

*This announcement contains inside information for the purposes of Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.*

**10 November 2022**

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

**Trading Update**

Biome Technologies plc, a leading bioplastics and radio frequency technology business, today provides an unaudited Trading Update for the quarter ended 30 September 2022.

Group revenues for the quarter ended 30 September 2022 were in line with management expectations at £1.9m and were 77% ahead of the similar period last year (Q3 2021: £1.1m). There was some catch-up of revenues delayed from Q2 in both divisions as anticipated. This takes the Group's revenues for the nine months to 30 September 2022 to £4.3m (nine months to 30 September 2021: £3.6m).

The Group had a cash balance as at 30 September 2022 of approximately £0.5m (30 June 2022 £0.7m and September 2021: £1.0m), no bank debt and access to a working capital facility of up to £600k.

**Bioplastics Division**

Revenues of £1.2m were achieved in the period (Q3 2021: £0.8m). This reflected demand from across the customer portfolio and some catch-up from Q2 as raw materials required for production finally cleared supply chain hurdles. The division's revenues in the first nine months of the financial year stood at £3.2m, slightly ahead of the equivalent period last year (2021: £3.1m).

As has been referenced in various trading statements, in the first half of 2021, the business received a commitment from a second US end customer for conversion to our biodegradable coffee filtration material. Whilst the end customer has been purchasing regularly in the last eighteen months at limited levels, the subsequent expected acceleration of revenues has been constrained by various matters. These constraints are now clearing and a substantial increase in orders for this customer has been received for delivery in Q4 2022. Fulfilment of these orders in the coming weeks is expected to double the year's revenues from this source. Further, there are reasonable grounds to believe that this increased offtake rate will persist into 2023. However, whilst management believe there is scope for additional revenue growth with this customer, it has not factored any such growth into its revenue expectations for 2023 given the challenges experienced to-date.

In the first nine months of 2022, a single long-standing customer for Biome's materials used in packaging films procured £0.8m less of product than it did in the same period in 2021. This was due to that customer rebalancing its inventory as its own demand patterns changed. Whilst a substantial reduction had been factored into management expectations during 2022, the reduction of offtake proved deeper and longer than initially expected. This was reflected in the sentiment of the Interim Statement and, whilst we remain optimistic procurement from this customer will increase, it is premature to include such revenues in our expectations at this time. This has increased the division's proportion of revenues through its other main US customer and distributor.

Biome's team has won a number of new business contracts with other new mostly filmic customers in both North America and Europe. These grew three-fold in terms of revenue contribution in H1 2022, accounting for 32% of the division's revenues (H1 2021: 10%) and are an important part of management's future growth plan.

Several further opportunities are being pursued by the Bioplastics division. These opportunities are at various stages of progress and, whilst encouraging, can be subject to technical, operational and commercial delays. A

selected few of these opportunities are outlined below, but are not included at any scale in management's expectations for the financial outturn of 2023:

<b>Filtration mesh</b>	<b>Rigid parts</b>	<b>Filmic (packaging) materials</b>
<p><b>Name:</b> Alternate coffee format  <b>Market:</b> USA commercial coffee  <b>Progress:</b> Customer paid development; success rests on home compostable technology; launch has been delayed once  <b>Supply:</b> Materials and manufacturing in USA</p>	<p><b>Name:</b> Second pod opportunity  <b>Market:</b> North America consumer pods  <b>Progress:</b> Technical challenges overcome at small scale; larger scale operational testing ongoing  <b>Supply:</b> Materials (in part) from Asia. Manufacturing in North America</p>	<p><b>Name:</b> Labels  <b>Market:</b> North America, global  <b>Progress:</b> Initial technical validation; relies on Biome's Home Compostable technology (in part); engagement at brand and converter level  <b>Supply:</b> Manufacturing envisaged in North America and Europe</p>
<p><b>Name:</b> Third pod opportunity  <b>Market:</b> North America consumer pods  <b>Progress:</b> Early stage  <b>Supply:</b> Materials and manufacturing in USA</p>	<p><b>Name:</b> Treeguards  <b>Market:</b> UK, global  <b>Progress:</b> Main technical challenges overcome; performance in field being validated; operational ramp-up phase  <b>Supply:</b> Multi-stage manufacturing process</p>	<p><b>Name:</b> UK packaging  <b>Market:</b> North America, Australia fresh food packaging  <b>Progress:</b> Initial quantities for validation shipped; validation for Australian certification required  <b>Supply:</b> European supply chain with some materials from Asia</p>

### Stanelco RF Division

Revenue of £0.7m in the quarter (Q3 2021: £0.3m) reflects reasonable underlying demand and delivery of some of the major contracts announced in 2021 and earlier this year. This resulted in revenues in the first nine months of the financial year of £1.1m, well ahead of the same period in the prior year (2021: £0.3m).

Some revenues, originally anticipated in Q2, were delivered in Q3 as critical electronic components became available. There is some easing in these supply chains, but specialist computer parts remain on long and uncertain delivery schedules.

It is encouraging to report that the business has quoted on a number of projects of scale for 2023, some of which are included in management's expectations for Stanelco RF next year, albeit these have yet to be confirmed as contracts. Revenues from the underlying industrial induction heating projects, spares and service continue as expected.

### Group Commentary

#### *Internal forecasting approach*

In both of the last two years, Biome has had to adjust the expectations of its performance mid-way through the relevant year, as follows.

- In 2021 we cited that post-Covid global issues impacted the supply chains of Biome and its customers. In addition, the Group's single largest growth prospect for the Bioplastics division stalled due to engineering issues.
- In 2022, we assumed that supply chain pressures would ease in H2 and that the large bioplastics opportunity that had stalled would accelerate. This judgement proved incorrect. The supply chain issues continued for both divisions whilst business instability caused by inflation and demand variation has caused our key prospects to delay launches further. In addition, as highlighted earlier, an anticipated reduction in demand at one of Biome's key filmic customers proved deeper and longer than expected.

Based on these experiences and in the context of continuing global economic uncertainties, the Board has resolved to adjust its forecasting methodology (particularly for the Bioplastics division) such that new customer prospects are only included in management expectations when large scale commercialisation is proven. For example, none of the opportunities highlighted in the table above are included at scale in management's expectations for the financial performance of the division in 2023.

#### *Board remuneration*

The two Executive Directors and the Chairman have surrendered rights that have accrued to them under the Group's 2017 long-term incentive plan (LTIP) and the Chairman's equivalent shadow scheme, such that any benefit which has accrued to them under these schemes has been sacrificed.

The Executive Directors have, alongside other measures, continued with the 2021 remuneration freeze through 2022, saving Biome £25k on an annualised basis, in the context of company-wide remuneration average increases of 7% in 2022. The NEDs have similarly forgone any inflationary rises. The Chairman has reduced his annual fee by 27%, saving the Company £17k on an annualised basis. The Independent NED has reduced his fee by 4.6%, a £1.5k per year saving.

#### *Growth and market proximity*

A dominant proportion of the Bioplastics Division's existing revenues are generated in North America. Management also believes that most future opportunities of scale for this division are likely to be located in this region. Until now, business development and trading activity has been conducted through the UK entity and by regular contact and visits from the UK-based team. However, this will now change, and Biome has recently established trading companies in both the USA and Canada (both named Biome Bioplastics Inc) through which these activities will occur. In addition, from December, Biome's Business Development Manager charged with both commercial and technical responsibilities for North America will reside permanently in Canada.

### **Group Outlook**

The Board believes that the change to forecasting methodology outlined above will, in the current economic circumstances, provide a more consistent basis by which the performance of Biome can be judged. This change to methodology has resulted in a marginal reduction in the Board's view of full year revenues for 2022 but no change to its view of loss before interest, depreciation, amortisation and share option charges or anticipated 2022 year-end cash. The Board's view of expected financial performance in 2023 is unchanged.

The Board has sought to provide investors with as clear a view as possible on its expectations for the Company. Whilst the expected growth rate in the Bioplastics division has not taken place in 2022, there are encouraging signs from the uptick in demand from the large opportunity we have been pursuing for some time; growth from the broadened customer base and the portfolio of scale opportunities that the division has been developing. The market continues to demand highly functional bioplastic materials and the Company is in a good position to deliver these.

**-ENDS-**

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#### **About Biome**

Biome Technologies plc (Ticker: BIOM) 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 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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