

e-Therapeutics

Releasing hidden value

Partnership update

Pharma & biotech

6 December 2018

Price **6.63p**

Market cap **£18m**

Net cash (£m) at 31 July 2018 7.6

Shares in issue 268.6m

Free float 44.6%

Code ETX

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (11.7) (19.7) (27.4)

Rel (local) (9.1) (13.7) (22.8)

52-week high/low 10.1p 5.9p

Business description

e-Therapeutics is a UK-based drug discovery company that has developed an in silico network-driven drug discovery platform. Following a strategic review by the new CEO, the focus is now on commercialisation: securing partners for its platform, discovery and development projects.

Next events

Partnering update H218

FY18 results March 2019

Analyst

Andy Smith +44 (0)20 3077 5700

healthcare@edisongroup.com

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e-Therapeutics is a research client of Edison Investment Research Limited

e-Therapeutics (ETX) has announced an update on its collaboration with C4X Discovery (C4XD) on novel interventions in Parkinson's disease (PD). The PD collaboration started in May 2018 and combines the network-driven drug discovery (NDD) platform at ETX with the genetic information from C4XD's platform. This has already resulted in a number of avenues for novel drug target generation in PD.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
01/17	0.0	(14.1)	(4.1)	0.0	N/A	N/A
01/18	0.0	(6.7)	(2.0)	0.0	N/A	N/A
01/19e	0.0	(5.1)	(1.4)	0.0	N/A	N/A
01/20e	0.0	(4.0)	(1.1)	0.0	N/A	N/A

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

Early collaborative success

The May 2018 collaboration with C4XD has now generated results that could lead to novel drug targets for the treatment of PD. ETX applied its NDD technology to analyse a set of 200 genes which had been identified through C4XD's Taxonomy3 genomics platform as potentially being implicated in the aetiology of PD. The ETX NDD platform identified gene products that are linked to the phenotypic pathophysiology of PD. This is a significant advance as efforts over the last two decades to use single nucleotide polymorphisms (which can distinguish between patients and healthy individuals) alone to identify new targets in PD and other diseases, have been largely unsuccessful. The ETX approach reflects the fact that many diseases are the result of interactions of multiple small differences which individually may be unimportant and may have been overlooked, but only a network-aware process can reveal. Complex diseases like PD, Alzheimer's and multiple sclerosis involving more than one pathway should be more amenable to ETX's more refined NDD approach.

Good business development ammunition

Significant progress in the PD collaboration may not yet be the announcement of a licensing transaction that investors have been patiently waiting for. It is, however, a further demonstration that ETX's NDD platform might yield novel drug targets in PD and adds to its existing capabilities in the tryptophan catabolism and immune checkpoint modulator programmes. We expect ETX's management to be in constant business development mode in selling the benefits of its platform and its two assets available for licensing, so this announcement on advances in a neurological indication can only aid that process.

Valuation: Unchanged for now

Our valuation included the median upfront value of a preclinical immunoncology transaction plus ETX's market capitalisation. The latter represents a market valuation of ETX's NDD platform, and the former represents the value of only one of two potential preclinical licensing transactions. Our valuation remains at £63.5m or 24p per share.

Exhibit 1: Financial summary

	£'000s	2017	2018	2019e	2020e
Year ending 31 January		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		0	0	0	0
R&D		(10,911)	(5,019)	(3,851)	(3,000)
G&A		(2,641)	(1,749)	(1,242)	(1,000)
EBITDA		(14,200)	(6,696)	(5,035)	(3,955)
Operating Profit (before amort. and except.)		(14,256)	(6,768)	(5,093)	(4,001)
Share-based payment		(99)	(105)	(60)	(50)
Operating profit		(16,456)	(6,873)	(5,153)	(4,050)
Net interest		132	49	23	15
Profit Before Tax (norm)		(14,124)	(6,719)	(5,070)	(3,986)
Profit Before Tax (reported)		(16,324)	(6,824)	(5,130)	(4,035)
Tax		3,073	1,360	1,355	1,000
Profit after tax (norm.)		(11,051)	(5,359)	(3,715)	(2,985)
Profit after tax (as reported)		(13,251)	(5,464)	(3,775)	(3,035)
Average Number of Shares Outstanding (m)		267.1	268.5	268.5	268.5
EPS - normalised (p)		(4.1)	(2.0)	(1.4)	(1.1)
EPS - as reported (p)		(5.0)	(2.0)	(1.4)	(1.1)
Dividend per share (p)		0.0	0.0	0.0	0.0
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		207	206	197	171
Intangible assets		156	135	141	133
Tangible assets		51	71	56	38
Current assets		18,225	11,556	6,714	3,512
Stocks		0	0	0	0
Debtors		3,749	1,455	717	717
Cash		13,975	9,597	5,502	2,795
Other		501	504	495	0
Current liabilities		(1,951)	(1,024)	(704)	(452)
Creditors		(1,951)	(1,024)	(704)	(452)
Other creditors		0	0	0	0
Short-term borrowings		0	0	0	0
Long-term liabilities		0	0	0	0
Long-term borrowings		0	0	0	0
Deferred taxation		0	0	0	0
Other long-term liabilities		0	0	0	0
Net assets		16,481	10,738	6,207	3,231
CASH FLOW					
Operating cash flow		(12,509)	(7,373)	(5,453)	(3,702)
Net interest		194	86	23	15
Tax		3,073	2,968	1,355	1,000
Capex		(22)	(66)	(5)	(5)
Purchase of intangibles		(143)	(5)	(15)	(15)
Acquisitions/disposals		(1,473)	0	0	0
Financing		13	12	0	0
Dividends		0	0	0	0
Other		0	0	0	0
Net cash flow		(10,867)	(4,378)	(4,095)	(2,707)
Opening net debt/(cash)		(24,842)	(13,975)	(9,597)	(5,502)
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		(13,975)	(9,597)	(5,502)	(2,795)

Source: e-therapeutics, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia