

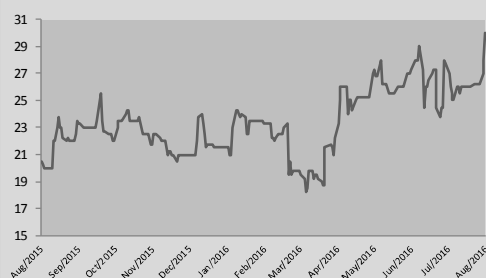
Contract wins

03 August 2016

Key Statistics

Code : VENN
Listing : AIM
Sector : Healthcare equipment & services
Market Cap : £18.07m
Shares in issue : 60.24m
Current Price : 30p
12 mnth High/Low : 30p/18.25p

Stock Performance



Source: Fidessa

Financials y/e Dec

€m	2014A	2015A	2016E	2017E	2018E
Revenues	4.88	11.47	17.03	18.43	21.20
PBT*	(1.64)	0.24	1.60	1.74	2.09

*Pre Amortisation and exceptionals

Source: Company accounts and Hybridan LLP estimates

Company description

Venn Life Sciences is a European focussed provider of clinical trial management services to pharmaceutical, biotechnology and medical device clients. Head quartered in Dublin, it has office in six European countries. Venn specialises in rapid deployment and management of multisite projects and now has proven capabilities from the pre-clinical stage through to post approval. Venn's innovation division - InnoVenn - focuses primarily on breakthrough development opportunities in skin science.

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Punching hard

The growing Contract Research Organisation (CRO) providing drug development, clinical trial management and resourcing solutions to pharmaceutical, biotechnology and medical device clients, has updated on recent contract wins. The announcement demonstrates that not only can Venn win significant business from Biotechnology clients who may prefer to work with smaller less rigid CROs, but also that the Company can win framework agreements with major Pharmaceutical clients, providing another foundation for future growth, and a testament of Venn's growing reputation for delivering at the highest level.

The contracts announced today are:

- A **€2.8m contract** with a European Biotechnology client. The clinical trial is a Phase II study in the area of Immunotherapeutic treatments for Multiple Sclerosis and involves patients in six countries across Europe and commences in October 2016.
- Venn's Interactive Response Technology (IRT) department, which centralises the randomisation of patients for Phase I to IV clinical trials and manages the logistics of these studies, **has successfully qualified as a service provider to a top ten Pharmaceutical client** and has been awarded an initial project involving thirty sites in China. This vendor qualification is a significant milestone for the IRT division and represents an exciting opportunity to grow a global account.

This service is a technology-based rather than headcount-heavy service, and is a specialism that Venn added to its capabilities via the acquisition of Cardinal Systems in 2014. This deal provides an opportunity to cross sell other services, particularly other niche capabilities such as data management and biostatistics.

We would expect the biotech contract to largely contribute to 2017 and 2018 numbers, and whilst encouraging, we leave our numbers unchanged given the overall levels of visibility at this early stage. Last month Venn guided that H1 2016 revenues will exceed €8m, an increase of at least 87.8%.

The shares are on a current year multiple of 12.6x although adjusting for non-core InnoVenn losses brings this down to 10x. On this basis a share price of 48p, 60% above current levels, would bring the shares in line with the broader healthcare sector.

For analyst certification and other important disclosures, refer to the Disclosure Section

Profit & Loss y/e December

	2014A €'000	2015A €'000	2016E €'000	2017E €'000	2018E €'000
Continuing operations					
Revenue	4,883	11,474	17,030	18,435	21,200
Direct Project and Administrative Costs	(6,817)	(11,934)	(16,167)	(17,437)	(19,853)
Other operating income	167	175	0	0	0
Operating (loss)/profit	(1,767)	(285)	863	998	1,347
<i>Margin</i>		-2.5%	5.1%	5.4%	6.4%
Depreciation and amortisation	(187)	(464)	(890)	(890)	(890)
Exceptional items	(47)	(209)	0	0	0
EBITDA before exceptional items	(1,533)	388	1,753	1,888	2,237
Finance income	9	2	0	0	0
Finance costs	(71)	(44)	0	0	0
(Loss)/profit before income tax	(1,829)	(327)	863	998	1,347
Adjusted PBT*	(1,642)	243	1,603	1,738	2,087
<i>Tax rate%</i>	<i>N/A</i>	<i>N/A</i>	<i>0.0%</i>	<i>0.0%</i>	<i>2.7%</i>
(Income tax)/credit	20	125	0	0	(36)
(Loss)/Profit for the year	(1,809)	(202)	863	998	1,310
Loss attributable					
Owners of the parent	(1,533)	15	1,003	1,138	1,450
Non-controlling interest	(276)	(217)	(140)	(140)	(140)
(Loss)/Profit for the year	(1,809)	(202)	863	998	1,310
Currency translation differences	8	49	0	0	0
Total comprehensive loss for the year	(1,801)	(153)	863	998	1,310
Profit/Loss per ordinary share	€	€	€	€	€
Basic and	(0.060)	0.0004	0.016	0.018	0.022
Diluted	(0.060)	0.0004	0.015	0.017	0.021
Adjusted Diluted*	(0.067)	0.0130	0.0269	0.0280	0.0316

Source: Company accounts and Hybridan LLP Estimates

Cash Flow y/e December

	2014A	2015A	2016E	2017E	2018E
	€'000	€'000	€'000	€'000	€'000
Cash Flow from operating activities					
Loss before income tax	(1,829)	(327)	863	998	1,347
Adjustments for:					
- Depreciation and amortisation	187	464	890	890	890
- Foreign currency translation of net assets	25	(204)	0	0	0
Exceptional Item		209			
- Net finance costs	62	42	0	0	0
Changes in working capital					
- Trade and other receivables	(892)	(3,463)	0	0	0
- Trade and other payables	1,453	1,004	0	0	0
Cash used in operations	(994)	(2,275)	1,753	1,888	2,237
Interest paid	(54)	0	0	0	0
Income tax received/(paid)	20	125	0	0	(36)
Net cash used in operating activities	(1,028)	(2,150)	1,753	1,888	2,200
Cash flow from investing activities					
Acquisition of subsidiaries, net of cash acquired	(307)	(1,893)	0	0	0
Purchase of property, plant and equipment (PPE)	(99)	(713)	(150)	(180)	(200)
Exceptional Costs		(209)			
Proceeds from sale of property, plant and equipment	5	0	0	0	0
Interest received	9	0	0	0	0
Net cash used in investing activities	(392)	(2,815)	(150)	(180)	(200)
Cash flow from financing activities					
Proceeds from issuance of ordinary shares	1,194	8,571			
Payment of deferred consideration	(154)	(310)	(700)	(250)	(250)
Financing from non-controlling interests	800	0	0	0	0
Repayments on borrowings	(40)	(94)	0	0	0
Net cash generated by financing activities	1,800	8,167	(700)	(250)	(250)
Net increase/ (decrease) in cash and cash equivalents	380	3,202	903	1,458	1,750
Cash and cash equivalents at beginning of year	216	596	3,798	4,701	6,159
Exchange losses on cash and cash equivalents		0	0	0	0
Cash and cash equivalents at end of year	596	3,798	4,701	6,159	7,909

Source: Company accounts and Hybridan LLP Estimates

Balance Sheet as at December

	2014A	2015A	2016E	2017E	2018E
	€'000	€'000	€'000	€'000	€'000
Assets					
Non-current assets					
Property, plant and equipment	194	381	493	624	761
Intangible assets	2,820	5,437	4,585	3,744	2,917
Investments	31	31	31	31	31
Total non-current assets	3,045	5,849	5,109	4,399	3,709
Current assets					
Trade and other receivables	2,097	5,560	5,560	5,560	5,560
Income tax recoverable	32	23	23	23	23
Cash and cash equivalents	806	3,798	4,701	6,159	7,909
Total current assets	2,935	9,381	10,284	11,742	13,492
Total assets	5,980	15,230	15,393	16,141	17,201
Equity attributable to owners					
Share capital	112	155	155	155	155
Share premium account	5,483	14,011	14,011	14,011	14,011
Group re-organisation reserve	(541)	(541)	(541)	(541)	(541)
Reverse acquisition reserve	45	45	(655)	(905)	(1,155)
Foreign currency reserves	0	49	49	49	49
Share option reserve		13	13	13	13
Retained earnings	(3,841)	(3,826)	(2,823)	(1,685)	(235)
	1,258	9,906	10,209	11,097	12,297
Non-controlling interest	544	327	187	47	(93)
Total equity	1,802	10,233	10,396	11,144	12,204
Liabilities					
Non-current liabilities					
Deferred consideration	0	0	0	0	0
Borrowings	99	52	52	52	52
Total non-current liabilities	99	52	52	52	52
Current liabilities					
Trade and other payables	3,302	4,218	4,218	4,218	4,218
Deferred taxation	271	692	692	692	692
Deferred consideration	213	0	0	0	0
Borrowings	293	35	35	35	35
Total current liabilities	4,079	4,945	4,945	4,945	4,945
Total liabilities	4,178	4,997	4,997	4,997	4,997
Total equity and liabilities	5,980	15,230	15,393	16,141	17,201

Source: Company accounts and Hybridan LLP Estimates

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