

CORPORATE

Current price 81p

Sector Support Services

Code (FIPP.L)

Listing AIM

SHARE PERFORMANCE



Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap (£) 34.1m

Shares in issue (m) 42.1

52 weeks High 94p Low 54.5p

Financial year end 30 June

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Cannacord Genuity	18.89%
Miton Group	17.28%
Quilter	11.07%
Axa Investment Management	8.33%
Neil Crabb	6.70%
Legal & General IM	6.39%

Source: Thomson Reuters

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FRONTIER IP GROUP PLC (FIPP.L)

Positive news from portfolio company Exscientia

Exscientia, a pioneer in the use of Artificial Intelligence (AI) in drug discovery and one of Frontier's core portfolio companies, has announced that it has raised US\$26m in a Series B funding round which includes participation from new investors Celgene Corporation and GT Healthcare Capital Partners, as well as from existing investor Evotec AG. It has also announced a drug discovery collaboration with Roche worth up to CHF 67m in upfront and research funding. Post the funding round Frontier's shareholding in Exscientia falls from 4.1% to 3.3% but in a company that in the words of Celgene "is set to become a global leader in AI-driven drug discovery". In our opinion these announcements serve to strengthen Frontier's investment proposition and highlights the underlying quality of its core portfolio.

- **Exscientia's reputation continues to grow in the life sciences world** – Exscientia has historically been a profitable and self-funding business. However, since expanding its activities, raising new capital and entering into collaborations with many world-leading pharmaceutical companies, its reputation has grown significantly in the life sciences world and this is reflected in today's announcement.
- **Collaboration agreements** – Exscientia had already signed collaboration agreements with Sanofi, Evotec and GSK. This latest agreement provides Roche with exclusive rights to develop and market any drug candidates resulting from the collaboration. The CHF 67m that Exscientia could receive includes upfront payments, research support and pre-clinical, development and commercial milestone payments. It is important to note that such payments do not include royalties associated with the sale of any products resulting from the collaboration. Although such drug discoveries would normally take many years to complete, Exscientia's AI drug discovery platform enables processes to be executed at a speed impossible to a human thus accelerating the drug discovery procedure.
- **Series B funding round** – Exscientia first raised capital in September 2017 through a €15m subscription for a minority stake by Evotec AG. This latest funding round sees a further investment by Evotec and an unquantified investment by US biotech giant Celgene. We would note that this is purely an investment by Celgene and Exscientia has not entered into any collaboration agreements with the company – yet. Celgene is currently the subject of a takeover bid by Bristol-Myers Squibb that values the company at US\$90bn.
- **More than the sum of its parts** – This announcement highlights the attraction of Frontier's shares by virtue of the high quality of its core portfolio companies and the fact that it receives free equity in its spinout companies in return for strategic support. We continue to believe that the current valuation of its portfolio bears no relationship to the intrinsic value of its IP. With respect to Exscientia, although Frontier's stake falls from 4.1% to 3.3% this is in a company that is quickly becoming recognised as a world leader in AI-driven drug discovery, a fact recognised by its investees and collaboration partners and which will ultimately be reflected in its valuation on exit. Note: Frontier's NAV is unchanged as Exscientia's current valuation was included in its latest accounts, however, the collaboration with Roche is not so reflected and could provide a further uplift to valuation.

EXHIBIT 1: SUMMARY OF FIPP FINANCIALS

Year End: June (£000)	2015A	2016A	2017A	2018A
REVENUE	1,591	2,030	2,309	2,363
PBT REPORTED	647	1,131	1,229	902
EPS (p) (REPORTED)	2.76	4.08	3.73	2.36
NET CASH/(DEBT)	636	771	2,329	1,111
NAV PER SHARE (P)	20.9	24.9	30.7	33.2

Source: Frontier IP Group plc

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Ian Jermin is the author of this research recommendation. Ian is employed by Allenby Capital Limited as an Equity Analyst.

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