

e-Therapeutics

Sailing a steady course

Interim results

Pharma & biotech

e-Therapeutics' (ETX) interim numbers demonstrate tight cost control and focus on the rationalised pipeline, with continued investment into the Network-Driven Drug Discovery platform. In the near term, we should see positive data to support out-licensing of its immuno-oncology projects. The company is well-positioned in the 'big data' space and has initiated a robust business development plan, which we expect to bear fruit in the coming year.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
01/16	0.0	(11.1)	(3.3)	0.0	N/A	N/A
01/17	0.0	(13.4)	(3.9)	0.0	N/A	N/A
01/18e	0.0	(7.7)	(2.3)	0.0	N/A	N/A
01/19e	0.0	(7.2)	(2.1)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Focus on key pipeline projects continues

Following a strategic review in July 2017, resources are being invested in two immuno-oncology programmes: checkpoint signalling modulation and tryptophan catabolism. Although relatively immature, the company believes they are the most commercially interesting projects and is working to generate early pre-clinical data for active marketing by year-end. ETX continues to invest in its Network Drug Discovery platform and develop network models in other complex diseases.

Well positioned in this space

The term 'big data' has become a buzzword recently but it is widely hoped that the application of big data analytics can streamline the pharmaceutical R&D process to better identify new potential drug candidates (McKinsey article, April 2013). With new CEO Ray Barlow we believe ETX is well-equipped to deliver on its key business development strategy and deliver partnerships.

Valuation: Tight cost control

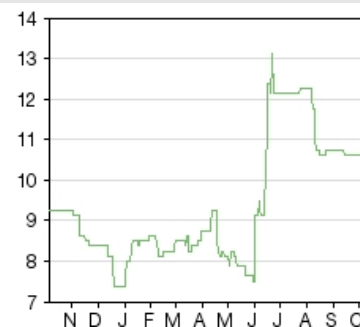
Total H1 R&D spend was £2.7m (H117: £6.5m), a result of cutting back discovery projects and winding down the clinical study (two patients remain with ongoing costs of 40k/month). The operating loss was £3.7m (H117: £7.6m excluding goodwill write-off). Cash at the half year stands at £12.4m (end FY17: £14m) and cash burn is down to £1.55m for the period (H117: £3.8m). Only minor changes to our financial numbers mean that the company continues to be funded into 2019.

4 October 2017

Price 10.63p
Market cap £29m

Net cash (£m) as at 31 July '17	12.4
Shares in issue	268.5m
Free float	74%
Code	ETX
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(1.2)	(12.4)	14.9
Rel (local)	(1.7)	(13.8)	6.6
52-week high/low		13.1p	7.4p

Business description

e-Therapeutics is a UK-based drug discovery company that has developed a proprietary network-driven drug discovery platform. Following a strategic review by the new CEO, the focus is now on commercialisation: securing partners for its platform, discovery and development projects.

Next events

Preclinical data	H217/H118
Partnering deal(s)	2018 onwards

Analysts

Charlotte Hetzel	+44 (0) 20 3077 5700
Dan Wilkinson	+44 (0) 20 3077 5734

healthcare@edisongroup.com

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e-Therapeutics is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£'000s	2016	2017	2018e	2019e
Year ending 31 January		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		0	0	0	0
R&D		(9,965)	(10,911)	(5,988)	(5,500)
G&A		(1,375)	(2,614)	(1,800)	(1,700)
EBITDA		(11,267)	(13,469)	(7,743)	(7,164)
Operating profit (before amort. and except.)		(11,340)	(13,525)	(7,788)	(7,200)
Share-based payment		(215)	(99)	(120)	(100)
Operating profit		(11,555)	(16,429)	(7,908)	(7,300)
Net interest		271	132	50	40
Profit before tax (adjusted)		(11,069)	(13,393)	(7,738)	(7,160)
Profit before tax (as reported FRS3)		(11,284)	(16,297)	(7,858)	(7,260)
Tax		2,464	3,073	1,500	1,400
Profit after tax (norm.)		(8,605)	(10,320)	(6,238)	(5,760)
Profit after tax (as reported)		(8,820)	(13,224)	(6,358)	(5,860)
Average number of shares outstanding (m)		264.4	267.1	268.4	268.4
EPS - adj. (p)		(3.3)	(3.9)	(2.3)	(2.1)
EPS - as reported (p)		(3.3)	(5.0)	(2.4)	(2.2)
Dividend per share (p)		0.0	0.0	0.0	0.0
EBITDA margin (%)		N/A	N/A	N/A	N/A
Operating margin (before GW and except) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed assets		804	207	247	296
Intangible assets		740	156	159	166
Tangible assets		64	51	89	131
Current assets		28,783	17,724	10,093	4,389
Stocks		0	0	0	0
Debtors		3,941	3,749	1,800	1,800
Cash		24,842	13,975	8,293	2,589
Other		0	0	0	0
Current liabilities		(1,156)	(1,951)	(915)	(915)
Creditors		(1,156)	(1,951)	(915)	(915)
Other creditors		0	0	0	0
Short-term borrowings		0	0	0	0
Long-term liabilities		0	0	0	0
Long-term borrowings		0	0	0	0
Deferred taxation		0	0	0	0
Other long-term liabilities		0	0	0	0
Net assets		28,431	15,980	9,425	3,770
CASH FLOW					
Operating cash flow		(11,204)	(11,711)	(8,656)	(7,164)
Net interest		329	194	91	45
Tax		2,027	2,570	2,968	1,500
Capex		(6)	(22)	(60)	(60)
Purchase of intangibles		(138)	(143)	(25)	(25)
Acquisitions/disposals		0	(1,768)	0	0
Financing		12	13	0	0
Dividends		0	0	0	0
Other		0	0	0	0
Net cash flow		(8,980)	(10,867)	(5,682)	(5,704)
Opening net debt/(cash)		(33,822)	(24,842)	(13,975)	(8,293)
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		(24,842)	(13,975)	(8,293)	(2,589)

Source: Edison Investment Research, e-Therapeutics accounts

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