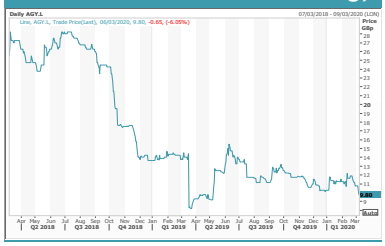
Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data	
EPIC/TKR	**AGY**
Price (p)	**10.8**
12m High (p)	15.8
12m Low (p)	7.3
Shares (m)	636.2
Mkt Cap (£m)	68.4
EV (£m)	39.6
Free Float*	39.6%
Market	AIM

**As defined by AIM Rule 26*

Description

Allergy Therapeutics (AGY) provides information to professionals related to prevention, diagnosis and treatment of allergic conditions, with a special focus on allergy vaccination. The emphasis is on treating the underlying cause and not just the symptoms.

Company information

CEO	Manuel Llobet
CFO	Nick Wykeman
Chairman	Peter Jensen
	+44 1903 845 820
	www.allergytherapeutics.com

Key shareholders

Directors	0.7%
Abbott Labs	37.8%
Southern Fox	20.3%
SkyGem	19.5%
River & Merc. AM	4.8%

Diary (calendar)

2H'20	Ph.III Grass trial, first stage

Analysts

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ALLERGY THERAPEUTICS

Consistent first-half revenue growth

AGY is a long-established specialist in the prevention, diagnosis and treatment of allergies. Pollinex Quattro (PQ) is an ultra-short course subcutaneous allergy immunotherapy (AIT) platform, which continues to make strong market share gains in a competitive environment. Several products using the PQ platform are in late-stage development, with the aim of moving them to full registration under new regulatory frameworks in both the EU and the US. AGY has just announced another solid operating performance driven by top-line growth in its traditionally strong first half, with associated positive cashflow.

- **Strategy:** AGY is a fully integrated pharmaceutical company focused on the treatment of allergies. There are three parts to its strategy: continued development of its European business via investment or opportunistic acquisitions; the US PQ opportunity; and further development of its pipeline.

- **Interim results:** Underlying product sales were very solid again in 1H'20, rising 9% to £50.5m (£46.7m) and maintaining AGY's competitive position in Europe. The strong period-end gross cash position benefited from the £3.2m settlement of legal costs with Inflamax and supports fully the Phase III Grass programme.

- **Pipeline update:** Progress has been made towards the start of two upcoming trials. First, AGY is taking a stepwise approach to the US Grass MATA MPL Phase III study, with the initial part starting in autumn 2020. Secondly, peanut vaccine GMP scale-up is underway, with the first GMP batch successfully manufactured.

- **Risks:** The risks inherent to subjective clinical trial outcomes were clear with the Phase III Birch trial results. However, AGY includes objective secondary endpoints of protective immunity in trials, and is in discussion with EU regulators to ensure robust protocols that support global registration plans going forward.

- **Investment summary:** Over the past year, we have highlighted consistently that AGY is at an exciting juncture. While continuing to invest in its profitable European SCIT business, it is leading the race to have its SCIT products fully approved and regulated as biologicals in the US. Despite this, the current EV/sales appears too low for a company with a long and profitable product history, and well below the multiples commanded by direct competitors.

Financial summary and valuation

Year-end Jun (£m)	2017	2018	2019	2020E	2021E	2022E
Sales	64.1	68.3	73.7	80.0	86.0	92.0
R&D investment	-9.3	-16.0	-13.0	-13.0	-18.0	-26.0
Underlying EBIT	-3.6	-7.4	-2.2	-1.2	-5.6	-13.3
Reported EBIT	-2.6	-7.4	3.8	2.0	-5.6	-13.3
Underlying PBT	-3.7	-7.5	-2.3	-1.4	-6.1	-13.8
Statutory PBT	-2.7	-7.5	3.7	1.8	-6.1	-13.8
Underlying EPS (p)	-0.6	-1.3	-0.4	-0.3	-1.1	-2.3
Statutory EPS (p)	-0.4	-1.3	0.5	0.3	-1.0	-2.1
Net (debt)/cash	18.8	12.5	25.0	15.9	9.9	-4.4
Capital increase	0.0	0.0	10.2	0.3	0.3	0.3
P/E (x)	-18.3	-8.5	-26.5	-31.2	-9.9	-4.7
EV/sales (x)	0.62	0.58	0.54	0.50	0.46	0.43

Source: Hardman & Co Life Sciences Research

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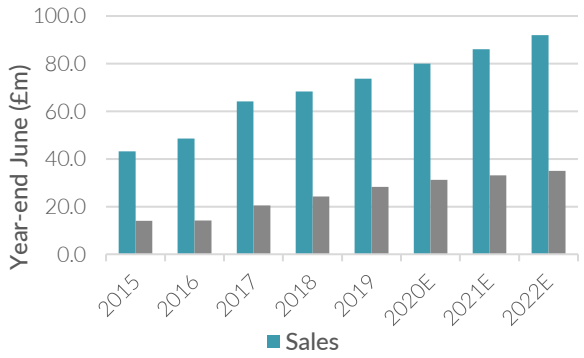
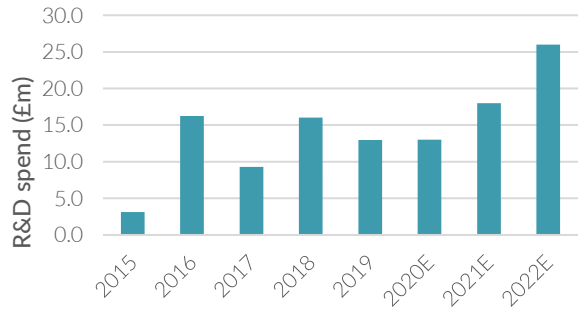
Product sales and profit



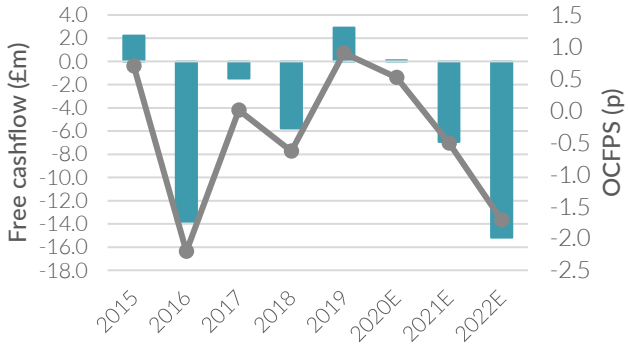
- AGY has a solid existing portfolio of products for AIT
- Products have shown consistent growth over the past five years, even though their availability is limited
- After taking account of manufacturing, distribution and marketing costs, in-market products are profitable
- Product margins have risen consistently over the past five years, reaching 38.4% in fiscal 2019

R&D investment



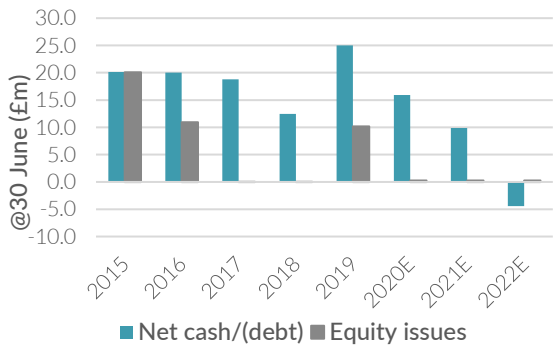
- Cumulative investment in R&D since 2000 has been ca.£120m
- R&D investment is forecast to rise substantially to get Pollinex Quattro products onto the market in the US and formally approved in Europe
- Two key trials for the US and Europe will cost ca.£30m over the next two years, but will pave the way to regulatory approvals in a changing marketplace

Free cashflow and OCFPS



- In each of the past five years, AGY has generated free cashflow from its operating activities (before R&D)
- Considerable investment in R&D and marketing will result in two years of cash burn
- Long-term cash requirement will be dependent on the commercialisation strategy in the US
- In following the inorganic growth strategy, although acquisitions tend to be small, more cash could be required

Balance sheet



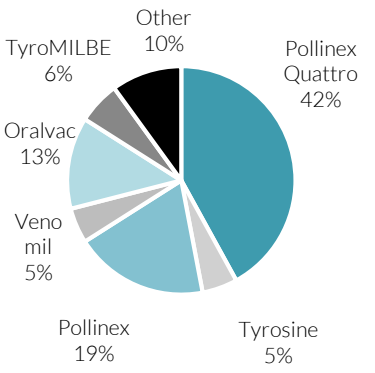
- £10m was raised in July 2018, largely to fund the key EU and US trials
- Based on current forecasts, the net cash position will near a neutral position at the end of fiscal 2021, with gross cash of ca.£20m
- Should management decide to commercialise Pollinex Quattro in the US by itself, AGY will require working capital for investment in sales infrastructure

Source: Company data; Hardman & Co Life Sciences Research

Interim results

Key features – financials

Sales by product – 2019



2019 sales: £73.7m

Source: Allergy Therapeutics

- **Sales:** AGY reported that it had seen solid (9%) underlying sales growth of products in 1H'20 to £50.5m (£46.7m), which was marginally below our forecast 10% growth to £50.8m. Growth was seen across the portfolio, with particular progress seen with both Pollinex Quattro and Venomil.
- **COGS:** Manufacturing costs were slightly higher than forecast, due to greater sales volumes. In addition, some Brexit costs and reversal of some stock provisions from last year resulted in a gross margin of 77.4% (79.9%), a little under expectations.
- **Marketing:** Underlying marketing spend of £13.6m, undertaken mostly in Europe, was lighter than forecast, but constant on the prior period reflecting ongoing marketing campaigns. This spend provides a natural hedge against forex movements.
- **Product profitability:** One of our key measures of group performance – product profit – again increased in the traditionally strong first half. Despite overall cost increases, there was a 7.2% increase in product profitability to £25.4m (£23.7m), at a margin of 50.0% (51.0%).
- **R&D:** The timing of, and payment for, AGY's clinical trials is difficult to predict. In 1H'20, underlying R&D spend reduced by 10% to -£4.5m (-£5.0m) and was £1.5m less than forecast, reflecting lower activity levels. AGY's reported R&D spend (£1.3m) included £3.2m of Inflamax Research Inc legal costs recovered following the settlement, which we treat as an exceptional item.
- **G&A:** Tight control of administration costs limited them to a 5.6% increase to -£7.8m (-£7.4m) on an underlying basis. This excludes non-cash items such as share-based costs (-£0.35m).
- **Underlying EBIT:** The strong sales, coupled with the lower R&D investment and operational efficiencies, drove a 19.7% improvement in operating profit in 1H'20 to £12.8m (£10.7m).
- **Gross cash:** The cash balance at 31 December 2019 was £39.7m, as reported in the trading update. This benefited from the strong trading contribution to cashflow (+£9m) and the £3.2m receipt of legal fees from Inflamax.

Allergy Therapeutics – interim analysis

Half-year analysis (£m)	1H'19 actual	1H'20 actual	Growth	1H'20 forecast	Delta Δ
Sales	46.7	*50.5	8.0%	*50.5	
COGS	-9.4	-11.4	21.3%	-10.0	-1.4
Marketing	-13.6	-13.6	0.4%	-14.1	+0.5
Product profit	**23.7**	**25.4**	**7.2%**	**26.4**	**-0.9**
Product margin	51%	50%	-0.8%	52%	
G&A	-7.4	-7.8	5.6%	-8.7	+0.8
R&D	-5.0	-4.5	-10.0%	-6.0	+1.5
EBITDA	11.9	14.9	25.3%	12.3	+2.7
Depreciation	-1.0	-0.2	-77.8%	-0.2	0.0
Other income	0.0	0.0		0.0	0.0
Underlying EBIT	**10.7**	**12.8**	**19.7%**	**11.0**	**+1.8**
EBIT margin	0.2	0.3	10.8%	0.2	0.0
Net cash/(debt)	28.9	28.8	-0.4%	37.3	-8.5

**Reported in January trading statement*
Source: Hardman & Co Life Sciences Research

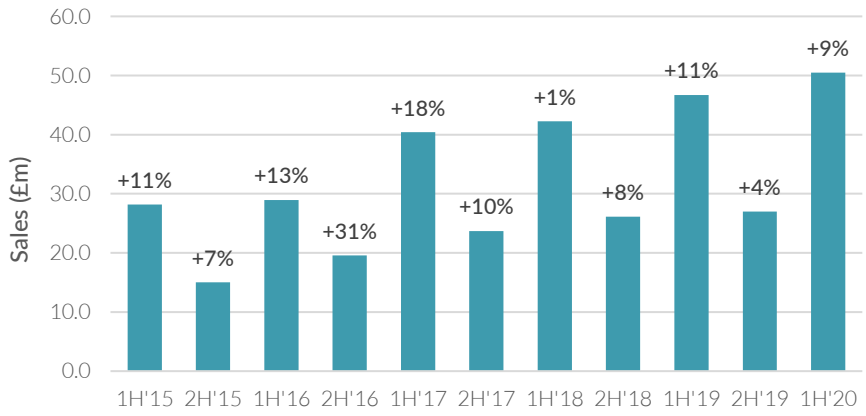
- **IFRS 16:** As with all companies, the introduction of lease liabilities under IFRS 16 alters the net cash/(debt) calculation, offset by a broadly equivalent increase in fixed assets that will be depreciated. EBITDA remains unchanged.

Sales performance

AGY has again traded particularly well in 1H'20. The company consistently reports underlying sales growth in the range of 8%-10%, against a European allergy market growing at about half this level. The best performances in 1H'20 were seen in Germany, Spain, the Netherlands and Switzerland.

Sales are seasonal, with a heavy bias to the first half of the financial year reflecting the allergy season, and 1H'20 was no exception. The rate of growth fell slightly on 1H'19 (by 2pp) due to some market-wide uncertainty created by increased regulatory activity, but at 9% on 1H'19 it still returned the greatest quantum of interim sales in its history. This was supported by AGY's investment in strong sales and marketing teams – now with a ca.180-person sales team. Percentage growth in sales volumes was above that of revenue, due to higher rebates on certain products (e.g. from price increases), resulting in a net 9% growth in sales.

Allergy Therapeutics – half-yearly sales trends and CER growth rates

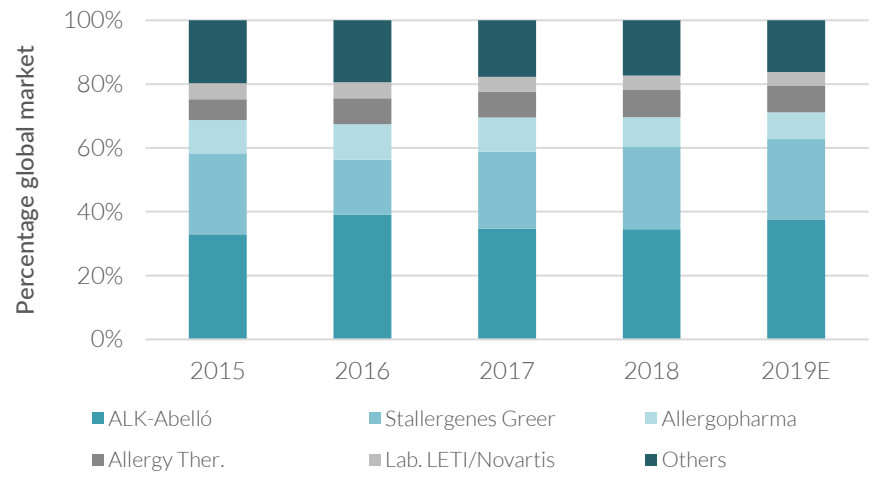


Source: Hardman & Co Life Sciences Research

Market performance

At the time of writing, not all of AGY's competitors had reported full-year data, but, based on our estimates, AGY growth rate has been above the average global growth of its European competitors in the 12 months to December 2019.

Estimated market share dynamics in Europe – 2019



Source: Hardman & Co Life Sciences Research

ALK's sales rose 7% in Europe in 2019, helped by a good performance in France

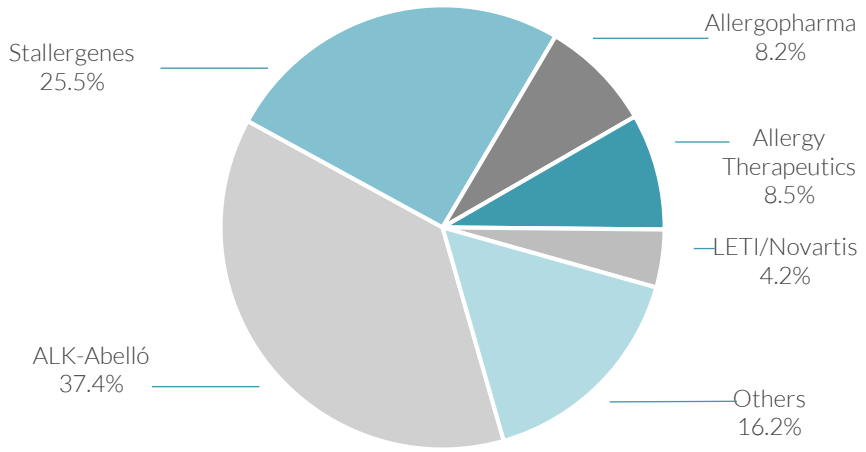
Recent results from ALK-Abello (ALK), the market leader in AIT both globally and in Europe, reported that it had seen a 13.6% increase in global sales (CER) during 2019. The allergy market in Europe has grown with the introduction of ALK's new mite, venom and tree allergy products, within which ALK's sales grew a solid 7%, driven primarily by growth in sublingual immunotherapy (SLIT)-tablet sales. Its short-course subcutaneous immunotherapy (SCIT) sales also recovered in the six months to December 2019 due to the ongoing normalisation of the French market, a market in which AGY does not participate.

Allergopharma is in the process of being acquired by Dermapharm

It should be noted that Stallergenes Greer is no longer a listed entity (having been acquired by Ares Life Sciences ("Waypoint") in March 2019) thus, from this point forwards, our market size calculations will include estimates for Stallergenes' sales. In addition, Allergopharma is in the process of being sold by Merck KGaA to Dermapharm Holdings SE (ETR: DMP).

Based on the available information, Hardman & Co estimates that the overall AIT market grew 5% in 2019 to $1,167m ($1,112m), with AGY maintaining its market position.

Allergy immunotherapy market – 2019



Source: Hardman & Co Life Sciences Research

Clinical/regulatory update

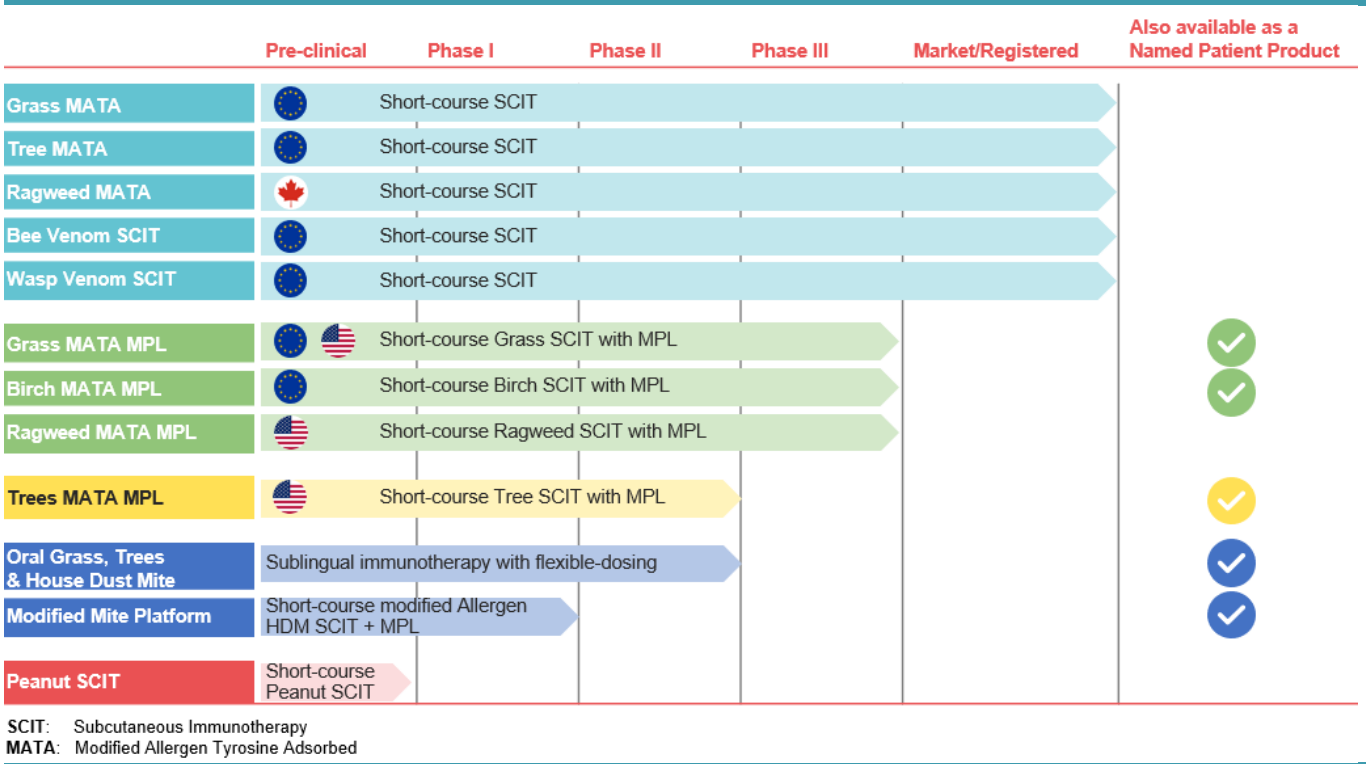
Preparing for some important trials in 2020

Although AGY's PQ products have been available in the EU for several years as the only SCIT, this has been only on a 'named patient' basis, which limits the claims that can be made and the marketing of the product. Over the past six months, AGY has continued to focus on the two clinical programmes for PQ pollen allergy vaccines towards achieving full regulatory approval as a biological in both Europe and the US, which would maximise their market potential. It has also released strong pre-clinical data on its Peanut allergy vaccine, which has a very large market potential.

The regulatory changes for allergy immunotherapies in Europe continue to create some uncertainty for manufacturers. Driven by the Paul Ehrlich Institute (PEI), the Therapieallergene-Verordnung (TAV, Therapy Allergy Ordinance) process commenced in 2008, with the goal of having a number of fully regulated allergy vaccines in accordance with European legislation. At the beginning of the process, documentation for 123 vaccines was submitted to the TAV for consideration, which included 10 from AGY. At the PEI seminar in September 2018, a number of competitor products (estimated at ca.47%) have had applications withdrawn or turned down, although none of these were related to AGY's products – improving the company's position in the wider competitive landscape. Approximately two thirds of the transitional period have now passed, therefore AGY is focusing on progressing the

Grass MATA MPL programme in the next six to 18 months to ensure full approval by calendar 2023.

Allergy Therapeutics – clinical trial overview



Source: Allergy Therapeutics

Good progress in clinical programmes

- **Grass MATA MPL trial:** AGY announced, in November 2019, that it had decided to take a stepwise approach to the Grass MATA MPL Phase III study in Europe and the US. The initial stage will coincide with the 2020/21 allergy season, and allows an interim analysis before moving to the second stage. The protocol has been adjusted based on knowledge obtained from the Phase III Birch trial (B301); the first part of the trial will start in the autumn of 2020.
- **PQ Birch:** AGY has finalised and submitted its report on the Phase III Birch trial to the Paul-Ehrlich-Institut (PEI, German regulator). The company remains in dialogue with the regulator about the next steps to be taken with this product, but it will focus on progressing the Grass MATA MPL programme.
- **Acarovac MPL trials:** Following successful evaluation of the safety and tolerability of Acarovac MPL in a Phase I trial (AM101), AGY is continuing to prepare for the Phase II dosing trial, which is expected to start in the first half of calendar 2020.

Polyvac Peanut

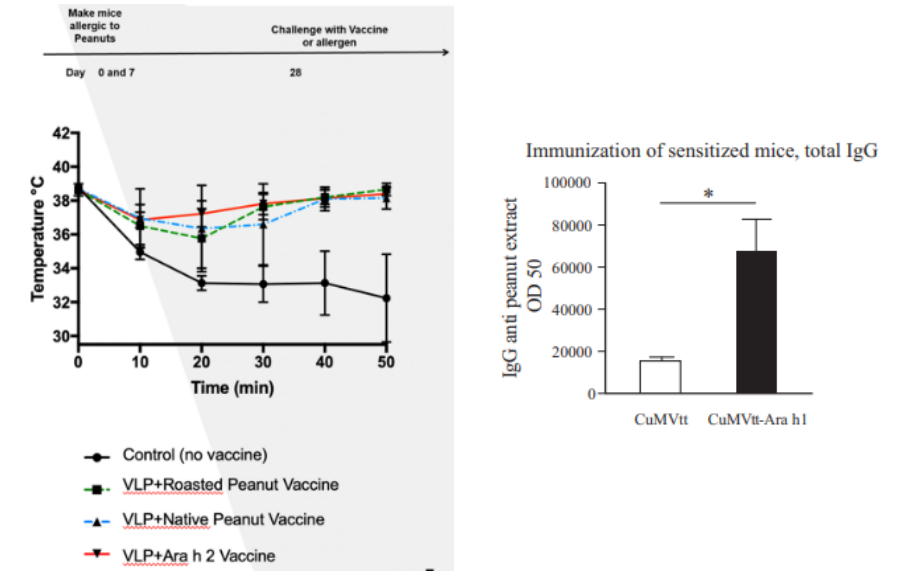
Human trial with peanut product due to start before end of 2021

AGY continues to make progress towards commencing a first-in-human peanut vaccine trial. Having developed a manufacturing process that was successfully scaled up for pre-clinical studies, AGY has begun manufacturing commercial material under GMP conditions. This process is critical to ensure that the product can be manufactured in a consistent manner for clinical trials. The optimal strain of *E. coli* has been identified for production of the recombinant virus like particle (VLP) – peanut protein that comprises the vaccine, and the first GMP batch has been manufactured

successfully by its contract manufacturing organisation (CMO). A stability and toxicology programme has also commenced in the interim period.

Post period-end, the first studies of the peanut vaccine candidate were published. These strong pre-clinical data, reported in an article in *The Journal of Allergy and Clinical Immunology*[1], demonstrated that a single immunisation protected against local and systemic allergic reactions on challenge with both whole peanut and peanut allergens in mouse models. The data are consistent with protective immunity via IgG antibody responses, and following discussions with three European regulators, a development programme has been agreed in principal that incorporates additional *in vitro* studies with human cells. These may include immunological assays to better understand human antibody responses. AGY expects to submit a clinical trial application in Europe in 2021.

Peanut allergy vaccine – based on VLP technology



NB. Chart on left: temperature drop corresponds to anaphylaxis
Ara h = peanut allergen
Source: Allergy Therapeutics, Storni F et al[1]

Currently estimated at $8bn, the food allergy market is growing due to demand and new technology. Aimmune (NASDAQ: AIMT) achieved FDA approval for its peanut immunotherapy based on oral desensitisation in February, but this requires multiple doses and carries risk of dangerous allergic reactions. The peanut allergy market is a very large opportunity for AGY, with Polyvac Peanut representing a safe and controlled approach to protecting against allergic reactions to peanut exposure.

Conclusion

1H'20 has been another successful period for AGY, with product sales, profitability and cash generation from its marketed products. Good progress has also been made in its development programmes despite a lower underlying R&D spend. Timing of the allergy season means that the second half of each fiscal year is traditionally slower, and 2H'20 is not expected to be an exception. Meanwhile, R&D investment will ramp up as the company prepares for some important clinical trials being initiated in fiscal 2021.

[1] Storni F *et al* Vaccine against peanut allergy based on engineered virus-like particles displaying single major peanut allergens. J Allergy Clin Immunol 2019

Financial forecasts

Profit & Loss

- **Sales:** We have not adjusted our sales forecast for the full year, which equates to underlying growth of 2% in 2H'20 on 2H'19, and may prove conservative.
- **R&D:** The split for 2020 was always expected to be weighted towards the second half due to the preparation work for the Phase III Grass MATA MPL trial in the US and commencement of the Phase II Acarovac MPL trial.
- **IFRS 16:** Introduction of financial leases increases both the depreciation and financial charges, but EBITDA remains unaltered.
- **Underlying EBIT:** With the weighting of R&D investment towards 2H'20, we believe that the overall outcome for the underlying EBIT loss will be about -£2m greater than in fiscal 2019.
- **Tax:** Tax, as viewed by Hardman & Co, is a blend of IFRIC3 tax in Germany on the product profitability in that country offset by the tax credit on R&D spend from HMRC. The German tax component was slightly higher in 1H'20.

Profit & Loss account						
Year-end Jun (£m)	**2017**	**2018**	**2019**	**2020E**	**2021E**	**2022E**
GBP:EUR	1.171	1.130	1.135	1.135	1.135	1.135
GBP:USD	1.281	1.341	1.297	1.297	1.297	1.297
Sales	64.14	68.35	73.70	80.00	86.00	92.00
COGS	-16.77	-17.01	-18.38	-21.37	-23.16	-24.32
Gross profit	47.37	51.33	55.32	58.63	62.84	67.68
Marketing	-26.89	-27.13	-27.00	-27.40	-29.73	-32.70
Product profit	**20.48**	**24.20**	**28.34**	**31.19**	**33.11**	**35.00**
Product margin	31.9%	35.4%	38.4%	39.0%	38.5%	38.0%
G&A	-14.08	-14.56	-16.23	-18.00	-19.36	-20.90
Share-based costs	-0.70	-0.99	-1.37	-1.37	-1.37	-1.37
R&D investment	-9.30	-16.02	-12.99	-13.00	-18.00	-26.00
EBITDA	-1.66	-5.34	0.30	3.11	-1.32	-8.98
Depreciation	-1.51	-1.57	-2.09	-3.84	-3.84	-3.84
Other income	0.00	0.00	0.00	0.00	0.00	0.00
Underlying EBIT	**-3.60**	**-7.36**	**-2.24**	**-1.18**	**-5.62**	**-13.27**
Exceptional items	1.00	0.00	6.04	3.20	0.00	0.00
Statutory EBIT	-2.60	-7.36	3.80	2.02	-5.62	-13.27
Net financials	-0.07	-0.17	-0.10	-0.23	-0.46	-0.52
Underlying PBT	**-3.67**	**-7.53**	**-2.34**	**-1.41**	**-6.08**	**-13.79**
Extraordinary items	0.00	0.00	0.00	0.00	0.00	0.00
Statutory pre-tax profit	-2.67	-7.53	3.70	1.79	-6.08	-13.79
Tax payable/credit	0.19	-0.01	-0.23	-0.19	-0.02	0.30
Minorities	0.00	0.00	0.00	0.00	0.00	0.00
Underlying net income	**-3.48**	**-7.53**	**-2.57**	**-2.19**	**-6.91**	**-14.67**
Statutory net income	-2.48	-7.53	3.47	1.60	-6.10	-13.50
Ordinary 0.1p shares:						
Period-end (m)	594.1	596.2	636.2	636.2	636.2	636.2
Weighted average (m)	592.2	595.1	632.8	636.2	636.2	636.2
Fully-diluted (m)	613.4	621.1	666.0	677.3	689.3	691.3
Underlying basic EPS (p)	**-0.59**	**-1.27**	**-0.41**	**-0.34**	**-1.09**	**-2.31**
Statutory basic EPS (p)	-0.42	-1.27	0.55	0.25	-0.96	-2.12
Underlying fully dil. EPS (p)	-0.57	-1.21	-0.39	-0.32	-1.00	-2.12
Statutory fully diluted EPS (p)	-0.40	-1.21	0.52	0.24	-0.88	-1.95
DPS (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Hardman & Co Life Sciences Research

Balance sheet

- **Net cash/(debt):** At 31 December 2019, AGY had net cash of £28.8m, comprised of a cash balance of £39.7m less debt, mostly long-term, of -£11.0m. The debt is largely made up of long-term leases, with £2.8m being debt from AGY's Alerpharma subsidiary in Spain, providing a natural currency hedge.
- **Seasonality:** There is a natural first-half bias to performance due to the seasonality of allergy treatment, with more cash being generated in the first half of the year from operations (ex-R&D).
- **R&D:** AGY's accounting policy is to write off R&D investment in the year in which the expense is incurred. Solely for the calculation of invested capital and NOPLAT, we add back R&D and amortise it over eight years to enable a direct comparison of ROIC between all the companies under coverage.
- **Inventories:** In anticipation of the end of the Brexit transition period in December 2020, AGY will be building up its stock in Europe, particularly in Spain, with inventories building up on the balance sheet in 2H'20 and 1H'21.

Balance sheet						
@30 Jun (£m)	2017	2018	2019	2020E	2021E	2022E
Shareholders' funds	29.97	23.03	37.56	39.40	33.56	20.31
Cumulated goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Total equity	29.97	23.03	37.56	39.40	33.56	20.31
Share capital	0.60	0.61	0.65	0.65	0.65	0.65
Reserves	29.36	22.43	36.91	38.76	32.91	19.67
Capitalised R&D	25.42	34.69	39.53	43.01	49.56	82.23
Minorities	0.00	0.00	0.00	0.00	0.00	0.00
Provisions/liabilities	0.70	0.38	0.70	0.70	0.70	0.70
Deferred tax	0.35	0.31	0.32	0.32	0.32	0.32
Long-term leases	-	-	-	7.54	6.51	5.48
Short-term leases	-	-	-	1.46	1.46	1.46
Long-term loans	2.94	2.41	1.74	1.74	1.74	1.74
Short-term debt	0.39	0.64	0.69	0.69	0.69	0.69
less: Cash	22.12	15.53	27.44	27.37	20.28	4.95
less: Deposits	0.00	0.00	0.00	0.00	0.00	0.00
less: Non-core investments	4.59	5.04	5.55	5.80	5.80	5.80
Invested capital	**42.66**	**51.24**	**59.30**	**73.43**	**80.20**	**113.92**
Fixed assets	9.67	10.10	11.48	20.32	20.65	21.53
Intangible assets	2.07	1.54	1.41	0.96	0.51	0.06
Capitalised R&D	25.42	34.69	39.53	43.01	49.56	82.23
Goodwill	3.39	3.41	3.43	3.43	3.43	3.43
Inventories	7.48	8.81	9.41	11.21	12.05	12.90
Trade debtors	*4.34*	*3.78*	*4.37*	*4.74*	*5.10*	*5.46*
Other debtors	*3.52*	*2.80*	*5.40*	*6.40*	*7.40*	*7.40*
Tax liability/credit	*-1.54*	*-2.22*	*-1.88*	*-0.23*	*-0.19*	*-0.02*
Trade creditors	*-2.88*	*-3.19*	*-4.14*	*-4.82*	*-5.22*	*-5.48*
Other creditors	*-8.81*	*-8.48*	*-9.72*	*-11.60*	*-13.09*	*-13.58*
Debtors less creditors	-5.37	-7.30	-5.96	-5.50	-5.99	-6.21
Invested capital	**42.66**	**51.24**	**59.30**	**73.43**	**80.20**	**113.92**
Net cash/(debt)	**18.80**	**12.48**	**25.00**	**15.95**	**9.88**	**-4.42**
Net debt/equity	63%	54%	67%	40%	29%	-22%
After-tax ROIC	-9%	-15%	-5%	-2%	-8%	-12%
NAV/share (p)	5.06	3.87	5.93	6.19	5.27	3.19
Stock days	165	167	170	160	164	167
Debtor days	26	22	20	21	19	19
Creditor days	65	65	73	76	79	80

Source: Hardman & Co Life Sciences Research

Cashflow

- **Cash outflow:** Increased R&D expenditure in the next three years offsets cash generated from product sales, resulting in negative cashflow over the forecast period.
- **R&D investment:** Important Phase III trials and pre-clinical studies are ongoing or soon to begin, for which stage payments will be made in fiscal 2020 and 2021. Forecasts are based solely on the planned clinical trial programmes; however, in all likelihood, further clinical trials for the pipeline (including for house dust mites) will be performed in fiscal 2021, which may require further capital.
- **Capital increase:** The capital increase in July 2018 has provided sufficient funds to undertake the Phase III PQ Grass trials in the US and Europe. However, given an expansion in the number of clinical trials being scheduled, it is inevitable that AGY will require more funds in the future. This could come from one of, or a combination of, equity, debt and licensing/distribution deals.

Cashflow						
Year-end Jun (£m)	2017	2018	2019	2020E	2021E	2022E
Underlying EBIT	-3.60	-7.36	-2.24	-1.18	-5.62	-13.27
Depreciation	1.51	1.57	1.64	3.39	3.39	3.39
Amortisation	0.43	0.45	0.45	0.45	0.45	0.45
Share-based costs	0.70	0.99	1.37	1.37	1.37	1.37
Inventories	*0.33*	*-1.33*	*-0.54*	*-1.80*	*-0.85*	*-0.84*
Receivables	*1.00*	*3.30*	*-1.86*	*-0.37*	*-0.36*	*-0.36*
Payables	*0.82*	*-1.76*	*0.16*	*0.68*	*0.40*	*0.26*
Change in working capital	2.16	0.21	-2.25	-1.49	-0.80	-0.94
Exceptionals/provisions	0.00	0.00	6.04	3.20	0.00	0.00
Disposals	0.00	0.01	0.00	0.00	0.00	0.00
Other	0.11	0.26	0.54	0.00	0.00	0.00
Company operating cashflow	1.32	-3.88	5.55	4.37	-2.57	-10.37
Net interest	-0.18	-0.27	-0.05	-0.23	-0.46	-0.52
Tax paid/received	-1.10	0.37	0.23	-0.83	-0.19	-0.02
Operational cashflow	**0.04**	**-3.78**	**5.72**	**3.32**	**-3.23**	**-10.90**
Capital expenditure	-1.50	-2.01	-2.81	-3.23	-3.72	-4.27
Capitalised R&D	0.00	0.00	0.00	0.00	0.00	0.00
Sale of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
Free cashflow	**-1.46**	**-5.79**	**2.91**	**0.08**	**-6.95**	**-15.18**
Dividends	0.00	0.00	0.00	0.00	0.00	0.00
Acquisitions	-0.23	-0.18	-0.29	-0.10	-0.10	-0.10
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Other investments	-0.26	-0.37	-0.41	-0.30	-0.30	-0.30
Cashflow after investments	**-1.95**	**-6.33**	**2.22**	**-0.32**	**-7.35**	**-15.58**
Share repurchases	0.00	0.00	0.00	0.00	0.00	0.00
Share issues	0.03	0.00	10.20	0.25	0.25	0.25
Currency effect	0.67	0.01	0.12	0.00	0.00	0.00
Borrowings acquired	0.00	0.00	0.00	0.00	0.00	0.00
Change in net debt	**-1.25**	**-6.32**	**12.53**	**-0.07**	**-7.10**	**-15.33**
Opening net cash	20.04	18.80	12.48	25.00	24.94	17.84
Closing net cash	**18.80**	**12.48**	**25.00**	**24.94**	**17.84**	**2.51**
Hardman FCF/share (p)	0.01	-0.64	0.90	0.52	-0.51	-1.71

Source: Hardman & Co Life Sciences Research

Notes

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