

Deinove

H1 results

Strategic refocus

While the H116 financial results were in line with expectations, the decision to suspend the Deinol programme was not. Short-term projections will not be affected by the change in strategy as resources will simply be reallocated, but potential for longer-term revenue generation will switch from biofuels to green chemistry and healthcare.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/14	0.2	(6.6)	(94.9)	0.0	N/A	N/A
12/15	0.5	(7.3)	(66.8)	0.0	N/A	N/A
12/16e	0.5	(8.1)	(77.3)	0.0	N/A	N/A
12/17e	0.5	(8.2)	(64.5)	0.0	N/A	N/A

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

Emphasis on carotenoids and antibiotics

Despite a reduction in the relative importance of the Deinol (biofuels) programme over the last two years, we had not anticipated its suspension. Deinove will now focus its efforts on carotenoids (Deinochem) and antibiotics (Deinobiotics), with efforts in the latter area boosted by the purchase of the 51% stake of Deinobiotics that it does not already own. Our short-term forecasts remain largely unchanged, aside from the shares to be issued in Q117 to acquire Deinobiotics. In the longer term, revenue from biofuels now appears less likely (we had assumed that Deinove's technology was deployed in three ethanol plants by 2025) unless a rise in the oil price (probably to over \$100/bbl) encourages Deinove to resume the programme. We expect the first revenues from Deinochem in 2018, although the timing of subsequent revenues could be accelerated given the additional resources to be devoted to the project. We assume no revenue from the antibiotics programme and await further guidance from Deinove on the potential timing of preclinical trials.

H116 results in line with expectations

The H116 results appear in line with our FY16 forecasts, with revenue of €0.2m and a net loss of €3.1m, compared to revenue of €0.1m and a net loss of €3.2m in H115. The net financial position (company definition) at the period end was €10.4m compared to €12.4m at the end of FY15, in part helped by the receipt of €1.5m repayable advance from ADEME. Given that we expect no significant change to the rate of short-term cash burn, we believe that previous statements regarding resources lasting until the end of 2017 hold good.

Valuation: Implied value of Deinochem €17m

At c €2.7/share, Deinove has a market cap of €23m and an EV of €20m. Adjusting for the value of Deinove's holding in Carbios (c €0.8m) and allowing for a valuation of c €5.0m for Deinobiotics (based on an estimated payment by Deinove of 858k shares at €3/share for 51%) indicates a value for Deinochem of c €14m. A share price of €4 implies a value for Deinochem of €24m, while a share price of €2/share suggests a Deinochem valuation of €10m.

Alternative energy

3 October 2016

Price €2.66

Market cap €23m

Net cash* (€m) at 30 June 2016 10.4
*Company definition

Shares in issue 8.6m

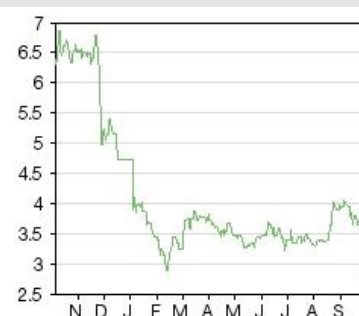
Free float 66%

Code ALDEI

Primary exchange Alternext

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (32.8) (21.8) (56.5)

Rel (local) (33.1) (26.0) (57.0)

52-week high/low €6.6 €2.7

Business description

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

Next events

FY16 results March 2017

Analysts

Graeme Moyse +44 (0)20 3077 5700

Roger Johnston +44 (0)20 3077 5722

industrials@edisongroup.com
[Edison profile page](#)

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Exhibit 1: Financial summary

	€'000s	2014	2015	2016e	2017e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		156	492	500	469
Cost of sales		0	0	0	0
Gross profit		156	492	500	469
EBITDA		(6,515)	(7,309)	(7,428)	(7,404)
Operating profit (before amort. and except.)		(6,520)	(7,331)	(8,083)	(8,159)
Intangible Amortisation		540	634	37	165
Exceptionals		(735)	(10)	0	0
Other		0	0	0	0
Operating profit		(6,715)	(6,707)	(8,046)	(7,994)
Net Interest		(37)	(14)	14	(38)
Profit before tax (norm)		(6,557)	(7,345)	(8,069)	(8,196)
Profit before tax (FRS 3)		(7,832)	(7,989)	(8,106)	(8,361)
Tax		1,374	1,633	1,435	2,118
Profit after tax (norm.)		(5,183)	(5,712)	(6,634)	(6,078)
Profit after tax (FRS 3)		(6,458)	(6,356)	(6,671)	(6,243)
Average number of shares outstanding (m)		5.5	8.6	8.6	9.4
EPS - normalised (c)		(94.9)	(66.8)	(77.3)	(64.5)
EPS - (IFRS) (c)		(98.5)	(59.5)	(76.9)	(62.7)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross margin (%)		100.0	N/A	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		2,303	1,968	2,277	4,408
Intangible assets		99	117	80	2,465
Tangible assets		1,407	1,055	900	645
Investments		797	796	1,297	1,298
Current assets		4,650	15,359	11,269	7,114
Stocks		-	0	0	0
Debtors		2,110	2,393	2,423	2,290
Cash		966	11,932	7,812	3,789
Other		1,574	1,034	1,034	1,034
Current liabilities		(2,203)	(2,719)	(2,630)	(3,067)
Creditors		(2,203)	(2,719)	(2,630)	(3,067)
Short-term borrowings		0	0	0	0
Long-term liabilities		(4,555)	(6,512)	(9,400)	(10,632)
Long-term borrowings		(4,550)	(6,497)	(9,385)	(10,617)
Other long-term liabilities		(5)	(15)	(15)	(15)
Net Assets		195	8,096	1,515	(2,177)
CASH FLOW					
Operating cash flow		(7,691)	(7,324)	(7,434)	(7,221)
Net Interest		(37)	(14)	14	(38)
Tax		1,374	1,633	1,323	2,505
Capex		(1,338)	(289)	(500)	(501)
Acquisitions/disposals		1,307	756	(501)	(2,550)
Financing		4,051	14,257	90	2,550
Dividends		0	0	0	0
Net cash flow		(2,334)	9,019	(7,008)	(5,255)
Opening net debt/(cash)		1,250	3,584	(5,435)	1,573
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		3,584	(5,435)	1,573	6,828
Source: Company accounts, Edison Investment Research					

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