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QuickView

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

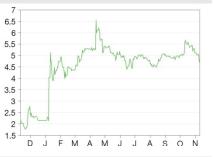
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	1.5	(8.8)	(0.65)	0.0	N/A	N/A
12/15	2.1	(9.2)	(0.52)	0.0	N/A	N/A
12/16e	4.9	(10.4)	(0.51)	0.0	N/A	N/A
12/17e	20.6	(1.7)	(0.09)	0.0	N/A	N/A

Source: Bloomberg consensus estimates, Epigenomics data

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 bloodbased 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

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