

22 June 2020

## Corp

**Ticker** ODX:AIM

**Healthcare Equipment & Services**

Shares in issue (m) 150.6

Next results FY Jul

**Price** 54.0p

Target price Under review

Upside n/a

**Market cap** £81.3m

Net debt/(cash) -£7.2m

Other EV adjustments £0.0m

Enterprise value £74.1m

**What's changed?** From To

Adjusted EPS -0.3 -0.3

Target price U/R n/c

### Share price performance



%	1M	3M	12M
Actual	0.9	564.6	434.7

### Company description

Diagnostics company focused on allergy, autoimmune and infectious diseases

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## ▶ Omega Diagnostics\*

### £8m fundraise with Open Offer of up to £3m

Omega has conditionally raised £8m alongside an Open Offer up to £3m, to scale manufacturing, expand its lateral flow portfolio of global health tests and exploit the opportunities for COVID-19 testing that arise from its partnerships within the UK. We argue that the Food Intolerance business largely underpins the current valuation, given imminent Chinese approval, with upside derived from VISITECT and COVID-19 opportunities. Modelling the potential impact of a COVID-19 test with any degree of confidence at the moment is not possible; however, we provide a COVID-19 capacity model and a SOTP analysis that points to a valuation that is substantially in excess of the current market capitalisation.

- ▶ **Fundraise of £8m** by way of the issue of 20m shares at 40p, alongside an Open Offer of up to £3m (7.5m shares), representing up to 15.5% of the enlarged equity.
- ▶ **Building capacity and flexibility into its production facility(ies)** – utilising its manufacturing capacity to produce potentially five COVID-19 tests – two lab-based tests and two POC tests in association with Mologic, in addition to the POC antibody test being developed by the UK Rapid Test Consortium (UK-RTC). This provides Omega with the flexibility to meet the potential for changing test needs globally.
- ▶ **Exploiting COVID-19 opportunities.** COVID-19 offers an excellent opportunity to leverage Omega's existing skill set to significantly grow the business. The UK-RTC test will largely service UK market demand, with Mologic tests principally sold internationally, benefiting from the >75 distributors with whom Omega has established relationships. A 10% utilisation of its planned capacity would imply revenues and gross profit of c.£25m and £13m, respectively.
- ▶ **Food Intolerance** largely underpins the current valuation, generating c.£4.2m of EBITDA in FY 2020. With the expected summer approval of its Food Detective self-test in China, a product in which its distributor has invested c.\$2m, China alone could generate revenues and EBITDA of £12m and £6m, respectively, based on c.1m tests.
- ▶ **VISITECT CD4.** Agreement with CHAI will accelerate the deployment of the CD4 Advanced Disease test, and with the prospect of WHO PQ approval in the summer, this opens access to a c.£20m POC test market for which VISITECT remains the only such test.
- ▶ **Forecasts and valuation.** Save for additional capex and capitalised development expenses, arising from the fundraise, our forecasts are left unchanged. Whilst we leave our target price under review, we provide an assessment of COVID-19 potential revenues and a sum-of-the-parts analysis indicating a potential valuation that is substantially in excess of the current market capitalisation.

Key estimates		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	14.2	13.6	9.8	9.8	12.6
Adj EBITDA	£m	1.5	-0.3	0.1	0.9	1.6
Adj EBIT	£m	1.2	-0.7	-0.2	-0.3	0.9
Adj PBT	£m	1.1	-0.7	-0.3	-0.4	0.7
Adj EPS	p	1.1	-0.9	-0.4	-0.3	0.4
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2017A	2018A	2019A	2020E	2021E
EV/EBIT (adj)	x	63.1	-105.0	-359.4	-289.2	82.9
P/E (adj)	x	49.6	-60.5	-134.2	-165.0	121.5
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-0.8%	-5.0%	-2.9%	-2.0%	-2.9%
Pre-tax ROCE	%	5.4%	-3.9%	-1.1%	-2.0%	3.8%

## £8m fundraise with Open Offer of up to £3m

Income statement		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	13.6	9.8	9.8	12.6
Gross profit	£m	8.2	6.2	6.3	7.9
EBITDA (adjusted)	£m	-0.3	0.1	0.9	1.6
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>-0.7</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.9</b>
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.0	-0.1	-0.2	-0.2
<b>PBT (adjusted)</b>	<b>£m</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-0.4</b>	<b>0.7</b>
Total adjustments	£m	-6.2	1.5	-8.0	-0.2
PBT (stated)	£m	-6.9	1.2	-8.4	0.5
Tax charge	£m	-0.4	-0.2	0.0	0.0
Minorities	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	-7.3	1.0	-8.4	0.5
<b>Adjusted earnings</b>	<b>£m</b>	<b>-1.1</b>	<b>-0.5</b>	<b>-0.4</b>	<b>0.7</b>
Shares in issue (year end)	m	126.9	126.9	150.6	178.2
EPS (stated)	p	-6.0	0.8	-6.2	0.3
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>-0.9</b>	<b>-0.4</b>	<b>-0.3</b>	<b>0.4</b>
<b>DPS</b>	<b>p</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Cash flow		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	-0.4	0.1	0.8	1.5
Net change in working capital	£m	0.9	-0.3	-0.6	-0.3
Other operating items	£m	-1.3	0.5	0.6	0.1
<b>Cash flow from op. activities</b>	<b>£m</b>	<b>-0.8</b>	<b>0.4</b>	<b>0.7</b>	<b>1.3</b>
Cash interest	£m	0.0	0.0	0.0	0.0
Cash tax	£m	0.0	0.0	0.0	0.0
Capex	£m	-3.3	-2.7	-2.3	-3.7
<b>Free cash flow</b>	<b>£m</b>	<b>-4.1</b>	<b>-2.3</b>	<b>-1.6</b>	<b>-2.4</b>
Acquisitions / disposals	£m	0.0	1.8	0.2	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	3.1	0.0	2.3	10.5
Other	£m	-0.0	0.3	-0.5	-0.4
<b>Net change in cash flow</b>	<b>£m</b>	<b>-1.1</b>	<b>-0.2</b>	<b>0.3</b>	<b>7.7</b>
Opening net cash (debt)	£m	0.5	-0.6	-0.8	-0.5
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-0.5</b>	<b>7.2</b>

Balance sheet		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	1.7	1.6	3.2	5.1
Goodwill & other intangibles	£m	15.0	17.0	9.5	10.4
Other non current assets	£m	1.3	1.4	1.4	1.4
Net working capital	£m	2.2	2.0	2.4	2.9
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-2.3	-2.9	-3.7	-3.5
Gross cash & cash equivs	£m	0.1	0.0	0.1	7.2
<b>Capital employed</b>	<b>£m</b>	<b>18.0</b>	<b>19.1</b>	<b>12.9</b>	<b>23.4</b>
Gross debt	£m	0.9	0.9	0.7	0.2
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	17.1	18.2	12.2	23.2
Minorities	£m	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>18.0</b>	<b>19.1</b>	<b>12.9</b>	<b>23.4</b>

Growth analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	-4.9%	-28.0%	0.4%	28.5%
EBITDA growth	%	-120.3%	140.3%	604.5%	84.3%
EBIT growth	%	-160.1%	70.8%	-24.3%	448.9%
PBT growth	%	-165.2%	59.1%	-46.4%	264.7%
EPS growth	%	-182.1%	55.0%	18.7%	235.8%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	60.5%	63.2%	64.1%	63.0%
EBITDA margin	%	-2.3%	1.3%	9.1%	13.0%
EBIT margin	%	-5.2%	-2.1%	-2.6%	7.1%
PBT margin	%	-5.5%	-3.1%	-4.5%	5.8%
Net margin	%	-8.1%	-5.2%	-4.5%	5.8%

Cash flow analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	n/m	400.5%	93.4%	86.3%
Cash conv'n (FCF / EBITDA)	%	n/m	n/m	-204.0%	-153.5%
U/lying FCF (capex = deprn)	£m	-1.2	0.0	-0.4	0.6
Cash quality (u/l FCF / adj earn)	%	111.2%	-7.1%	91.9%	80.7%
Investment rate (capex / deprn)	x	8.5	8.1	4.3	6.8
Interest cash cover	x	net cash	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	16.2%	20.8%	24.5%	22.7%
Net working capital / sales	days	59	76	89	83
Inventory (days)	days	49	37	51	51
Receivables (days)	days	80	93	99	87
Payables (days)	days	70	55	60	55

Leverage analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	4.5%	5.1%	5.3%	net cash
Net debt / EBITDA	x	n/a	7.3	0.7	net cash
Liabilities / capital employed	%	4.9%	4.8%	5.5%	0.8%

Capital efficiency & intrinsic value		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	-6.4%	-2.8%	-3.7%	3.1%
RoCE (EBIT basis, pre-tax)	%	-3.9%	-1.1%	-2.0%	3.8%
RoCE (u/lying FCF basis)	%	-6.8%	0.2%	-3.2%	2.5%
NAV per share	p	13.5	14.3	8.1	13.0
NTA per share	p	1.6	0.9	1.8	7.2

## Fundraise

Omega Diagnostics raised £8m via a Placing and Subscription of ordinary shares with up to a further £3m by way of an Offer through the issue of up to 27.5m ordinary shares at 40p, 7.52m shares of which fall under existing authorities with 12.43m (and up to 7.52m through the Open Offer) shares conditional on shareholder approval. This represented a c.34% discount to the 30-day volume weighted average price on 18 June, being 60.6p per share, and a c.27% discount to the closing price on 18 June, being 55p, representing up to 15.5% of the enlarged equity.

**Figure 1: Fundraise statistics**

Fundraise statistics	Shares (m)
Existing shares	150.6
Shares issued by way of Placing and Subscription	20.0
Shares to be raised by way of an Open Offer	7.5
Shares following Admission	178.2
Share of enlarged equity	15.5%
Placing price (p)	40.0
Gross funds raised (£m)	11.0
Market Capitalisation at Placing Price (£m)	71.3

Source: finnCap

## Proposed use of proceeds

The Company intends to use the net proceeds of the Fundraising as follows (Figure 2).

**Figure 2: Use of proceeds**

Activity	Description	Total Investment
COVID-19 – ELISA test.	Purchase of manufacturing equipment to scale up production. (275k tests per week to 1m tests per week)	1.1
COVID-19 – Lateral Flow test.	Purchase of manufacturing equipment to scale up production. (100k test per week to 1m tests per week)	3.0
VISITECT CD4 margin improvement	Validation work on new raw materials and processes to lower the cost of goods for VISITECT® CD4	0.4
Expand Lateral Flow Product Portfolio	Intention to develop two tests over medium term: (i) a test for Cryptococcal meningitis and (ii) a TB-LAM test to diagnose T.B. in people living with HIV	2.7
Repayment of overdraft facility		1.0
Working capital		2.3
<b>Total</b>		<b>10.5</b>

Source: finnCap

## Timetable

**Figure 3: Expected timetable**

Timetable	Date 2020
Announcement of the proposed Placing, Open Offer and Subscription	19 June
Publication and posting the Circular and Form of Proxy	22 June
Ex-entitlement date for Open Offer	8am, 22 June
Admission of unconditional shares	8am, 25 June
Announcement of Open Offer	8 July
General Meeting	11am, 10 July
Admission of conditional shares	8am, 13 July

Source: finnCap

## Use of proceeds

### COVID-19 – ELISA testing (antibody and antigen)

Further to the announcement of its first order for its COVID-19 laboratory-based antibody ELISA testing kit, manufactured and distributed as part of the partnership with Mologic, and the expansion of its partnership to include an ELISA antigen test, Omega intends to expand the current production capacity from c.275,000 tests (c.2,750 ELISA plates) per week to 1m tests per week, which will require c.£1.1m of capital expenditure (c.£0.6m at its Littleport facility and c.£0.5m at its Alva facility). How capacity is ultimately shared between an ELISA antibody and ELISA antigen test is an unknown variable.

Assuming that full capacity is reached, this would imply potential maximum revenues of c.£1.5m (if only antibody tests) to £5.0m per week (if only antigen test) or c.£75m to £250m per annum, with a gross margin of around 50%.

### COVID-19 – lateral flow testing

Following the announcement of the expansion of its partnership with Mologic on 9 June, to manufacture point-of-care lateral flow diagnostic to detect both COVID-19 antigens and COVID-19 antibodies, Omega intends to expand the current production capacity for COVID-19 tests from c.100,000 to 1m tests per week, which will require c.£3.0m. Of this, c.£1.1m will be spent at its Alva facility in Scotland to increase the current capacity from 100,000 to 500,000 tests per week. A further £1.9m will be spent on leasing and fitting out another facility (identified in Dundee, Scotland) which will also have a potential capacity to produce c.0.5m tests per week.

The Alva facility is already set up to manufacture 15,000 VISITECT CD4 lateral flow devices per week, which are being shipped to customers, as well being ready to manufacture COVID-19 lateral flow devices as part of the UK-Rapid Test Consortium (UK-RTC), the development of which has been partly funded by the UK Government. As part of the UK-RTC, we expect these tests to be made available to the consortium, after which they will be distributed on behalf of the UK Government, whereas the majority of the Mologic tests (both antigen and antibody) are expected to be sold for export.

Assuming capacity is reached at the Alva facility, we estimate that this would imply potential revenues of c.£1.5m per week, depending on the mix of CD4 and COVID-19 tests, with a gross margin of around c.50% for the UK-RTC and Mologic tests and up to 70% for the VISITECT CD4 tests.

### VISITECT CD4 margin announcement

As the expected demand for VISITECT CD4 350 and particularly the Advanced Disease test increases following WHO Prequalification approval, which is anticipated in the summer and will enable larger NGO organisations to procure the tests, Omega wants to mitigate any potential downward price pressure by ensuring its costs are also reduced, the largest of which relate to sourcing antibodies for the tests. Consequently, Omega intends to spend c.£0.4m on validating new sources of antibodies (£0.2m of which we include in FY 2021 forecasts).

### Expand Lateral Flow product portfolio

One of Omega's core competencies is the development and production of lateral flow diagnostic devices, exemplified by the VISITECT CD4 test, which was the reason that both the UK-RTC and Mologic elected to partner with Omega. However, the long-term demand for a COVID-19 antibody and antigen tests is less clear. We certainly believe that globally the SARS-CoV-2 virus is unlikely to disappear imminently, but as demand drops, Omega intends to replace that demand with other LFD tests. To that extent, Omega intends to spend c.£1.1m over the next 2-3 years (£0.3m included in FY 2021 forecasts) to add point-of-care tests for both Cryptococcus (CrAg) and TB; markets estimated by Omega to require c.6.5m tests with a value of c.£21m. There is a need for tests with improved sensitivity. Many of the same HIV patients tested for CD4 status, before treating with anti-retroviral therapy (ART), are at risk of having CrAg and TB opportunistic infections. ART is more effective in treating the HIV if these infections are identified first and then treated before starting ART.

## Newsflow

We expect the following newsflow from Omega over the balance of 2020 to include:

**Figure 4: Omega Diagnostics – anticipated newsflow**

Date	Key news items
June - June	COVID-19 UK-RTC design freeze, validation, CE marking and orders Design freeze expected
June -	COVID-19 ELISA antibody orders to follow first order from Senegal (£0.1m)
Sep 20 to Jan 21	COVID-19 ELISA antigen and COVID-19 rapid tests for antigen/antibody To include completion of technology transfer, validation, CE marking and orders
Summer	Updates with VISITECT CD4 Advanced Disease, eg. WHO PQ clearance
Summer	Food Detective self-test approval in China

Source: finnCap

## Trading update

Omega provided a summary of the key headline financials for the year to 31 March. The key points were:

- ▶ Sales from continuing businesses rose 12% to £9.8m.
- ▶ Gross profit from continuing businesses rose 12% to £6.3m, £0.1m ahead of our forecasts with a gross margin of 64.1% compared with 64.3% in FY 2019.
- ▶ Adjusted EBITDA rose 359% from £0.2m to £0.9m. This was before share-based payments and net exceptional costs of £7.7m, relating to the impairment of allergy intangible assets, which arose as a result of the decision to halt further development of allergy tests.

Driving this growth was a strong performance from the Food Intolerance business, which accounted for 94% of group revenues. Omega provided a breakdown of cash flows by business unit (Figure 5), which clearly illustrate the cash-generative nature of the Food Intolerance business whilst it continued to invest into CD4 and infectious diseases.

**Figure 5: Business unit cash flows**

Year to end March 2020 (£m)	Food Intolerance		Allergy & Autoimmune		CD4 & Infectious		Total	
	People	£m	People	£m	People	£m	People	£m
Sales		9.2		0.4		0.2		9.8
Direct material costs		-2.1		-0.1		-0.1		-2.3
Production salaries	34	-0.8	2	0.0	9	-0.3	45	-1.1
Overhead salaries	24	-0.8	0	0.0	41	-2.0	65	-2.8
Other operating expenses		-0.8		-0.2		0.1		-0.9
Premises & utilities		-0.5		0.0		-0.3		-0.8
<b>EBITDA</b>		<b>4.2</b>		<b>0.1</b>		<b>-2.4</b>		<b>1.9</b>
<i>EBITDA margin</i>		<i>45.7%</i>		<i>25.0%</i>		<i>n/a</i>		<i>19.4%</i>
Development spend	6	-0.4	11	-0.8	6	-0.7	23	-1.9
<b>Cash generation/burn</b>	<b>64</b>	<b>3.8</b>	<b>13</b>	<b>-0.7</b>	<b>56</b>	<b>-3.1</b>	<b>133</b>	<b>0.0</b>
Group plc costs							3	-1.0
Working capital movements								-1.0
Finance costs								-0.4
Capital expenditure								-0.2
Grants received								0.3
Taxation credits received								0.3
Equity fundraise (May and October 2019)								2.2
<b>Group cash burn</b>							<b>136</b>	<b>0.2</b>

Source: Company data

- ▶ Food Intolerance generated £4.2m of EBITDA, implying c.44% EBITDA margins for the year and EBITDA of £2.4m (47% margin) in H2 FY 2020. The company invested c.£0.4m into product development, which implied cash generated from this business unit was c.£3.8m (£2.2m in H2 FY 2020).
- ▶ Allergy generated EBITDA of £0.1m and invested c.£0.8m on additional allergy tests, which took it to 69 CE marked allergens. As a result, this segment burnt c.£0.7m of cash in the year. The decision to halt the development of further tests, which its partner (IDS) will seek to undertake, therefore turn this business segment into a very modest cash generator as Omega will continue to manufacture and sell the 69 tests to IDS.
- ▶ As the company readies itself for the full commercialisation of VISITECT CD4 tests, this business unit reported a LBITDA of c.£2.4m, and a cash burn of £3.1m, having spent £0.7m on development. We expect this business to become cash generative over the next two years, with EBITDA breakeven estimated to be at c.£3.5-4.0m of sales.

Consequently, segmental cash burn was neutral in FY 2020. Central costs for the business, including group plc, working capital, finance costs, capex amounted to £2.6m, which was offset by £0.6m of tax credits and grant income and funds from two smaller equity raises, thus resulting in a net cash inflow of £0.2m and a reduction in the drawdown of its £2m overdraft facility, which was expanded in April to £3m.

## Growth opportunities

Omega has a number of substantial value drivers over the near to medium term, which we highlight below. Whereas, the strong underlying cash generative nature of the Food Intolerance business was masked historically by development expenses for both CD4 and Allergy (no longer the case), the outlook is for three cash generative revenue streams.

### Food Intolerance

Food Intolerance revenues rose 14% to £9.2m in FY 2020, driven by:

- ▶ FoodPrint (lab-based microarray instrument capable of detecting 200+ food-specific antibodies) revenues increased by 4% to £5.7m. We are encouraged by the fact that Omega's mid-tier markets are growing, as illustrated by the fact that its top five markets now account for c.58% of revenues compared with 70% a few years ago.
- ▶ Food Detective (point-of-care test that screens for the presence of IgG antibodies to 59 common foods) revenues increased 57% to £2.6m (£1.7m), all of which was accounted for by China. Omega's distributor bought c.90,000 tests ahead of the March 2020 approval of the lab-based test.

As indicated in our recent research note (9 June), we expect the disruption caused by the pandemic to affect revenues in FY 2021, with Q1 FY 2021 revenues expected by Omega to have been 30% lower than in the comparable year. Our forecasts assume a £2m shortfall in revenues compared with previous FY 2020 forecasts, and imply an 11% fall in revenues to £8.2m, which we expect to be recovered in subsequent years. The principal driver of this business is expected to be China:

- ▶ NMPA approval for use of Food Detective as a self-test is expected by end summer.
- ▶ Omega's Chinese distributor has already spent c.\$2m to gain NMPA approvals for both forms of the test as well as developed a Chinese-specific app.
- ▶ Having shipped orders for over 90,000 tests in FY 2020, Omega confirmed that it has received an order for 28,000 tests to be shipped in June (c.£0.35m).
- ▶ Its Chinese distributor believes the market potential is for potential sales of 1m tests by 2023, assuming NMPA approval for the self-test, which would imply revenues to Omega of c.£12m, with a gross margin of c.70%.

### VISITECT CD4

Omega generated revenues of c.£50k in FY 2020, having shipped and invoiced c.15,000 tests (3,600 CD4 350 and 11,500 Advanced Disease test). This excluded any sales to Nigeria, for which Omega has received an order for 250,000 CD4 350 tests, which is conditional on governmental agreement as to its use and deployment, despite having received MoH approval in January 2020.

Nigeria is currently shut down as the healthcare system tries to cope with the COVID-19 pandemic. A decision as to how the CD4 350 test will be included and deployed in the national HIV algorithm is not expected until late summer, at the earliest.

The key factors behind the growth in this business are:

- ▶ Clinton Heath Access Initiative (CHAI), which acts on behalf of UNITAID to implement its Advanced disease initiative (\$20m fund for HIV/CD4 tests, CrAg and TB), is accelerating the deployment and encouraging procurement of up to 0.5m tests, and with whom Omega has a supply agreement in place to 31 December 2021. We expect the first countries to place orders imminently, after which PEPFAR (US President's Emergency Plan for AIDS Relief) is expected to continue funding this programme, given its inclusion of an inexpensive lateral flow CD4 assay in its guidance.
- ▶ WHO Prequalification (PQ), which will enable a broader network of NGOs to purchase the Advanced Disease test. We had expected WHO PQ approval to be granted once the field evaluation study in Kenya had completed, which given the pandemic, had been postponed until the end of 2020. However, Omega confirmed that the WHO will accept the Médecins Sans Frontières (MSF) evaluation study results, which were presented in April 2020. Assuming therefore that the technical file and responses given to WHO following the site visit to Alva in January are signed off, WHO PQ approval is now expected in the summer (conditional on Omega still undertaking the Kenyan field evaluation trial when the market opens up).

VISITECT CD4 remains the only point-of care test available. The WHO/UNITAID consider the annual market for CD4 tests to be c.12m tests, of which c.6m are for point-of-care tests, implying an annual addressable market of c.\$24m/£20m (\$4 per test), with gross margins of 60-70%.

**Figure 6: VISITECT opportunities**

	Volume (m)	Value (£m)	Comment
Nigeria	0.25	1.0	Conditional on Nigerian government agreement
CHAI	0.5	2.0	Supply agreement to 31 December 2021
NGO network	TBC	TBC	WHO PQ approval in summer 2020 to simulate demand

Source: finnCap

### COVID-19

As the manufacturing partner to both UK-RTC (point of care antibody test) and Mologic (lab-based ELISA antibody and antigen test, and POC antibody and antigen lateral flow diagnostics tests), we expect multiple drivers over the balance of 2020:

- ▶ The UK-RTC, led by Abingdon Health, is expected to announce a design freeze for its COVID-19 POC lateral flow test in June, after which a technology agreement with Omega will occur, enabling it to gear up manufacturing capacity, during which time the test will be validated and CE marked. First orders are possible in August/September. The pricing of the test will be established by the consortium in agreement with the UK Government. The intention is for every person in the UK to receive a test at home, the results of which will fed back into a central database to understand who has been infected by the SARS CoV-2 virus and generated antibodies (and, potentially, immunity to it). Omega will be expected to manufacture the LFDs, seal in a foil pouch and ship them in bulk for onward distribution through carriers such as Amazon. Whilst we do not know the price that Omega will receive per test, we have assumed c.£1.50 per foil wrapped device, with a gross margin of c.50%.

- ▶ The agreement with Mologic provides Omega with the opportunity to produce and sell four COVID-19 tests, the majority of which are expected to be for export markets.
  - ▶ ELISA antibody test (lab-based test) is being evaluated by 15 countries, having already received its first order from Senegal for £0.1m. We estimate Omega to generate a c.50% gross margin based on a price per test of c.£1.50.
  - ▶ ELISA antigen test. We estimate Omega will generate a c.50% gross margin based on a price per test of c.£5.00.
  - ▶ Lateral flow antibody test is likely to be the next test to be CE marked, with potential first sales into Omega's distribution network in late 2020/early 2021.
  - ▶ Lateral flow antigen test. We estimate Omega will be able to generate a c.50% gross margin based on a price per test of c.£3.20 for the antibody test (similar to that which it achieves for the VISITECT CD4 test) and c.£5.00 for the antigen test.

## Modelling COVID-19 opportunity and valuation

Our target price remains under review, given the difficulty at this time of forecasting the potential revenues of SARS-CoV-2 antibody and antigen tests (both lab-based as well as POC tests in the case of Mologic's and the POC test manufactured for the UK-RTC) with any degree of accuracy.

Suffice to say, if Omega's partners (UK-RTC and Mologic) are able to successfully develop their tests in the time frame indicated (CE mark and launch in summer), the valuation upside is considered substantial, as illustrated by the c.£160m incremental value created by Novacyt's COVID PCR test (generated £40m of revenues in the past three months with an order book of £80m).

We provide an assessment of potential revenues and gross profits (Figure 6) at different capacity utilisation rates for lateral flow device production at the Alva facility, with the following key assumptions:

- ▶ Current capacity to produce 15,000 VISITECT CD4 and 100,000 COVID-19 tests per week.
- ▶ Expansion to 500,000 COVID-19 lateral flow device tests per week.
- ▶ Pricing of UK-RTC bulk test is estimated at c.£1.50, with a gross margin of 50%.
- ▶ Pricing of Mologic's COVID-19 antibody finished (packaged and labelled) test is estimated at c.£3.2 per test, with a gross margin of 50%.
- ▶ Pricing of Mologic's COVID-19 antigen finished (packaged and labelled) test is estimated at £5.0 per test, with a gross margin of 50%.
- ▶ Pricing of VISITECT CD4 test is £3.2 per test, with a gross margin of 70%.

Based on a capacity utilisation rate of 10-50% of the expanded capacity for COVID-19 lateral flow tests, revenue and gross profits (before labour costs) on an annual basis could range from £7.9m to 39.5m and £4.0m to £20.0m, respectively. Clearly, it is not as simple as this given that:

- ▶ Omega intends to take a phased approach to adding capacity, from 100k per week now for COVID-19 to 400k per week in October and 500k per week in November.
- ▶ Revenue potential will also depend on the split between Mologic's antibody LFDs and antigen LFDs (the latter will be more expensive).

Included in our forecasts is a phased capital expenditure programme in FY 2021 of c.£1.1m, which relates to the additional reel-to-reel, cassetting and pouching equipment to produce bulk tests.



**Figure 7 Revenue and gross profit potential of lateral flow device manufacturing based on capacity utilisation**

Alva, Scotland	Current capacity		Proposed capacity		Capacity utilisation				
	Per week	Per annum (m)	Per week	Per annum (m)	Tests per annum (m)				
<b>Lateral Flow test</b>	<b>100,000</b>	<b>5.0</b>	<b>500,000</b>	<b>25.0</b>	<b>10%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
UK-RTC			200,000	10.0	1.0	2.5	5.0	7.5	10.0
Mologic - antibody test			150,000	7.5	0.8	1.9	3.8	5.6	7.5
Mologic - antigen test			150,000	7.5	0.8	1.9	3.8	5.6	7.5
<b>COVID-19 tests</b>					<b>2.5</b>	<b>6.3</b>	<b>12.5</b>	<b>18.8</b>	<b>25.0</b>
<b>VISITECT CD4</b>	<b>15,000</b>	<b>0.8</b>	<b>15,000</b>	<b>0.8</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	<b>0.8</b>
<b>Total LFDs</b>					<b>2.6</b>	<b>6.4</b>	<b>12.9</b>	<b>19.3</b>	<b>25.8</b>
			<b>Price (£)</b>		<b>Revenue potential (£m)</b>				
					<b>10%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
UK-RTC			1.5		1.5	3.8	7.5	11.3	15.0
Mologic - antibody test			3.2		2.4	6.0	12.0	18.0	24.0
Mologic - antigen test			5.0		3.8	9.4	18.8	28.1	37.5
<b>COVID-19 tests</b>					<b>7.7</b>	<b>19.1</b>	<b>38.3</b>	<b>57.4</b>	<b>76.5</b>
VISITECT CD4			3.2		0.2	0.6	1.2	1.8	2.4
<b>Total Lateral Flow Devices</b>					<b>7.9</b>	<b>19.7</b>	<b>39.5</b>	<b>59.2</b>	<b>78.9</b>
					<b>Gross profit potential (£m)</b>				
					<b>10%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Gross margin									
UK-RTC			50%		0.8	1.9	3.8	5.6	7.5
Mologic - antibody test			50%		1.2	3.0	6.0	9.0	12.0
Mologic - antigen test			50%		1.9	4.7	9.4	14.1	18.8
<b>COVID-19 tests</b>					<b>3.8</b>	<b>9.6</b>	<b>19.1</b>	<b>28.7</b>	<b>38.3</b>
VISITECT CD4			70%		0.2	0.4	0.8	1.3	1.7
<b>Total Lateral Flow Devices</b>					<b>4.0</b>	<b>10.0</b>	<b>20.0</b>	<b>29.9</b>	<b>39.9</b>

Source: finnCap

We have undertaken a similar assessment of the potential revenues and gross profits (Figure 7) at different capacity utilisation rates for ELISA antibody and antigen production at the Littleport facility, with the following key assumptions:

- ▶ Current capacity to produce 275,000 tests per week (c.13.8m per annum).
- ▶ Expansion to 1m ELISA tests per week (c.10,000 ELISA 96-well plates).
- ▶ Pricing of Mologic's ELISA antibody test is c.£1.5 per test, with a gross margin of 50%.
- ▶ Pricing of Mologic's COVID-19 antigen test is c.£5.0 per test, with a gross margin of 50%.

Based on a capacity utilisation rate of 10-50% of the expanded capacity, revenue and gross profits (before labour costs) on an annual basis could range from £16.3m to £81.3m and £8.1m to £40.6m, respectively. As with the LFDs, the revenue potential will also depend on the split between Mologic's antibody LFDs and antigen LFDs (the latter will be more expensive).

As with the LFD, Omega intends to take a phased approach to adding ELISA capacity, from 275k per week currently to c.600k in August, to 750k in November and to 1m per week by January 2021.

Included in our forecasts is a phased capital expenditure programme in FY 2021 of c.£1.1m, which relates to the additional automated ELISA plate loader and pouching equipment to produce the finished ELISA test kits.

**Figure 8 Revenue and gross profit potential of ELISA manufacturing based on capacity utilisation**

Littleport, Cambs, UK	Current capacity		Proposed capacity		Capacity utilisation				
	Per week	Per annum (m)	Per week	Per annum (m)	Tests per annum (m)				
<b>ELISA</b>	<b>275,000</b>	<b>13.8</b>	<b>1,000,000</b>	<b>50.0</b>	<b>10%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Mologic - antibody test			500,000	25.0	2.5	6.3	12.55	18.8	25.0
Mologic - antigen test			500,000	25.0	2.5	6.3	12.5	18.8	25.0
<b>Total LFDs</b>					<b>5.0</b>	<b>12.5</b>	<b>25.0</b>	<b>37.5</b>	<b>50.0</b>
			<b>Price (£)</b>		<b>Revenue potential (£m)</b>				
					<b>10%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Mologic - antibody test			1.5		3.8	9.4	18.8	28.1	37.5
Mologic - antigen test			5.0		12.5	31.3	62.5	93.8	125.0
<b>Total Lateral Flow Devices</b>					<b>16.3</b>	<b>40.6</b>	<b>81.3</b>	<b>121.9</b>	<b>162.5</b>
					<b>Gross profit potential (£m)</b>				
					<b>10%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Gross margin									
Mologic - antibody test			50%		1.9	4.7	9.4	14.1	18.8
Mologic - antigen test			50%		6.3	15.6	31.3	46.9	62.5
<b>Total Lateral Flow Devices</b>					<b>8.1</b>	<b>20.3</b>	<b>40.6</b>	<b>60.9</b>	<b>81.3</b>

Source: finnCap

### Peer group valuations

We include in Figure 8 a comparison of diagnostics companies to get a sense of the potential valuation range for Omega Diagnostics. These companies trade on a median FY+2 EV/Sales multiple of c.7.0x (3.9-33.98x) with median EV/EBITDA multiples of 30x (c.14-60x).

**Figure 9: Comparable diagnostic multiples and valuations**

Company	Price	M. Cap	EV/Sales (x)		
	l/c	£m	FY1	FY2	FY3
Avacta Group	1.38	325	64.8		
Renalytix AI	5.10	303	640.5	33.9	10.3
Novacyt	2.45	170			
EKF Diagnostics	0.47	218	3.7	4.0	4.1
Yourgene Health	0.18	112	7.5	5.3	4.3
Diaceutics	1.50	104	6.2	5.1	
Oncimmune Holdings	1.37	87	115.2	14.5	9.7
Omega Diagnostics Group	0.55	81	7.4	6.8	
Immunodiagnostic Systems	2.80	81			
Genedrive	1.27	57	26.1	19.2	8.6
<i>Average</i>			108.9	12.7	7.4
<i>median</i>			16.8	7.0	8.6
<i>maximum</i>			640.5	33.9	10.3
<i>minimum</i>			3.6	3.9	4.0

Source: finnCap

### Sum-of-the-parts valuation

We outline below the elements of value within Omega that form the basis of a sum-of-the-parts valuation that is substantially in excess of the current market capitalisation of c.£80m.

- ▶ The existing Food Intolerance business generated sales and EBITDA in FY 2020 of £9.2m and £4.2m, respectively, growing at c.14% and driven by a c.£1m order from China. Stripping c.£0.7m from EBITDA to account for the Chinese contribution, the underlying non-China business could generate c.£4.0m of EBITDA in two years, which could command a valuation of c.£60m (15x EV/EBITDA, given 40%+ EBITDA margin).
- ▶ Assuming Chinese NMPA approval for the Food Detective self-test in the summer, revenues could rise to £6-12m (0.5-1.0m tests) in the next couple of years with gross

profit of £4.0-8.0m: potentially larger than the current business. Based on an EV/EBITDA multiple of 10x, this could be valued at £40-80m, with a value today of £30-60m.

- ▶ VISITECT CD4 is potentially capable of generating revenues of £8-12m in the next few years once WHO PQ approval has been received and end users have familiarised themselves with the test's utility, which implies test volumes of 2.5-3.8m. This would generate gross profits of c.£5.5-8.5m, which could be valued at £55-85m, a value today of £45-70m.
- ▶ COVID-19 UK-RTC test is a binary event. If the test is validated and CE-marked, it is likely that over the next two years Omega will be able to supply the consortium at its production capacity. Based on cumulative revenues of c.£15m (10m tests), this is arguably worth up to £30-45m or 2-3x sales.
- ▶ COVID-19 Mologic tests. Assuming that it utilises c.10% of its annualised capacity for both LFD and ELISA tests, revenues could amount to c.£22m with a gross profit of c.£11m. This is arguably worth £45-65m.

Whilst it is not clear how long the global demand for COVID-19 antibody and antigen tests will last, we believe that it will continue for the next 12-24 months at least, and the capacity that Omega intends to build into its Alva facility will be replaced in part by new lateral flow devices that it will develop and that can be marketed alongside VISITECT CD4.

## Forecast changes

We have made no changes to the forecasts published in 9 June report that followed the company's trading update and expanded agreement with Mologic, other than to reflect the cash inflow from the fundraise (£5.0m gross) and the expected additional capital expenditures and capitalised development costs relating to the COVID-19 manufacture expansion and others. In FY 2021, these include:

- ▶ £1.1m to invest in equipment to manufacture ELISA tests at Littleport, Cambs, which include automated ELISA plate loaders and foil pouching equipment.
- ▶ £1.1m to invest in equipment to manufacture lateral flow devices in Alva, which include reel-to-reel machinery, cassetting and foil pouching equipment.
- ▶ £0.2m capitalised development expenditure relating to cost-reduction projects for VISITECT CD4 (out of budgeted £0.4m).
- ▶ £0.3m capitalised development expenditure relating to the expansion of its lateral flow product portfolio.

Our forecasts include c.£2.0m of revenues for the ELISA antibody test, which is currently being evaluated in 15 countries, but exclude any potential revenues that might arise from the UK-RTC project and expanded Mologic agreement.

Key shareholders		Board of directors	
	%	Name	Description
Richard Sneller	15.0%	William Rhodes	Interim Non-executive Chairman
Legal & General	7.7%	Colin King	Chief Executive Officer
Hargreaves Lansdown	5.1%	Kieron Harbinson	Chief Financial Officer
David Evans	3.8%	Jag Grewal	Commercial Director
Redmayne Bentley	3.0%	Jeremy Millard	Non-executive Director

Source: Company data (pre-placing)

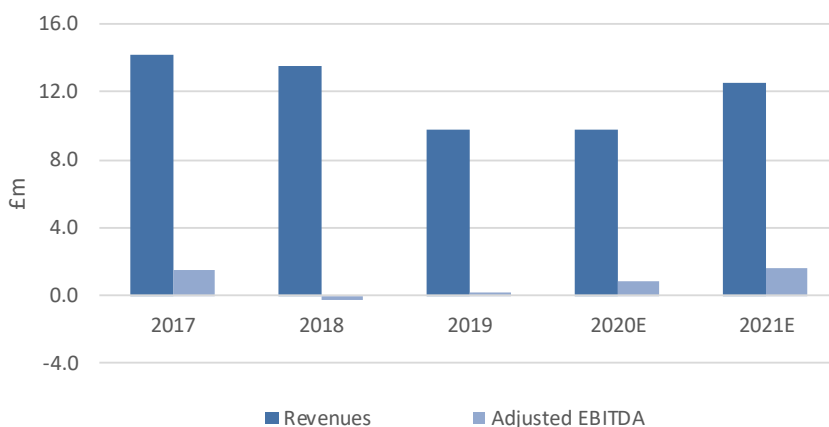
Source: finnCap

**Company description**

Founded in 1987 and headquartered in Alva, Scotland, Omega Diagnostics has a global presence in over 75 countries worldwide (selling via distributors or direct). The company provides *in vitro* diagnostic products for use in hospitals, blood banks, clinics and laboratories, specialising in the areas of food intolerance & wellbeing and global health. In 2018, the company closed its loss-making subsidiaries in Germany and India and disposed of its infectious disease business. Its key products include VISITECT CD4 (point of care test for CD4 counts in HIV patients), which is launched, FoodPrint (microarray-based test for 40-200+ foods) and Food Detective (POC test for 59 key foods), with expansion plans into China via a distributor that has invested c.\$2m to gain product approvals. It is the manufacturing partner for the UK-Rapid Test Consortium that is developing a COVID-19 antibody POC test as well as for a range of lab-based and POC COVID-19 antibody and antigen tests for Mologic.

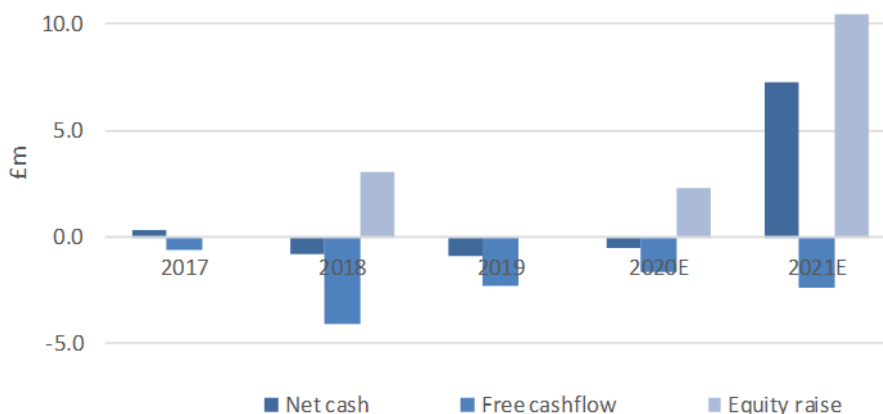
Source: finnCap

**Figure 10: Revenues and EBITDA**



Source: finnCap

**Figure 11: Net cash and free cashflow**



Source: finnCap (assuming £11m gross fundraise)

## £8m fundraise with Open Offer of up to £3m

Income statement		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
Sales	£m	14.2	13.6	9.8	9.8	12.6
Cost of sales	£m	-5.0	-5.4	-3.6	-3.5	-4.7
<b>Gross profit</b>	<b>£m</b>	<b>9.2</b>	<b>8.2</b>	<b>6.2</b>	<b>6.3</b>	<b>7.9</b>
Operating expenses	£m	-7.7	-8.5	-6.0	-5.4	-6.3
<b>EBITDA (adjusted)</b>	<b>£m</b>	<b>1.5</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.9</b>	<b>1.6</b>
Depreciation	£m	-0.4	-0.4	-0.3	-0.5	-0.5
Amortisation	£m	0.0	-0.0	0.0	-0.6	-0.2
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>1.2</b>	<b>-0.7</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.9</b>
Associates/other	£m	0.0	0.0	0.0	0.0	0.0
Net interest	£m	-0.0	-0.0	-0.1	-0.2	-0.2
<b>PBT (adjusted)</b>	<b>£m</b>	<b>1.1</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-0.4</b>	<b>0.7</b>
<i>restructuring costs</i>	£m	0.0	-5.9	0.0	0.0	0.0
<i>share based payments</i>	£m	-0.3	-0.1	-0.0	-0.1	-0.1
<i>other adjustments</i>	£m	-0.2	-0.2	1.5	-7.9	-0.1
Total adjustments	£m	-0.5	-6.2	1.5	-8.0	-0.2
<b>PBT (stated)</b>	<b>£m</b>	<b>0.7</b>	<b>-6.9</b>	<b>1.2</b>	<b>-8.4</b>	<b>0.5</b>
Tax charge	£m	0.1	-0.4	-0.2	0.0	0.0
<i>tax rate</i>	%	<i>n/a</i>	<i>n/a</i>	17.6	<i>n/a</i>	0.0
Minorities	£m	0.0	0.0	0.0	0.0	0.0
<b>Reported earnings</b>	<b>£m</b>	<b>0.7</b>	<b>-7.3</b>	<b>1.0</b>	<b>-8.4</b>	<b>0.5</b>
Tax effect of adjustments / other	£m	0.0	0.0	0.0	0.0	0.0
<b>Adjusted earnings</b>	<b>£m</b>	<b>1.2</b>	<b>-1.1</b>	<b>-0.5</b>	<b>-0.4</b>	<b>0.7</b>
<i>shares in issue (year end)</i>	<i>m</i>	108.7	126.9	126.9	150.6	178.2
<i>shares in issue (weighted average)</i>	<i>m</i>	108.7	121.5	126.9	135.5	164.4
<i>shares in issue (fully diluted)</i>	<i>m</i>	109.8	122.8	127.1	135.7	164.6
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>1.1</b>	<b>-0.9</b>	<b>-0.4</b>	<b>-0.3</b>	<b>0.4</b>
EPS (stated)	p	0.7	-6.0	0.8	-6.2	0.3
<b>DPS</b>	<b>p</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Growth analysis (adjusted basis where applicable)**

Sales growth	%	11.8%	-4.9%	-28.0%	0.4%	28.5%
EBITDA growth	%	-11.9%	-120.3%	140.3%	604.5%	84.3%
EBIT growth	%	-12.4%	-160.1%	70.8%	-24.3%	448.9%
PBT growth	%	-14.7%	-165.2%	59.1%	-46.4%	264.7%
EPS growth	%	-4.2%	-182.1%	55.0%	18.7%	235.8%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

**Profitability analysis (adjusted basis where applicable)**

Gross margin	%	64.7%	60.5%	63.2%	64.1%	63.0%
EBITDA margin	%	10.9%	-2.3%	1.3%	9.1%	13.0%
EBIT margin	%	8.2%	-5.2%	-2.1%	-2.6%	7.1%
PBT margin	%	8.0%	-5.5%	-3.1%	-4.5%	5.8%
Net margin	%	8.4%	-8.1%	-5.2%	-4.5%	5.8%

## £8m fundraise with Open Offer of up to £3m

Cash flow		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
EBITDA	£m	1.3	-0.4	0.1	0.8	1.5
Net change in working capital	£m	0.1	0.9	-0.3	-0.6	-0.3
Share based payments	£m	0.3	0.1	0.0	0.1	0.1
Profit/(loss) on sale of assets	£m	0.0	0.0	0.0	0.0	0.0
Net pensions charge	£m	0.0	0.0	0.0	0.0	0.0
Change in provision	£m	0.0	0.0	0.0	0.0	0.0
Other items	£m	0.3	-1.4	0.5	0.5	0.0
<b>Cash flow from operating activities</b>	<b>£m</b>	<b>2.0</b>	<b>-0.8</b>	<b>0.4</b>	<b>0.7</b>	<b>1.3</b>
Cash interest	£m	0.0	0.0	0.0	0.0	0.0
Tax paid	£m	0.0	0.0	0.0	0.0	0.0
Capex	£m	-2.7	-3.3	-2.7	-2.3	-3.7
<b>Free cash flow</b>	<b>£m</b>	<b>-0.6</b>	<b>-4.1</b>	<b>-2.3</b>	<b>-1.6</b>	<b>-2.4</b>
Disposals	£m	0.0	0.0	1.8	0.2	0.0
Acquisitions	£m	0.0	0.0	0.0	0.0	0.0
Dividends on ord shares	£m	0.0	0.0	0.0	0.0	0.0
Other cashflow items	£m	0.1	-0.0	0.3	-0.5	-0.4
Issue of share capital	£m	0.0	3.1	0.0	2.3	10.5
<b>Net change in cash flow</b>	<b>£m</b>	<b>-0.6</b>	<b>-1.1</b>	<b>-0.2</b>	<b>0.3</b>	<b>7.7</b>
Opening net cash (debt)	£m	1.0	0.5	-0.6	-0.8	-0.5
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>0.5</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-0.5</b>	<b>7.2</b>

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	155.6%	n/m	400.5%	93.4%	86.3%
Cash conversion (free cash flow / EBITDA)	%	-50.1%	n/m	n/m	-204.0%	-153.5%
Underlying free cash flow (capex = depreciation)	£m	1.6	-1.2	0.0	-0.4	0.6
Cash quality (underlying FCF / adjusted earnings)	%	137.4%	111.2%	-7.1%	91.9%	80.7%
Investment rate (capex / depn)	x	7.1	8.5	8.1	4.3	6.8
Interest cash cover	x	n/a	net cash	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a	n/a

## £8m fundraise with Open Offer of up to £3m

Balance sheet		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
Tangible fixed assets	£m	2.9	1.7	1.6	3.2	5.1
Goodwill	£m	4.7	3.3	3.0	3.0	3.0
Other intangibles	£m	10.9	11.7	14.0	6.5	7.4
Other non current assets	£m	1.7	1.3	1.4	1.4	1.4
<i>inventories</i>	£m	2.4	1.8	1.0	1.4	1.8
<i>trade receivables</i>	£m	2.5	3.0	2.5	2.6	3.0
<i>trade payables</i>	£m	-1.8	-2.6	-1.5	-1.6	-1.9
Net working capital	£m	3.1	2.2	2.0	2.4	2.9
Other assets	£m	0.0	0.0	0.0	0.0	0.0
Other liabilities	£m	-2.1	-2.3	-2.9	-3.7	-3.5
Gross cash & cash equivalents	£m	0.7	0.1	0.0	0.1	7.2
<b>Capital employed</b>	<b>£m</b>	<b>21.9</b>	<b>18.0</b>	<b>19.1</b>	<b>12.9</b>	<b>23.4</b>
Gross debt	£m	0.4	0.9	0.9	0.7	0.2
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	21.5	17.1	18.2	12.2	23.2
Minorities	£m	0.0	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>21.9</b>	<b>18.0</b>	<b>19.1</b>	<b>12.9</b>	<b>23.4</b>
<b>Leverage analysis</b>						
Net debt / equity	%	net cash	4.5%	5.1%	5.3%	net cash
Net debt / EBITDA	x	net cash	n/a	7.3	0.7	net cash
Liabilities / capital employed	%	2.0%	4.9%	4.8%	5.5%	0.8%
<b>Working capital analysis</b>						
Net working capital / sales	%	21.6%	16.2%	20.8%	24.5%	22.7%
Net working capital / sales	days	79	59	76	89	83
Inventory (days)	days	61	49	37	51	51
Receivables (days)	days	63	80	93	99	87
Payables (days)	days	45	70	55	60	55
<b>Capital efficiency &amp; intrinsic value</b>						
Adjusted return on equity	%	5.6%	-6.4%	-2.8%	-3.7%	3.1%
RoCE (EBIT basis, pre-tax)	%	5.4%	-3.9%	-1.1%	-2.0%	3.8%
RoCE (underlying free cash flow basis)	%	7.5%	-6.8%	0.2%	-3.2%	2.5%
NAV per share	p	19.7	13.5	14.3	8.1	13.0
NTA per share	p	5.4	1.6	0.9	1.8	7.2

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