

Deinove

Milestone payments demonstrate progress

Deinove continues to make progress, passing research project milestones, signing agreements with commercial partners and diversifying future potential revenue streams by broadening its research platform. The company has yet to generate commercial revenue (we expect from FY17), but believes it has sufficient cash resources to last “beyond Q316”.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/13	0.1	(5.0)	(61.5)	0.0	N/A	N/A
12/14	0.2	(6.6)	(98.6)	0.0	N/A	N/A
12/15e	0.2	(8.4)	(111.4)	0.0	N/A	N/A
12/16e	0.2	(8.6)	(88.6)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

Losses significantly reduced

H115 results included revenue of €69k and a net loss of €3.2m, versus €16k and a net loss of €3.9m respectively in H114. The decline in the net loss was, in large part, achieved by a reduction in exceptional charges after the company cancelled a planned equity increase in H114. The net financial position (company definition) at the period end was €1.8m, (after €950k of capex) versus €2.2m at December 2014, but rose to €2.2m at end August due to the receipt of a Bpifrance milestone payment and several equity drawdowns on the Kepler-Cheuvreux facility, for a total of €1.7m. With an R&D tax credit of €1.7m received in September and the prospect of further equity drawdowns, the company believes it has sufficient resources to fund its operations beyond Q316. The results were broadly in line with our expectations for FY15 and although we have increased our forecast capex and changed the timing of drawdowns, our forecasts remain largely unchanged (normalised FY15 PBT of -€8.4m versus -€8.3m previously).

Scientific advances and commercial agreements

In H1 Deinove completed the first milestone of the Deinochem project (triggering the receipt of €1m), automated its metabolic engineering platform, successfully selected 20 bacteria strains producing compounds of interest for animal food in its project with Avril and expanded its carotenoids platform. Since the period end it has also successfully produced muconic acid from 2G substrates, signed a further partnership agreement with Tyton BioEnergy and reached the third milestone of the Deinol project (receipt of €1.2m).

Valuation: Ethanol assumptions still key DCF input

DCF remains our principal valuation tool and we assume that Deinove commercialises its technology in biofuels and green chemistry and generates commercial revenue from 2017. Based on our assumption of 12 average-sized ethanol plants by 2035, 5% royalty income and using the current ethanol price of \$1.50/gallon, Deinove would be worth c €6.7/share (13% discount rate) and €9.1/share (11% discount rate). Increasing the ethanol price to \$2/gallon would increase the valuation to €10.4/share (13% discount rate) and €13.8/share (11% discount rate).

Alternative energy

25 September 2015

Price €6.65

Market cap €39m

Net cash* (€m) at 31 August 2015 2.2
*Company definition

Shares in issue 5.9

Free float 51%

Code ALDEI

Primary exchange Alternext

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (2.2) (8.3) (30.6)

Rel (local) (1.2) 6.3 (30.5)

52-week high/low €9.2 €6.0

Business description

Deinove designs, develops and markets technologies in biofuels and biochemistry by harnessing the properties of the *Deinococcus* bacterium.

Next event

FY15 results February 2016

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Exhibit 1: Financial summary

	€000s	2013	2014	2015e	2016e
Year-end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		51	156	220	225
Cost of sales		0	0	0	0
Gross profit		51	156	220	225
EBITDA		(5,156)	(6,515)	(7,354)	(7,230)
Operating profit (before amort. and except.)		(5,156)	(6,520)	(8,253)	(8,504)
Intangible Amortisation		367	540	26	26
Exceptionals		21	(735)	0	0
Other		0	0	0	0
Operating profit		(4,768)	(6,715)	(8,227)	(8,478)
Net Interest		122	(37)	(110)	(74)
Profit before tax (norm)		(5,034)	(6,557)	(8,364)	(8,578)
Profit before tax (FRS 3)		(5,380)	(7,832)	(8,390)	(8,604)
Tax		1,960	1,374	1,780	2,550
Profit after tax (norm.)		(3,074)	(5,183)	(6,584)	(6,028)
Profit after tax (FRS 3)		(3,420)	(6,458)	(6,610)	(6,054)
Average number of shares outstanding (m)		5.0	5.3	5.9	6.8
EPS - normalised (c)		(61.5)	(98.6)	(111.4)	(88.6)
EPS - (IFRS) (c)		(53.7)	(102.3)	(111.0)	(88.2)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross margin (%)		100.0	100.0	N/A	N/A
EBITDA margin (%)		N/A	N/A	N/A	N/A
Operating margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed assets		2,833	2,303	2,880	3,080
Intangible assets		85	99	73	47
Tangible assets		609	1,407	2,008	2,234
Investments		2,139	797	799	799
Current assets		4,129	4,650	5,428	7,607
Stocks		0	0	0	0
Debtors		2,188	2,110	1,665	1,775
Cash		1,872	966	2,189	4,258
Other		69	1,574	1,574	1,574
Current liabilities		(1,303)	(2,203)	(1,441)	(1,441)
Creditors		(1,238)	(1,441)	(1,441)	(1,441)
Short-term borrowings		(65)	(762)	0	0
Long-term liabilities		(3,057)	(4,554)	(6,756)	(8,756)
Long-term borrowings		(3,057)	(4,550)	(6,750)	(8,750)
Other long-term liabilities		0	(4)	(6)	(6)
Net Assets		2,602	196	111	490
CASH FLOW					
Operating cash flow		(5,499)	(8,453)	(6,909)	(7,340)
Net Interest		122	(37)	(110)	(74)
Tax		1,960	1,374	1,780	2,550
Capex		(375)	(1,338)	(1,500)	(1,500)
Acquisitions/disposals		3,779	1,307	0	0
Financing		768	4,051	6,525	6,433
Dividends		0	0	0	0
Net cash flow		755	(3,096)	(215)	69
Opening net debt/(cash)		2,005	1,250	4,346	4,561
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		1,250	4,346	4,561	4,492
Source: Edison Investment Research, company accounts					

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