

Allium Medical Solutions

It is all about business execution

Business update

Pharma & biotech

24 December 2017

Price* **NIS1.25**

Market cap **NIS88m**

* Priced at 20 December 2017

Net cash (NISm) at December 2017e 20.7

Shares in issue at December 2017 70.5m

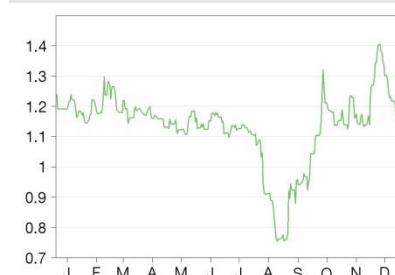
Free float 49.6%

Code ALMD

Primary exchange TASE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (1.7) 13.1 0.4

Rel (local) (4.8) 9.8 (3.9)

52-week high/low NIS1.4 NIS0.8

Business description

Allium Medical Solutions is a company focused on developing and marketing minimally invasive devices in various areas: cardiovascular, metabolic, genitourinary and gastrointestinal. The company has three selling product lines: Allium Stents, IBI (EndoFast) and Gardia Medical. Allium markets its products mainly through distribution agreements.

Next events

Regulatory approval in additional markets for Allium and IBI H217

Start Allevetix first-in-man clinical trial Q118

Gardia FDA submission Q417

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Gardia Medical's Wirion device is on track for FDA submission, expected by end-2017; approval is possible in Q218. If approved, it would become the only embolic protection system for all atherectomy procedures in the legs which we think will help to reach a strategic transaction. Furthermore, Allium Stents and IBI Medical are expected to gain approval in Russia in 2018 while approval in China is expected in early 2018. We expect initial revenues from Mexico in Q417 and from the strategic agreement in Russia in H118. In addition, Allevetix is due to start a clinical trial in the next few months and TruLeaf is progressing its large animals study. Our updated valuation is NIS1.68/share.

Year end	Revenue (NISm)	PBT* (NISm)	EPS* (NIS)	DPS (NIS)	P/E (x)	Yield (%)
12/15	5.2	(18.5)	(0.65)	0.0	N/A	N/A
12/16	7.4	(22.0)	(0.49)	0.0	N/A	N/A
12/17e	9.7	(20.3)	(0.35)	0.0	N/A	N/A
12/18e	16.6	(7.3)	(0.10)	0.0	N/A	N/A

Note: *Normalised, excluding amortisation of acquired intangibles and exceptionals.

Gardia's Wirion system nears FDA submission

Gardia is pursuing US approval of its Wirion device following strong data from the WISE-LE trial which met its primary and secondary endpoints early. Positive data on debris capture has been released and will be presented at the ISET conference in Florida in February 2018. A 510(k) submission to the FDA is expected by the end of the year; an approval decision could come in Q218. If approved, Wirion would become the only protection system cleared for all atherectomy procedures in the US. The company is advancing towards a strategic transaction for Gardia. We model Wirion revenue of NIS2.8m after full launch in 2018e, to NIS8.6m in 2020e.

Sales in key emerging markets on track for 2018

Allium has sent the full package for approval to the Chinese FDA (CFDA). We therefore expect marketing approval in China in early Q118 and the subsequent launch in FY18. Furthermore, the company has signed a distribution agreement for Colombia worth at least NIS3m over five years. Separately, Allium has received CE mark for a novel type of long urological stent. We maintain our near-term revenue forecast for stents of NIS9.7m in FY17 and NIS16.6m in FY18.

R&D gains visibility

Allevetix has received approval from the ethical committee to start a first-in-man (FIM) clinical trial, expected during Q118. The trial will test Allevetix's gastroduodenal sleeve for obesity and diabetes in 10-12 patients and will last for six months. In addition, TruLeaf has started a trial in large animals which is partly funded with a grant from the Israeli Innovation Authority.

Valuation: DCF of NIS119m or NIS1.68/share

In December Allium raised c NIS7m gross by issuing 5m new shares (c 7% of enlarged capital). We estimate that FY17e net cash of NIS21m provides runway at least until the end of 2018. Our DCF valuation of Allium is NIS119m (vs NIS124m) or NIS1.68/share (NIS1.89/share) as a result of updating the number of shares and net cash. Regional expansion remains key for Allium's investment case.

Exhibit 1: Financial summary

	NIS'000	2014	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		4,916	5,178	7,353	9,735	16,612
Cost of Sales		(5,699)	(4,421)	(5,171)	(7,501)	(9,914)
Gross Profit		(783)	757	2,182	2,233	6,698
EBITDA		(20,373)	(16,333)	(20,377)	(19,492)	(6,772)
Operating Profit (before GW and except.)		(20,758)	(16,759)	(20,759)	(19,893)	(7,133)
Intangible Amortisation		(2,032)	(1,705)	(1,579)	(1,655)	(1,491)
Exceptionals		(1,262)	(720)	(295)	0	0
Operating Profit		(24,052)	(19,184)	(22,632)	(21,548)	(8,624)
Net Interest		(593)	(1,748)	(1,284)	(361)	(146)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Profit Before Tax (norm)		(21,351)	(18,507)	(22,043)	(20,253)	(7,279)
Profit Before Tax (IFRS)		(24,645)	(20,932)	(23,917)	(21,909)	(8,770)
Tax		0	0	0	0	0
Profit After Tax (norm)		(21,351)	(18,507)	(22,043)	(20,253)	(7,279)
Profit After Tax (IFRS)		(24,645)	(20,932)	(23,917)	(21,909)	(8,770)
Average Number of Shares Outstanding (m)		18.43	28.53	44.97	57.73	70.50
EPS - normalised (NIS)		(1.16)	(0.65)	(0.49)	(0.35)	(0.10)
EPS - IFRS (NIS)		(1.34)	(0.73)	(0.53)	(0.38)	(0.12)
Dividend per share (NIS)		0.00	0.00	0.00	0.00	0.00
Gross Margin (%)		-16%	15%	30%	23%	40%
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		28,218	25,612	23,616	21,660	19,908
Intangible Assets		26,438	24,059	22,465	20,810	19,319
Tangible Assets		1,780	1,472	1,025	725	464
Restricted cash		0	81	126	126	126
Current Assets		16,629	31,342	28,605	25,939	19,405
Stocks		2,330	2,277	2,516	2,249	2,664
Debtors		686	889	1,253	1,334	1,821
Cash		12,940	27,053	23,202	20,722	13,286
Other		673	1,123	1,634	1,634	1,634
Current Liabilities		(5,560)	(5,620)	(12,660)	(12,316)	(12,901)
Creditors		(1,516)	(1,524)	(1,890)	(1,546)	(2,131)
Accruals		(1,820)	(1,895)	(936)	(936)	(936)
Other short term liabilities		(2,224)	(2,201)	(4,124)	(4,124)	(4,124)
Long Term Liabilities		(7,127)	(6,207)	(1,368)	(1,268)	(1,168)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(7,127)	(6,207)	(1,368)	(1,268)	(1,168)
Net Assets		32,160	45,127	38,193	34,014	25,244
CASH FLOW						
Operating Cash Flow		(19,026)	(15,874)	(17,259)	(20,010)	(7,235)
Net Interest		0	0	0	0	0
Tax		0	0	0	0	0
Capex		(349)	(164)	(220)	(100)	(100)
Acquisitions/disposals		0	0	0	0	0
Financing		25,191	31,992	13,956	17,730	0
Dividends		0	0	0	0	0
Other		(41)	(1,841)	(328)	(100)	(100)
Net Cash Flow		5,775	14,113	(3,851)	(2,480)	(7,435)
Opening net debt/(cash)		(7,165)	(12,940)	(27,053)	(23,202)	(20,722)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(12,940)	(27,053)	(23,202)	(20,722)	(13,286)

Source: Edison Investment Research, Allium Medical Solutions accounts

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