

# Nanoco Group

## Maximising chances of positive litigation outcome

Patent litigation update

Tech hardware & equipment

28 June 2021

**Price** **24.65p**  
**Market cap** **£75m**

Net cash (£m) at end January 2021 (excluding £0.5m convertible loan and £0.9m IFRS 16 lease liabilities) 2.9

Shares in issue 305.7m

Free float 70.0%

Code NANO

Primary exchange LSE

Secondary exchange N/A

### Share price performance



### Business description

Nanoco is a global leader in the development and manufacture of cadmium-free quantum dots and other nanomaterials. Its platform includes c 740 patents and specialist manufacturing lines. Focus applications are advanced electronics sensing, displays and bio-imaging.

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Nanoco has provided a further update on the litigation against Samsung for the alleged wilful infringement of the group's IP. Nanoco has petitioned the judge in Texas to delay the court trial until after the US Patent Trial and Appeal Board (PTAB) has completed inter partes reviews (IPRs) of the five patents in the case which examine the validity of the patents themselves. At the moment the trial will be held before the IPRs. The change in sequence improves the likelihood of a positive outcome for Nanoco but potentially extends the timescales. Nanoco's major shareholders have indicated their intention to provide a non-dilutive debt facility of £3.0m to help support the organic activities of the group during this period.

| Year end | Revenue (£m) | EBITDA (£m) | PBT* (£m) | EPS* (p) | DPS (p) | P/E (x) |
|----------|--------------|-------------|-----------|----------|---------|---------|
| 07/19    | 7.1          | (3.8)       | (5.0)     | (1.34)   | 0.00    | N/A     |
| 07/20    | 3.9          | (2.9)       | (4.9)     | (1.38)   | 0.00    | N/A     |
| 07/21e   | 1.9          | (2.6)       | (3.9)     | (0.99)   | 0.00    | N/A     |
| 07/22e   | 2.0          | (2.2)       | (3.6)     | (0.97)   | 0.00    | N/A     |

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

The proposed rescheduling has three key advantages for Nanoco. (1) Since the IPRs (see our [May flash note](#) for details) will settle the majority of issues of patent validity, these matters will not have to be addressed in court, allowing Nanoco to focus on the issues of infringement and damages. This is significant because it is likely that only one week will be allocated for the trial, giving each side only a limited time to present their own case and respond to the other side. (2) As Nanoco has more claims in this litigation suit than could be argued in a trial, going to trial after the IPRs will enable Nanoco to bring to court those claims already confirmed as valid by the PTAB. (3) If the trial takes place at a later date, Samsung will have sold more displays containing quantum dots which Nanoco alleges have been manufactured using its patents, potentially increasing the damages that would result from a favourable trial verdict.

Samsung has also petitioned the court in Texas to delay the trial until after the IPRs, so management expects the decision on whether the trial will be rescheduled to be made fairly soon. Management expects the PTAB to reach a decision on the IPRs no later than May 2022, so if the trial is rescheduled it will be delayed from October 2021 to late calendar 2022. As the group's cash runway currently extends through to calendar H222, the delay to the trial may have caused a funding gap for product development activities. However, encouraged by developments in the organic business (please refer to our [May update](#)), which could lead to potential commercial production in calendar 2023, Nanoco's major shareholders have indicated an intention to provide the group with a non-dilutive debt facility of £3.0m. This additional funding will help support Nanoco's organic operations through the trial and potential appeals period. The cost of the IPR and court trial processes are being borne by Nanoco's third-party litigation funding.

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