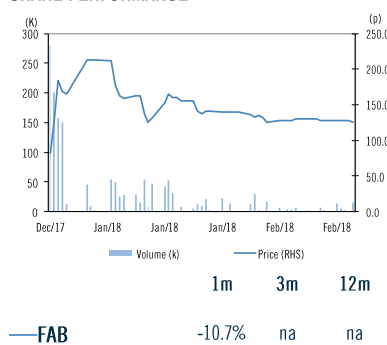


## CORPORATE

Current price	125p
Sector	Healthcare Equipment & Services
Code	(FAB.L)
Listing	AIM

## SHARE PERFORMANCE



Source: Thomson Reuters, Allenby Capital

## SHARE DATA

Market cap (£)	27.6m	
Shares in issue (m)	22.091	
52 weeks	High	Low
	213	82
Financial year end	March	

Source: Company Data, Allenby Capital

## LARGEST SHAREHOLDERS

Crescent Capital II LP	12.01%
Viridian Growth Fund LP	8.29%
Hargreave Hale Ltd	6.35%
Amati Global Investors Ltd	6.07%
Jim Johnston	5.96%
Livingbridge VC LLP	5.52%

Source: Company Data, Allenby Capital

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## FUSION ANTIBODIES (FAB.L)

### Growth Story on Track

Fusion Antibodies, a specialised Contract Research Organisation operating in the field of monoclonal antibody engineering and production, has provided an update on trading for the year ending 31 March 2018. It reports that FY18 revenues are expected to grow sizeably by at least 40% from £1.9m in FY17. This is slightly below expectations, due to the temporary impact of management time dedicated to IPO preparations during FY 2018. Nevertheless, delivery of higher margin services in H2 helped to largely offset this impact on profits and growth for FY19 and beyond remains on track.

- Trading:** after a strong H1, sales grew 70% to £1.4m. Some momentum was lost during H2 owing to IPO preparations, implying that revenues grew by c 17% (from £1.1m) in H2 '17. However, the Company delivered higher margin services during the period, which should help offset the impact of the short term slowing of sales on adjusted EBITDA forecasts. The Company has refocused on business development targets, and is restoring sales momentum.
- Lab and office expansion ahead of schedule:** The move into new office and lab space in an adjacent building to facilitate FAB's expansion plans is well underway; we are encouraged to hear that this should be completed in summer 2018, c. 6 months ahead of schedule. Efficiencies will allow FAB to achieve optimal capacity in a smaller space than first planned, thereby allowing cash to be reallocated to additional lab equipment. Strategic development projects should facilitate delivery of higher value and higher margin services, based on affinity maturation and a mammalian antibody library: these are also progressing on target.
- Changes to forecasts:** We have lowered our FY18 revenue estimate by 19% from £3.2 to £2.8m to reflect the update; adjusting for higher margins leaves adjusted EBITDA in FY18 broadly level at £16k (£29k), stripping out our revised forecast exceptional IPO costs of £600k (£464k) based on higher than expected IPO proceeds. Adjusting working capital in line with the statement, our end March 2018 cash forecast is unchanged at £4.1m. With operational focus restored, we maintain our FY19/FY20 forecasts with strong FY17-20 sales CAGR of 67%.
- The current market cap gives an EV/FY18 sales ratio of c 8x which is in line with peers. This then falls sharply to give a multiple of only 4x our FY19 estimated sales. We look forward to further successful execution of the growth plan and expect news on new service offerings to build a more appropriate valuation.

Year End: Mar 31

(£'000)	2016A	2017A	2018E	2019E	2020E
REVENUE	1,481	1,914	2,750	5,605	8,879
REVENUE GROWTH		29%	44%	104%	58%
ADJ EBITDA	50	160	16	740	2,351
EBIT	28	127	-762	145	1,605
PBT	27	126	-761	153	1,608
NET INCOME	1,154	120	-801	113	1,283
NET CASH	414	286	4,071	1,554	2,276

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Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

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