

## MaxCyte

### Picking up the pace

**MaxCyte saw strong progress on all fronts in H218. There was a marked acceleration in revenues and in new cell therapy licenses, and the first patient was treated with MaxCyte's wholly-owned CARMA therapy. Sales growth in FY18 was c19% compared to 14% in FY17 following an increase in revenues of c25% in H218. The number of licensed cell therapy programmes has risen by c15 to >70 over the last six months; and commercial licensing agreements were signed with two companies. On top of this, MaxCyte advanced its first CARMA therapy into the clinic; promising results from this trial could lead to the CARMA platform becoming the main value driver for MaxCyte. We have increased our valuation by 11p/share to 358p/share.**

Year-end: December 31	2016	2017	2018E	2019E
Sales (US\$m)	12.3	14.0	16.7	20.9
Adj. PBT (US\$m)	(3.3)	(9.9)	(10.7)	(14.5)
Net Income (US\$m)	(3.9)	(9.9)	(10.7)	(14.5)
EPS (USc)	(10.0)	(20.4)	(21.0)	(28.3)
Cash (US\$m)	11.7	25.3	14.5	1.1
EBITDA (US\$m)	(2.6)	(9.1)	(9.8)	(13.5)

Source: Trinity Delta Note: Adjusted numbers exclude exceptionals

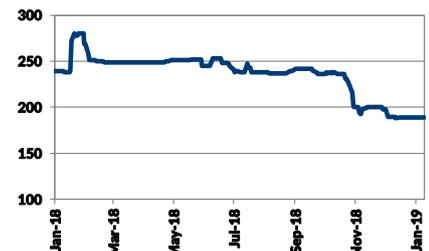
- Acceleration in revenue growth** MaxCyte's trading statement reported that revenues grew by c19% to \$16.7m in FY18, which compares to 14.0% in FY17 and 11.6% in H118, after sales increased by c25% in H218. The acceleration in top-line growth has been achieved while still controlling its cost base, with FY18 EBITDA expected to be better than market expectations. This stronger growth reflects the benefits of the marketing strategy evolving over the last 18 months, as well as the continued strong growth in the bioprocessing and cell therapy markets.
- Growing base of cell therapy licences** An important driver of the sales growth has been increased use in MaxCyte's flow electroporation technology in cell therapy programmes, generating both license fees and product sales. There are now >70 partnered programmes in cell therapy (vs >55 at H118 and >50 at FY17), of which >35 are licensed for clinical use (vs >25 at H118 and >15 at H117). MaxCyte also signed commercial agreements with CRISPR Therapeutics and Precision BioSciences in H218. Existing cell therapy licences, which include potential milestones of >\$250m from commercial licenses, should underpin MaxCyte's future sales growth.
- First clinical data with CARMA due in H119** MaxCyte achieved an important milestone in October 2018 when it dosed the first patient with its lead CARMA therapy, MCY-M11. The primary endpoint of the Phase I study in ovarian cancer and peritoneal mesotheliomas is tolerability, and the first data is expected in H119. However, MaxCyte has already validated that it can manufacture the CAR (chimeric antigen receptor) therapy within 24 hours; in comparison it takes one-to-two weeks for Novartis' Kymriah and Kite's Yescarta.
- Valuation increased to 358p per share** We increase our valuation of MaxCyte by 11p/share to 358p/share or £184m. We have similarly raised our estimates for the coming years to reflect the added momentum within the business and increase in licensed cell therapy programmes. MaxCyte had a cash position of \$14.5m on 31 December 2018 and will publish its FY18 results in April 2019.

## Update

15 January 2019

Price	189p
Market Cap	£97.0m
Enterprise Value	£87.6m
Shares in issue	51.3m
12 month range	186.5-280p
Free float	70%
Primary exchange	AIM
Other exchanges	NA
Sector	Healthcare
Company Code	MXCT.L

Corporate client Yes



### Company description

MaxCyte uses its patented flow electroporation platform to transfect a wide array of cells. Revenues arise from sale and lease of equipment, disposables and licence fees; with an impressive client list. Additionally, a novel mRNA mediated CAR technology, known as CARMA, is being explored in various cancers, including solid tumours.

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## Valuation and financials

It is clear that MaxCyte's evolving marketing strategy, which has given the company a stronger presence in key markets and territories, is delivering results. There was the significant acceleration in revenue growth to c25% in H218. As importantly, the number of licensed cell therapy programmes increased by c15 to >70, about ten more programmes now have clinical licenses (>35 in total), and commercial licenses were also signed with CRISPR Therapeutics and Precision BioSciences during the period.

We believe that the broader and deeper base of cell therapy licences will now enable MaxCyte to sustain the 25% growth, seen in H218, into FY19 and maintain growth of over 20% in FY20. This has resulted in our revenue forecasts being updated as shown in Exhibit 1. We have also amended our FY18 estimates to bring them into line with the company's guidance in its trading update.

**Growth of licensed cell therapy programmes expected to drive growth of >20%**

### Exhibit 1: Summary of changes to estimates

	Sales (\$m)			EBITDA (\$m)			Adj. EPS (c)		
	Old	New	Change	Old	New	Change	Old	New	Change
2018E	17.0	16.7	(1.8%)	(10.4)	(9.8)	N/A	(22.2)	(21.0)	N/A
2019E	20.5	20.9	1.5%	(13.5)	(13.5)	N/A	(28.4)	(28.3)	N/A
2020E	24.4	25.2	3.3%	(13.9)	(13.8)	N/A	(29.3)	(29.0)	N/A

Source: Trinity Delta

As a result of these changes to our estimates, and the improved growth prospects for MaxCyte, we raise our valuation of the company from 347p/share or £177m to 358p/share or £184m. This is made up of 201p/share (£103m) for the core sales-generating business and 157p/share (£81m) for the CARMA platform.

This suggests that current market cap of £97m is more than supported by the sales-generating operations, with the market attributing no value to the CARMA platform. This situation could change quickly if the current Phase I trial with MCY-M11 delivers promising results. The EV of other comparable CAR companies is over \$200m, and it is reasonable to believe that the CARMA platform could soon become the main value driver for MaxCyte.

**Valuation increased by 11p/share to 358p/share.**

**Exhibit 2: Summary of financials**

Year-end: December 31	\$m	2015	2016	2017	2018E	2019E	2020E
<b>INCOME STATEMENT</b>							
<b>Revenues</b>		<b>9.3</b>	<b>12.3</b>	<b>14.0</b>	<b>16.7</b>	<b>20.9</b>	<b>25.2</b>
Cost of goods sold		(1.0)	(1.3)	(1.5)	(1.9)	(2.5)	(3.0)
<b>Gross Profit</b>		<b>8.3</b>	<b>11.0</b>	<b>12.5</b>	<b>14.8</b>	<b>18.4</b>	<b>22.2</b>
R&D expenses (excluding CARMA)		(2.7)	(3.4)	(3.8)	(5.4)	(6.8)	(8.1)
R&D expenses (CARMA)		(0.3)	(1.3)	(7.5)	(7.5)	(11.3)	(11.9)
Sales and marketing expenses		(3.3)	(4.8)	(6.0)	(6.8)	(8.4)	(10.3)
General and administrative expenses		(2.7)	(4.2)	(4.5)	(5.2)	(5.8)	(6.1)
<b>Underlying operating profit</b>		<b>(0.8)</b>	<b>(2.7)</b>	<b>(9.3)</b>	<b>(10.1)</b>	<b>(13.9)</b>	<b>(14.3)</b>
<b>Underlying operating profit (excluding CARMA)</b>		<b>(0.5)</b>	<b>(1.4)</b>	<b>(1.8)</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>(2.4)</b>
Other revenue/expenses		0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>		<b>(0.7)</b>	<b>(2.6)</b>	<b>(9.1)</b>	<b>(9.8)</b>	<b>(13.5)</b>	<b>(13.8)</b>
<b>EBITDA (excluding CARMA &amp; share-based payments)</b>		<b>(0.4)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>(0.8)</b>
<b>Operating Profit</b>		<b>(0.8)</b>	<b>(2.7)</b>	<b>(9.3)</b>	<b>(10.1)</b>	<b>(13.9)</b>	<b>(14.3)</b>
Interest expense		(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
<b>Profit Before Taxes</b>		<b>(1.4)</b>	<b>(3.3)</b>	<b>(9.9)</b>	<b>(10.7)</b>	<b>(14.5)</b>	<b>(14.9)</b>
<b>Adj. PBT</b>		<b>(1.4)</b>	<b>(3.3)</b>	<b>(9.9)</b>	<b>(10.7)</b>	<b>(14.5)</b>	<b>(14.9)</b>
Current tax income		0.0	0.0	0.0	0.0	0.0	0.0
Cumulative preferred stock dividend		(2.1)	(0.5)	0.0	0.0	0.0	0.0
<b>Net Income</b>		<b>(3.5)</b>	<b>(3.9)</b>	<b>(9.9)</b>	<b>(10.7)</b>	<b>(14.5)</b>	<b>(14.9)</b>
<b>EPS (c)</b>		<b>(186.4)</b>	<b>(11.5)</b>	<b>(20.4)</b>	<b>(21.0)</b>	<b>(28.3)</b>	<b>(29.0)</b>
<b>Adj. EPS (c)</b>		<b>(186.4)</b>	<b>(10.0)</b>	<b>(20.4)</b>	<b>(21.0)</b>	<b>(28.3)</b>	<b>(29.0)</b>
<b>DPS (c)</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Average no. of shares (m)		1.9	33.5	48.6	51.1	51.3	51.3
<i>Gross margin</i>		<i>89%</i>	<i>89%</i>	<i>90%</i>	<i>88%</i>	<i>88%</i>	<i>88%</i>
<b>BALANCE SHEET</b>							
<b>Current assets</b>		<b>6.2</b>	<b>15.8</b>	<b>30.6</b>	<b>21.1</b>	<b>9.2</b>	<b>12.1</b>
Cash and cash equivalents		2.4	11.7	25.3	14.5	1.1	2.6
Accounts receivable		1.5	2.4	3.2	3.7	4.6	5.5
Inventories		1.1	1.3	1.3	1.8	2.4	2.9
Other current assets		1.2	0.3	0.7	1.1	1.1	1.1
<b>Non-current assets</b>		<b>0.2</b>	<b>0.3</b>	<b>0.8</b>	<b>1.3</b>	<b>1.6</b>	<b>1.9</b>
Property, plant & equipment		0.2	0.3	0.8	1.3	1.6	1.9
Other non-current assets		0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>		<b>(5.1)</b>	<b>(5.7)</b>	<b>(7.2)</b>	<b>(6.9)</b>	<b>(8.7)</b>	<b>(25.8)</b>
Short-term debt		(0.8)	(0.0)	(0.9)	0.0	0.0	(15.0)
Accounts payable		(2.3)	(3.2)	(4.3)	(4.3)	(5.6)	(6.8)
Other current liabilities		(2.0)	(2.5)	(2.1)	(2.5)	(3.1)	(4.0)
<b>Non-current liabilities</b>		<b>(4.4)</b>	<b>(5.3)</b>	<b>(4.6)</b>	<b>(5.6)</b>	<b>(5.6)</b>	<b>(5.6)</b>
Long-term debt		(4.2)	(5.0)	(4.2)	(5.0)	(5.0)	(5.0)
Other non-current liabilities		(0.2)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)
<b>Equity</b>		<b>(3.1)</b>	<b>5.1</b>	<b>19.6</b>	<b>10.0</b>	<b>(3.5)</b>	<b>(17.3)</b>
Share capital		45.3	56.8	81.2	81.8	81.8	81.8
Other		(48.4)	(51.7)	(61.6)	(71.8)	(85.3)	(99.0)
<b>CASH FLOW STATEMENTS</b>							
<b>Operating cash flow</b>		<b>(0.2)</b>	<b>(2.3)</b>	<b>(9.7)</b>	<b>(10.4)</b>	<b>(12.6)</b>	<b>(12.7)</b>
Profit before tax		(1.4)	(3.3)	(9.9)	(10.7)	(14.5)	(14.9)
Non-cash adjustments		0.2	0.3	0.8	1.6	2.1	2.2
Change in working capital		1.1	0.7	(0.5)	(0.9)	0.4	0.6
Interest paid		0.0	0.0	0.0	(0.3)	(0.6)	(0.6)
Taxes paid		0.0	0.0	0.0	0.0	0.0	0.0
<b>Investing cash flow</b>		<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>(0.8)</b>
CAPEX on tangible assets		(0.1)	(0.2)	(0.6)	(0.7)	(0.7)	(0.8)
Other investing cash flows		0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing cash flow</b>		<b>(0.7)</b>	<b>11.9</b>	<b>23.9</b>	<b>0.2</b>	<b>0.0</b>	<b>15.0</b>
Proceeds from equity		0.0	11.9	23.9	0.2	0.0	0.0
Increase in loans		(0.1)	(0.1)	(0.0)	(0.0)	0.0	15.0
Other financing cash flow		(0.7)	0.0	0.0	0.0	0.0	0.0
<b>Net increase in cash</b>		<b>(1.0)</b>	<b>9.3</b>	<b>13.6</b>	<b>(10.9)</b>	<b>(13.4)</b>	<b>1.5</b>
Cash at start of year		3.4	2.4	11.7	25.3	14.5	1.1
<b>Cash at end of year</b>		<b>2.4</b>	<b>11.7</b>	<b>25.3</b>	<b>14.5</b>	<b>1.1</b>	<b>2.6</b>
<b>Net cash at end of year</b>		<b>(2.6)</b>	<b>6.7</b>	<b>20.3</b>	<b>9.4</b>	<b>(3.9)</b>	<b>(17.4)</b>

Source: Company, Trinity Delta Note: Adjusted numbers exclude exceptionals. No new commercial licensing deals are included in our forecasts. The short-term debt in FY20 is indicative of the company's funding requirement.

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