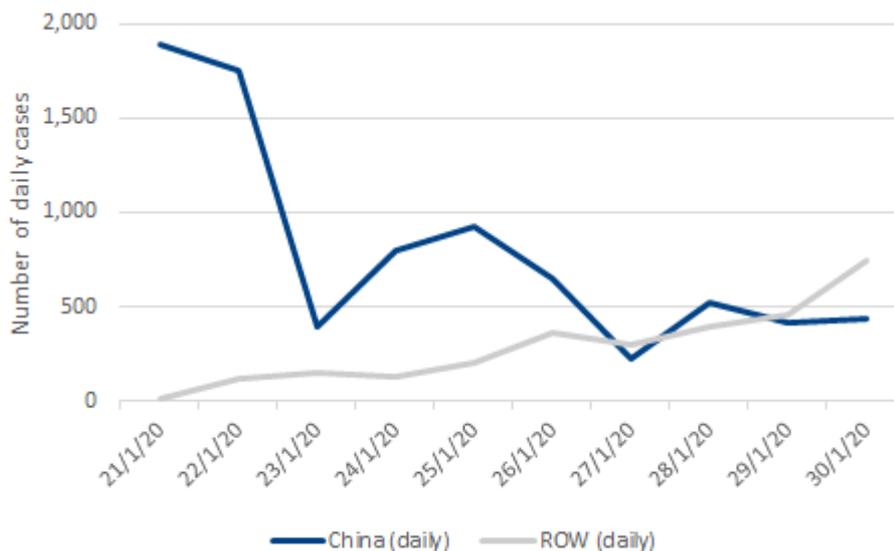


Number of new daily cases of COVID-19



Source: factset, WHO, finnCap

- The global market sell-off, triggered as the number of daily newly confirmed cases ex-China surpassed those in China, has been fairly indiscriminate with markets falling (1%-11.5%) in the last week. Whilst global supply chains may well be disrupted for many companies, we consider the life science sector to be better insulated from these threats and should offer attractive entry points for investment.
- Total confirmed cases: **83,707** Total deaths: **2,858**
- The WHO's '[myth busters](#)' for COVID-19. (Eating garlic won't protect you from coronavirus. Who knew!?).
- Gilead's antiviral drug Remdesivir is the "only one drug right now that we think may have real efficacy" according to WHO assistant director-general.
- Coronavirus plays in the UK: Byotrol*, Novacyt, Tristel* and Synairgen*

Companies covered: NCYT, VRP, AGL, IDP, TSTL, RENE

Novacyt (NCYT-GB), 115p, market cap. £76m

Clinical-stage pharma company focused on therapies for respiratory diseases.

News: Signed a major distribution agreement with a global life sciences company to supply the COVID-19 test in 2 territories outside mainland China. Initial sales, subject to local emergency use approval, anticipated to be £2.1m during the first 6 months of the agreement. NCYT announced an original equipment manufacturer (OEM) agreement with a US healthcare group for the manufacture and sale of its RUO tests.

What's interesting: As of 27 Feb, NCYT have sold over £0.93m of CE-Mark research use only (RUO) tests. They are in discussions with the FDA for Emergency Use Approval. In the UK, Public Health England (PHE) has invited diagnostic manufacturer, including NCYT, to submit tests for a formal evaluation process, expected to conclude next month.

Verona Pharma (VRP-GB), 57p, market cap. £58m

Clinical-stage pharma company focused on therapies for respiratory diseases.

News: Results for full year ended Dec 31 2019. Operating loss: **£41.1m** (2018: £25.6m). Reported loss after tax: **£31.9m** (2018: £19.9m). Reported loss per share: **30.3** pence (2018: 18.9 pence). Net cash used in operating activities: **£33.8m** (2018: £18.1m). Cash at Dec 2019: **£30.8m** (Dec 2018: £64.7m).

What's interesting: VRP's financials reflect its increasing investment in R&D, with associated costs rising to £33.5m in 2019, compared to £19.3m in 2018. In Dec 2019, VRP had 4 active clinical trials, compared to 2 active trials as of Dec 2018. A nebulised formulation of its drug candidate ensifentrine has completed Phase 2 clinical development for the treatment of COPD, and VRP are preparing to meet with the FDA to discuss plans for Phase 3 trials, with the Phase 3 programme expected to begin in Q3 2020, subject to FDA feedback, and additional funding.

ANGLE* (AGL-GB), 61p, market cap. £102m

Offers precision medicine solutions in the liquid biopsy market with sample-to-answer solutions using a CTC (circulating tumour cell) capture system, Parsortix and downstream analysis system.

News: Another independent piece of research published, assessing the performance of Parsortix in renal cell carcinoma (RCC), against another system. Parsortix greatly outperformed the alternative approach. Parsortix was combined with a single cell picking system so that individual circulating tumour cells (CTC) could for the first time, in this tumour type, be harvested and analysed. This sets Parsortix apart from legacy CTC antibody-based system that have been ineffective in RCC.

Valuation: Assuming net cash at 30 April 2020 of c.£12.8m, our risk-adjusted DCF valuation implies an equity value of £233m or 135p per share.

What's interesting: ANGLE's next major value inflection point - FDA clearance for the Parsortix platform in breast cancer - should make subsequent approvals for new indications, such as RCC, much easier and quicker to achieve. This latest endorsement of the system (and the 29th peer-reviewed independent research on it), will add to the strong body of evidence that ANGLE can submit to the FDA.

[Report link](#)

InnovaDerma* (IDP-GB), 60p, market cap. £8m

Developer of beauty, personal care and life science products.

News: Half year results for six months ended 31 Dec 2019. Revenue: **32.8%** increase to **£5.1m** (HY 2018: £3.9m). Gross profit: **40.1%** increase to **£3.1m** (HY 2018: £2.2m). Loss before tax: reduced by **18%**, representing a **£0.3m loss** (HY 2018: £0.4m loss). Cash: **-42.9%** reduction to **£0.4m** (2018: £0.7m).

Valuation: We are reducing FY 2020 revenues and PBT by £1.1m (7%) and £0.2m (9%), respectively. Target price lowered to 180p, which implies a FY 2021 P/E of 16.0x, underpinned by 19% EPS growth in FY 2021.

What's interesting: We reduced our forecasts due to Roots, which is now expected to be broadly flat, c. £1.3m lower than previous expectations. This is partially offset by the launch of IDP's new hair removal brand Nuthing. On the other hand, Skinny Tan sales increased c.40% to £4.2m. DTC channel sales increased by c.26% to £2.9m – which is increasingly important in light of a challenging retail environment. Overall, IDP is still demonstrating strong growth, against a difficult macro-environment.

[Report link](#)

Tristel* (TSTL-GB), 460p, market cap. £206m

Manufacturer of products for infection prevention and contamination control, utilising proprietary chlorine dioxide chemistry.

News: Trading update for six months ended 31 Dec 2019 – above market expectations. Revenue: **22%** increase to **£14.6m** (HY 2018: £12m). PBT before share-based payments: **25%** increase to **£3m** (2018: £2.8m). EBITDA before share-based payments: **34%** increase to **£4.3m** (HY 2018: £3.2m), Interim dividend: **15%** increase to **2.34p** per share (HY 2018: 2.04p). Cash: **£4.2m** (HY 2018: £4.5m).

Valuation: We increase our target price to 375p from 325p. Based on our forecasts, this would imply the stock trading on 2021 EV/Sales, EV/EBITDA and P/E of 4.8x, 16.1x and 29.0x, respectively. The target valuation is supported by FCF/Capital employed of 22.0% in FY 2020 and a free cashflow yield of 3.5% in FY 2020. This compares with a median of 4.7% for the small/mid-cap market but given the current growth drivers, is justified in our opinion.

What's interesting: Results are c.7% above the trading update from 17 Dec and represents one of the strongest set of results Tristel has ever delivered. Delivering strong growth, both in the UK and overseas and there is potential for a 'COVID-19 bonus' in H2, which is not factored into current forecasts. In the longer term, the US market represents a key growth opportunity – data generation for De Novo FDA submission is ongoing.

[Report link](#)

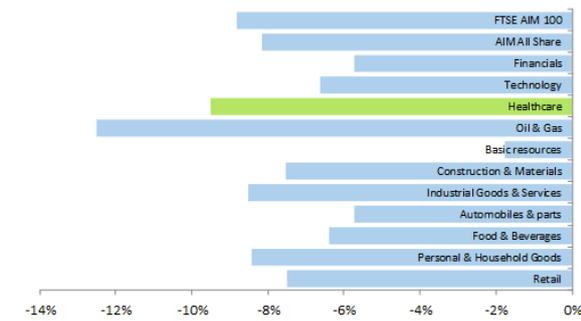
ReNeuron (RENE-GB), 140p, market cap. £44m

Stem-cell company with two clinical stage therapeutic candidates targeting unmet medical needs.

News: Positive long-term data from the ongoing Phase 1/2a clinical trial of its human retinal progenitor cell line (hRPC) stem cell therapy candidate in retinitis pigmentosa (RP). Interim efficacy data from October 2019 had shown sustained clinically relevant improvements in visual acuity, and this subsequent long-term efficacy data continues to show a meaningful clinical effect from the therapy at all time points out to 12 months post-treatment.

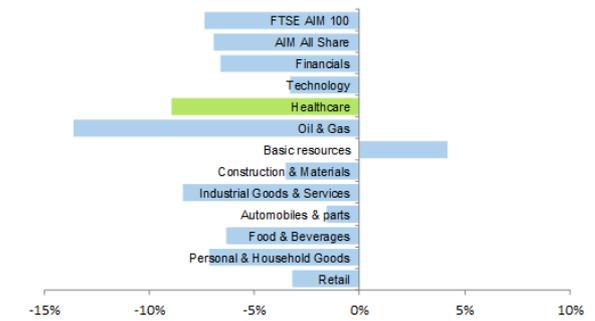
What's interesting: The interim efficacy data from Oct 2019 was positive and this longer-term follow-up data is highly encouraging because it demonstrates that the therapy maintains its benefits – to at least one year post-treatment. RENE has submitted a protocol amendment to the FDA to expand the study and treat a further 9 patients at twice the dosage received by existing subjects, which should allow the observed efficacy signal to be better magnified.

FTSE AIM all share sector performance (1 week)



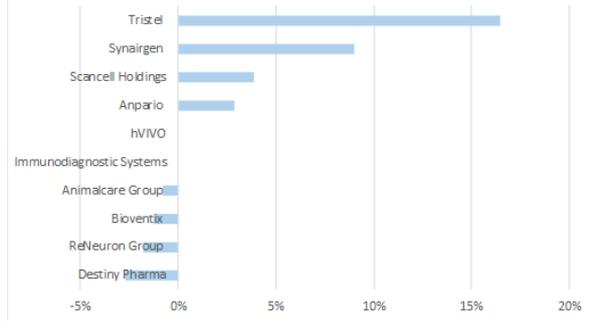
Source: FactSet

FTSE AIM all share sector performance (1 month)



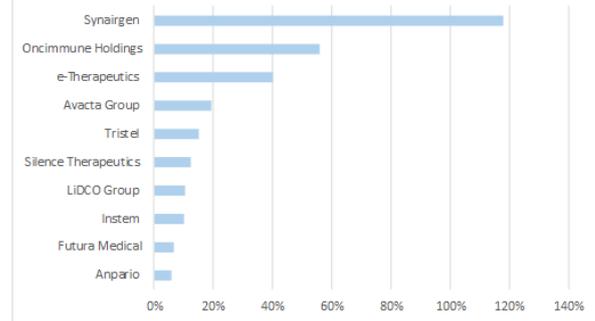
Source: FactSet

finnLife 50 - Top ten price performers (past week)



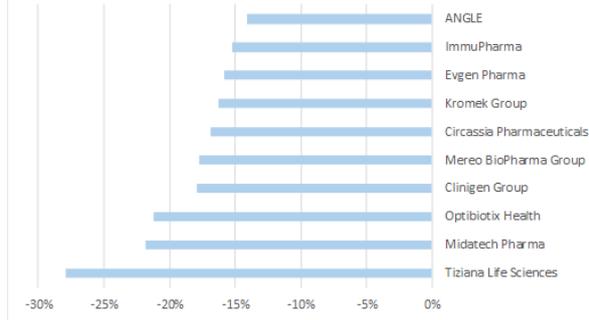
Source: FactSet

finnLife 50 - Top ten price performers (past month)



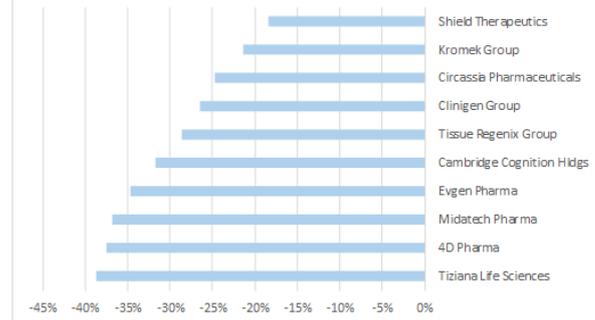
Source: FactSet

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
Tristel	24 Feb	Tristel - Interims underpin FY outlook	Company Note
InnovaDerma	25 Feb	InnovaDerma - Interims – strong H1 offsets challenging macro backdrop	Company Note
ANGLE	27 Feb	Third-party research – this time in kidney cancer	Morning Note

Upcoming roadshows and events in the smaller healthcare company space

Company	Results Date	Roadshow / Event Date
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

To UNSUBSCRIBE, please simply reply to that effect.

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