

APPLIED NANOTECH: MICROCAP ON THE CUSP OF ROYALTY INCOME

May 17, 2011 5:57 AM | about stocks: [APNT.OB](#)

Applied Nanotech Holdings, Inc. ([APNT.OB](#)) is an Austin, TX – based company that is starting to receive royalty income from commercialization of its research in nanotechnology. There are three likely sources of these expected royalties over the next year. They are: Yonex, Co., Ltd, a Japan-based maker of sporting goods, Ishihara Chemical Co., Ltd. (also located in Japan), and Sichuan Anxian Yinhee Construction and Chemical Company (known as YHCC), a Chinese manufacturer.

One of the three, Yonex, recently began production of golf clubs and badminton racquets which use APNT's carbon nanotube technology to make the shafts lighter and faster. Management has indicated that this technology, called Nanopreme (Yonex's trademarked name), also will be incorporated into Yonex's tennis racquets later this year.

Ishihara Chemical Co. has licensed APNT's inkjettable copper inks for printed electronics. They have begun sampling their customers and may begin production as early as late 2011.

YHCC has paid a deposit on licenses on two of APNT's technologies. One is very probably inkjettable aluminum inks for the making of solar panels (China now leads the world in solar panel manufacturing) and the other could be CarbAl, a nanocomposite material that facilitates the dissipation of heat from electronic components. YHCC has also bought \$2.5 million of APNT's common stock in a private placement (giving it approximately a 5% ownership stake) and APNT has welcomed onto its Board of Directors an executive from YHCC. If all goes according to expectations, the finalizing of the agreements later this year will provide APNT with additional licensing and, later, royalty revenues.

In the past, Applied Nanotech has received chunks of revenue by selling patents and licenses to use its technology. However, most revenue, typically, has come from contract research - much from government sources. These activities have served to help fund operations, while enabling APNT to add to its technological know-how and its collection of patents.

Last year was Applied Nanotech's first profitable year (barely, at \$0.4 million or less than \$.01/share), after nine straight years of losses. The positive difference was due to the sale of licenses and patents, amounting to \$3.75 million, enabling revenues to rise to \$8 million from \$4.1 million in 2009. For 2011, management expects increased profits, fueled by revenues of \$10 million. In the first quarter of 2011, APNT incurred a net loss of \$0.6 million, which was within management's expectations, with all of its revenues coming from contract research. However, over the balance of this year, management anticipates garnering roughly \$3 million in license fees, as well as \$2 million in royalties.

The real key to the success of APNT lies in recurring royalties derived from licensing

its intellectual property. That process finally has started, with Yonex's new clubs and racquets. It is likely to gain traction as Ishihara begins production of inkjettable copper inks and as YHCC finalizes licenses with APNT and begins production. None of this is guaranteed, but investors can take some reassurance from the expectation that royalties will flow from three different partners serving at least three very different markets. If some or all of these products are successful in the marketplace, 2012 should bring substantially higher revenues and profits, as increased royalties flow from Yonex, YHCC and Ishihara. Meanwhile, for 2011, with royalty income building gradually, management anticipates profits of \$1 million, which would amount to less than a penny per share.

This stock is highly speculative. It is a bulletin board stock and is a penny stock, closing at \$0.45 on May 17, 2011 (\$56 million market cap). Due to that fact and because of APNT's relatively low trading volume, investors who purchase or sell large positions in APNT can cause big moves in the stock's price. There is often a very wide spread between the bid and ask prices, so investors should place limit orders when buying or selling this security. Due to the wide spread, an investor who buys this stock often is likely to see a bid well below the last transaction price. Therefore, a quick trade, especially for a large number of shares, is extremely risky and is likely to produce losses.