

GENEDRIVE PLC (LON:GDR)

On Track to Launch the First CE-market Decentralised HCV Test

KEY INVESTOR MESSAGES

- Overall Genedrive PLC (LON: GDR) reported a business and financial update for the six months to December 2017 in line with expectations
- Launch preparation of Genedrive® HCV test with partner Sysmex on track, expect sales to start coming through in CY2018
- £1.3mln income from the ongoing collaboration with the US DoD, in line with expectations
- Discussions for the disposal of the Services business are in progress
- With £4.6mln of cash at end-2017, and given the company's expected cash burn, a capital raise in the next 12 months can't be ruled out
- Full financial results for the six months to December 2017 to be published on March 20th

SUMMARY

Genedrive PLC (LON: GDR) issued a trading update for the six months to December 2017 that revealed no surprises.

Focus remains on the preparation of the upcoming launch of their HCV test, in partnership with Sysmex following two distributions agreements for the EMEA and Asia-Pacific territories.

A recent field study conducted in South Africa revealed that Genedrive® HCV test had the same specificity and sensitivity as the reference Abbott MC2000 HCV test. At the same time it revealed an excellent efficiency, with 95.4% of results achieved at first attempt.

We remain confident that the disposal of the Services business could be finalized in the coming quarters, although the length of the process suggests to us that the value of the transaction is unlikely to exceed the £2mln mark.

Given the expected cash burn and the cash position as of December 2017, we'd consider likely a capital raise over the next twelve months. However current market capitalization of c. £5.6 mln suggests that this is widely anticipated by investors.

The launch of Genedrive® HCV test and the potential disposal of the Services division shall provide support to the stock price in the months ahead.

PHARMA & BIOTECH

18/01/2018

| | |
|-----------------|-----------------|
| SHARE PRICE | 52 WEEK LOW |
| ▲ 32.50p | ▲ 27.50p |
| MARKET CAP | 52 WEEK HIGH |
| ▲ £6.07m | ▲ 60.00p |
| CASH | NET ASSETS |
| ▲ £4.6m | ▲ £3.4m |

MAJOR SHAREHOLDERS

| | |
|----------------------------------|---------------|
| 1) Calculus Capital : | 17.80% |
| 2) Odey Asset Management: | 10.69% |
| 3) Hargreave Hale: | 8.60% |

| | |
|--------------------------|--------------------------------------|
| Shares in Issue | 18.69m |
| Avg Volume | 305,512 |
| Primary index | AIM |
| EPIC | LON:DGR |
| Next Key Announcement | - |
| Sector | Pharmaceuticals and Biotechnology |

SHARE PRICE CHART



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VALUATION

As discussed more in depth in our initiation note of November 2017, we value Genedrive on a SOTP basis.

Based on expected revenue of c. £15 mln in 2025, we value Genedrive's diagnostic division approx. £24 mln.

Including the value we attribute to the Services business and the company's net debt leads to an equity valuation of about £25 mln, almost 5x current market capitalization.

Figure 1: genedrive SOTP valuation

| <i>genedrive SOTP valuation</i> | | | | | |
|--|-------------------------------|-----------------------|-----------------------------|-----------------------|-------------------------|
| | <i>EV (£m, present value)</i> | <i>Discount rate</i> | <i>EV (£m, 2025)</i> | <i>Sales multiple</i> | <i>Sales (£m, 2025)</i> |
| <i>Diagnostics (Genedrive®)</i> | 23.8 | 10% | 46.3 | 3.0 | 15.4 |
| | <i>EV (£m, present value)</i> | <i>Sales multiple</i> | <i>Recurrent sales (£m)</i> | | |
| <i>Services</i> | 2.0 | 0.5 | 3.2 | | |
| <i>genedrive EV</i> | 25.8 | | | | |
| <i>Cash (as of 31/12/2017)</i> | 4.6 | | | | |
| <i>Debt (CN estimate of convertible bond value as of 31/12/2017)</i> | 5.3 | | | | |
| <i>Net debt</i> | 0.7 | | | | |
| <i>genedrive equity value</i> | 25.0 | | | | |
| <i>Latest market cap</i> | 5.6 | | | | |

Source: Company data, CN analysis

Figure 2: Genedrive® diagnostic unit

Technology platform brings the power of molecular diagnostics outside of the hospital



- **Rapid Results Outside of a Hospital Environment**
 - Prompt clinical decisions are possible - sample to result typically in 50-75 minutes vs days from a service laboratory
- **Easy to Use**
 - Single use disposable reagent cartridge (razor/ razor blade model)
 - Limited training required for operation
- **Real World Robustness and Reliability**
 - Battery pack permits use in poor infrastructure settings
- **Versatile**
 - Core technology across a range of applications, including human health, animal health, and environmental testing
- **Affordable**
 - System and test price point accessible world-wide

Source: Genedrive investors' presentation (October 2017)

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