

Arctic Bioscience

H1'22 report

- HRO350 ph2b: first patient expected in Q4'22e
- Nutra +40% vs H2'21, Sales 14.4m EBITDA -14.4m
- 2023 guidance sales 33-38m EBITDA -30-35m

HRO350 first patient enrollment in Q4'22, read-out H2'23

The development of HRO350 is moving forward and Arctic Bioscience is looking to enrol the first patient in the phase 2b during Q4 this year. This is dependent on it achieving a green light on its clinical trial application (CTA) to EMA, which is expected to be submitted during Q3. We believe patient enrolment should be relatively quick, and if it moves forward according to plan, it expects the 6m data read-out in H2'23.

Trend reversal in the Nutra business

Nutra sales were NOK 14.4m, growing 20% y-o-y and a strong 40% compared to H2'21. Nutra EBITDA was NOK -0.9m, while EBITDA for the group was NOK -14.4m. The gross margin declined to 27.6% (H1'22 adj gm 31.3%) on challenges in sourcing and transportation. Issues has been resolved, but it will likely continue to see higher cost going forward. Overall, the COVID-19 impact ease off, and it attended the Vitafoods in Geneva during the period. It expects the situation to continue to improve onwards, which will enable more customer activities. It also extended the partnership with Kotler Marketing in June and although sales in China were only NOK 2.3m in H1'22 (+140% y-o-y), it has seen a strong order intake thus far.

Solid outlook and narrowed guidance

The guidance for 2023e was narrowed, now seeing sales of NOK 33-38m (prev. 30-40m) and EBITDA of -30-35m (-30-40m), which find encouraging and a sign that it moves in the right direction. Overall, we are encouraged by the development where HRO350 is soon to start the phase 2b and the Nutra business will likely start to generate positive cash flows in H2. Amid the more uncertain environment, it has postponed the final decision to start construction of the new facility, which were to be used for phase 3 clinical material, as well as providing a gross margin uplift for the Nutra business. It will make a final decision in H2, and we hope to get more clarity on its options during the presentation at 10:00 CET. Link:

https://channel.royalcast.com/landingpage/hegnarmedia/20220825_11/

Fast comment

Buy

Share price (NOK)	24/08/2022	15.3
Target price		(54.0) 54.0

Healthcare, Norway
ABS.OL/ABS NO

MCap (NOKm)	372
MCap (EURm)	39
Net debt (EURm)	-15
No. of shares (m)	24.3
Free float (%)	85
Av. daily volume (k)	5

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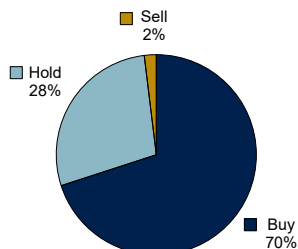
NOKm	2019	2020	2021e	2022e	2023e
Sales	30	20	32	45	63
Sales growth (%)	20.9	-31.8	56.0	42.0	39.0
EBITDA	-2	-20	-38	-19	-2
EBITDA margin (%)	-6.7	-99.9	-119.9	-42.8	-2.7
EBIT adj	-3	-22	-40	-31	-18
EBIT adj margin (%)	-10.3	-105.7	-125.6	-67.5	-28.8
Pretax profit	-4	-23	-41	-35	-25
EPS rep	-3.09	-17.52	-1.70	-1.46	-1.03
EPS growth (%)	-93.0	-466.2	90.3	14.3	29.3
EPS adj	-3.09	-17.52	-1.70	-1.46	-1.03
DPS	0	0	0	0	0
EV/EBITDA (x)	na	na	-5.8	-22.6	-290.5
EV/EBIT adj (x)	na	na	-5.6	-14.3	-27.2
P/E (x)	na	na	-9.0	-10.5	-14.8
P/E adj (x)	na	na	-9.0	-10.5	-14.8
EV/sales (x)	na	na	7.0	9.7	7.8
FCF yield (%)	na	na	-42.6	-57.6	-15.3
Dividend yield (%)	na	na	0	0	0
Net IB debt/EBITDA	8.4	0.2	3.9	-3.4	-72.3
Lease adj. FCF yld (%)	na	na	-42.6	-57.6	-15.3
Lease adj. ND/EBITDA	8.4	0.2	3.9	-3.4	-72.3

Analyst certification

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Hold	28%	19%	19%	26%
Sell	2%	2%	2%	33%

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Stock price, company ratings and target price history

Company: Arctic Bioscience

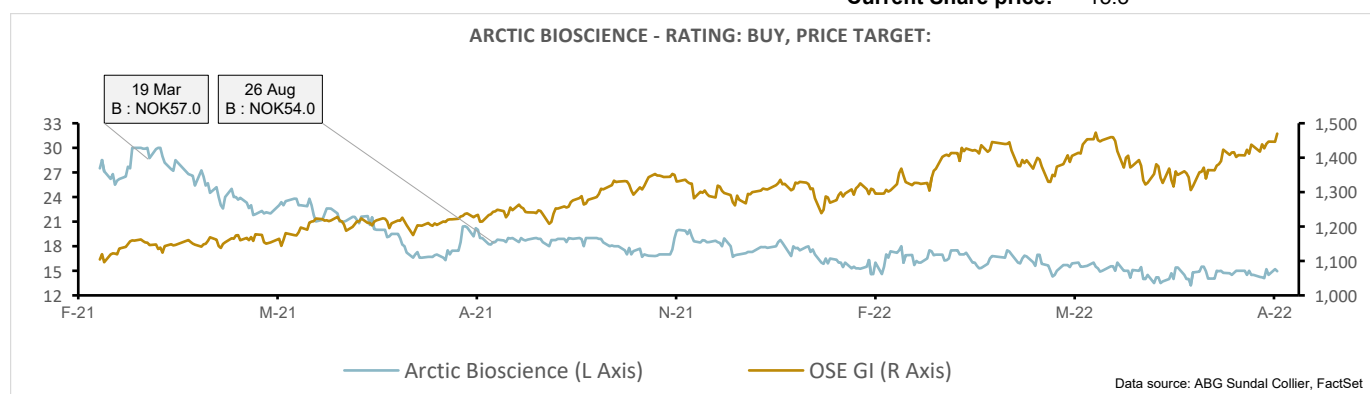
Currency: NOK

Current Recommendation: BUY

Date: 24/08/2022

Current Target price: 54

Current Share price: 15.3



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Production of recommendation: 25/08/2022 09:25 CET.

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