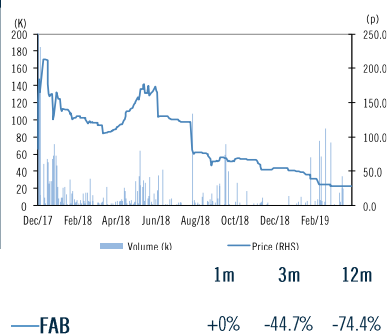


**CORPORATE**

Current price 28.5p

 Sector **Healthcare Equipment & Services**

Code (FAB.L)

 Listing **AIM**
**SHARE PERFORMANCE**


Source: Thomson Reuters, Allenby Capital

**SHARE DATA**

Market cap (£) 6.3m

Shares in issue (m) 22.091

52 weeks High Low

77.5 28.5

 Financial year end **March**

Source: Company Data, Allenby Capital

**LARGEST SHAREHOLDERS**

Crescent Capital II LP 12.01%

Viridian Growth Fund LP 8.29%

Cannacord Genuity 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)**
**Laying down foundations for growth**

Fusion Antibodies, a specialised Contract Research Organisation (CRO) operating in the field of monoclonal antibody engineering and production, has provided an update on trading for the year ended 31 March 2019. Revenue more than doubled in H219 to £1.5m, confirming that a growth trend has been re-established and that revenues are responding to accelerated marketing efforts and expanded lab capacity.

- Financials:** sales bounced back strongly in H219 more than doubling compared to £0.7m in H119, taking total FY19 sales to £2.17m and up 17% compared to H218. Following on from a disappointing first half, this confirms that momentum is building back up post IPO in parallel with the acceleration of marketing activity and new hires. We are encouraged that the H219 run-rate is being maintained into FY20, which suggests that the corner has been turned for group prospects and that additional efforts are starting to translate into revenue growth.
- Investment fuels innovative technology:** in addition to building marketing activity to help overcome earlier competitive pressures, the Company is on track with the full commercial rollout of its Rational Affinity Maturation Platform (RAMP™) that is expected to yield initial revenues in FY20. Furthermore, the Company is meeting the planned timeline for the development of its fully human Antibody Library, with launch anticipated in FY20. As a reminder, both platforms can provide value-add services and help to differentiate FAB's offering.
- The demand trend is intact entering FY20:** taking this into consideration along with the upcoming launch of RAMP™, we now reinstate forecasts. We base our FY20 revenue estimate on the run rate for FY19: that equates to 43% growth to £3.1m, taking a conservative approach on initial revenues from the new platform, and up 29% in FY21 to £4m. We estimate that gross margin will improve gradually over the forecast period along with sales growth leading to higher utilisation of resources, along with operational leverage starting to take effect in FY20. FAB ended March 2019 with cash position of £2m which on our forecasts provides a cash reach through the forecast period.
- Conclusion:** we are mindful of the need to rebuild trust. Nevertheless, there is evidence that the Company is well placed for operational delivery together with the launch of new technologies. At the same time, the shares have fallen to a 52-week low, equivalent to an EV to sales ratio of 1.4x FY20 revenues which is low given the growth prospects.

Year End: Mar 31					
(£000's)	2017A	2018A	2019E	2020E	2021E
REVENUE	1,914.0	2,690.7	2165.0	3,100.0	3,999.0
REVENUE GROWTH	29%	41%	-19.5%	43%	29%
ADJ EBITDA	288.5	132.0	(960)	(704)	(362)
EBIT	126.5	(710.5)	(1,160)	(911)	(552)
NET CASH	285.7	4,413.6	1,983	974	427

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RESEARCH RECOMMENDATION DISCLOSURE

Emma Ulker is the author of this research recommendation. Emma is employed by Equity Development as an Equity Analyst.

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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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