

# Deinove

## Broadening the offering

Deinove has secured additional financial resources that will allow it to continue the development of its technology in the field of green chemistry and biofuels. The majority of the funds raised will be used to finance developments in Deinochem (green chemistry), which we now expect will contribute an increased proportion of future revenues.

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	(8.1)	(90.3)	0.0	N/A	N/A
12/16e	0.2	(8.1)	(61.2)	0.0	N/A	N/A

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

## Successful capital-raising

At the end of 2015 Deinove successfully raised €10.7m (gross) via the issue of new equity. The capital-raising resulted in the issue of 2.37m new shares (at a price of €4.5), taking the total number of shares outstanding to 8.55m. Together with funds raised from the issue of shares as part of its equity drawdown arrangement, Deinove should have sufficient financial resources to continue the development of its major business lines in to 2018.

## Increased focus on green chemistry

The proceeds of the capital-raise will be apportioned in the ratio of 60% to Deinochem and 40% to Deinol. The split is indicative of the current focus of the business on green chemistry and will provide for continuing diversification away from potential biofuel-related revenue. However, despite the uncertainty surrounding Deinove's relationship with Abengoa, we expect that Deinove will continue to develop its green fuel proposition with other partners such as Suez Environnement. Of the Deinochem share, c 30% will be devoted to developing the muconic acid platform, with the rest slated for carotenoid/speciality chemical projects (animal feed/cosmetics with Avril and Flint Hills Resources among others).

## Valuation: DCF indicates potential upside

We have updated our valuation and forecasts to reflect the increased number of shares in issue, the enhanced cash balances and changes to our revenue generation assumptions following the partnership agreements announced in H215. We continue to use a DCF as our principal valuation tool and assume commercial revenues commence in FY18. We expect revenues to be generated by both Deinol (biofuels) and Deinochem (green chemistry), but with a greater percentage than previously assumed from Deinochem (40% of revenues by 2020). Using a discount rate of 11% (no terminal value) and assuming a long-term ethanol price of \$1.50/gallon, our valuation indicates a value of €7.9/share. Long-term ethanol prices of \$2/gallon would increase the valuation of the business to c €11.3/share.

## Post-capital raising update

### Alternative energy

12 January 2016

**Price** €3.99

**Market cap** €34m

Forecast net cash\* (€m) at FY15 12.1  
\*Company definition

Shares in issue 8.6m

Free float 66%

Code ALDEI

Primary exchange Alternext

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (22.5) (39.9) (38.4)

Rel (local) (18.5) (35.1) (40.4)

52-week high/low €8.95 €3.85

### Business description

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

### Next events

FY15 results March 2016

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**Exhibit 1: Financial summary**

	€'000s	2013	2014	2015e	2016e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
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)	144	449
Profit before tax (norm)		(5,034)	(6,557)	(8,110)	(8,055)
Profit before tax (FRS 3)		(5,380)	(7,832)	(8,136)	(8,081)
Tax		1,960	1,374	1,780	2,550
Profit after tax (norm.)		(3,074)	(5,183)	(6,330)	(5,505)
Profit after tax (FRS 3)		(3,420)	(6,458)	(6,356)	(5,531)
Average number of shares outstanding (m)		5.0	5.3	7.0	9.0
EPS - normalised (c)		(61.5)	(98.6)	(90.3)	(61.2)
EPS - (IFRS) (c)		(53.7)	(102.3)	(90.0)	(60.9)
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
<b>BALANCE SHEET</b>					
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	14,113	16,816
Stocks		0	0	0	0
Debtors		2,188	2,110	1,665	1,775
Cash		1,872	966	10,874	13,467
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	8,796	9,698
<b>CASH FLOW</b>					
Operating cash flow		(5,499)	(8,453)	(6,909)	(7,340)
Net Interest		122	(37)	144	449
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	14,956	6,433
Dividends		0	0	0	0
Net cash flow		755	(3,096)	8,470	593
Opening net debt/(cash)		2,005	1,250	4,346	(4,124)
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		1,250	4,346	(4,124)	(4,717)

Source: Company accounts, Edison Investment Research

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