

Stock Data

Share Price:	39.20p
Market Cap:	£122.77m*
Shares in issue:	313.18m*
52-week high/low:	42.13p/16.05p

*Post Placing and Subscription numbers

Company Profile

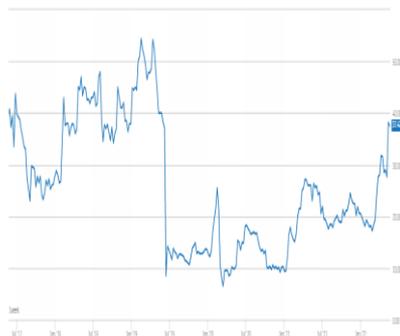
Sector:	Technology
Ticker:	NANO
Exchange:	LSE

Activities

Nanoco Group plc ('Nanoco', 'NANO', 'the Group') harnesses the power of nano-materials. These are materials with dimensions typically in the range 1 - 100 nm. Nano-materials have a range of useful properties, including optical and electronic. Nanoco is listed on the Main Market of the London Stock Exchange.

www.nanocotechnologies.com/

5-year share price performance



Source: [LSE](https://www.lse.com)

Past performance is not an indication of future performance.

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TPI acts as joint broker to Nanoco Group plc.

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Nanoco Group plc

Two separate releases from Nanoco today have confirmed both the winning of a full year service contract from its major European electronics customer, and a successful £2.25m fundraising by way of a Placing and Subscription (together 'the Fundraising') priced at 37p/share (or less than a 4% discount to last Wednesday's close). Subject to their having opened an account with TPI, qualifying investors now also have the opportunity to participate on the same terms and conditions as the Fundraising through a Broker Option ('the Broker Option'), simply by communicating their interest to TPI before 5:00pm on Tuesday, 7 June 2022. The total Fundraise resulting will not exceed the equivalent of approximately 5.0% of the Group's issued share capital immediately prior to the exercise commencing. Following its agreement to act as sole bookrunner for the total Fundraise, Nanoco also appointed TPI as its joint broker with immediate effect.

The net proceeds of the Fundraising are expected to extend Nanoco's cash runway into CY2024. During this time, the Board considers it will have resources sufficient to pass its key, near-term strategic milestones. These include securing visibility of commercial production orders plus the outcome of the Samsung litigation trial in Texas, while also supporting Nanoco's core IP assets and ongoing working capital needs. The high level of sensitivity to the Samsung litigation, of course, has recently been reflected by the share price spiking by more than 40% following news that the US Patent Trial and Appeal Board ('PTAB') ruled in favour of Nanoco on 17 May 2022 with respect of all 47 claims in the five patents that were subject to *inter partes review* ('IPR') for the case. The Board is hopeful this will lead to a rescheduled trial in Q4 CY22, for which it has already expressed confidence in a positive outcome and in turn offers transformational potential for both the Group's prospects and shareholder value.

Expected timetable of principal events

- | | |
|--|-----------------------------------|
| • Launch of the Fundraising: | As of the time of the RNS release |
| • Broker Offer open from: | Immediately after the RNS release |
| • Broker Offer closed at: | 5:00pm on 7 June 2022 |
| • Announcement of result of Broker Option: | 7:00am on 8 June 2022 |
| • Admission/commencement of dealings: | 8:00a.m. on 10 June 2022 |

Use of proceeds of the Fundraise

Premium-listed Nanoco is proposing to raise minimum gross proceeds of £2.25m from the combined Placing, Subscription and Broker Option; within this, Nanoco Directors subscribed for New Ordinary Shares representing a total value of £65,000. The net proceeds (after deducting the costs and expenses of the Fundraise, which are expected to be c.£0.2 million), along with the Company's existing cash resources, will be used to:

- Support the Group's R&D, scale-up and production capabilities of novel nanomaterials for use in infra-red sensing and CFQD[®] display applications with short-to-medium-term prospects for self-financing commercial production revenues;
- Protect its IP and company operations during the ongoing litigation against Samsung, which is being funded by a third-party;
- Strengthen the Group's balance sheet opposite Samsung during the litigation process to reduce the attractiveness of potential delaying tactics designed to weaken Nanoco;

- (iv) Improve the Group's position as a reliable supplier in the very large electronics supply chains in which it operates; and
- (v) Retain key skilled personnel and attract new staff as the business rebuilds itself.

The Group intends to use any additional net proceeds from the Broker Option to further extend its cash runway, maintain a reasonable balance sheet and to support business development activity with a number of new potential customers and opportunities in a range of applications. Following Admission and assuming that the maximum number of 15,284,340 New Ordinary Shares are issued, Nanoco's total issued share capital will consist of 322,445,744 Ordinary Shares, including 12,222 Ordinary Shares currently in treasury.

Broker Option – TPI has been granted option to deal with additional demand for new ordinary shares

Nanoco's Board has granted an option to TPI under the Placing Agreement in order to deal with additional demand for New Ordinary Shares. Subject to their opening an account with TPI, qualifying investors, be they new or existing shareholders, will be eligible to participate in the Broker Option so long as their interest has been formally registered by TPI up to 5:00 pm on Tuesday 7 June 2022. To participate in the Broker Option, qualifying investors should communicate their interest to TPI via their independent financial adviser, stockbroker or other firm authorised by the Financial Conduct Authority (all of whom will be required to confirm to TPI whether their client is a new or existing shareholder), as TPI cannot take direct orders from individual private investors. Interested investors should communicate with TPI either through their regular contact at the firm, or otherwise by telephoning on +44 (020) 3657 0050 or by email using info@turnerpope.com.

TPI may choose not to accept bids and/or to accept bids, either in whole or in part, on the basis of allocations determined at their discretion (after consultation with the Company) and may scale down any bids for this purpose on such basis as TPI may determine. A separate announcement will be made regarding the results of the Broker Option.

Major work package secured for European electronics customer

On 17 March 2022, Nanoco announced that it had signed a further agreement with its existing important European electronics customer (the 'Customer'), for the delivery of an enhanced and scaled up version of its technology. Generally considered to be a division of the French-Italian multinational electronics and semiconductors manufacturer, ST Microelectronics SA (NYSE, Euronext: STM), this not only provided a major endorsement for the Group's technologies, but also provided sufficient confidence for the Board to declare with its interim results that H2 2022 revenues are expected to at least match the £1.1 million reported for H1 2022.

Today, Nanoco has announced its further signing of a major work package with the Customer, its fifth contractual agreement following successful delivery and deepening of the corporate relationship over the past two years. Already underway, this one-year contract delivers a monthly revenue run rate equivalent to that delivered in H1 FY22 and further underpins the Group's cash runway to H1 CY23. Additionally, the working capital arrangements in the contract support Nanoco establishing a more robust supply chain of raw materials, enabling creation of a more stable financial environment for operations and business planning compared to the previous series of short, quarterly, work packages. The addition of new materials to the development pipeline also emphasises the long-term nature of its relationship with the Customer. The additional visibility has provided the Board with yet further confidence in delivering FY2022 revenues in excess of those cited in March.

Beyond this major work order, the Group continues to make strong and steady progress in developing new nanomaterials for use across a wide range of potential sensing applications for an expanding range of customers. For the display business, the Samsung litigation is key to unlocking value: the recent validation of Nanoco's IP by the PTAB potentially creates opportunities to engage with other participants in the TV markets. Nanoco is presently engaged with a number of significant customers for the supply of development materials at R&D scale, the extensive market reach enjoyed by such end-users creates potentially significant relatively near-term demand once adoption of the technology has been confirmed. While taking nothing for granted with respect to the pace of its commercial transition, Nanoco's short-to-medium term goal is to secure regular demand for its nanomaterials with meaningful, rising production volumes for application of the technology in a range of different devices.

The Board is optimistic that the first step in this direction will be taken during 2H CY2022. Such a commercial production order would represent an important landmark for the Group, being the first in its history and offers the potential to rapidly establish

Nanoco as a fully-fledged and self-financing operating business with significant upside value to be earned in the many large and growing international markets that its QD materials can uniquely serve.

Product Portfolio and Customer Development Gathering Pace

SENSING PORTFOLIO DEVELOPMENT

NANOCO
GROUP PLC

January 2022	NIR			SWIR								
	<1.0 μm			1.0–1.3 μm			1.3–1.5 μm			>1.5 μm		
Wavelength	A	B	C	A	B	C	A	B	C	A	B	C
Customer 1	V						S					
Customer 2		D						D				
Customer 3		D									D	
Customer 4		D			D			D				
Customer 5							D				D	

Legend

- D Development – material at R&D scale
- O Optimisation – optimisation for specific application
- S Scale Up – scaling up for Runcorn production
- V Validation – Runcorn material ready for validation
- P Production – ready for production: **ultimate goal**
- Change / progress in Period

- 2018: one customer one product
- 2021: five customers and eight distinct products
- FY22: continued expansion of portfolio of distinctive materials
- FY22: Runcorn production ready for one material, preparing for second material
- Customer published roadmaps imply CY23 production

Sensing goals: one material in production 2023, a second validated

Source: Nanoco, [Interim Results presentation for period ended 31 January 2022](#)

Update regarding ongoing litigation against Samsung

On 17 May 2022, Nanoco provided an update regarding its ongoing litigation against Samsung. The PTAB validated all 47 claims in the five patents at issue in the law suit in the Eastern District of Texas.

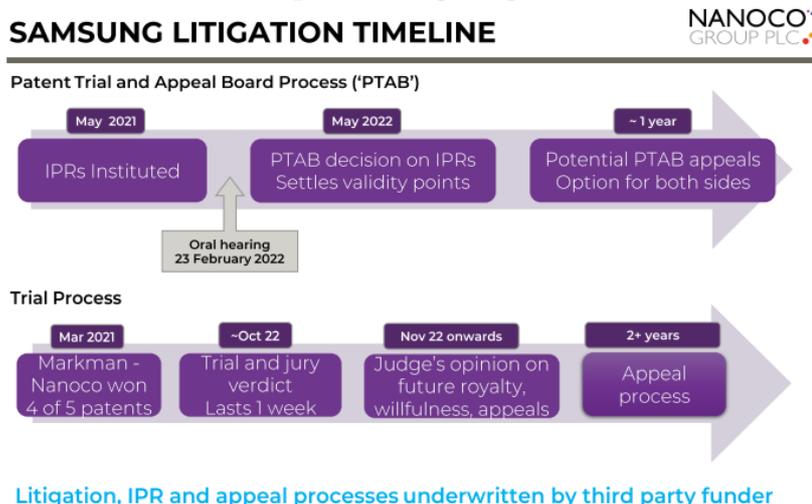
While it is understood that Samsung has the right of appeal against the IPR verdict, which could possibly extend legal proceedings by up to 18 months, the Board notes the robustness of the PTAB opinions in dismissing its claims, therein implying the validity of Nanoco's IP.

Accordingly, Nanoco is now pressing for a lifting of the stay in the Texas case in the very near term and expresses reasonable confidence that this could lead a rescheduled trial in Q4 CY22. The jury would then be obliged to consider the questions of infringement, wilfulness and damages, with the PTAB having settled the issue of validity. As such, the Board remains confident in the strength of the Group's case and an outcome that has potential to be transformational for both Nanoco's prospects and shareholder value. Although the Board has not cited any value assessment of potential reparations to shareholders, it nevertheless appears to be ideally positioned to pursue an award for significant damages, or otherwise negotiate a global out-of-court settlement, that realistically could total significantly more than the Group's current market capitalisation.

Such successful litigation would require at least one claim to survive both potential patent review appeal and trial which, assuming an out-of-court settlement is not reached beforehand, will then formally rule on infringement, damages and wilfulness. The outcome in the current US litigation alone, for example, could be based on considerations covering any or all of the following:

- US sales only – estimated at c.33% of Samsung's global QD television sales
- Historical sales only to the date of trial - anticipated future sales can have an ongoing royalty awarded by the judge post trial (including existing market, second generation TVs, other devices such as phones, tablets, etc), This could be extensive since some of the patents do not expire until 2028 or even 2035
- Wilfulness – US courts have been seen to increase damages by up to three times should any infringement demonstrated be considered wilful by the jury, as opposed to accidental.

Nanoco Group -Samsung Litigation Timeline



Source: Nanoco, [Interim Results presentation for period ended 31 January 2022](#)

Any compensation claim would encompass the global nature of the IP, comprising four patents that are due to expire between 2025–2028, along with a fifth extending out to 2035, covering the historic sales of Samsung's QD flat screen displays plus its more recently launched second-generation models (the Company estimates that Samsung's market share represents close to 90% of the total global market). In terms of unit numbers involved, for example, these have been estimated by independent analytical and consultancy firm, Omdia, that recently suggested Samsung's cumulative QLED-based sales over the past five years to end-2021 reached c.26m, with 9.43m premium units in 2021 alone.

Nanoco believes any damages it ultimately receives should reflect the value enabled by its IP. Based on *no win, no fee* litigation funding, the Board has agreed a risk reward sharing mechanism that would lead to c.50% of a 'modest' trial award being retained by the Group, rising to 80% for larger 'wins'. From April, retailers in the US were offering Samsung's latest second generation QD-OLED SB95 devices for sale at between US\$2200 for the 55-inch model and US\$3000 for the 65-inch, around double the price of similar premium, but not QD based devices. Assuming that Samsung's US QD display sales totalled 25m units over the five years to end-2021, upon which it is realistic to estimate a low-end royalty payable to Nanoco in the range of US\$8.0 to US\$12.0 per display. This amounts to lost revenue in the range of US\$200 and US\$300 million for the US alone. Although royalties negotiated might have been expected to taper with rising volumes, Nanoco's annual take might nevertheless continue on a rising trend to the point of expiry of its various patents.

Samsung might be expected to indicate its willingness to negotiate a global settlement with Nanoco when its legal counsel considers there to be a high probability that the US damages claim against it will be successful. Within this, it would recognise that the European QD TV market, which is covered by the same five patents, is presently only a little smaller by value than North America; China is also an expanding opportunity which, due to its recent environmental regulations, is likely to favour non-cadmium based QD technology. Samsung would also seek an agreement that encompasses existing and/or prospective white label sales of display panels to other multinationals as part of its planning to expand their use into other product areas.

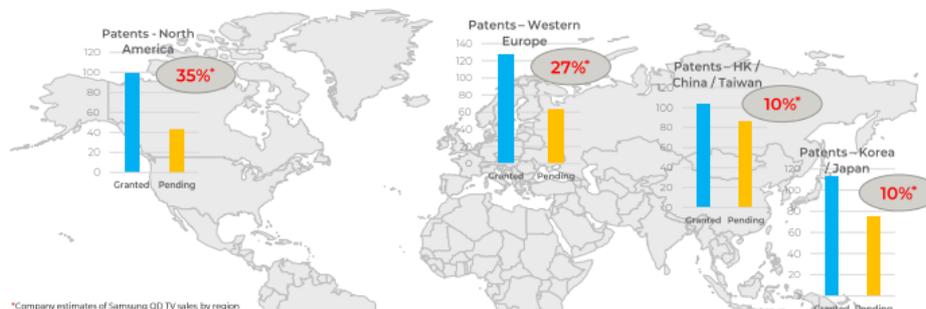
A favourable trial verdict, moreover, would enhance Nanoco's options to start further litigation in other territories covered by its IP and potentially in territories where the legal process is faster, costs would be lower and where injunctions are more commonly granted in addition to damages (in the USA injunctions are much harder to win following the Supreme Court ruling in [eBay Inc. v. MercExchange, LLC](#), 547 U.S. 388 (2006)).

With the agreed proportion of total success fee claimable by Nanoco's funder and legal counsel set to taper as the absolute award grows, the net amount prospectively received by the Group could be partially protected by existing carried forward tax losses amounting to c.£36 million. Such an award would not only permit the Group to vigorously pursue any further global infringement of its IP, but also permit it to build out the technologies and IP surrounding value enhancing nanomaterials, while investing in its development, production capacity and marketing platform in expectation of securing long-term, high volume customer demand. Beyond such needs, the Board may consider returning surplus funds to shareholders by way of a special dividend or other such distribution.

Nanoco – Samsung Litigation Value Opportunities

LITIGATION VALUE OPPORTUNITIES

NANOCO
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*Company estimates of Samsung QD TV sales by region

- European QD TV market only a little smaller by value than North America*
- Nanoco significant patent coverage in large European markets – same five patents
- China a growing market and opportunity with new environmental regulations
- Samsung selling panels to other huge multi-nationals
- QD use cases expanding to other devices

Successful litigation unlocks more than just a damages award in USA

Source: Nanoco, [Interim Results presentation for period ended 31 January 2022](#)

Trading update and financial review

Following the announcement of a full year service contract with its major European electronics customer, Nanoco's order book has now more than doubled that of a year ago. The contract delivers a monthly revenue run rate at least equivalent to that seen in H1 FY2022 (£1.1m for the six months, implying £2.2m for FY22), while also underpinning FY 2023 revenue at least in line with FY 2022 (the £2.2m noted) and creating favourable working capital terms to fund a raw material stock build. Significantly, it also adds new material to the Group's range, something which emphasises the long-term nature of the development and production partnership with this customer. New orders for additional development material have also been received from a major Asian electronics customer, with additional development work packages and a new framework agreement now at an advanced stage of discussion.

Tight cost management plus agreement of terms to exit the Group's now surplus facility in Manchester are expected to reduce its annualised cost base by January 2023 to below that previously expected for FY2022, delivering an estimated break-even revenue figure of around £5.0m. Progress already reported within the interim results on 12 April 2022, noted average monthly cash burn had reduced to a little over £0.3m (H1 FY2021: £0.4m) while management continued to consolidate R&D and scale-up activities at its Runcorn production facility ahead of anticipated final product validation; with the second stage of the phased closure in Manchester expected to complete during Q3 FY23, this figure is set to reduce still further.

With net cash at end-February 2022 having increased to £2.6m (due to receipt of tax credit and major customer payment), Nanoco's cash runway extended to H1 CY2023 before the benefit of today's Fundraising or possible additional demand for development materials/potential larger commercial production orders. With it in place, however, the cash runway now extends comfortably past both of the two value inflection points noted previously and potentially through to the point when the organic business becomes self-financing. The Board's focus remains on this goal for the short to medium term.

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