

CORPORATE

 Current price **98.5p**

 Sector **Healthcare Equipment & Services**

 Code **(FAB)**

 Listing **AIM**
SHARE PERFORMANCE


	1m	3m	12m
FAB	+44%	-11%	+48%

Source: Fidessa, Allenby Capital

SHARE DATA

 Market cap (£) **25.04m**

 Shares in issue (m) **25.424**

52 weeks High Low

155 **61**

 Financial year end **March**

Source: Company Data, Allenby Capital

LARGEST SHAREHOLDERS

 Amati Global Investors Ltd **9.21%**

 Crescent Capital II LP **8.75%**

 Viridian Growth Fund LP **7.20%**

 Octopus Investments Ltd **6.00%**

 Hargreave Hale Ltd **5.52%**

 Jim Johnston **5.18%**

Source: Company Data, Allenby Capital

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FUSION ANTIBODIES(FAB)
Positioned for growth and innovation

FAB is a specialised Contract Research Organisation operating in monoclonal antibody engineering and production and supply. The company generated a 79% increase in FY20 revenues driven by its core expertise in antibody humanisation services, successful business development initiatives, with the newly launched RAMP™ technology attracting industry attention and initial revenues. Trading remains resilient to pandemic uncertainty in the year to-date and we leave forecasts unchanged. Development of the game-changing Mammalian antibody library provides unprecedented future growth opportunities, in our view.

- FY20 outperformance.** FAB generated a 79% increase in FY20 revenues to £3.9m driven by its core antibody engineering services, notably humanisation supported by the company's proprietary CDRx™ platform, and which included initial material revenues from its novel RAMP™ technology. FAB generated balanced growth across all geographies, (86% of revenues are derived outside the UK). While continuing to invest for growth, EBITDA loss narrowed significantly to £0.4m from £1.1m in FY19. Cash used in operations fell from £1.1m in FY19 to £0.2m taking end of year cash to £1.5m.
- Technology development progress.** Having raised £2.8m net in April, to accelerate and broaden the scope of research into its novel Mammalian antibody library, FAB is making excellent progress towards achieving proof of concept for COVID-19 as well as oncology targets through the platform. The target is for completion of proof of concept in FY21, with launch planned in FY22. Successful development outcomes can provide access to target markets over \$2bn size and potential for licensing fees and/or royalties through future commercial partnerships.
- Forecasts unchanged.** Post year end trading is in line with forecasts and we leave our FY21/22 forecasts unchanged barring minor changes in line with FY20. Estimates for FY23 are added with 10% revenue growth to £5.1m seen and with an improvement in gross margin aided by ongoing investment in automation. Despite uncertainty posed by the pandemic, finances are well supported by its £2.8m funding to continue investment in growth, becoming cash generative excluding investment in R&D by the end of FY22 on our forecasts.
- Conclusions.** FAB is building on its established expertise in core areas. The Mammalian antibody library can enable FAB to target much higher value markets once established. While markets clearly remain volatile, new technology plus the continuing significance and versatility of antibodies in developing healthcare solutions (including for COVID) play a central role in future growth opportunities for the company.

Year End	March 31				
(£'000)	2019A	2020	2021E	2022E	2023E
REVENUE	2,182	3,895	3,999	4,599	5,059
<i>REVENUE GROWTH</i>	-19%	79%	3%	15%	10%
ADJ. EBITDA	-1,077	-437	-1,108	-502	-520
EBIT	-1,508	-1,059	-1,858	-1,303	-1,121
LOSS PER SHARE	-5.7	-3.2	-5.8	-4.4	-3.7
NET CASH	1,984	1,537	2,713	1,738	1,351

Allenby Capital acts as Nomad & Broker to Fusion Antibodies (FAB.L)

Please refer to the last page of this communication for all required disclosures and risk warnings.

SUMMARY FINANCIALS

EXHIBIT 1: FINANCIAL STATEMENTS					
Year-end: March 31	2019A	2020A	2021E	2022E	2023E
INCOME STATEMENT					
Revenues	2,182	3,895	3,999	4,599	5,059
Cost of goods sold	-1,378	-2,123	-2,168	-2,276	-2,428
Gross Profit	804	1,772	1,832	2,322	2,631
Other income	86	56	60	60	60
R&D Expense	0	0	-1,100	-500	-500
G&A Expenses	-2,399	-2,887	-1,650	-1,905	-1,980
Sales & Marketing	0	0	-1,000	-1,280	-1,331
Share based payments	-98	-83	-98	-100	-100
Adjusted EBITDA	-1,077	-437	-1,108	-502	-520
Operating Profit	-1,508	-1,059	-1,858	-1,303	-1,121
Interest income	9	-14	3	6	3
Profit Before Taxes	-1,500	-1,073	-1,855	-1,297	-1,117
Current tax income	235	376	470	180	180
Net Income	-1,264	-697	-1,385	-1,117	-937
EPS (p)	-5.7	-3.2	-5.8	-4.4	-3.7
Average no. of shares	22	22	24	25	25
Gross margin	37%	45%	46%	51%	52%
BALANCE SHEET					
Current assets	3,306	2,802	4,444	3,880	3,522
Cash and cash equivalents	1,984	1,537	2,713	1,738	1,351
Accounts receivable	1,079	925	1,315	1,512	1,455
Inventories	243	340	416	530	466
Non-current assets	2,937	3,238	3,317	2,717	2,317
Property, plant & equipment	1,588	1,470	1,370	770	370
Intangible assets	6	4	3	3	3
Other non-current assets	1,342	1,764	1,944	1,944	1,944
Current liabilities	-796	-989	-1,198	-1,050	-1,129
Short-term debt	0	0	0	0	0
Accounts payable & accruals	-462	-415	-624	-626	-705
Accruals/deferred revenues	-242	-318	-318	-318	-318
Tax payables	-25	-95	-95	-95	-95
Hire Purchase contracts	-67	-161	-161	-11	-11
Non-current liabilities	-93	-239	-239	-239	-239
Long-term debt	0	0	0	0	0
Other non-current liabilities	-93	-239	-239	-239	-239
Equity	5,354	4,812	6,325	5,308	4,470
Share capital	884	884	3,684	3,684	3,684
Other	4,470	3,928	2,641	1,624	787
CASH FLOW STATEMENTS					
Operating cash flow	-1,098	-160	-974	-626	-187
Investing cash flow	-1,381	-103	-650	-200	-200
Financing cash flow	-28	-184	2,800	-150	0
Net increase in cash	-2,507	-447	1,176	-976	-387
Cash at start of year	4,491	1,984	1,537	2,713	1,738
Cash at end of year	1,984	1,537	2,713	1,738	1,351
Net cash at end of year	1,984	1,537	2,713	1,738	1,351

Source: Company data, Equity Development (NB loss per share based on estimated number of shares in issue)

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