

Preliminary Results 2018

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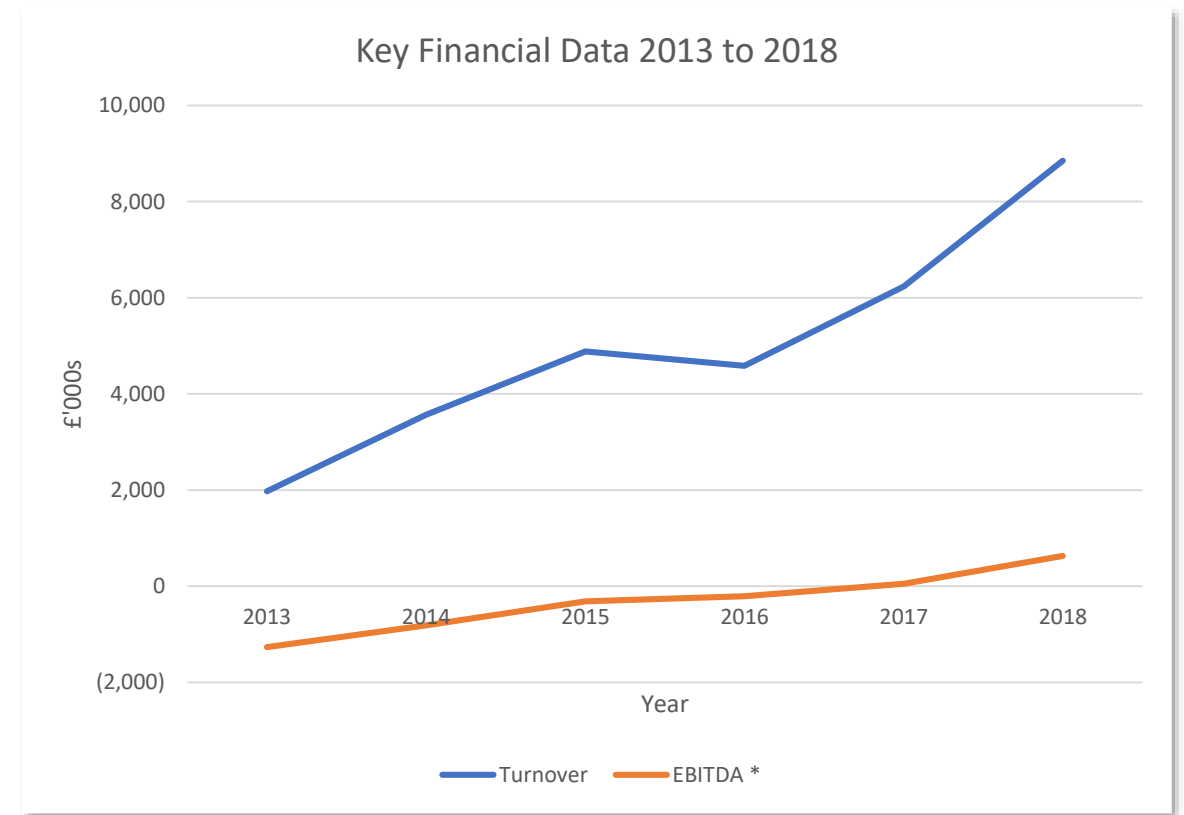
2018 results

	2017 £m	2018 £m	Comment
Group Revenue	6.2	8.9	+44% revenue growth
Biome Bioplastics	2.3	1.9	Revenue loss in one USA application area, growth elsewhere
Stanelco RF Technologies	3.9	7.0	Exceptional demand due to investment in Asian optical fibre market
(Gross Margin)	50%	54%	Margins change driven by product mix
Overheads	(3.0)	(4.1)	Supporting RF sales and Bioplastics activity
Like-for-like operating profit/loss	(0.4)	0.1	First operating profit
Like-for-like EBITDA	0.1	0.6	
Like-for-like operating profit/loss	(0.4)	0.1	First operating profit
Opening cash		2.3	
EBITDA		0.6	
Capex/R&D		(0.4)	
Working capital		0.1	
Year end cash 31/12/18		2.6	

See Preliminary Results for further details

Key data

- EBITDA positive from 2017
- Cash as at 31 December 2018: £2.6m
- Employees 37 – average for 2018
- Market Cap ~£10m March 2019
- Listed on AIM in July 2010
- Nomad: Allenby



* Earnings before interest, depreciation, amortisation and share options charges. In addition the effect of a one off settlement income of £0.45m was removed from the result for 2016

Group strategy & KPIs₍₂₀₁₈₎

In 2018, the Board adopted stretching KPIs for the business through to end-2020 to continue its ambitious momentum:

- Compound revenue growth of 25% per annum across the Group and 40% compound revenue growth in the Bioplastics division.
 - ❖ *The Group exceeded this target although the target was not met in the Bioplastics division*
- Diversify the Group's turnover by product and market to ensure that no one product or end customer contributes more than 15% of revenues by 2020.
 - ❖ *Not achieved as turnover dominated by the exceptional demand for fibre optic furnaces.*
- Increase investment in the Group's next generation of products by spending significantly more per annum on average than the £0.3m per annum average spend over the previous strategic objective cycle.
 - ❖ *The Group met this target in 2018 with £0.8m spent in 2018.*



Biome Bioplastics

The business

- Since 2012, a focused bioplastics business.
- Develops and manufactures bioplastic compounds, using polymers, natural materials and other additives.
- Works with large customers in (typically) in 2-4 year development cycles.
- Low capex manufacturing model using hired facilities in Europe/USA,
- All finished plastics are biodegradable/compostable and have a significant proportion of renewable content.
- Portfolio of commercialised products include barrier packaging for coffee, high temperature rigid materials and non-woven filtration products.
- Over 80% of sales outside of UK but increasing interest in bioplastics products from UK market being explored,
- Pipeline key development projects with a customer group that ranges from mid-size to multi-nationals.

Products: Coffee capsules exam

- Fast growing worldwide market, estimated at \$10bn
(Source: Euromonitor)
- 50 different coffee pod or capsule systems
- Project initiated in 2010, end-customers are leading brands in the USA market
- Project includes materials for lids, rings, mesh and outer packaging
- 2017 saw the launch of Biome's bio-mesh filter in the USA market (portfolio also includes bags/lids/outer packaging)
- Further potential for product growth (e.g. rings) with further material replacement, new customers and new geographic markets



Key projects 2019

- Strategy to diversify the customer base - there are a number of projects which have the potential to substantially increase sales in 2019.
 - material for a rigid ring to the coffee market that is heat stable - advanced stage with revenues anticipated Q2
 - a novel material for a single serve nutrition pod
 - disposable cutlery for the US market
 - a plastic film-based product
- Shareholders will be updated on these projects as the year develops

The UK vs US

UK Plastics Pact* - 2025 targets

100% packaging to be reusable, recyclable or <u>compostable</u>	70% packaging effectively recycled or <u>composted</u>
30% average recycled content in packaging	Eliminate single-use packaging

* Coalition of companies that account for some 80% of consumer packaging in the UK

Promotional activity



PR/Education



Biome and Industrial Biotechnology

- Developing capabilities in the emerging field of Industrial Biotechnology.
- Work focused on the production of bio-based and biodegradable polyesters.
- Over the last four years we have directed over £6m of research and development aimed at scaling and commercialising these novel bio-based polyesters.
- Working with leading university groups in UK, France and Spain.
- Four patent applications filed in major markets.
- Demonstrated at laboratory scale, we are attempting scale-up of the processes and establishing the commercial viability of the novel polyesters.



2019 and beyond

- Continuing increase in public awareness of plastic issues and possible changes in policy and legislation
- Encouraged by broader customer interest, the division is now undertaking a much wider range of development projects than it has before, with a variety of customers in different application sectors and geographies
- These projects are expected to have commercialisation timescales that span from 2019 to 2022
- To support this increased activity there has been further investment in resources, including the recruitment of commercial and scientific staff



Stanelco RF Technologies

Overview

- Specialist OEM engineering business developing radio frequency (RF) welding, heating and furnace technology.
- RF uses the heating effect of electromagnetic waves.
- International market leading position in furnace market for fibre-optic cable production.
- 2018 exceptional demand for fibre-optic furnaces driven by adoption of 4G/5G mobile networks in Asia and demand for data capacity for the internet.
- Assembly and testing takes place in our Southampton facility with over 80% of equipment exported.
- Export sales to Asia are >70% of revenues.
- Strong cash generation
- Other markets including specialist heating and welding for medical and precious metal processing.

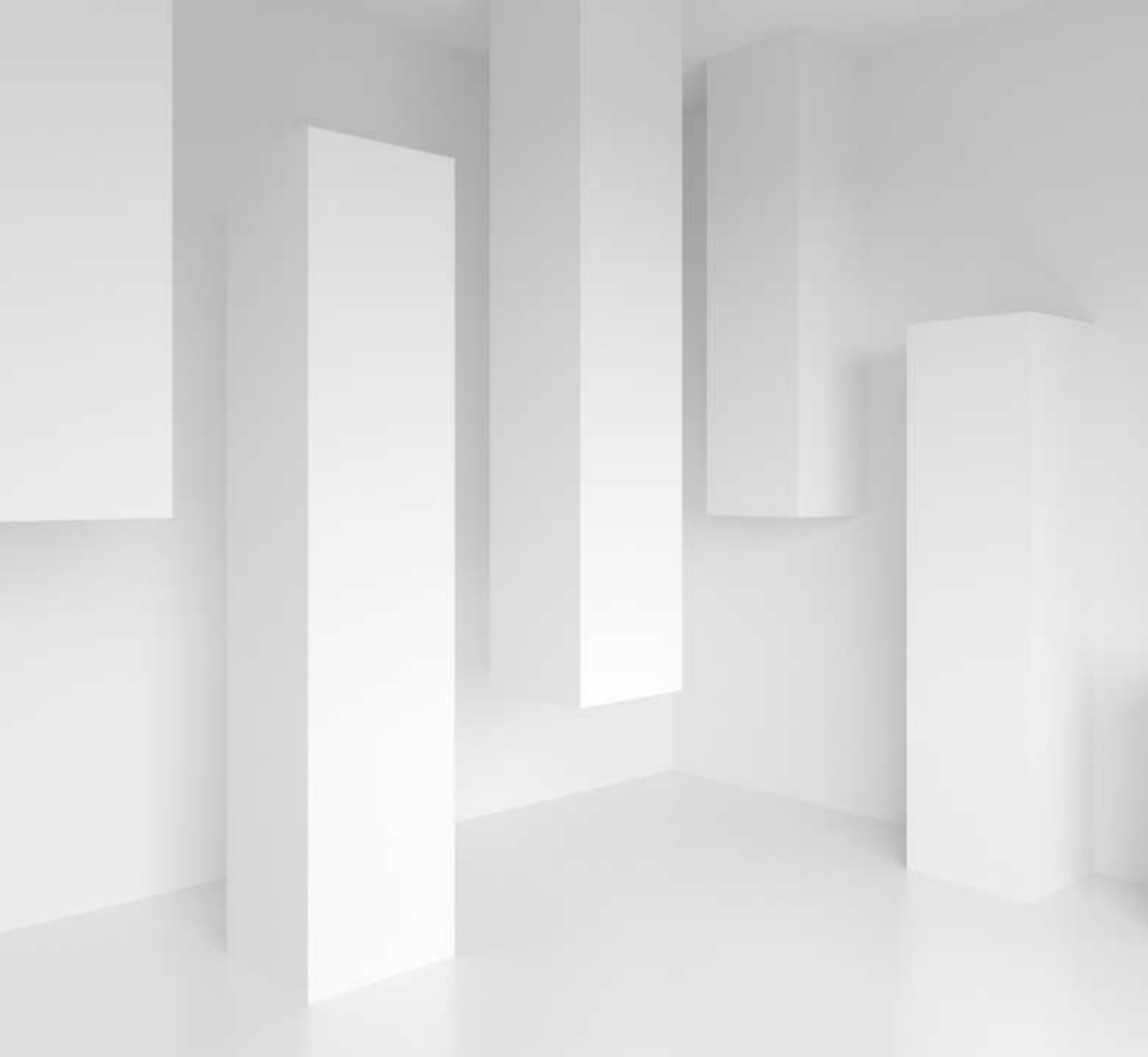


Potential

- Stanelco RF has repeating revenues from power generation, medical and general industrial markets, primarily in the UK.
- In recent years a concerted effort to increase its geographical footprint and range of applications.
- In 2017/2018, launched several “standard” power supply products in new industrial markets, with dedicated sales and technical support staff.
- Involved with a small number of customer funded development projects that may yield opportunities in the next few years.
- Will remain a specialist application-focused business where customisation and a high level of support are key to the product offering.

2019 and beyond

- Exceptional demand in 2018 not expected to be repeated in 2019 but to be higher than 2017
- To remain cash generative
- With the cyclical nature of investments in optical fibre capacity, work continues to diversify the industrial portfolio – progress being made
- During 2018 the division successfully designed, built, and delivered a product to be used in the metal melting market. Further diversification in this thematic area is being pursued
- Demand for 5G and internet bandwidth is expected to continue to grow, Stanelco RF is designing and developing products that will enable this expansion



Group
outlook

Group outlook

- Several substantial opportunities within the Bioplastics division's markets are progressing actively - the Board continues to expect a gradual but sustained increase in Bioplastics revenues over the year.
- For the Stanelco RF division 2018 was an exceptional year with a record number of deliveries of optic fibre furnaces. There will be a period whilst these deliveries are incorporated into our customers' manufacturing process and before they undertake significant further expansion. Therefore, revenues in 2019 are anticipated to be at a lower level than the £7m achieved in 2018 but higher than the £4m achieved in 2017.
- Three year KPIs set in 2018 remain unchanged
- The Board remains committed to delivering its strategy and current trading for both divisions is in line with the expectations set out above.

Investment proposition

- The bioplastics division has both a distinct, existing high performance product portfolio and an emerging technology pipeline based on industrial biotechnology. With rapid changes in the public perception of oil-based market, this business represents an opportunity for significant growth.
- The radio-frequency division is cash generative and has secured a market-leading position that can be further exploited as the technology is applied to new application areas.
- The move to EBITDA profit since 2016 and cash balances (£2.6m at December 2018) gives the Group good operational flexibility.
- Increased investment in sales activities and development spend in 2018 improves the growth potential of both businesses.

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Group profile



Listed on the AIM market, the international market for growing companies trading on the London Stock Exchange, allowing both existing and new shareholders to participate in our growth.



Core strategy is to develop its bioplastics business organically through the exploitation of higher value areas where the properties of bioplastic materials are most suitable and valued.



Engaged with a variety of large-scale international customers and partners on a number of key commercial and development partnerships.



Protects its existing intellectual property in a robust manner and protects new developments through patents and confidentiality.



Driving an international expansion of activities and now operates in Europe, North America and Asia. Headquarters and R&D activity is based at Southampton in the UK.



Robust ethical and governance policies and a Board committed to driving enhanced shareholder value.

Directors



John F Standen
Non-Executive
Chairman



Paul R Mines
Chief Executive
Officer



Declan Brown
Group Finance
Director



Michael Kayser
Independent
Non-Executive
Director

Shareholders (25 March 2019)

Principal shareholders

*Mr V A Pereira's holding includes 451,606 ordinary shares held in his own name and 82,416 held by his wife, Mrs G Pereira.

Holder	Shares	%
Mr V Pereira*	534,022	22.57%
Mr JM Rushton-Turner	288,050	12.27%
Miss G Pereira	79,286	3.35%
Miss B Pereira	78,149	3.30%

Directors

**Mr John Standen's holding includes 13,250 ordinary shares held in his own name, 28,836 held by Leapacross Ltd (a company controlled by John Standen) and 11,250 held by his wife, Mrs K M Standen.

Holder	Shares	%
Mr Paul Mines	26,525	1.12%
Mr John Standen**	53,336	2.26%
Mr Declan Brown	3,970	0.17%
Mr Michael Kayser	4,071	0.17%

Group Long Term Incentive Plan

- Four year scheme (enacted December 2017) designed to align the interests of Biome's shareholders with those of the senior management team
- The scheme has been set up to qualify, to the extent possible, as EMI options which currently attract tax at 10% of any gains over the exercise price of £2.15 per share
- Seven vesting points which occur every 6 months commencing on 10 December 2018
- A share price of £2.50 per share or more, taken as an average over the two months prior to the vesting date, is required in order for the benefits of the LTIP to commence
- Maximum control dilution is 16%
- 1st vesting on 10 December resulted in 119,015 available for exercise shares (out of a maximum 306,176 shares under option under the scheme)