



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	1,972	0.0%	4.2%	10.1%	12.4%	9.6%	MSCI World Pharma/Biotech	224	0.1%	2.3%	3.8%	7.5%	5.0%
FTSE All Share	3,694	0.3%	4.7%	10.6%	-7.4%	-11.6%	FTSE All Share Health	12,076	1.2%	-3.8%	-3.6%	-2.9%	-6.2%
AIM All Share	1,067	-0.7%	8.6%	12.0%	18.8%	11.6%	AIM Health	11,411	-0.2%	0.0%	-2.4%	13.1%	10.0%
AIM 100	5,431	-0.9%	8.6%	12.5%	18.1%	10.6%							

Life Sciences Quarterly –COVID-19 Diagnostics

Our latest quarterly note can be accessed [here](#).

The AIM Healthcare index has risen by 11% YTD in 2020, boosted by COVID-19 testing stocks and significantly outperforming the larger-cap FT All Share Health and World Health indices, which declined by 13% and rose by 2%, respectively. 20 finnLife 50 stocks have exhibited double-digit percentage increases YTD in 2020, a further 10 have exhibited triple-digit percentage increases, and one has posted a quadruple-digit rise. These are Synairgen* (+1,313%), followed by Avacta* (+648%), Open Orphan* (+405%), e-Therapeutics (+404%), Oncimmune (+322%), Omega Diagnostics *(+276%), LiDCO* (+142%), Ergomed (+135%), Sensyne Health (+115%), Cambridge Cognition* (+102%) and Tiziana Life Sciences (+100%).

COVID-19 diagnostics sector

The COVID-19 diagnostics sector has been at the forefront of international attention in 2020 as the primary weapon to fight the pandemic. The recent promising news on vaccines has prompted fears over the sustainability of this market; however, we believe these fears are unwarranted. We believe the market has yet to peak and will do so in 2021, but will remain strong into 2022 and beyond. Overall, it is likely that COVID-19 will be a part of our lives for years to come and may even be a perpetual presence – and as long as this remains the case, COVID-19 testing will be an important tool for keeping the disease in check and avoiding outbreaks.

Demand exceeds supply

There is currently a global need for well over 5m tests a day, with this figure set to rise significantly as countries increase testing capacity and lateral flow diagnostics (LFDs) become more widespread. In addition, antibody tests will be required to assess and monitor immune responses to the vaccines. Market incumbents are not expected to be able to meet this level of demand, so there remains a need and opportunity for companies that are yet to come to market with their tests, especially if they can provide advantages that help differentiate their tests.

Industry attractions

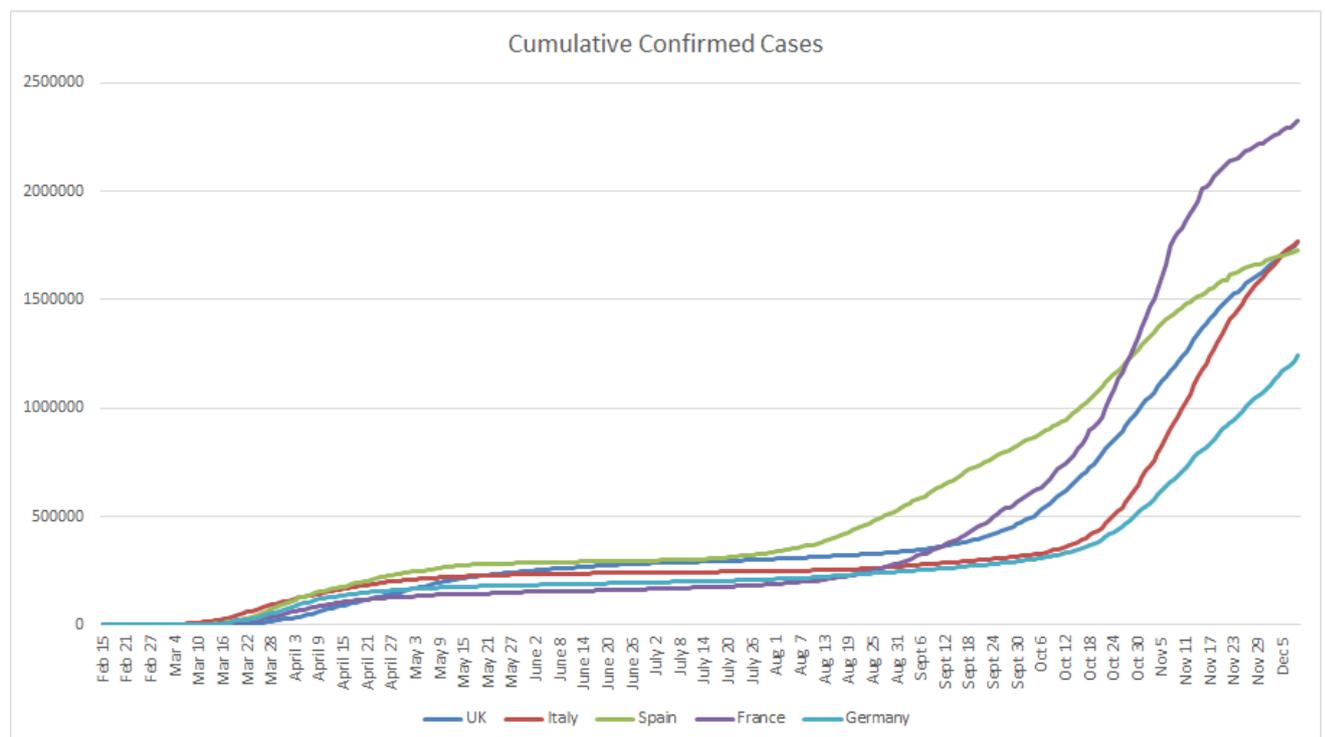
In addition to the high global demand, the COVID-19 diagnostics sector remains a high-growth area in the life sciences sector, at a time when most other market segments and sectors are experiencing disruptions due to the pandemic. Furthermore, it attracts significant investor and media attention to the companies within the sector, which can be leveraged to demonstrate company value in areas outside of COVID-19 as well.

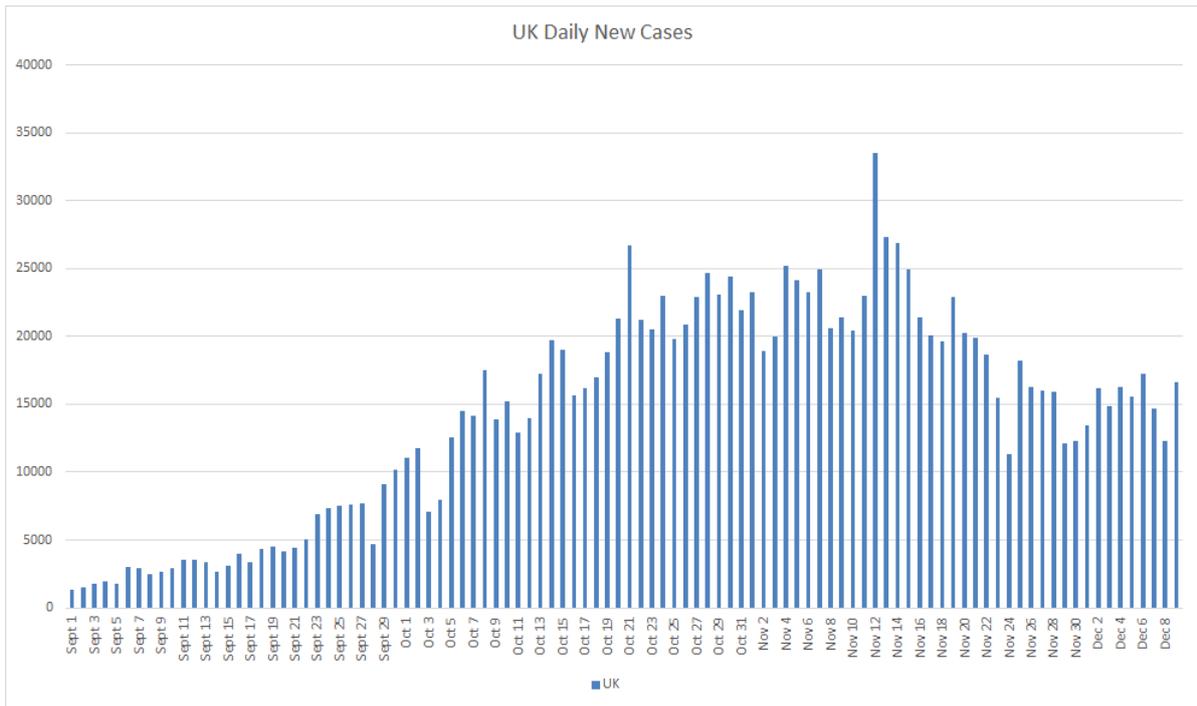
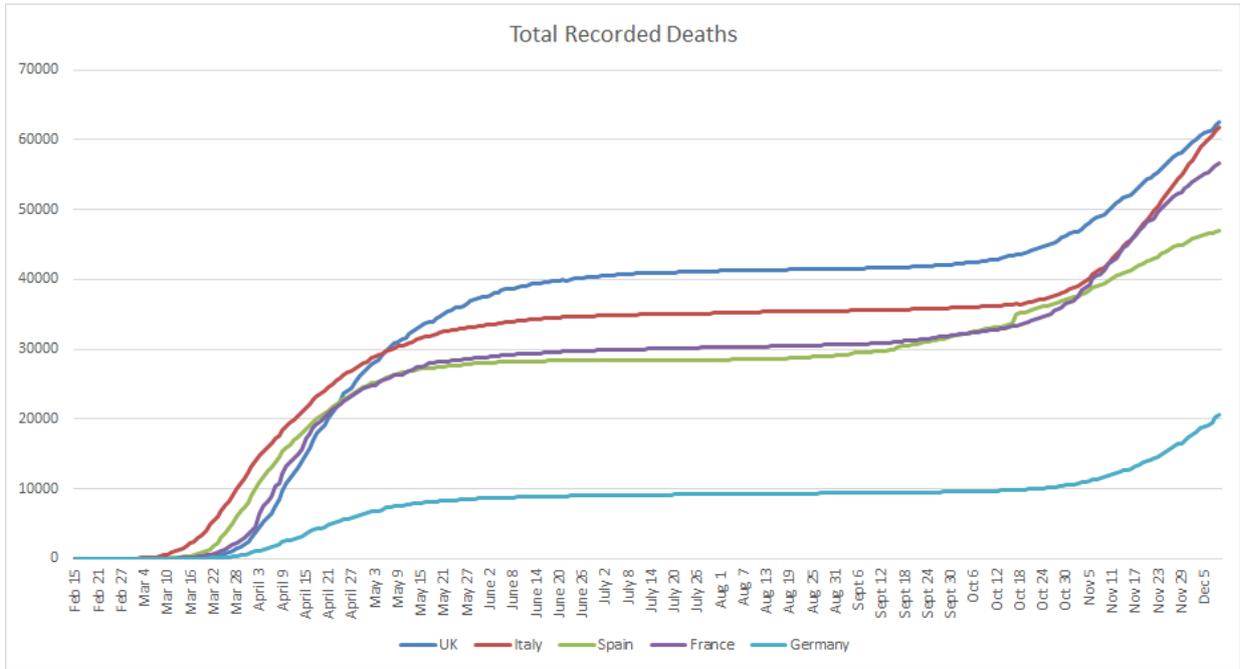
COVID-19 testing stocks to focus on

COVID-19 testing stocks to focus on include Avacta* (AVCT), which is developing a rapid saliva-based antigen LFD among other tests; Novacyt (NCYT), which is one of the leaders in the space due to early market entry and an extensive testing portfolio; and Omega Diagnostics* (ODX), which is involved in multiple testing opportunities, including the UK-RTC and genedrive* (GDR), which has developed a high-throughput test and is developing a point-of-care version.

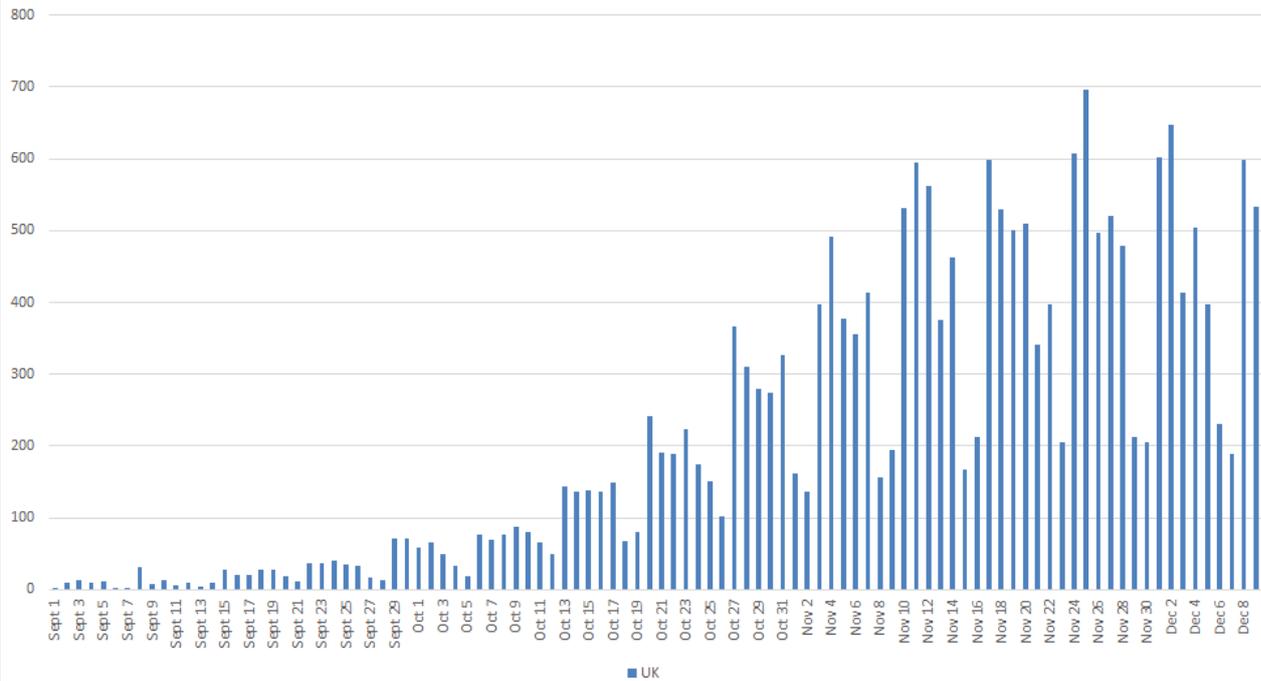
COVID-19 Update

Source: Worldometer, finnCap

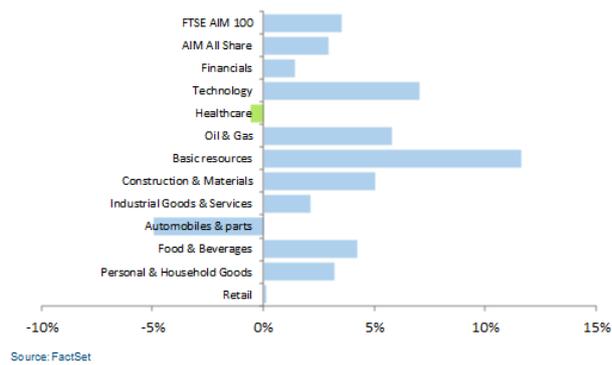




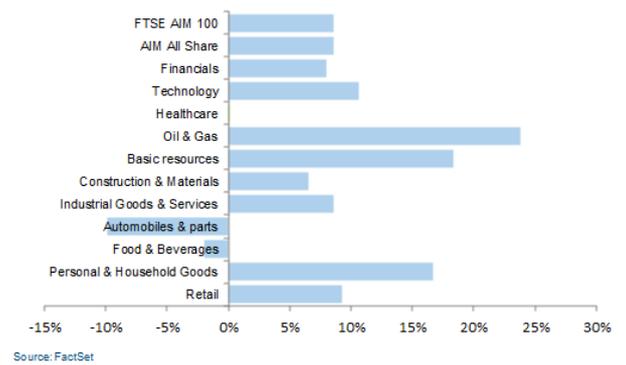
UK Daily New Deaths



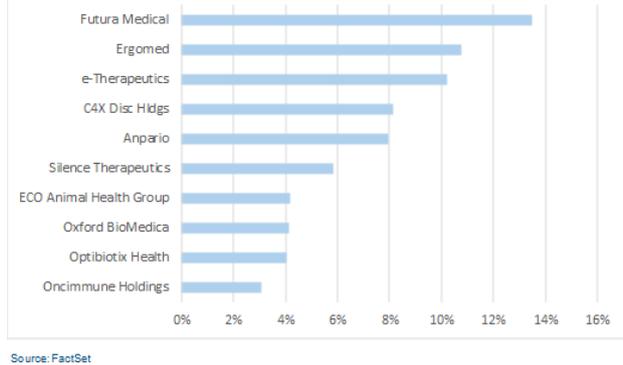
FTSE AIM all share sector performance (1 week)



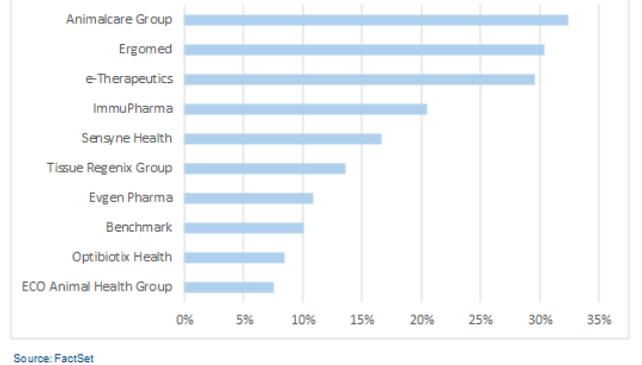
FTSE AIM all share sector performance (1 month)



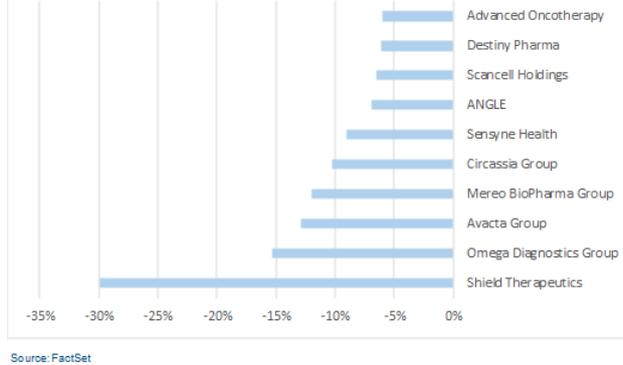
finnLife 50 - Top ten price performers (past week)



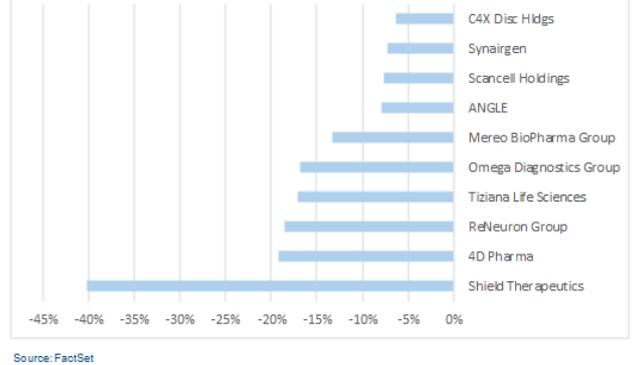
finnLife 50 - Top ten price performers (past month)



finnLife 50 - Bottom ten price performers (past week)



finnLife 50 - Bottom ten price performers (past month)



Research reports and comments in the past two weeks

Company	Date	Title	Research Type
finnCap Sector Note	11-Dec	Rude Health: Q4 Life Sciences Quarterly - COVID-19 Diagnostics	Sector note
Evgen Pharma*	10-Dec	Interims	Company Note
Shield Therapeutics*	10-Dec	Optionality – to partner in the US or go direct	Company Note
ANGLE*	09-Dec	Peer reviewed paper adds further value and insight	Morning Note
SDI Group*	09-Dec	Interims – on track to deliver strong FY 2021	Company Note
Byotrol*	07-Dec	Strong interim results and exciting times ahead	Company Note
Open Orphan*	07-Dec	Two new contract wins for Venn Life Sciences	Morning Note
SDI Group*	03-Dec	Acquisition in lockdown – 14% accretive in first full year	Company Note
Omega Diagnostics*	30-Nov	FY 2021 interims – three key value drivers	Company Note

An archive of previous Health Matters can be found [here](#).

* indicates corporate stock

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The recommendation system used for this research is as follows. We expect the indicated target price relative to the FT All Share Index to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected performance relative to this index of +/-10%, a 'Buy' indicates expected outperformance >10% and a 'Sell' indicates expected underperformance of >10%.

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