

Deinove

FY16 results

Progress implementing the new strategy

Progress has been made in implementing the new corporate strategy and Deinove expects commercial revenues from FY18. Cash resources are sufficient to finance the business for the rest of FY17 and into FY18. Upside for the shares will be dependent on Deinove's ability to demonstrate commercial deployment of its technology and generate revenue in its target markets.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	0.5	(7.3)	(66.8)	0.0	N/A	N/A
12/16	0.8	(6.9)	(64.6)	0.0	N/A	N/A
12/17e	0.5	(7.9)	(56.6)	0.0	N/A	N/A
12/18e	1.2	(7.2)	(44.2)	0.0	N/A	N/A

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

Reshaping the business

Deinove has made progress in implementing its new strategy (ex-biofuels), which is now focused on two areas: healthcare (antifungal and antibiotics) and industrial biotech (cosmetics and nutrition). Reflecting its strategic objectives Deinove has reconfigured its board, appointing four directors with considerable experience in the pharmaceutical industry, including Charles Woler as Chairman. In healthcare, where a significant market opportunity exists to develop new antimicrobial drugs, Deinove completed (January 2017) its acquisition of Deinobiotics (now 100% owned) and has appointed Bernard Scoreaux (March 2017) as preclinical project manager for the division. Deinove also recently concluded in vitro tests on a number of wild strains of bacteria and successfully identified a number that possess properties which make them suitable candidates for use in its target markets. Following the screening programme, Deinove announced the formation of a partnership with Greentech to develop and market active ingredients for skin care (complementing those with Avril and Flint Hill Resources in nutrition). Deinove expects to bring its first product (carotenoids) to market by the end of 2018. We forecast the first commercial revenue from the Deinochem project in 2018.

FY16 slightly ahead of forecasts

FY16 results were slightly ahead of our forecasts, with revenue of €0.8m (Edison FY16e €0.5m) and a net loss of €6.3m (Edison FY16e €6.7m), in part due to higher revenue, but also as a result of better cost control than we had anticipated. Deinove believes that net cash of €9.3m is sufficient to last until Q118 without further recourse to tranches 3 & 4 of the Kepler facility (€8m). At the same time, Deinove will pursue non-dilutive sources of funding for its healthcare business.

Valuation: Upside potential

Deinove's target markets are large (cosmetic > \$100bn, nutrition > \$100bn, health > \$50bn). By comparison, its market capitalisation is modest (c €20m), but upside will be dependent on the successful commercial deployment of its technology and its ability to penetrate its target markets and generate revenue.

Pharma & biotech

6 April 2017

Price €2.02

Market cap €21m

Net cash* (€m) at 31 December 2016 9.3

*Company definition

Shares in issue 10.3m

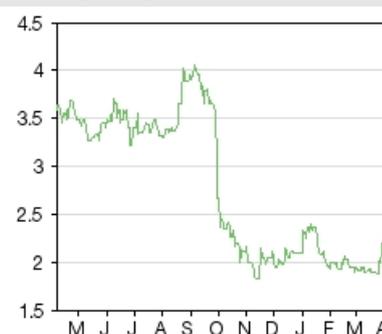
Free float 71%

Code ALDEI

Primary exchange Alternext

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 5.8 (10.2) (45.3)

Rel (local) 3.4 (14.2) (53.4)

52-week high/low €4.0 €1.8

Business description

Deinove is a biotechnology company that discovers, develops and produces high value-added compounds from rare bacteria, including Deinococcus bacteria.

Next events

AGM May 2017

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Exhibit 1: Financial summary

	€'000s	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		492	793	469	1,247
Cost of sales		0	0	0	0
Gross profit		492	793	469	1,247
EBITDA		(7,309)	(6,983)	(7,300)	(6,414)
Operating profit (before amort. and except.)		(7,331)	(6,956)	(7,943)	(7,155)
Intangible Amortisation		(634)	(736)	(244)	(426)
Exceptionals		(10)	283	0	0
Other		0	0	0	0
Operating profit		(7,975)	(7,409)	(8,187)	(7,581)
Net Interest		(14)	15	0	0
Profit before tax (norm)		(7,345)	(6,941)	(7,943)	(7,155)
Profit before tax (FRS 3)		(7,989)	(7,394)	(8,187)	(7,581)
Tax		1,633	1,115	2,078	2,580
Profit after tax (norm.)		(5,712)	(5,826)	(5,865)	(4,575)
Profit after tax (FRS 3)		(6,356)	(6,279)	(6,109)	(5,001)
Average number of shares outstanding (m)		8.6	9.0	10.4	10.4
EPS - normalised (c)		(66.8)	(64.6)	(56.6)	(44.2)
EPS - (IFRS) (c)		(74.3)	(69.6)	(59.0)	(48.3)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross margin (%)		N/A	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		1,968	2,366	5,623	5,056
Intangible assets		117	201	3,600	3,174
Tangible assets		1,055	853	712	570
Investments		796	1,312	1,312	1,312
Current assets		15,359	11,537	9,135	5,106
Stocks		0	0	0	0
Debtors		2,393	1,792	2,097	2,003
Cash		11,932	9,316	6,609	2,675
Other		1,034	429	429	429
Current liabilities		(2,719)	(2,142)	(3,640)	(4,046)
Creditors		(2,719)	(2,142)	(3,640)	(4,046)
Short-term borrowings		0	0	0	0
Long-term liabilities		(6,512)	(9,193)	(10,425)	(10,425)
Long-term borrowings		(6,497)	(9,178)	(10,410)	(10,410)
Other long-term liabilities		(15)	(15)	(15)	(15)
Net Assets		8,096	2,568	693	(4,309)
CASH FLOW					
Operating cash flow		(7,324)	(6,079)	(6,885)	(6,319)
Net Interest		(14)	15	0	0
Tax		1,633	1,115	2,857	2,985
Capex		(289)	(620)	(501)	(600)
Acquisitions/disposals		756	(479)	(3,642)	0
Financing		14,257	752	4,233	0
Dividends		0	0	0	0
Net cash flow		9,019	(5,297)	(3,939)	(3,934)
Opening net debt/(cash)		3,584	(5,435)	(138)	3,801
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		(5,435)	(138)	3,801	7,735
Closing net debt/(cash) (company definition)		(12,432)	(9,316)	(6,609)	(2,675)

Source: Company accounts, Edison Investment Research

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