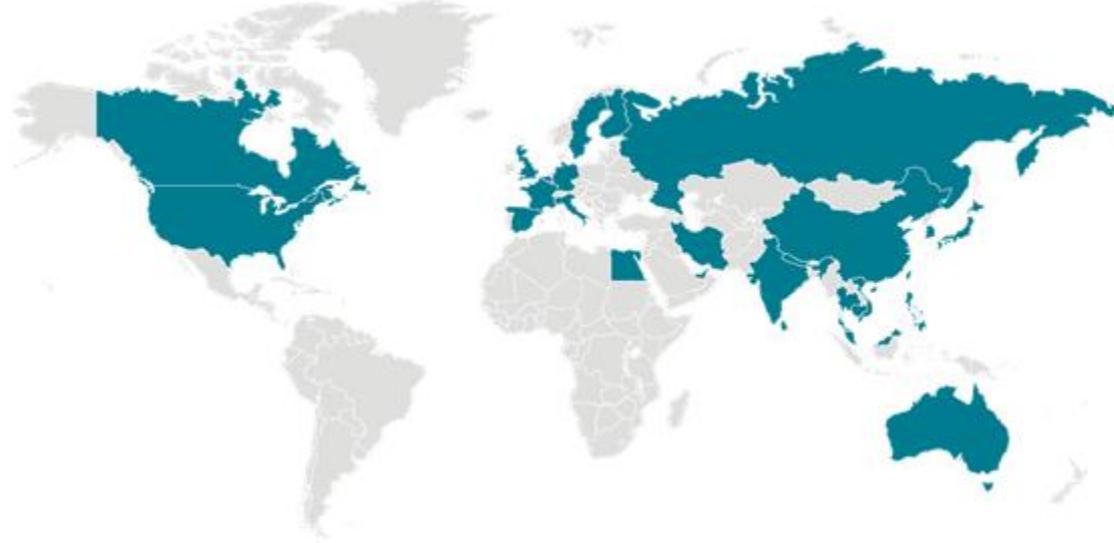




Weekly thoughts on the healthcare sector from finnCap's life sciences analysts: Mark Brewer and Arshad Ahad

Market	Last	-1D	-1M	-3M	-12M	YTD	Health	Last	-1D	-1M	-3M	-12M	YTD
MSCI World Index	1,868	-0.3%	0.9%	7.0%	17.3%	3.8%	MSCI World Pharma/Biotech	219	-0.5%	-0.3%	7.9%	14.4%	2.5%
FTSE All Share	4,150	-0.2%	-2.2%	3.3%	4.9%	-1.1%	FTSE All Share Health	12,499	-0.3%	-5.5%	1.9%	15.2%	-2.9%
AIM All Share	975	0.2%	1.2%	8.4%	7.1%	1.8%	AIM Health	10,676	0.2%	-1.7%	7.6%	6.4%	3.0%
AIM 100	4,982	0.2%	1.3%	8.5%	6.1%	1.1%							

Coronavirus (COVID-19) update: Coronavirus every year?



- Locations with confirmed COVID-19 cases
- Total confirmed cases: 76,726 Total Deaths: 2,247
- COVID-19 may become an issue every year: "Factors point to this coronavirus becoming a seasonal virus" according to [Amesh Adalja](#), an infectious-disease expert at the Johns Hopkins.
- When there's a panic there's an opportunity, be wary of coronavirus [scams](#).
- One leading economic [forecaster](#) predicted that COVID-19 could cost the global economy more than \$1tn if it spreads beyond Asia and becomes a global pandemic.
- Yesterday, Apple's supplier Foxconn announced that it expects its full-year revenue to suffer from the manufacturing disruption caused by COVID-19, providing an indication of the impact the virus is having on global supply chains.
- According to an article in [Nature](#), the WHO is drawing up a plan for a clinical-trial protocol that could simultaneously be run by clinicians around the world, allowing researchers to pool their results over time. Without this, the results from 80+ clinical trials (running or pending) in China could be meaningless.

Companies covered: IHC, COG, AVO, DDDD, NCYT

Inspiration Healthcare (IHC-GB), 73p, market cap. £28m

Develops and distributes medical technology for critical care, operating theatre and home healthcare applications.

News: Trading update for year ended 31 Jan 2020 – above market expectations. Revenue: c.15% increase in revenue to £17.8m (2018: £15.5m). Adjusted EBITDA: £2.0 - 2.1m range (2018: 1.6m). We expect the company to have had cash of c. £3.9m at 31 Jan 2020 (2018: £2.5m).

Valuation: The stock currently trades on FY 2021 EV/EBITDA of 7.0x and 16.0x P/E. We upgrade our target price to 90p (from 72p), which takes into account forecast changes as well as rolling forward multiples to FY 2021. At this level, the stock would trade on FY 2021 EV/EBITDA of 9.1x and a P/E of 20.1x; underpinned by 14% revenue growth and 21% EBITDA growth.

What's interesting: IHC has delivered double digit revenue growth despite difficult macro-economic conditions. Outlook is positive, we forecast c.14% revenue growth in FY 2021. IHC should be relatively well insulated from knock-on effects of COVID-19 on supply chain management, as Chinese supplier represent <10% cost of goods and IHC has sufficient buffer stocks in place. Viomedex (October 2019 acquisition) is performing in line with IHC expectations, and we believe it will contribute 4% of the 14% growth in FY 2021.

[Report link](#)

Cambridge Cognition* (COG-GB), 24p, market cap. £6m

Neuroscience technology company developing digital health products to understand, detect and treat conditions affecting brain health.

News: Trading update for year ended 31 Dec 2019 – below market expectations. Revenue: £5.04m (2018: £6.13m), post-tax loss: £2.9m (2018: 1.44m loss). Cash balance: £0.90m (2018: £1.11m). Contracted order book: £5.68m (2018: £6.08m). Also announced £1.4m fundraise through issue of 7m ordinary shares at 20p.

Valuation: New target price of 75p to reflect c.16% dilution due to the proposed fundraise. At this price, the stock would trade on an EV/sales multiple of 3.6x 2020 revenues, dropping to 3.2x 2021 multiple, excluding potential value derived by potential partnerships.

What's interesting: Disappointing 2019 results, partially due to a postponement of c.£1m order with a large pharma company, as it underwent a merger. However, we are leaving FY 2020 forecasts unchanged due to 2019 year-end order book and prospective qualified order pipeline. The prospect of Biogen's aducanumab being approved by the FDA for early Alzheimer's will require confirmatory diagnostic tests, which COG can provide.

[Report link](#)

Advanced Oncotherapy (AVO-GB), 38p, market cap. £92m

Developer and provider of the LIGHT proton therapy system, a type of radiotherapy that is more precise than X-rays, and designed to increase efficacy of treatment, while reducing side effects

News: A Cyprus hospital has agreed to purchase a LIGHT system for €50m (£41.6m), with installation of the three-treatment room system due to commence before end of 2023. AVO will receive a share of the profits from the clinical services provided using LIGHT.

What's interesting: Significant milestone in AVO's move towards commercialisation. A subsequent collaboration with University Hospitals Birmingham NHS Foundation Trust (UHB) follows last week's announcement of partnership with The London Clinic to operate a LIGHT system in London and the December announcement of a research collaboration with the Cleveland Clinic. These are four strong endorsements of the company's technology from leading institutions. AVO is working towards certification of LIGHT, with first patient treated still expected by end of 2020. Profit-sharing arrangements with Cyprus and UHB provide a valuable long term recurring revenue stream in addition to the sale of capital equipment.

4d Pharma (DDDD-GB), 68p, market cap. £44m

Pharma company which uses gut microbiome to develop live bio therapeutics. Developed MicroRx platform for drug discovery.

News: Raised £22m through a placing of 16.8m new ordinary shares and subscription of 27.2m new ordinary shares at an issue price of 50 pence per share. DDDD exercised right to cause MSD (Merck & Co) to purchase \$5m (£3.83m) of new ordinary shares, pursuant to the terms of a subscription agreement.

What's interesting: Funds will provide sufficient working capital for at least the next six months, allowing DDDD to reach milestone data points in two clinical studies – the Phase II trial of Blautix in Irritable Bowel Syndrome (interim results expected Q2 2020, top line in Q3 2020) and Phase I/II combination study of MRx0518 with Merck's Keytruda in multiple cancer types (safety and initial efficacy data from Part A in 12 patients expected in Q2 2020).

Novacyt (NCYT-GB), 65p, market cap. £36m

Diagnostics company with a growing portfolio of cancer and infectious diseases products and services, including a coronavirus test.

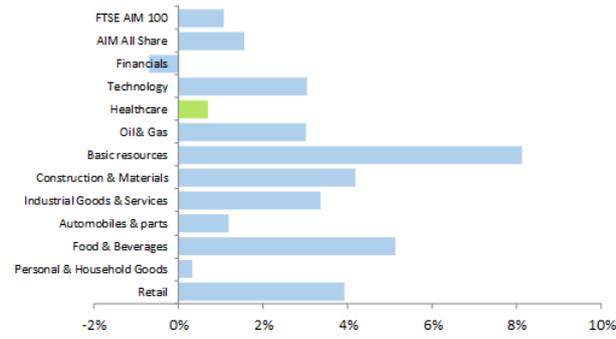
News: Launch of CE-Mark molecular test for detection of coronavirus (COVID-19). Represents the first CE-Mark test for COVID-19 and follows the rapid launch of its research use only (RUO) test on 31st Jan. The test can be transported at ambient temperatures, produces results in less than two hours and can run on multiple platforms.

Valuation: As a result of the launch of the RUO test and prospect of CE Marked IVD test, NCYT's share price rose 1007% from 15p on January 29, to 166p on Feb 17.

What's interesting: CE-Mark means that labs and hospitals can now directly use the test, without need for validation by clinicians – which should increase demand. NCYT has

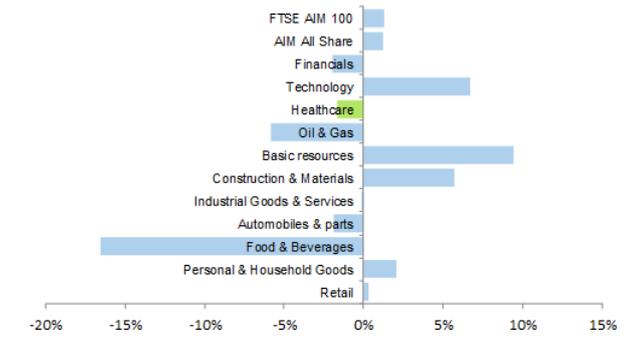
received requests for quotations for 288,000 CE-Mark tests since its availability for pre-order on 14th Feb and 40,000 RUO tests and state the conversion rate from quotations to orders is "high". NCYT has submitted an application for FDA approval and remains in discussions with them.

FTSE AIM all share sector performance (1 week)



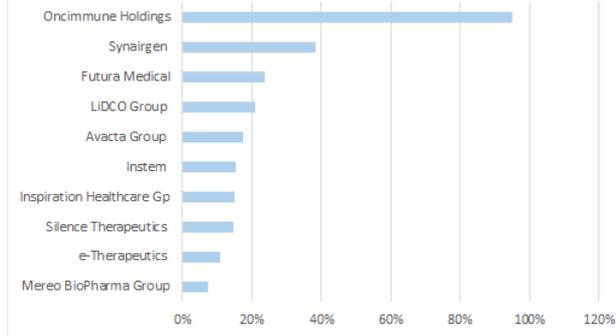
Source: FactSet

FTSE AIM all share sector performance (1 month)



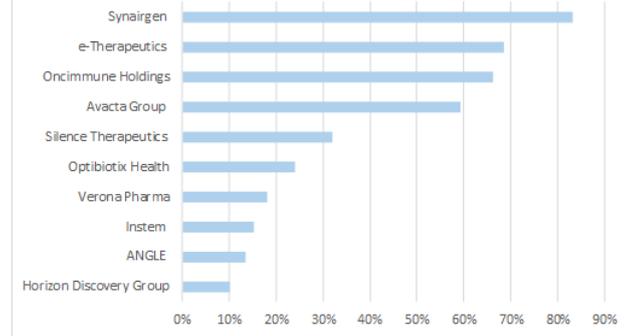
Source: FactSet

finnLife 50 - Top ten price performers (past week)



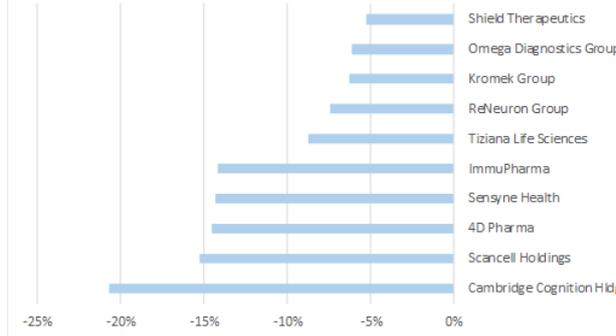
Source: FactSet

finnLife 50 - Top ten price performers (past month)



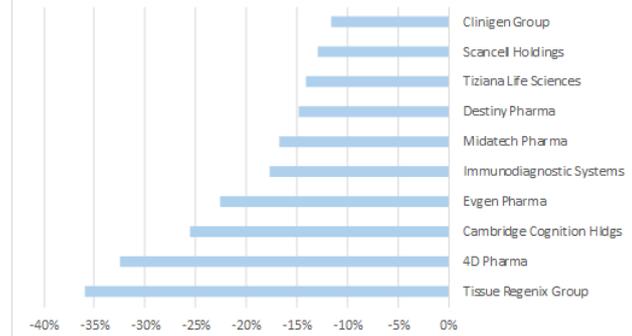
Source: FactSet

finnLife 50 - Bottom ten price performers (past week)



Source: FactSet

finnLife 50 - Bottom ten price performers (past month)



Source: FactSet

Research reports and comments in the past week

Company	Date	Title	Research Type
Cambridge Cognition	19 Feb	FY 2019 trading update and £1.4m placing	Company Note
Inspiration Healthcare	21 Feb	Positive trading update – new target	Company Note

Upcoming roadshows and events in the smaller healthcare company space

Company	Results Date	Roadshow / Event Date
Tristel interims *	24 Feb	24, 25, 27 Feb
InnovaDerma interims *	25 Feb	25, 26, 27 Feb
Bioventix *	30 Mar	30,31 March and 1 April
Avacta preliminary results *	21 April	21, 22 April

* Indicates a corporate client - RSVP [here](#) to express interest in roadshows

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