

Deinove

Growing towards commercialisation

FY14 Results

Alternative energy

Business expansion increased short term losses in FY14. However the longer term prospects are more important and in FY14 Deinove made progress on both the scientific and commercial fronts. We now expect commercial revenue from 2017 and although Deinove has sufficient funds to last until Q316, we anticipate that it will seek additional funding in FY15.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/13	0.1	(5.0)	(61.5)	0.0	N/A	N/A
12/14	0.2	(6.6)	(98.6)	0.0	N/A	N/A
12/15e	0.2	(8.3)	(100.7)	0.0	N/A	N/A
12/16e	0.2	(8.5)	(91.2)	0.0	N/A	N/A

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

FY14 results reveal business expansion costs

FY14 net losses of €6.5m (Edison forecast loss of €6.9m) compare to net losses of €3.4m in FY13. The c €3m increase can be attributed to, an expanded cost base, reflecting a move to larger premises and additional headcount, a less favourable tax position and a non-recurring item of €0.7m, mainly relating to the aborted secondary offering (July 2014). The net cash position (as defined by Deinove) of €2.2m at FY14 has been boosted by the recent drawdown of the first tranche of the equity funding arrangement put in place with Kepler Cheuvreux (raising €2.2m in the first two months of the year) and at end February the net cash position stood at €4.1m. Further equity drawdowns, the first milestone payment from the Deinochem project (€1m) and revenue generated from providing research services to its industrial partners will allow Deinove to finance its business (cash burn c €0.6-7m per month) in FY15. The company estimates that it has sufficient financial resources to fund its current programs beyond Q316.

Significant partnership agreements signed

In FY14 Deinove achieved advances in the Deinol project, where it successfully produced a solution 9% v/v from glucose in a 20L fermenter and subsequently demonstrated the successful co-assimilation of C5 and C6 sugars. Deinove also signed important partnership agreements with blue-chip names such as Abengoa, Suez, MBI and Avril, to test its technological developments for commercial suitability. We do not expect significant commercial revenue to be generated by these agreements in FY15 and we forecast no commercial revenue from either the Deinol or the Deinochem project before 2017. In FY15 we believe that Deinove will seek further partnership agreements with blue-chip partners and that the market will expect significant milestones to be met in existing partnership agreements, particularly in relation to scaling up the technology.

Valuation: Cashflow analysis preferred approach

At a share price of c €8 and using a discount rate of 11% our cashflow analysis indicates that the market is assuming a c 35% probability of success. For our near term financing assumptions see our [note](#) of 2 December 2014.

1 April 2015

Price €7.75
Market cap €43m

Net cash* (€m) at end December 2014 2.2

*Company definition

Shares in issue 5.5m

Free float 46%

Code ALDEI

Primary exchange Alternext

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(7.0)	15.0	(47.6)
Rel (local)	(8.5)	(2.4)	(54.4)
52-week high/low	€15.4	€6.0	

Business description

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

Next events

General Assembly 6 May 2015

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[Edison profile page](#)

Exhibit 1: Financial summary

	€'000s	2013	2014	2015e	2016e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		51	156	220	225
Cost of sales		0	0	0	0
Gross profit		51	156	220	225
EBITDA		(5,156)	(6,515)	(7,467)	(7,567)
Operating profit (before amort. and except.)		(5,156)	(6,520)	(8,253)	(8,504)
Intangible Amortisation		367	540	26	26
Exceptionals		21	(735)	0	0
Other		0	0	0	1
Operating profit		(4,768)	(6,715)	(8,227)	(8,477)
Net Interest		122	(37)	(12)	1
Profit before tax (norm)		(5,034)	(6,557)	(8,265)	(8,503)
Profit before tax (FRS 3)		(5,380)	(7,832)	(8,291)	(8,529)
Tax		1,960	1,374	2,148	2,191
Profit after tax (norm.)		(3,074)	(5,183)	(6,117)	(6,311)
Profit after tax (FRS 3)		(3,420)	(6,458)	(6,143)	(6,338)
Average number of shares outstanding (m)		5.0	5.3	6.1	6.9
EPS - normalised (c)		(61.5)	(98.6)	(100.7)	(91.2)
EPS - normalised and fully diluted (c)		(48.7)	(78.8)	(82.8)	(76.6)
EPS - (IFRS) (c)		(53.7)	(102.3)	(100.3)	(90.8)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross margin (%)		100.0	100.0	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		2,832	2,303	2,093	1,730
Intangible assets		85	99	73	47
Tangible assets		608	1,407	1,221	884
Investments		2,139	797	799	799
Current assets		4,128	4,650	6,318	5,678
Stocks		0	0	0	0
Debtors		2,188	2,110	1,665	1,775
Cash		1,872	966	4,329	3,579
Other		68	1,574	324	324
Current liabilities		(1,305)	(2,203)	(1,441)	(1,556)
Creditors		(1,245)	(1,441)	(1,441)	(1,441)
Short-term borrowings		(60)	(762)	0	(115)
Long-term liabilities		(3,061)	(4,546)	(5,544)	(7,544)
Long-term borrowings		(3,057)	(4,550)	(5,550)	(7,550)
Other long-term liabilities		(4)	4	6	6
Net Assets		2,594	204	1,425	(1,692)
CASH FLOW					
Operating cash flow		(5,492)	(8,460)	(7,022)	(7,677)
Net Interest		122	(37)	(12)	1
Tax		1,960	1,374	2,148	2,191
Capex		(375)	(1,338)	(600)	(600)
Acquisitions/disposals		3,779	1,307	0	0
Financing		766	4,053	8,610	3,220
Dividends		0	0	0	0
Net cash flow		760	(3,101)	3,125	(2,865)
Opening net debt/(cash)		2,005	1,245	4,346	1,221
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		1,245	4,346	1,221	4,086

Source: Edison Investment Research. Note: Deinove includes fixed-asset investments (corporate bonds) as part of its net debt/cash calculation. The acquisition of the bonds is shown in the acquisition/disposal line of the cash flow statement. Long-term borrowings (conditional advances) are not included in Deinove's net debt calculation.

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