

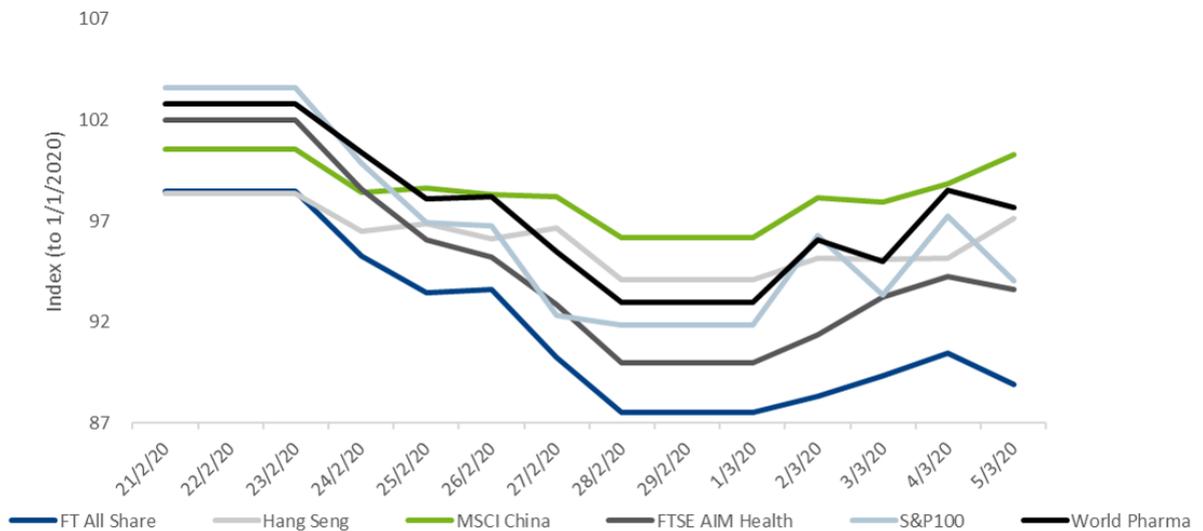


**Weekly thoughts on the healthcare sector from finnCap's life sciences analysts: Mark Brewer and Arshad Ahad**

Market	Last	-1D	-1M	-3M	-12M	YTD	Health	Last	-1D	-1M	-3M	-12M	YTD
MSCI World Index	1,677	-2.4%	-9.2%	-3.9%	4.9%	-6.8%	MSCI World Pharma/Biotech	208	-1.1%	-5.0%	0.6%	7.5%	-2.4%
FTSE All Share	3,731	-1.7%	-10.3%	-6.0%	-5.5%	-11.1%	FTSE All Share Health	12,285	-0.3%	-3.7%	-0.1%	13.3%	-4.6%
AIM All Share	876	-1.1%	-8.8%	-3.3%	-4.4%	-8.6%	AIM Health	9,708	-0.6%	-8.1%	-4.4%	-3.3%	-6.4%
AIM 100	4,479	-1.1%	-9.0%	-3.3%	-5.8%	-9.1%							

**Coronavirus (COVID-19) update:**

**Global stocks performance since 21<sup>st</sup> February**



Source: factset, finnCap

- Earlier in the week, markets saw an uptick since last week's global sell-off, with investors seemingly banking on fresh monetary and fiscal stimulus measures. The US central bank, for example, slashed interest rates in response to mounting concerns.
- Thursday saw various markets fall again, reflecting uncertainty about the damage COVID-19 will do to the global economy.
- Total confirmed cases: 98,387 Total deaths: 3,383 Total recovered: 55,441
- The Organisation for Economic Cooperation and Development (OECD) has warned the global economy could grow at its slowest rate since 2009 this year due to COVID-19, having cut its 2020 growth forecast from 2.9% to 2.4%.
- Coronavirus plays in the UK: Byotrol\*, Novacyt, Tristel\* and Synairgen\*

## [Companies covered: RenalytixAI, Allergy Therapeutics, Oncimmune, ANGLE, Destiny Pharma](#)

### **RenalytixAI (RENX-GB), 325p, market cap. £193m**

*Developer of AI-enabled diagnostics for kidney disease.*

**News:** Interim results for six months ended 31 Dec 2019. Net loss after tax: \$3.8m (H1 FY 2019: \$2.5m), in line with expectations. Cash: \$20.8m (31 Dec 2018: \$13.1m). \$1.9m invested in assay development, lab equipment and clinical validation during the period (\$3.5m since inception).

**What's interesting:** RENX considering a possible spin-out and admission to AIM of FractalDx. Regulatory review processes for KidneyIntelX continue on track, with US Medicare national pricing set at \$950 per portable test, with national roll-out expected in 2020. In addition, integration with major healthcare systems is a core part of RENX's business-to-business market strategy, and it expects commercial launch into the Mount Sinai Health System in Q2 2020.

### **Allergy Therapeutics\* (AGY-GB), 11p, market cap. £68m**

*Commercial biotechnology company which specialises in the R&D of allergy treatments, including immunotherapy vaccines.*

**News:** Interim results for six months ended 31 Dec 2019. Revenue: 9% increase to £50.5m (constant rate, H1 2019: £46.7m). Pre-R&D operating profit: 10% increase to £17.3m (H1 2019: £15.7m) as a result of continued sales growth. Strong cash balance of £39.7m (30 June 2019: £27.4m).

**Valuation:** We upgrade adjusted FY 2020 and 2021 by £2.1m to reflect lower R&D expenses that reflect the phasing of costs for the two-stage Phase III clinical trial for Grass MATA MPL. The stock currently trades on a calendar-adjusted 2021 EV/Sales of 0.6x, a c.80% discount to its peer group of 3.0x. We reiterate our 40p target price, implying 2.9x FY 2021 EV/Sales. This attributes no value to PQ Grass in the US, or earlier-stage pipeline products.

**What's interesting:** AGY's consistent and steady revenue growth story (9% CAGR over 20 years) continues. Polyvac peanut is progressing well, having agreed in principle the proposed development plan with three European regulators. With its strong £39.7m cash balance, the company will be able to fund its planned Grass MATA MPL Phase III trial, planned to start in the US and Europe in autumn 2020, from existing resources.

[Report link](#)

### **Oncimmune\* (ONC-GB), 78p, market cap. £49m**

*Commercial stage immune biomarker company for cancer detection. Products include EarlyCDT Lung and EarlyCDT Liver, blood tests for early detection of lung and liver cancer.*

**News:** ONC's exclusive commercial partner, Biodesix, launches EarlyCDT Lung test in the US, branded as Nodify CDT. Nodify CDT will partner with Biodesix's existing Nodify XL2 test, with the CDT test serving as a 'rule-in' test and the XL2 serving as a 'rule-out' test. Both tests will be offered together as the Nodify Lung Nodule Risk Assessment strategy, giving physicians the ability to order both tests from a single blood draw.

**Valuation:** Our DCF-based target price is 150p. A \$9m (£7.2m) milestone is due/expected from Biodesix in FY 2021.

**What's interesting:** ONC should receive a royalty of c.8-12% on in-market sales as well supplying the coated ELISA plates, but without the cost of setting up the commercial infrastructure in the US. Biodesix has a direct US national sales force who sell direct into pulmonologists and corporately into national hospital systems

[Report link](#)

## **ANGLE\* (AGL-GB), 67p, market cap. £114m**

*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:** Breakthrough research from independent group that ALCAM (activated leukocyte cell adhesion molecule) protein expression on circulating tumour cells (CTCs), harvested by Parsortix, matches the protein expression in brain metastatic tissue biopsies. These results suggest that Parsortix may aid in the assessment of the likelihood of a patient suffering a brain metastasis in the future

**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:** The ability to investigate brain metastasis on a repeat basis, via a simple and cost-effective blood test, could change the standard of care, and allow for more focused therapy decisions. ANGLE will seek to develop a Parsortix test for ALCAM protein expression on CTCs, which could assist with early identification of risk of brain metastasis, and assist pharma companies that may wish to investigate new therapies targeting ALCAM. In addition, ALCAM protein expression is understood to play a role in brain metastasis, not only for NSCLC, but also for breast and prostate cancer.

[Report link](#)

## **Destiny Pharma\* (DEST-GB), 36p, market cap. £16m**

*Antimicrobial company focused on development of hospital infection prevention treatments. Its lead asset, XF-73, for prevention of post-surgical infections, is in Phase 2b trials.*

**News:** Recruitment update for the XF-73 Phase 2b trial. Recruitment has been slower than expected, particularly in the US. Consequently, recruitment is due to complete in mid-2020, rather than Q1 2020. Good progress had been made at European sites in H2 2019, but

slowed in Q4 due to a shortfall in eligible cardiac surgery procedures in one country – driven by changes in government hospital reimbursement for cardiac surgeries.

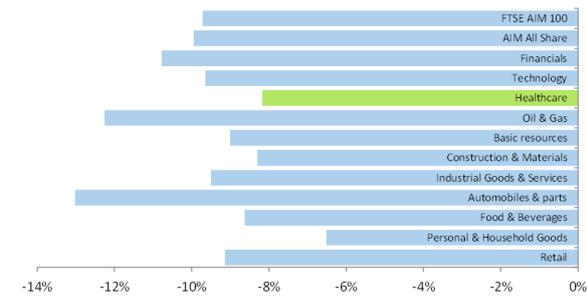
**Valuation:** Target price of 250p based on our risk-adjusted DCF. Our valuation excludes any value attributable to other drugs from the XF platform (e.g. biofilm-associated infections).

**What's interesting:** In response to the shortfall in eligible cardiac surgery procedures in one country, DEST are opening further clinical sites and an additional European country, to boost recruitment. Phase 2b interim, safety and futility analysis, conducted by an Independent Safety

Monitoring Board, is expected during Q2 2020, and full study data will be available after recruitment completes in mid-2020. With a cash runway extending into H1 2021, Destiny has ample time to secure funding for XF-73 or licensing milestones on the back of a positive Phase 2b outcome.

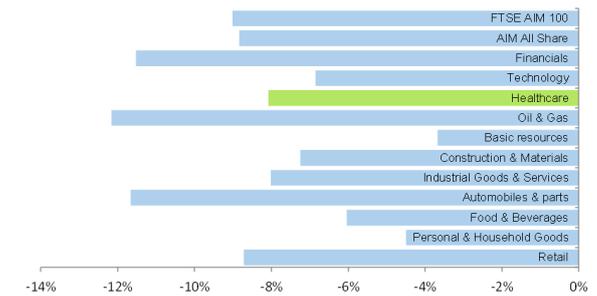
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**FTSE AIM all share sector performance (1 week)**



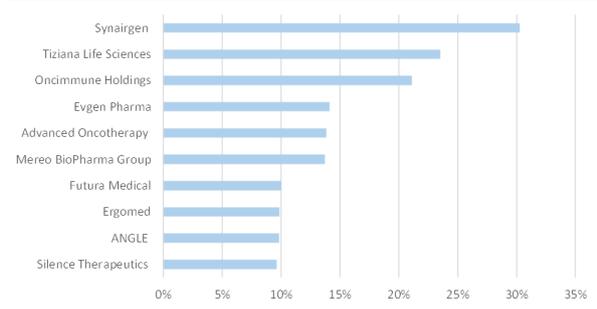
Source: FactSet

**FTSE AIM all share sector performance (1 month)**



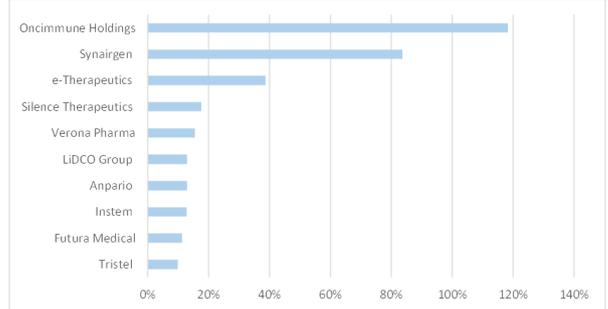
Source: FactSet

**finnLife 50 - Top ten price performers (past week)**



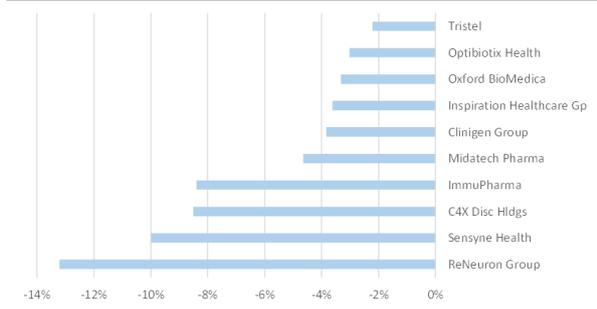
Source: FactSet

**finnLife 50 - Top ten price performers (past month)**



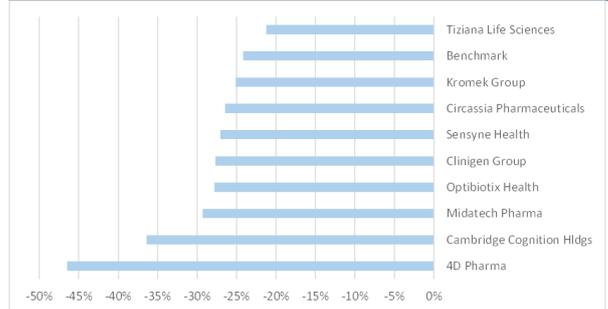
Source: FactSet

**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
ANGLE*	3 March	Breakthrough research in brain metastasis in NSCLC	Morning Note
Destiny Pharma*	3 March	Phase IIb recruitment on track to complete mid-2020	Morning Note
Allergy Therapeutics*	4 March	Interims – progressing to plan, upgrades due to R&D	Coimpany Note
Oncimmune	4 March	Biodesix launches EarlyCDT Lung test in the US	Morning Note

**Upcoming roadshows and events in the smaller healthcare company space**

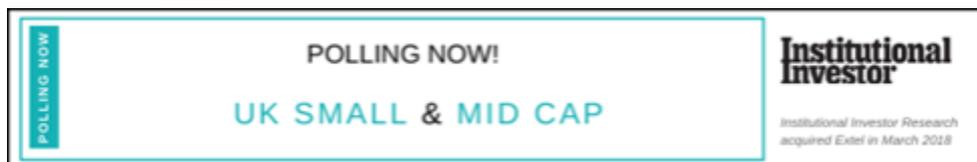
Company	Results Date	Roadshow / Event Date
Bioventix *	30 Mar	30,31 March and 1 April
Avacta preliminary results *	21 April	21, 22 April

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