

7 April 2021

# Diaceutics Plc

## COVID-19 presents opportunities

COVID-19 is presenting an incremental revenue opportunity to Diaceutics. Testing data in this area is highly valuable and an initial contract win has been announced. The market is recovering from the hiatus seen last year and Diaceutics has a unique capability of solving the disconnect between laboratories and precision medicine marketing.

- COVID-19 data gathering.** Diaceutics has been gathering data relating to COVID-19 test results since June 2020 and has amassed over 11m patient records to date. This is useful to the pharmaceutical industry in different and complementary ways. Investors are starting to see momentum in contract wins associated with this new and emerging market.
- Cross correlations.** Research studies show that cancer patients who contracted COVID-19 are shown to have a 23% risk of mortality, versus 6% for non-cancer patients, due to compromised immune systems. Cancer patients are therefore likely to have their treatments modified to reflect this and historic COVID-19 test data is highly relevant to clinicians making such decisions. The industry is working on the basis that such treatment modifications may be necessary for up to five years.
- Burgeoning pipeline.** The pharma industry has a burgeoning pipeline of over 850 trials and around 400 COVID-19 therapies coming to market. The testing records collected since 2020 have value because of their construct in creating landscaping insights to the industry when pharma is bringing new therapies to market.
- New contract win.** The recent DXRX contract win with a major US pharmaceutical client is the first business win for Diaceutics in this specific area. Infectious diseases departments are largely a adjacent silo to Diaceutics core oncology customer base so it is encouraging that cross-sales can be made so readily via the new platform.
- Growing footprint.** Diaceutics' relationships with testing laboratories is being expanded beyond its core oncology interests into the wider infectious diseases market. We believe therapies for Infectious diseases are likely to receive increased funding levels and so it is reasonable to expect Diaceutics revenues ex-oncology are now likely to grow at a faster rate than before.
- Broken testing.** The insights available to the pharma industry on the testing market from Diaceutics' data lake are unique and enable the efficient marketing of therapies. Without these insights the testing market is unable to send market signals back to the therapy developers and is effectively broken. The pharma industry has little or no alternative sources and it is this market position which underwrites the Buy case for Diaceutics.

### Forecast and Ratios

Y/E December (£m)	2018A	2019A	2020A	2021E
Revenue	10.4	13.4	12.7	13.6
EBITDA	1.5	2.4	0.5	2.0
Adj PBT	0.9	1.8	-0.7	0.2
Adj EPS (p)	4.0	2.7	0.8	1.0
EV/Sales (x)	8.5	5.6	4.8	4.8
EV/EBITDA (x)	58.0	31.6	114.1	31.8
Adj PE (x)	25.5	37.8	125.4	102.9

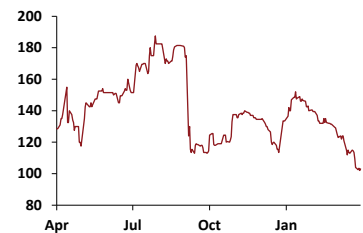
Source: Cenkos Securities estimates, Company data

Brokership Company

# BUY

Price at COB 06 Apr 21 103.0p  
 52-week range 102-187.5p  
 Ticker DXRX LN

### Share Price Performance



Source: Morningstar

Performance	1m	3m	12m
Absolute	(18.9)	(22.8)	(18.9)

### Stock Data

Market cap (£m)	86.6
Shares outstanding (m)	84.1

### Activities

Diaceutics operates as a diagnostic commercialisation company. It provides insights generated from its testing data from its worldwide laboratory network to pharmaceutical companies.

### Directors

Deborah Davis	Chairman
Peter Keeling	CEO
Ryan Keeling	CIO
Philip White	CFO

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## Financials

**Table 1: Income Statement**

Y/E December (£m)	2018A	2019A	2020A	2021E
Revenue	10.4	13.4	12.7	13.6
% Change YoY	40.7	29.6	-5.6	7.2
Cost of sales	-3.5	-3.1	-2.5	-2.6
Gross profit	6.9	10.3	10.2	11.0
Gross margin (%)	66.3	76.7	80.6	80.9
Sales & marketing expenses	0.1	0.2	0.3	0.2
Research & Development	0.0	0.0	0.0	0.0
Administrative expenses	-5.1	-8.1	-9.7	-8.5
<b>EBITDA</b>	<b>1.5</b>	<b>2.4</b>	<b>0.5</b>	<b>2.0</b>
EBITDA margin (%)	14.7	17.7	4.2	15.0
<b>Adjusted EBITDA</b>	<b>1.9</b>	<b>2.4</b>	<b>0.8</b>	<b>2.7</b>
% Change YoY	81.7	24.2	-65.4	228.0
Depreciation & amortisation	-0.1	-0.3	-0.8	-1.8
Exceptional items	-0.2	-1.3	-0.4	0.0
EBIT	1.2	0.7	-0.7	0.2
Net interest	-0.3	-0.2	0.0	0.0
Profit/(Loss) before tax	0.9	0.5	-0.7	0.2
Adj PBT	0.9	1.8	-0.7	0.2
Tax charge	-0.2	-0.1	0.9	0.6
<b>Profit/(loss) after tax</b>	<b>0.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.8</b>
<b>Adj PAT</b>	<b>0.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.8</b>
% Change YoY	-4.7	-37.1	-37.5	238.3
Profit attributable to company owners	0.6	0.4	0.2	0.8
Minority interests	0.0	0.0	0.0	1.0
<b>Diluted Basic EPS (p)</b>	<b>3.0</b>	<b>0.6</b>	<b>0.3</b>	<b>1.0</b>
Adj EPS (p)	4.0	2.7	0.8	1.0
% Change YoY	26.3	-32.4	-69.9	21.9
DPS (p)	0.0	0.0	0.0	0.0
Average shares FD (m)	20.8	64.1	77.5	84.1

Source: Cenkos Securities estimates, Company data

**Table 2: Cash Flow**

Y/E December (£m)	2018A	2019A	2020A	2021E
<b>EBIT</b>	<b>1.2</b>	<b>0.7</b>	<b>-0.7</b>	<b>0.2</b>
Depreciation	0.0	0.0	0.0	0.2
Amortisation (incl. impairments)	0.1	0.2	0.8	1.6
Working capital	-2.5	-1.5	0.5	-1.0
Share based payments	0.4	0.0	0.3	0.7
Other including exceptional costs	0.0	0.0	-0.2	0.0
<b>Operating Cash Flow</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.7</b>	<b>1.7</b>
Net Interest	-0.3	-0.2	0.0	0.0
Tax	-0.2	-0.2	-0.4	0.6
<b>Cash flow pre-capex and investment</b>	<b>-1.3</b>	<b>-0.9</b>	<b>0.3</b>	<b>2.3</b>
<b>Adj free Cash flow</b>	<b>-2.4</b>	<b>-3.8</b>	<b>-6.0</b>	<b>-3.8</b>
Investment in intangible assets	-0.5	-1.1	-3.2	-3.5
Net capex	-0.7	-1.8	-3.1	-2.6
Acquisitions/disposals	0.0	0.0	0.0	0.0
Financing/other	1.6	13.4	19.6	0.0
Dividends	-0.3	0.0	0.0	0.0
<b>Net Cash Flow</b>	<b>-1.0</b>	<b>9.6</b>	<b>13.5</b>	<b>-3.8</b>
<b>Closing Net Cash/(Debt)</b>	<b>-1.7</b>	<b>11.6</b>	<b>25.1</b>	<b>21.4</b>

Source: Cenkos Securities estimates, Company data

**Table 3: Balance Sheet**

Y/E December (£m)	2018A	2019A	2020A	2021E
Fixed Assets	0.1	0.1	0.2	0.2
Goodwill & other intangible assets	1.2	3.8	9.4	13.7
Other long term assets	0.1	0.1	0.3	0.3
<b>Total Fixed Assets</b>	<b>1.3</b>	<b>4.0</b>	<b>9.9</b>	<b>14.2</b>
Current assets	0.0	0.0	2.3	0.0
Trade receivables	4.4	6.7	6.1	7.6
Cash	2.1	11.7	25.3	21.5
<b>Total Current Assets</b>	<b>6.5</b>	<b>18.4</b>	<b>33.6</b>	<b>29.1</b>
Trade payables	-1.0	-1.7	-2.3	-2.5
Deferred income	-0.2	-0.5	0.0	-0.3
Other payables	-2.7	-0.1	-0.6	-0.1
<b>Total Current Liabilities</b>	<b>-3.9</b>	<b>-2.2</b>	<b>-2.9</b>	<b>-3.0</b>
<b>Net Current assets</b>	<b>2.5</b>	<b>16.2</b>	<b>30.7</b>	<b>26.1</b>
Long term liabilities	-1.1	0.0	0.0	0.0
Deferred tax liabilities	0.0	0.0	0.0	0.0
Other payables	-0.2	0.0	-0.4	0.0
<b>Total Long Term Liabilities</b>	<b>-1.2</b>	<b>0.0</b>	<b>-0.4</b>	<b>0.0</b>
<b>Net Assets</b>	<b>2.6</b>	<b>20.1</b>	<b>40.2</b>	<b>40.3</b>

Source: Cenkos Securities estimates, Company data

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Expected absolute returns

- BUY is an expected return greater than 10%;
- HOLD is an expected return -10% - +10%; and
- SELL is an expected return less than -10%.
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	Corporate No.	Corporate %	No.	%
Buy	63	84	77	84
Hold	1	1	3	3
Sell	0	0	0	0
Under review	11	14	11	12

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12 month time horizon unless otherwise stated.

### Recommendation History

Company	Disclosures	Date	Rec	Price
Diaceutics Plc	2,6,7,8,9,10,11	15 Mar 21	Buy	121p
		07 Sep 20	Hold	175p
		16 Mar 20	Buy	135.8p

Source: Cenkos Securities

A list of all the recommendations produced/issued by the relevant Sales Person / Research Analyst on any financial instrument or issuer disseminated during the preceding 12 months is available upon request free of charge. Please contact the appropriate Cenkos analyst or your Cenkos contact on 020 7397 8900.

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