

e-therapeutics

Update

New insights from Parkinson's disease collaboration

6 December 2018

Promising early results from the C4X Discovery (C4XD) collaboration, initiated in May 2018, highlight the flexibility of e-therapeutics' network-driven drug discovery (NDD) approach, and its applicability to drug discovery for complex diseases. NDD analysis of Parkinson's disease (PD) associated genes identified both known and potential new biological mechanisms. This is a first demonstration of the ability of the NDD platform to extract insights from genomic data and link them to potential new targets and pathways for drug discovery. While further work is necessary to explore this more fully in PD (and other diseases), it could provide another facet to e-therapeutics' business development discussions. We continue to value e-therapeutics at £53.8m (20.4p/share) and anticipate one or more NDD-based deals in the next 12 months.

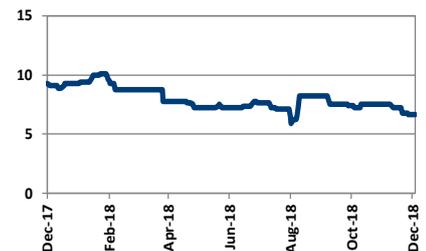
Year-end: January 31	2017	2018	2019E	2020E
Sales (£m)	0.0	0.0	0.0	0.0
Adj. PBT (£m)	(13.4)	(6.7)	(5.4)	(4.4)
Net Income (£m)	(13.1)	(5.4)	(4.3)	(3.6)
EPS (p)	(3.9)	(2.0)	(1.6)	(1.3)
Cash (£m)	14.0	9.6	5.2	2.1
EBITDA (£m)	(13.7)	(6.7)	(5.4)	(4.4)

Source: Trinity Delta Note: Adjusted numbers exclude exceptionals

- Important validation for the NDD approach** e-therapeutics' NDD analysis of c200 PD-associated genes (identified by C4XD's Taxonomy3 genomics platform) has successfully identified both known and novel biological mechanisms underlying PD. As neurology was not a focus for e-therapeutics prior to May 2018, these new findings underscore the flexibility and broad applicability of its NDD platform.
- Another string to the NDD bow?** While early, these initial results are meaningful, suggesting that NDD can extract actionable insights from complex genetic data (known and novel mechanisms), and employ this understanding to predict which drug-like small molecules could be used as the starting point for drug discovery. It could also be used to understand, from genetic data, which disease mechanisms may be most important. Further confirmatory data are needed, but there is a rationale in applying the NDD platform to other complex polygenic diseases in neurology and beyond.
- Focus remains on business development** The H119 results statement confirmed detailed discussions are ongoing with several potential large biopharma partners for NDD-based programmes and projects, including with over half of the top 25 global pharma companies. The new findings in PD should augment its commercial offering and may interest potential partners. Broader corporate development opportunities are also being evaluated, including non-dilutive sources of capital (risk-sharing deals to progress discovery projects), and prospects for inorganic growth.
- Sufficient cash to operate into 2020** We have updated our forecasts to reflect the ongoing tight cost control (while still investing in the core NDD platform) shown in H119. Management have guided that end-July 2018 cash of £7.6m is sufficient to operate into 2020 (FY21). We would view additional funding from a deal or other sources positively as it would enable optimal investment in its platform and discovery assets. We maintain our valuation at £53.8m or 20.4p/share.

Price (Sterling)	6.625p
Market Cap	£17.8m
Enterprise Value	£10.2m
Shares in issue	268.6m
12 month range	5.8p-10.4p
Free float	28%
Primary exchange	AIM London
Other exchanges	NA
Sector	Healthcare
Company Code	ETX

Corporate client Yes



Company description

e-Therapeutics is a drug discovery company with a proprietary network driven drug discovery (NDD) platform. Following management changes and a strategic review in 2017, the focus is now on optimising its discovery processes and platform, and securing industry collaborations and partners for its projects.

Analysts

Mick Cooper PhD

mcooper@trinitydelta.org
+44 (0) 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Exhibit 1: Summary of financials

Year-end: January 31	£'000s	2016	2017	2018	2019E	2020E
INCOME STATEMENT						
Revenues		0	0	0	0	0
Cost of goods sold		0	0	0	0	0
Gross Profit		0	0	0	0	0
R&D Expenses		-9,965	-10,911	-5,019	-3,985	-3,110
Sales, General and Administrative Expenses		-1,590	-2,614	-1,749	-1,490	-1,332
Underlying operating profit		-11,555	-13,525	-6,768	-5,475	-4,442
Exceptionals		0	-2,101	0	0	0
Other revenue/expenses		0	-704	0	0	0
EBITDA		-11,482	-13,469	-6,696	-5,430	-4,411
Operating Profit		-11,555	-16,330	-6,768	-5,475	-4,442
Interest income		271	132	49	28	19
Profit Before Taxes		-11,284	-16,198	-6,719	-5,446	-4,423
Adj. PBT		-11,284	-13,393	-6,719	-5,446	-4,423
Current tax income		2,464	3,073	1,360	1,125	840
Net Income		-8,820	-13,125	-5,359	-4,321	-3,584
EPS (p)		(3.3)	(4.9)	(2.0)	(1.6)	(1.3)
Adj. EPS (p)		(3.3)	(3.9)	(2.0)	(1.6)	(1.3)
DPS (p)		0.0	0.0	0.0	0.0	0.0
Average no. of shares (m)		264.4	267.1	268.5	268.6	268.6
<i>Gross margin</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>EBITDA margin</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Underlying operating margin</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
BALANCE SHEET						
Current assets		28,783	17,724	11,556	6,906	3,407
Cash and cash equivalents		24,842	13,975	9,597	5,227	2,063
Accounts receivable		1,472	777	595	545	495
Inventories		0	0	0	0	0
Other current assets		2,469	2,972	1,364	1,134	849
Non-current assets		804	207	206	199	191
Property, plant & equipment		64	51	71	61	58
Intangible assets		740	156	135	138	133
Current liabilities		-1,156	-1,951	-1,024	-602	-602
Short-term debt		0	0	0	0	0
Accounts payable		-1,156	-1,951	-1,024	-602	-602
Non-current liabilities		0	0	0	0	0
Equity		28,431	15,980	10,738	6,503	2,996
CASH FLOW STATEMENTS						
Operating cash flow		-8,848	-9,242	-4,319	-4,339	-3,141
Profit before tax		-11,555	-16,330	-6,768	-5,475	-4,442
Non-cash adjustments		288	2,962	177	125	107
Change in working capital		63	1,362	-782	-374	50
Interest paid		329	194	86	30	19
Taxes paid		2,027	2,570	2,968	1,355	1,125
Investing cash flow		13,356	7,362	6,929	463	1,977
CAPEX on tangible assets		-144	-165	-71	-37	-23
Other investing cash flows		13,500	7,527	7,000	500	2,000
Financing cash flow		12	13	12	6	0
Proceeds from equity		12	13	12	6	0
Increase in loans		0	0	0	0	0
Other financing cash flow		0	0	0	0	0
Net increase in cash		4,520	-1,867	2,622	-3,870	-1,164
Exchange rate effects		0	0	0	0	0
Cash at start of year		1,822	6,342	4,475	7,097	3,227
Cash at end of year		6,342	4,475	7,097	3,227	2,063
Net cash at end of year		24,842	13,975	9,597	5,227	2,063

Source: e-therapeutics, Trinity Delta Note: Adjusted numbers exclude exceptionals.

Mick Cooper PhD CFA

mcooper@trinitydelta.org

+44 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org

+44 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org

+44 20 3637 5041

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