

Epigenomics

Q316 results and business update

Epigenomics continues to execute on the commercial front. The US is now the main market for Epi proColon, the only FDA-approved, blood-based colorectal cancer screening test. Epi proColon US sales account for c 60% of total 9M16 revenues of €0.9m, 83% up y-o-y. The remainder come from Europe and other countries. Epigenomics recently raised c €5m in a private placement. It has five convertible notes, which mature by year-end 2016 and could raise an additional €2.6m, providing funding into 2017.

Commercial activities on track

Epigenomics is moving ahead with its plan to make Epi proColon available to a wide base of patients worldwide. In the US, the company has announced that ARUP Laboratories will now also offer Epi proColon, alongside LabCorp and other top laboratories. Almost 60% of 9M16 revenues come from the US vs just 6.2% in the same period of 2015. Epi proColon is CE marked in Europe and approved in other countries, accounting for 15% and 25% of 9M16 sales, respectively. The company has signed an exclusive agreement with distributor SPD Scientific for Thailand, Malaysia, Singapore and Vietnam.

Clarification in JAMA and further progress

At end October, the Journal of the American Medical Association (JAMA) clarified clinical data on Epi proColon to reflect the test approved by the FDA. Furthermore, Epigenomics expects the Centers for Medicare & Medicaid Services (CMS) to publish the final code for pricing of Epi proColon in December 2016. A CE mark for Epi proLung is expected in mid-2017.

Updated guidance for 2016 and funding well into 2017

Epigenomics has narrowed its guidance range for 2016. The company now expects revenues in the range of €3.5-5.0m (vs €3-7m previously) and an EBITDA loss of €9.5-10.5m (vs previous EBITDA loss of €9.5-11.5m). The end-Q316 cash position was €6.58m, further bolstered by a €5m equity raise in November 2016 (1.03m shares at €4.83/share). Epigenomics has five convertible notes due before end FY16, potentially raising €2.6m, which will provide further funding.

Valuation: Current EV of €90.7m

Following the recent private placing, Epigenomics' current EV of €90.7m may reflect uncertainty about Epi proColon's commercialisation success. Progress in the US screening market over the next few months should be supportive of the shares, in our view.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	1.5	(8.8)	(0.65)	0.0	N/A	N/A
12/15	2.1	(9.2)	(0.52)	0.0	N/A	N/A
12/16e	4.9	(10.4)	(0.51)	0.0	N/A	N/A
12/17e	20.6	(1.7)	(0.09)	0.0	N/A	N/A

Source: Bloomberg consensus estimates, Epigenomics data

Pharma & biotech

11 November 2016

Price €4.74
Market cap €102m

Share price graph



Share details

Code ECX
 Listing Frankfurt
 Shares in issue (includes recent raise) 21.5m

Business description

Epigenomics is a German-American molecular diagnostics company focused on the detection of cancer. Its main product is Epi proColon, a blood-based DNA test for CRC, based on a PCR assay to detect methylated copies of the Septin9 gene. The test is marketed in the US, Europe, China and other countries. Epigenomics has 45 employees as at June 2016.

Bull

- Product launched in the world's major markets in collaboration with experienced partners.
- Blood-based test that can address a 15% gap in the eligible population, potentially worth \$2bn.
- Experienced management team with a proven track record in molecular diagnostics.

Bear

- Additional capital will be deployed for marketing and to run a post-approval study in the US.
- Competitors with potentially higher sensitivity, specificity and predictive values.
- Need to secure reimbursement to make the test widely available.

Analysts

Juan Pedro Serrate +44 (0) 20 3681 2534
 Dr Linda Pomeroy +44 (0) 20 3077 5738

healthcare@edisongroup.com

**Epigenomics is a research client of
 Edison Investment Research Limited**

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2016 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Epigenomics and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2016. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.