Net cash from financing</b>	<b>14,132</b>	<b>(628)</b>	<b>(878)</b>	<b>(1,506)</b>	<b>(1,070)</b>
Net change in cash	6,752	(6,316)	(1,888)	(8,204)	(1,376)
Cash at start of year	9,444	15,602	10,243	15,602	7,398
Forex	(594)	957	(957)	0	0
<b>Cash at period-end</b>	<b>15,602</b>	<b>10,243</b>	<b>7,398</b>	<b>7,398</b>	<b>6,022</b>

Source: Company data. Equity Development estimates.



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