



KROMEK Ticker KMK Sector Industrials Market cap £71m Share price 27p

SPECULATIVE BUY

Kromek is developing radiation detection products based on cadmium zinc telluride (CZT) technology. Like many early-stage companies, it is taking longer to achieve profitability than first hoped, but evidence is building that things are moving in a positive direction. The first-half results saw revenue up 27 per cent, which consisted almost entirely of product sales rather than research contracts. The board is on target for £12.5 million of sales this year and break-even at the EBITDA level.

The first SPECT camera system for high-resolution detection of cancer and other diseases has been shipped, and Kromek is targeting the 70 per cent of the market that is not supplied by

GE, which has in-house CZT technology. This could be a \$100 million-plus opportunity, and new contracts include a \$5.4 million deal over five years from an existing customer that will deploy the product in a new machine.

In security, a new contract has been signed in airport baggage screening, but the more exciting potential lies in nuclear detection. The US has field-tested around 10,000 portable detectors in two cities which provide warning of radiation from 'dirty bomb' terrorist devices. Funding is in place to roll this technology out nationally, and there have been enquiries from other countries. News on this contract would provide plenty of upside. ■