



Market data	
EPIC/TKR	NIPT
Price (p)	10.5
12m High (p)	21.5
12m Low (p)	6.5
Shares (m)	228.2
Mkt Cap (£m)	24.0
EV (£m)	20.0
Free Float*	74%
Market	AIM

*As defined by AIM Rule 26

Description

NIPT is a molecular diagnostics company using the latest DNA analysis to develop tests for non-invasive pre-natal screening. Its flagship IONA[®] test is the first non-invasive *in vitro* CE Marked diagnostic for pre-natal screening to estimate the risk of a foetus having Down's syndrome or other genetic conditions.

Company information

CEO Stephen Little
 CFO Barry Hextall
 Chairman Adam Reynolds

+44 161 667 6865
 www.premaithahealth.com

Key shareholders

Directors	10.9%
Helium Rising Stars	12.8%
Hargreave Hale	8.0%
Calculus Capital	5.6%

Next event

25 Oct	AGM
Dec-16	Interims
Jly-17	Patent hearing

Analysts

Martin Hall	020 7148 1433	mh@hardmanandco.com
Dorothea Hill	020 7148 1433	dmh@hardmanandco.com
Gregoire Pave	020 7148 1434	gp@hardmanandco.com

Premaitha Health

Excellent first year for IONA[®]

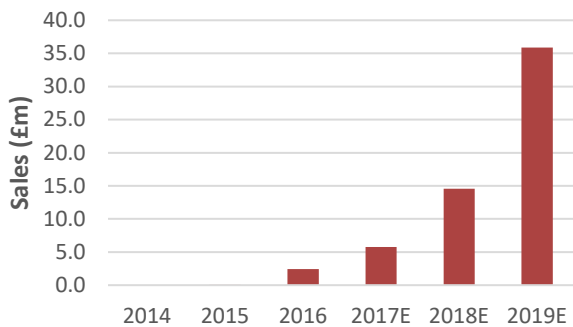
Premaitha uses the latest advances in DNA sequencing technology for non-invasive prenatal screening tests. IONA uses complex statistical analyses to determine the likelihood that a fetus is carrying a disorder such as Down's syndrome or other prenatal genetic abnormalities. Although IONA has entered a competitive and litigious market, it has some advantages, is CE Marked, and was first to win UK NHS contracts. FY 2016 results contain evidence of early IONA adoption in some markets. While the patent dispute is a costly and time consuming distraction, Premaitha clearly has support from one of its partners, Thermo Fisher Scientific.

- ▶ **Strategy:** Premaitha is using the latest DNA analysis technology for non-invasive prenatal screening (NIPT) with a focus is on the global commercialisation of its flagship IONA test. Longer-term, this diagnostic technology could be developed and used also for the early detection of other diseases, such as cancer.
- ▶ **FY16 results:** Given that the company had already provided a detailed trading update, publication of results simply provided the fine detail. Iona sales were just over £2m from 17,000 tests in its first year on market, derived mainly from just two clinical laboratories, which has now expanded to nine.
- ▶ **TMO:** NIPT has announced an extension to the investment agreement with Thermo Fisher, a further £4.0m loan facility being made available. Premaitha stated also that it is validating IONA on ION S5, TMO's latest sequencing platform, which will align the test to TMO's existing global distribution network.
- ▶ **Litigation:** The litigation challenge by Illumina has, as expected, been time-consuming and costly. However, by increasing its litigation provision by a further £3.9m over 1H'16 suggests that Premaitha is willing to take on the fight, especially now the EU has started an anti-competitive behaviour investigation.
- ▶ **Investment summary:** IONA has clearly demonstrated commercial traction and Premaitha continues to broaden availability of this test internationally. The increased litigation provision shows that management believes in its robust defence, but an out-of-court settlement remains a possibility, especially with the EU opening up an anti-competition investigation into market practices.

Financial summary and valuation						
Year end March (£m)	2014	2015	2016	2017E	2018E	2019E
Sales	0.00	0.00	2.45	5.79	14.58	35.88
EBITDA	-1.44	-4.08	-5.32	-4.35	-1.20	6.79
Underlying EBIT	-1.53	-4.34	-5.87	-5.06	-2.06	5.76
Reported EBIT	-1.53	-7.54	-11.83	-5.18	-2.18	5.63
Underlying PBT	-1.53	-7.45	-5.96	-5.35	-2.46	5.34
Statutory PBT	-1.53	-7.45	-12.12	-5.35	-2.46	5.34
Underlying EPS (p)	-4.13	-4.90	-2.71	-2.34	-1.08	2.22
Statutory EPS (p)	-4.13	-4.08	-2.14	-1.86	-0.86	1.77
Net (debt)/cash	-1.99	2.71	3.97	-5.42	-12.94	-9.37
Capital increases	0.00	7.48	7.72	0.00	0.00	0.00
EV/sales (x)	-	-	-	3.5	1.4	0.6
EV/EBITDA (x)	-	-	-	-	-	2.9

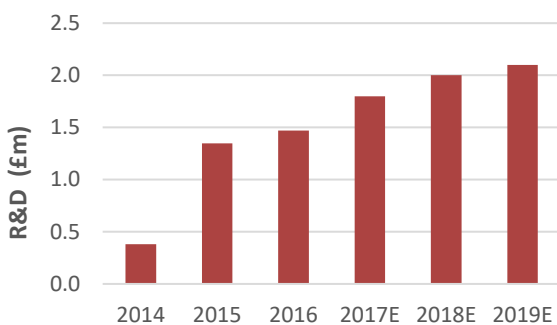
Source: Hardman & Co Life Sciences Research

Product analysis



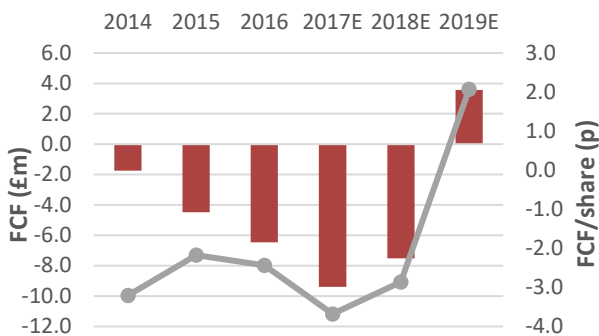
- ▶ Sales will mostly be derived from the supply of IONA kits. A full service for blood samples sent to the company's laboratory for testing is also available
- ▶ Some 'pass through' sales will be derived from strategic clients whose clinical labs are funded initially by Premaitha
- ▶ After signing contracts, there is an initial set-up/validation phase after which sales develop quite rapidly
- ▶ Monitoring 'sales/client' ratio will be a useful future guide (KPI) to sales growth

R&D investment



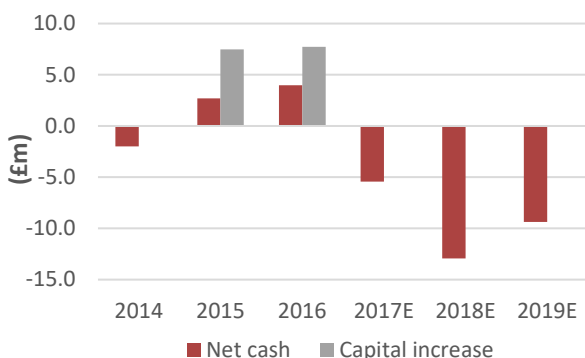
- ▶ An estimated £6.5m has been invested in R&D to get IONA to where it is today
- ▶ Further development to improve IONA functionality and increase Premaitha's offering will continue in future
- ▶ Management also intends to enhance the workflow efficiency of the test
- ▶ Liquid biopsies (early test for cancer) are an option in the future

Free cashflow



- ▶ Our forecasts for Premaitha are conservative, largely based only on active contracts/distribution agreements
- ▶ Given that IONA has only been available for 12 months, it is too early to predict accurately the uptake of the test
- ▶ Even on these cautious assumptions, Premaitha would approach cashflow breakeven towards the end of fiscal 2018
- ▶ Profitability and cashflows are extremely sensitive to small changes in sales forecasts

Net cash



- ▶ At the end of March, Premaitha had cash of £5.34m, offset by long-term loans from Thermo Fisher of £1.4m
- ▶ £5.0m has been drawn down from TMO with a further £4.0m made available recently
- ▶ The year-end net cash position is sensitive to unpredictable items such as the timing of receipt of tax credits
- ▶ In the event that Premaitha has to initially fund the establishment of strategic clinical labs, so a further capital injection might be required

Source: Company data; Hardman & Co Life Sciences Research

2016 results

*In its first year on the market,
17,000 IONA test have been sold
generating sales of £2m...*

From an operational stand-point, 2016 was a very good year for Premaitha Health. The IONA prenatal test has made a very good start, with 17,000 tests being bought, generating sales of just over £2m. These sales have come predominantly from two laboratory groups and the number operational today is nine. This strong performance has been overshadowed by the patent challenge instigated by Illumina with the uncertainty clearly having a detrimental effect on share price performance. Meanwhile, one of the company's key suppliers, Thermo Fisher Scientific, is supportive of Premaitha by co-investing in improving IONA on the ION S5 range of instruments and in accelerating the development of next generation diagnostic tests.

Key features

...from four clinical labs...

...with the current number at nine...

...covering several countries

- ▶ **Sales:** Total sales were £2.5m, with £2.0m derived from the IONA test itself, 17,000 being sold at an average price to Premaitha of £120
- ▶ **Laboratories** – Although four laboratories were up and running IONA during the year, sales were predominantly from just two labs. The number of operational clinical testing labs today is nine
- ▶ **Gross margin:** Reported COGS appear to be high at 71.4% of sales, however, this includes 'pass-through' equipment sales. The gross margin on the IONA test was 33.7% and is expected to rise in future with increasing volumes
- ▶ **SG&A:** Marketing and administration costs were also higher than expected as the group invested in signing up more clinical laboratories as part of the global expansion of IONA
- ▶ **R&D investment:** Much of the investment in IONA R&D has already been made and slightly below forecasts. There is on-going investment into next generation sequencing and expansion of the technology into other diagnostic areas
- ▶ **Tax:** No tax is payable and the company has built up further tax losses (£18.7m) which can be used eventually to offset the tax liability when the company becomes profitable
- ▶ **EPS:** The underlying EPS was a loss of -2.71p, compared to our forecast of -2.18p. These figures exclude the increased provision to cover litigation costs
- ▶ **Cashflow:** Tighter control over working capital meant that instead of the small cash outflow forecast, the company had modest cash generation of £1.26m
- ▶ **Balance sheet:** Consequently, the net cash position at 31st March was £3.97m, compared to our forecast of £2.43m. This is made up of cash of £5.34m offset by long-term loans of -£1.34m

Actual versus forecasts			
Year to June (£m)	Forecast	Actual	±
Sales	2.51	2.45	-0.06
COGS	-1.21	-1.75	-0.54
Marketing	-4.40	-5.10	-0.70
R&D spend	-1.60	-1.47	+0.13
Underlying EBIT	-4.70	-5.87	-1.17
Underlying EPS	-2.18p	-2.71p	-0.53p
Change in net cash	-0.28	+1.26	+1.54
Net cash/(debt)	2.43	3.97	-

Source: Hardman & Co Life Sciences Research

IONA[®] – the first year

The IONA™ test

Safe
Non-invasive with no risk of miscarriage

Straightforward
Uses a small maternal blood sample taken from the mother's arm

Rapid result
The IONA™ test is the fastest NIPT on the market with results provided in just three days, reducing anxious waiting times

Cost-effective
Performed in a local laboratory, so sample is not shipped to the US or China

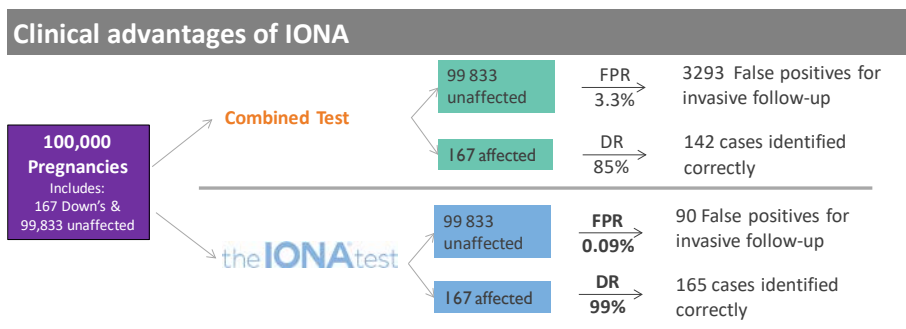
Accurate
>99% for detection of trisomy conditions

Quality
The IONA™ test is a regulated CE-IVD diagnostic

Source: Premaitha Health

IONA, Premaitha’s non-invasive prenatal test, received regulatory approval via CE Mark on 5th February 2015, since when it has been made available to the market in two ways. First, clinical laboratories can purchase the complete IONA kit and run the service themselves. Alternatively, for small throughput providers, blood samples can be sent to Premaitha’s testing laboratory which will provide the service for a combined fee. The main focus during the first year has been to establish relationships with distributors and/or clinical laboratories in different countries that will then offer the test. IONA was specifically designed to be run in non-specialist clinical laboratories with little previous experience of using DNA analysis technology.

One of the key attractions is the high accuracy of the test and the low level of false positives compared to the traditional ‘combined’ test. This leads to a much lower rate of follow-up invasive amniocentesis with its associated risk of miscarriage.



Source: Premaitha Health; Hardman & Co Life Sciences Research

The initial target with IONA was Europe...

...but good progress has been made in the Middle East...

...with markets in Asia now being entered

Continual investment in further product development...

...and into the regulatory process that will open up new markets

Geographical availability

Premaitha has been successful in signing up clinical laboratories in different countries to run the IONA test. In the early part of fiscal 2016, the company made regular announcements regarding new territories and, while such signings continue to this day, actually monitoring the countries in which IONA is available is more complicated. This is because Premaitha has signed with certain laboratory groups which pull in blood samples from a number of countries and run the tests together.

The opportunity for IONA was initially targeted at Europe, especially with the backing of a CE Marked product. This first strategic goal has clearly been achieved. However, IONA has had considerable success in the Middle East and is now entering markets in Asia. As clinical labs come on stream in these territories, sales growth momentum for IONA could be considerable. With this in mind, the company has appointed a sales leader with responsibility for developing markets in Asia Pacific.

Product development

The strong attributes of IONA – high accuracy and low level of false positives – have ensured that it is fit for purpose, resulting in early adoption. In order to keep IONA at the forefront, additional features and improved software – sex determination and fetal fraction – have been introduced. Also, Premaitha is working with Thermo Fisher to validate IONA on the latest sequencing platform making for wider distribution.

As part of its product development programme, Premaitha has commenced the regulatory process with the aim of getting IONA approved in certain countries, which would allow the test to be actively marketed and sold, such as Canada and Mexico.

Strategic positioning

IONA is very much aligned to TMO's sequencing platform...

...and also through strategic investment...

...recently increased from £5m to £9m

Most competitors' tests are run on Illumina's sequencing platform...

In December 2015, Premaitha announced that it has signed a long-term investment agreement with one of its core suppliers – Thermo Fisher Scientific (TMO) – whereby TMO agreed to invest £5.0m into Premaitha in the form of a staged long-term loan and warrants over 20.325m ordinary shares at an exercise price of 24.6p per share.

On 23rd September, Premaitha announced that this agreement had been extended, further cementing this important relationship, with an additional secured loan facility of £4.0m, tranching against future milestones.

DNA sequencing platform

The DNA library sequencing process within Premaitha's IONA test is run on TMO's Ion Torrent Proton and Ion Torrent Chef sequencing instruments which, unlike some of the reagents, cannot be substituted readily by instruments from an alternative manufacturer. Therefore, there is an inherent interdependency between Premaitha and TMO. The aim of these agreements is to support further development work through product extensions and to improve workflow efficiency of the IONA screen.

In contrast, several of the other available NIPT tests are run on Illumina's DNA sequencing platform. The Harmony test, owned by Roche, is performed on an independent platform.

NIPT tests –DNA sequencing platforms



Source: Premaitha Health; Hardman & Co Life Sciences Research

...the goal is to validate ION on TMO's latest platform which will increase global availability

Premaitha and Thermo Fisher are developing and validating IONA to run on TMO's latest sequencing platform, ION S5, which will align the test to Thermo's existing distribution network and make IONA much more readily available in territories outside Europe.

Terms of the agreements

The terms of the two loan agreements are broadly the same. They both carry a 6% coupon which accrues quarterly in arrears and could be converted to loan principal. A further tranche of warrants will be issued when the drawdown exceeds £2.0m.

Terms of Thermo Fisher loan agreements

Feature	December 2015	September 2016
Loan principal	£5.0m	2 x £2.0m
Coupon (per annum)	6%	6%
Repayment	13 Dec 2023	14 Dec 2023
Warrants	@24.6p	@11.7p
Warrants issued	20.3m	*17.1m

**First tranche based on £2.0 loan*

Source: Premaitha Health; Hardman & Co Life Sciences Research

Litigation update

Premaitha is focused on protecting its intellectual property (IP) on a global basis wherever possible and, at the same time, constantly reviewing its Freedom-to-Operate (FTO) by avoiding the infringement of IP owned by third parties. For the protection of its own products, Premaitha has secured a number of patents.

Patent infringement claims

In March 2015, Premaitha informed the market that Illumina Inc and its wholly owned subsidiary, Verinata Health Inc, had filed a patent suit in the UK asserting that its assigned patents EP0994963 (Non-invasive prenatal diagnosis; ISIS Innovation Ltd) and EP1981995 (Non-invasive digital fetal genetic screening by digital analysis; Stanford University) had been infringed. This was extended in October 2015, to include a third patent, EP2183693 (Diagnosing fetal chromosomal aneuploidy using genomic sequencing; Chinese University of Hong Kong). Subsequently, Illumina has submitted proceedings against Premaitha's partners in a number of other territories. Suffice to say, Premaitha is vigorously defending these claims.

Premaitha not working alone

On 18th April, a Case Management Conference was held in the High Court, London, where Illumina had sought to change the order of the patent hearings. However, the Court not only declined this request but also decided instead that a trial on all three patents should be heard together at a date most likely to be in the middle of 2017. Moreover, the judge declared that this trial would be in conjunction with the proceedings that Illumina has brought also against TDL Genetics Limited, The Doctors Laboratory Limited, and Ariosa Diagnostics, Inc. Therefore, Premaitha will be working together with Roche in a combined defence against the invalidity attacks by Illumina.

In addition, as part of Premaitha's defence, the company included an application of anti-trust against Illumina. This was presented to the Court as part of the Case Management Conference. The Judge ordered that Illumina, by the 28th May 2016, must present any arguments as to why Premaitha's application to include the anti-trust defence and counter-claim should not proceed.

European Commission gets involved

On 1st July, at a further Case Management Conference, the High Court ordered that Premaitha's competition law defence would be considered only after the technical claims have been heard in July 2017. However, it did order Illumina to provide un-redacted copies of its Pooled Patent Agreements with other companies.

At this hearing, Premaitha disclosed to the High Court that it had been contacted by the EU Competition Commission as part of an investigation that had been opened into potentially anti-competitive conduct by Illumina/Sequenom. If found guilty the EU has the power to impose significant fines on the companies.

Increased provision

In Premaitha's 2015 accounts, a provision of £0.5m was made to fight Illumina and defend its position in the courts. This was based on the initial challenge claiming infringement of two patents, and when Illumina extended the dispute to the third patent, management increased the litigation provision to £1.9m. In the 2016 accounts, Premaitha has extended this further to £6.3m, of which we calculate that about £0.9m has been spent to date.

Out-of-court settlement?

In the middle of calendar 2016, as the technical arguments were re-scheduled from October 2016 to July 2017, this allowed management more time to broaden its defence strategy with a view to de-risking the business through diversification and potentially forcing a commercially acceptable settlement, if that were in the long-term interests of the shareholders.

However, the technical arguments remain robust and the fact that...

- ▶ Premaitha has extended its working and investment relationship with Thermo Fisher
- ▶ Premaitha is not working alone, the judge having aligned the defence hearings with those of Ariosa (part of Roche)
- ▶ The Board has increased significantly the litigation provision in the 2016 accounts
- ▶ The EU has instigated an anti-competitive investigation surrounding the activities of Illumina and Sequenom (now part of LabCorp)

...all suggest that the company has decided that it is in the best long-term interests of shareholders to continue with its robust defence and to prevent the NIPT market being dominated by one monopolistic player.

Several factors have changed the risk from Illumina's perspective...

...especially the attention of the EU anti-competition Commission...

...such that it might wish to seek an out-of-court settlement acceptable to all parties

However, an alternative approach might be to look at the situation from Illumina's perspective. First, although it has embarked on several patent infringement cases in the past, the technology aspects have never been assessed fully – Illumina either acquired the 'offending' company (Verinata Health), or came to a patent sharing arrangement (Sequenom), or was defeated on non-technical grounds (Ariosa) – so it runs the risk that it might lose the technological aspects in court this time around. Secondly, until recently, Illumina, a large multi-national company with very deep pockets has been up against relatively small 'fish' with limited resources that ran the risk that they could be made bankrupt if they fought and lost the case. The battle against Ariosa, now that it is a subsidiary of Roche is a very different situation, hence the importance of the Case Management judge aligning the two cases against Premaitha and Ariosa. Finally, the intervention of the EU, with the Competition Commission looking into market practices and cosy patent-sharing deals, puts a completely different perspective on risk – if found guilty of anti-competitive practices, Illumina could be fined up to 10x global sales. Illumina must be absolutely certain that it has behaved in a proper manner that would be absolved under intense scrutiny. Taken together, the risk for Illumina has changed significantly and this might force the company to seek a deal whereby it grants patent licenses to use its technology on reasonable (the same) terms as those already in place with its affiliated companies, making it an even playing field.

Therefore, although the stance of Premaitha is to put up a robust defence, there are circumstances where it may be prudent to settle out of court, removing the uncertainty, the significant distraction for management, and the financial resource that will be needed.

Hearings expected July 2017

The best estimate for the cases to be heard is the early part of the second half of calendar 2017 – a hearing is scheduled in the High Court diary for July.

Financial summary

Profit & Loss

- ▶ **Product sales** – Greater internationalisation of IONA will drive kit sales
- ▶ **Gross margin** – The IONA test gross margin will expand from current levels (33.7%) with increased volumes
- ▶ **R&D** – There will be further investment in R&D to improve product and software features and test efficiency
- ▶ **Profitability** – Based on IONA test forecasts, Premaita is expected to reach profitability in fiscal 2019

Profit & Loss account						
Year end March (£m)	2014	2015	2016	2017E	2018E	2019E
IONA kit sales	0.00	0.00	2.01	4.59	12.78	33.23
Service income	0.00	0.00	0.07	1.00	1.50	2.25
Pass-through sales	0.00	0.00	0.37	0.10	0.10	0.10
Other	0.00	0.00	0.00	0.10	0.20	0.30
Total sales	0.00	0.00	2.45	5.79	14.58	35.88
COGS (Test)	0.00	0.00	-1.38	-3.33	-8.48	-20.95
% sales	nm	nm	66.3%	58.6%	58.6%	58.6%
Reported COGS	0.00	0.00	-1.75	-3.43	-8.58	-21.05
SG&A	-1.25	-2.62	-5.10	-5.61	-6.06	-6.97
% sales	nm	nm	nm	nm	41.9%	19.5%
R&D	-0.38	-1.85	-1.47	-1.80	-2.00	-2.10
% sales	nm	nm	70.7%	31.6%	13.8%	5.9%
EBITDA	-1.44	-4.08	-5.32	-4.35	-1.20	6.79
Deprec & Amortis	-0.08	-0.26	-0.56	-0.71	-0.86	-1.03
Other income	0.10	0.13	0.00	0.00	0.00	0.00
Underlying EBIT	-1.53	-4.34	-5.87	-5.06	-2.06	5.76
EBIT margin	nm	nm	nm	-87.3%	-14.1%	16.0%
Share based costs	0.00	-0.35	-0.12	-0.12	-0.12	-0.12
Statutory EBIT	-1.53	-7.54	-11.83	-5.18	-2.18	5.63
Net financials	0.00	0.09	-0.08	-0.17	-0.28	-0.29
Pre-tax profit	-1.53	-7.45	-5.96	-5.35	-2.46	5.34
Exceptional items	0.00	0.00	-0.20	0.00	0.00	0.00
Reported pre-tax	-1.53	-7.45	-12.12	-5.35	-2.46	5.34
Tax payable/credit	-0.04	0.00	0.04	0.00	0.00	-0.27
Underlying net income	-1.57	-7.45	-5.92	-5.35	-2.46	5.08
Statutory net income	-1.57	-7.43	-12.13	-5.35	-2.46	5.08
Ordinary shares						
Period-end (m)	26.89	188.16	228.16	228.16	228.16	228.16
Weighted average (m)	37.95	151.89	218.11	228.16	228.16	228.16
Fully diluted (m)	37.95	182.38	277.10	287.16	287.16	287.16
Underlying Basic EPS (p)	-4.13	-4.90	-2.71	-2.34	-1.08	2.22
Statutory Basic EPS (p)	-4.13	-4.89	-5.56	-2.34	-1.08	2.22
U/I Fully-diluted EPS (p)	-4.13	-4.08	-2.14	-1.86	-0.86	1.77
Stat. Fully-diluted EPS (p)	-4.13	-4.07	-4.38	-1.86	-0.86	1.77
DPS (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Hardman & Co Life Sciences Research

Balance sheet

- ▶ **Net cash** – AT 31st March, Premaitha had net cash of £4.0m – comprising cash of £5.3m and drawn down TMO loans of £1.4m
- ▶ **Provisions** – At the period end, Premaitha was carrying £5.6m of unutilised provisions to defend itself in the patent infringement case brought by Illumina
- ▶ **Inventories** – Forecast growth rates would be expected to have an impact on inventories and working capital requirements

Balance sheet						
@31 st March (£m)	2014	2015	2016	2017E	2018E	2019E
Share capital	8.28	28.17	31.17	31.17	31.17	31.17
Reserves	-9.84	-24.28	-29.69	-35.04	-37.50	-32.42
Minorities	0.00	0.00	0.00	0.00	0.00	0.00
Provisions/liabilities	0.00	0.12	5.55	2.55	0.00	0.00
Deferred tax	0.04	0.04	0.00	0.00	0.00	0.00
Long-term loans	1.50	0.00	1.36	5.06	9.06	9.06
Short-term loans	0.54	0.00	0.00	1.00	5.00	5.00
less: Cash	0.05	2.71	5.34	0.64	1.12	4.69
less: Market secs.	0.00	0.00	0.00	0.00	0.00	0.00
less: Non-core invests.	0.00	0.00	0.00	0.00	0.00	0.00
Invested capital	0.47	1.35	3.06	4.10	6.62	8.12
Fixed assets	0.44	1.35	1.94	2.23	2.37	2.49
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00
Capitalised R&D	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.45	0.46	0.53	0.61	0.70
Trade debtors	0.00	0.00	0.96	1.45	1.58	1.53
Other debtors	0.20	0.34	0.70	0.70	0.70	0.70
Tax liability/credit	0.25	0.80	1.09	0.36	0.40	0.42
Trade creditors	-0.28	-0.14	-1.10	-1.16	-1.22	-1.28
Other creditors	-0.13	-1.45	-0.99	0.00	2.17	3.56
Debtors less creditors	0.03	-0.45	0.66	1.35	3.63	4.93
Invested capital	0.47	1.35	3.06	4.10	6.62	8.12
Net cash/(debt)	-1.99	2.71	3.97	-5.42	-12.94	-9.37

Source: Hardman & Co Life Sciences Research

Cashflow

- ▶ **Change in net cash** – Key driver is the operating profit/loss, with only modest requirements for maintenance capital expenditure
- ▶ **Working capital** – Would be expected to increase with a fast-growth business
- ▶ **Litigation provision** – This will have a significant influence on cashflows in the next two years, or even longer if the patent case were to go to appeal
- ▶ **Cash generative** – The business is forecast to become cash generative in fiscal 2019

Cashflow						
Year end March (£m)	2014	2015	2016	2017E	2018E	2019E
Trading profit	-1.53	-4.34	-5.87	-5.06	-2.06	5.76
Depreciation	0.08	0.26	0.56	0.71	0.86	1.03
Amortisation	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	-0.45	-0.01	-0.07	-0.08	-0.09
Working capital	0.23	0.64	-0.37	-1.10	-1.32	-1.58
Exceptionals/provisions	0.00	0.00	0.04	-3.00	-4.00	-0.50
Disposals	0.00	0.10	0.00	0.00	0.00	0.00
Other	0.00	0.14	0.33	0.00	0.00	0.00
Company op cashflow	-1.22	-3.65	-5.33	-8.52	-6.60	4.61
Net interest	0.00	0.09	0.01	-0.17	-0.28	-0.29
Tax paid/received	0.00	0.25	0.00	0.29	0.36	0.40
Operational cashflow	-1.22	-3.30	-5.31	-8.39	-6.52	4.72
Capital expenditure	-0.52	-1.17	-1.15	-1.00	-1.00	-1.15
Sale of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
Free cashflow	-1.74	-4.47	-6.46	-9.39	-7.52	3.57
Dividends	0.00	0.00	0.00	0.00	0.00	0.00
Acquisitions	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	1.23	0.00	0.00	0.00	0.00
Other investments	-0.28	0.00	0.00	0.00	0.00	0.00
Cashflow after invests.	-2.01	-3.24	-6.46	-9.39	-7.52	3.57
Share repurchases	0.00	0.00	0.00	0.00	0.00	0.00
Share issues	0.00	7.48	7.72	0.00	0.00	0.00
Currency effect	0.00	0.00	0.00	0.00	0.00	0.00
Borrowings acquired	0.00	0.46	0.00	0.00	0.00	0.00
Change in net cash/(debt)	-2.01	4.70	1.26	-9.39	-7.52	3.57
Hardman FCF/share (p)	-3.20	-2.18	-2.43	-3.68	-2.86	2.07
Opening net cash	0.00	-1.99	2.71	3.97	-5.42	-12.94
Closing net cash	0.00	2.71	3.97	-5.42	-12.94	-9.37

Source: Hardman & Co Life Sciences Research

Disclaimer

Hardman & Co provides professional independent research services. Whilst every reasonable effort has been made to ensure that the information in the research is correct, this cannot be guaranteed.

The research reflects the objective views of the analysts named on the front page. However, the companies or funds covered in this research may pay us a fee, commission or other remuneration in order for this research to be made available. A full list of companies or funds that have paid us for coverage within the past 12 months can be viewed at <http://www.hardmanandco.com/>

Hardman & Co has a personal dealing policy which debars staff and consultants from dealing in shares, bonds or other related instruments of companies which pay Hardman for any services, including research. They may be allowed to hold such securities if they were owned prior to joining Hardman or if they were held before the company appointed Hardman. In such cases sales will only be allowed in limited circumstances, generally in the two weeks following publication of figures.

Hardman & Co does not buy or sell shares, either for its own account or for other parties and neither does it undertake investment business. We may provide investment banking services to corporate clients.

Hardman & Co does not make recommendations. Accordingly, we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities/companies but has no scheduled commitment and may cease to follow these securities/companies without notice.

Nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell securities by us.

This information is not tailored to your individual situation and the investment(s) covered may not be suitable for you. You should not make any investment decision without consulting a fully qualified financial adviser.

This report may not be reproduced in whole or in part without prior permission from Hardman & Co.

Hardman Research Ltd, trading as Hardman & Co, is an appointed representative of Capital Markets Strategy Ltd and is authorised and regulated by the Financial Conduct Authority (FCA) under registration number 600843. Hardman Research Ltd is registered at Companies House with number 8256259. However, the information in this research report is not FCA regulated because it does not constitute investment advice (as defined in the Financial Services and Markets Act 2000) and is provided for general information only.

*Hardman & Co Research Limited (trading as Hardman & Co)
11/12 Tokenhouse Yard
London
EC2R 7AS
T +44 (0) 207 929 3399*

Follow us on Twitter @HardmanandCo

(Disclaimer Version 2 – Effective from August 2015)

Hardman Team

Management Team			
+44 (0)20 7929 3399			
John Holmes	jh@hardmanandco.com	+44 (0)207 148 0543	Chairman
Keith Hiscock	kh@hardmanandco.com	+44 (0)207 148 0544	CEO
Marketing / Investor Engagement			
+44 (0)20 7929 3399			
Richard Angus	ra@hardmanandco.com	+44 (0)207 148 0548	
Max Davey	md@hardmanandco.com	+44 (0)207 148 0540	
Antony Gifford	ag@hardmanandco.com	+44 (0)7539 947 917	
Vilma Pabillionyte	vp@hardmanandco.com	+44 (0)207 148 0546	
Analysts			
+44 (0)20 7929 3399			
Agriculture		Bonds	
Doug Hawkins	dh@hardmanandco.com	Brian Moretta	bm@hardmanandco.com
Yingheng Chen	yc@hardmanandco.com	Mark Thomas	mt@hardmanandco.com
Thomas Wigglesworth	tcw@hardmanandco.com		
Building & Construction		Consumer & Leisure	
Tony Williams	tw@hardmanandco.com	Steve Clapham	sc@hardmanandco.com
Mike Foster	mf@hardmanandco.com	Mike Foster	mf@hardmanandco.com
		Jason Street	sc@hardmanandco.com
Financials		Life Sciences	
Brian Moretta	bm@hardmanandco.com	Martin Hall	mh@hardmanandco.com
Mark Thomas	mt@hardmanandco.com	Dorothea Hill	dmh@hardmanandco.com
Chris Magennis	cm@hardmanandco.com	Gregoire Pave	gp@hardmanandco.com
Media		Mining	
Derek Terrington	dt@hardmanandco.com	Ian Falconer	if@hardmanandco.com
Oil & Gas		Property	
Stephen Thomas	st@hardmanandco.com	Tony Williams	tw@hardmanandco.com
Mark Parfitt	mp@hardmanandco.com	Mike Foster	mf@hardmanandco.com
Angus McPhail	am@hardmanandco.com		
Services		Special Situations	
Mike Foster	mf@hardmanandco.com	Steve Clapham	sc@hardmanandco.com
		Paul Singer	ps@hardmanandco.com
Technology		Utilities	
Mike Foster	mf@hardmanandco.com	Nigel Hawkins	nh@hardmanandco.com

Hardman & Co

11/12 Tokenhouse Yard
 London
 EC2R 7AS
 United Kingdom

Tel: +44(0)20 7929 3399
 Fax: +44(0)20 7929 3377

www.hardmanandco.com

