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30 July 2020

Biome Technologies plc
("Biome", "the Company" or "the Group")

Trading Update

Biome Technologies plc, a leading bioplastics and radio frequency technology business, today publishes a trading update for the six months ended 30 June 2020. The Company's unaudited interim results are expected to be announced on 24 September 2020.

Total Group revenues for the first half of the year, including government grant income, were £2.6m (H1 2019: £3.6m), in line with the Board's expectations.

As anticipated, the Bioplastics division performed well despite the upheaval caused by Covid-19 with a 53% increase in revenues over the same period in the prior year. The revenues of the Stanelco RF division, however, were compromised by both over-capacity in the fibre optic market and the slow-down in industrial activity caused by Covid-19, which remains ongoing.

The Group's cash position as at 30 June 2020 was £1.1m (31 March 2020: £1.8m), reflecting Group trading performance and an expected increase in the working capital requirement of the Bioplastics division to support the ongoing growth in that business. The Group has no debt.

The Group continues its manufacturing and development operations whilst ensuring the safety of staff and in conformance with Government advice. The Group has continued to make use of the UK Government “furlough scheme” and has curtailed discretionary operational and capital expenditure.

Bioplastics Division

Revenues in the Bioplastics division continued to grow during H1 2020, reaching £2.2m for the period including government grant income of £0.1m (H1 2019: £1.4m including government grant income of £0.2m). Revenue in the second quarter was £1.2m, slightly above the first quarter and representing a new record for the division, despite the disruption caused by the pandemic.

The strong performance in the period was underpinned by increased sales of outer packaging for the USA coffee market and by growing revenues for rigid ring materials for the coffee-pod market. Despite the lockdown and supply chain constraints in both Europe and the USA, the Bioplastics division's work flows proved resilient and production output met customer requirements throughout the first half.

We are working with an expanding list of potential new customers in the USA and developmental work in that context continues with some vigour. The business is well positioned to exploit further opportunities in this growing market.

The division's medium-term research activities in Industrial Biotechnology continue, which include the development of a new range of performance polymers with properties which are expected to improve the existing generation of products. This work, taking place at the universities of Nottingham and York, is supported by government grants. Whilst university closures have slowed this work, post period end, the division has received an Innovate UK Continuity Grant of £63,000 to support the recovery of time lost on this work.

Stanelco RF Technologies Division

Revenues for the first half of 2020 in the Stanelco RF division were £0.4m (H1 2019: £2.2m).

A substantial proportion of the Stanelco RF division's revenues are normally derived from the production and maintenance of furnaces for the manufacture of fibre optic cable. Overcapacity in the fibre optic cable market, apparent from late 2018, has been exacerbated by the pandemic as telecommunication companies have suffered restrictions on cable deployment activity and international trade disputes have slowed the deployment of 5G. These factors have led to temporary shut-downs of a number of manufacturing facilities at Stanelco RF's customers, with a consequential reduction in the requirement for Stanelco RF to provide equipment, spares and service support. The expectation is that in the long term, the fibre optic market will benefit from the pandemic through the enhanced pace of global digitisation required to meet the demands of, for example, increased home working and the 5G roll-out. However, in the short term, demand is likely to remain weak.

The division also provides induction heating and welding equipment to various end markets in the UK and continental Europe. Activity in these markets in the second quarter was very weak, with many facilities closed and customers deferring the purchase of capital goods. The Company is pleased that in the last few weeks, the enquiry level has increased and there have been some small contract wins albeit overall demand levels remains subdued.

Outlook

The Board has sought to provide investors with as clear a view as possible on its expectations for the Company during this exceptional year. During the first half of 2020, the Group's two divisions performed in line with the expectations communicated and considered appropriate by the Board in April 2020, during the early stages of the Covid-19 pandemic.

The Bioplastics division now has a range of products with a more predictable and improving growth profile and is selling in the USA predominantly, into a buoyant home-delivered coffee sector. Its orderbook now extends further forward than the division has ever experienced before, and the Board is therefore confident on the outlook for the Bioplastics division for the remainder of the current financial year.

Covid-19 has had a much greater impact on the Stanelco RF division. The fibre optic cable market remains oversupplied and the current pace of recovery in demand in the industrial goods sector now appears slower and more uncertain than was anticipated in April 2020. Whilst refilling of the division's orderbook has begun in a modest manner, significant further momentum would be required in the second half of the year to meet the expectations previously set by the Board. As a result, the Board has concluded that it is necessary to revise downwards the revenue expectations for the Stanelco RF division for the second half of the year.

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About Biome

Biome Technologies plc is an AIM listed, growth-orientated, commercially driven technology group. Our strategy is founded on building market-leading positions based on patented technology and serving international customers in valuable market sectors. We have chosen to do this by developing products in application areas where the value-added pricing can be justified and that are not reliant on government legislation. These products are driven by customer requirements and are compatible with existing manufacturing processes. They are market rather than technology-led.

The Group comprises two divisions, Biome Bioplastics Limited and Stanelco RF Technologies Limited. Biome Bioplastics is a leading developer of highly-functional, bio-based and biodegradable plastics. The company's mission is to produce bioplastics that challenge the dominance of oil-based polymers. Stanelco RF Technologies designs, builds and services advanced radio frequency (RF) systems. Dielectric and induction heating products are at the core of a product offering that ranges from portable sealing devices to large furnaces for the fibre optics markets

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