

15 May 2020



## Avacta (AVCT): Corp

### Potential COVID-19 therapeutic

The announcement that some of the Affimer reagents, recently generated for development of a COVID-19 antigen test, are also neutralising Affimers raises the potential for a therapy to prevent or treat SARS-CoV-2 infection as they block the way the virus infects human cells. Avacta indicated that it is seeking a partner to develop the project, and given the interest in this field (eg. GSK, AstraZeneca, Regeneron, Eli Lilly, amongst others) this is quite possible. Too early perhaps to value, but once again illustrating the broad utility of its Affimer platform.

## D4T4 Solutions (D4T4): Corp

### Celebrus v9.2 offers embedded machine learning

This is a key development for what was already a leading-edge data gathering solution; Celebrus v9.2 boasts embedded machine learning (ML) and natural language processing (NLP) capabilities. The enterprise solution captures, and instantly makes available, data across all digital channels to enable customer analytics and hyper-personalisation through one-to-one marketing in real time. ML analysis can deliver huge benefits in real time but requires large amounts of high quality data, and this is exactly what Celebrus provides. By harnessing the power of ML and NLP with this data, users will see far better customer engagement and sentiment, leading to reduced churn and higher profitability.

## Sopheon (SPE): Corp

### COVID-19 trading update

Sopheon has confirmed a smooth and rapid transition to working from home. FY20 visibility of \$23.2m compares favourably with \$23.0m achieved by the time of the June AGM in FY19, and ARR remained strong at \$15.9m (FY19: \$15.9m). As at April month end the group had \$21.8m net cash, with board confidence expressed through the confirmation of the planned 3.25p dividend. Certain core customer verticals such as food, beverages & consumables, chemicals, and defence, are showing resilience; however, as noted by listed peers, sales cycles across all verticals are extending. In response, the group has taken measures to limit the planned growth in expenditure, including hiring plans. Stress testing of the model indicates no concerns; however, given the uncertainty over the outturn for new sales in the next months of FY20, we suspend forecasts pending establishment of the new normal.

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## Corp

<b>Ticker</b>	<b>AVCT:AIM</b>	
<b>Pharmaceuticals &amp; Biotechnology</b>		
Shares in issue (m)	208.0	
Next results	H1 Sept	
<b>Price</b>	<b>106.5p</b>	
Target price	Under review	
Upside	n/a	
<b>Market cap</b>	<b>£221.5m</b>	
Net debt/(cash)	-£10.5m	
Other EV adjustments	£0.0m	
Enterprise value	£211.0m	

<b>What's changed?</b>	<b>From</b>	<b>To</b>
Adjusted EPS	-4.4	n/c
Target price	U/R	n/c

### Share price performance



<b>%</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Actual	77.5	283.8	283.8

### Company description

Developer of Affimer biotherapeutics and research reagents

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## Avacta\*

### Potential COVID-19 therapeutic

The announcement that some of the Affimer reagents, recently generated for development of a COVID-19 antigen test, are also neutralising Affimers raises the potential for a therapy to prevent or treat SARS-CoV-2 infection as they block the way the virus infects human cells. Avacta indicated that it is seeking a partner to develop the project, and given the interest in this field (eg. GSK, AstraZeneca, Regeneron, Eli Lilly, amongst others) this is quite possible. Too early perhaps to value, but once again illustrating the broad utility of its Affimer platform.

- **Newsflow.** Affimers, recently generated for development of a point-of-care COVID-19 antigen saliva test with Cytiva, have now also been shown to block the interaction with ACE2, a receptor on human cells that is key to the virus infection pathway, raising the possibility of Affimers being developed as a COVID-19 therapy.
- **The science.** Cell entry of coronaviruses depends on binding of the viral spike (S) proteins to cellular receptors and on S protein priming by host cell proteases. SARS-CoV-2 has been shown in independent research to use the SARS-CoV receptor ACE2 for entry together with the serine proteases, TMPRSS2 and proprotein convertase furin. Contrast this with MERS-CoV, which uses the DDP4 receptor.
- **Partnering strategy.** Avacta has said that it is seeking a partner that has the resources available to develop a neutralising Affimer therapy as soon as possible. The target pathway has generated large pharma interest (GSK invested \$250m into Vir Bio that has a broad portfolio with two SARS-CoV-2 antibodies; Lilly paid \$10m upfront with \$245m milestones for ex-China rights to neutralising antibodies; AZ is investing in a range of antibody strategies), so interest is likely to be high.
- **Our thoughts.** Neutralising antibodies can alter the course of infection in the infected host, supporting virus clearance or protecting an uninfected host that is exposed to the virus. The same could be said for neutralising Affimers. It is, however, early days and Affimers have yet to be tested in humans to determine their safety, tolerability and PK characteristics, although work with PBMCs suggests that the risk of immunogenicity is low. Perhaps this pathway will be the way Affimers are first tested in man; in doing so, de-risking Affimers as a viable therapeutic platform and raising substantially the value of the platform as well as enhancing future deal values.
- **Forecasts and valuation.** We leave forecasts and our target price under review as modelling the potential impact of a COVID-19 antigen test with any degree of confidence or for that matter the value of a therapeutic at the moment is not possible; however, this announcement clearly illustrates the potential utility and value of the Affimer platform, used both as therapeutics and diagnostics.

Key estimates		2016A	2017A	2018A	2019A	2020E
Year end:		Jul	Jul	Jul	Dec	Dec
Revenue	£m	2.2	2.7	2.8	5.5	4.9
Adj EBITDA	£m	-4.7	-6.0	-7.4	-13.7	-8.7
Adj EBIT	£m	-5.4	-7.6	-10.2	-17.7	-10.9
Adj PBT	£m	-5.3	-7.5	-10.2	-17.7	-11.0
Adj EPS	p	-6.3	-8.9	-12.3	-11.7	-4.4
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2016A	2017A	2018A	2019A	2020E
EV/EBIT (adj)	x	-39.1	-27.8	-20.6	-11.9	-19.4
P/E (adj)	x	-17.0	-12.0	-8.6	-9.1	-24.3
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-4.0%	-2.9%	-3.6%	-6.9%	-3.1%
Pre-tax ROCE	%	-15.0%	-25.4%	-47.9%	-68.5%	-49.7%

15 May 2020

## Corp

Ticker **D4T4:AIM**

Software &amp; Computer Services

Shares in issue (m) 40.3  
Next results FY JunPrice **176.0p**Target price 310.0p  
Upside 76%Market cap **£70.9m**Net debt/(cash) -£12.7m  
Other EV adjustments £0.0m  
Enterprise value £58.2mWhat's changed? **From To**Adjusted EPS 11.2 n/c  
Target price 310.0 n/c

## Share price performance



%	1M	3M	12M
Actual	3.5	-17.2	-32.3

## Company description

Specialist provider of data collection, management and analysis solutions

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## ► D4T4 Solutions\*

## Celebrus v9.2 offers embedded machine learning

This is a key development for what was already a leading-edge data gathering solution; Celebrus v9.2 boasts embedded machine learning (ML) and natural language processing (NLP) capabilities. The enterprise solution captures, and instantly makes available, data across all digital channels to enable customer analytics and hyper-personalisation through one-to-one marketing in real time. ML analysis can deliver huge benefits in real time but requires large amounts of high quality data, and this is exactly what Celebrus provides. By harnessing the power of ML and NLP with this data, users will see far better customer engagement and sentiment, leading to reduced churn and higher profitability.

- **Utilising ML:** v9.2 is the first in the industry to incorporate Automated Marketing Signals, which enable users to better understand customer interest, life events, subscriptions and experience with the brand. These preconfigured signals reveal new revenue-generating opportunities and reduce customer churn.
- **The new NLP functionality:** enables enterprises to immediately pick up 'customer sentiment' across all digital channels including online chatbots, complaints feedback and product review forums. Speed is critical as it allows meaningful intervention in time to safeguard customer relationships and reinforce brand values.
- **ML in data:** Data generation is seeing logarithmic growth and in order to use the data gathered to develop practical AI and ML solutions, it must be collected and stored in a way that makes sense for the business problem at hand. The use of ML in gathering and NLP in reporting the data will be extremely useful and maintain Celebrus's leadership at the front of a very lucrative market. We have seen Celebrus adopted by numerous large global organisations in the financial services industry, testament to the quality of the solution and this further development will maintain that position.
- **Helps to drive sales:** While FY 2021 forecasts are currently Under Review during the COVID-19 pandemic, this product launch is certain to have a positive impact on orders over the rest of the year.
- **Undervalued:** The current EV of less than £60m (EV/EBIT of 11.7x) is clearly far too low for this business. It has excellent revenue growth from large global business in both financial services and retail, while steadily growing profits and cash. In FY 2020 we will see it swing towards greater security from recurring and renewable term licences, highlighting its customer's reliance on its data management platform and collection.

Key estimates		2016A	2017A	2018A	2019A	2020E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	18.6	17.7	18.4	25.2	21.7
Adj EBITDA	£m	3.8	4.5	4.4	6.3	5.3
Adj EBIT	£m	3.6	4.3	4.1	6.0	5.0
Adj PBT	£m	3.5	4.2	4.1	6.0	5.0
Adj EPS	p	8.4	10.0	8.8	13.9	11.2
DPS	p	2.0	2.3	2.5	3.0	3.3

Key valuation metrics		2016A	2017A	2018A	2019A	2020E
EV/EBIT (adj)	x	16.2	13.6	14.2	9.7	11.7
P/E (adj)	x	20.9	17.7	20.0	12.7	15.8
Dividend yield	%	1.1%	1.3%	1.4%	1.7%	1.9%
Free cash yield	%	8.4%	3.3%	-0.1%	12.2%	2.7%
Pre-tax ROCE	%	22.1%	22.7%	19.6%	24.3%	17.1%

15 May 2020

## Corp

**Ticker** SPE:AIM

**Software & Computer Services**

Shares in issue (m) 10.2  
Next results H1 Aug

**Price** 700.0p

Target price 1,200.0p  
Upside 71%

**Market cap** £71.2m

Net debt/(cash) -£17.9m  
Other EV adjustments £0.0m  
Enterprise value £53.4m

**What's changed?** From To

Adjusted EPS 21.5 U/R  
Target price 1,200.0 n/c

### Share price performance



%	1M	3M	12M
Actual	19.7	-12.5	-37.8

### Company description

International provider of software and services for product life cycle management

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## Sopheon\*

### COVID-19 trading update

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- ▶ **Innovation continues for Accolade:** as we have previously described, Sopheon's Accolade assists business in managing digital transformation and disruption. Momentum for corporate digital transformation is only expected to increase; and disruption and measurement of the expectations, outcomes and consequences of strategic response is of growing interest – the third pillar of enterprise after CRM and ERP.
- ▶ **Enabling a direct response to the consequences of COVID-19,** the group has deployed an integrated Microsoft Teams Connector and developed the Disruption Response Toolkit configuration, giving customers the ability to generate and monitor assessment, analysis and reprioritisation of strategic initiatives, implementation of supply chain changes, and amendment of their product portfolio initiatives. At little additional charge to clients, the reconfiguration shows the suitability for management of structural change, both forced and voluntary. While the current crisis is a black swan, constant and rapidly evolving disruption is a feature of modern business, where Accolade helps structure and measure constructive strategic response.
- ▶ **ARR of \$15.9m, FY20 revenue visibility of \$23.2m, a consistent sales pipeline (which at FY19 was 50% ahead of FY18), cash of \$21.8m** and a slowdown in managed cost expansion means we have no concerns for longevity and look forward to FY21 – however understandably, with such disruption to marketing and timing of sales completions, we withdraw forecasts.

Key estimates		2016A	2017A	2018A	2019A	2020E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	\$m	23.2	28.5	33.9	30.3	U/R
Adj EBITDA	\$m	5.3	8.1	9.4	6.4	U/R
Adj EBIT	\$m	3.1	5.8	6.9	3.0	U/R
Adj PBT	\$m	2.8	5.3	6.9	3.1	U/R
Adj EPS	c	26.7	47.2	61.2	25.9	U/R
DPS	p	0.0	2.5	3.3	3.3	U/R

Key valuation metrics		2016A	2017A	2018A	2019A	2020E
EV/EBIT (adj)	x	21.2	11.3	9.4	21.4	U/R
P/E (adj)	x	32.0	18.1	14.0	32.9	U/R
Dividend Yield	%	0.0%	0.4%	0.5%	0.5%	U/R
Free cash Yield	%	3.4%	2.9%	8.8%	3.5%	U/R
Pre-tax ROCE	%	19.0%	26.5%	26.6%	10.9%	U/R

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The recommendation system used for this research is as follows. We expect the indicated target price to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected share price performance of +/-10%, a 'Buy' indicates an expected increase in share price of more than 10% and a 'Sell' indicates an expected decrease in share price of more than 10%.

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