

# Ulisse BioMed

Sector: Health Care



## Analysts

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## Visibility on the new business model improves

Ulisse BioMed S.p.A. (UBM) is an Italian Diagnostic company active in development of i) real time-PCR molecular diagnostic assays/reagents; ii) nano-switches based assays for therapeutic drug monitoring; iii) antiviral aptamers for therapeutics or diagnostics. It is listed on EGM since Aug 2021

### FY2022: revenues broadly in line, slightly higher costs

UBM released FY2022 results on 28 March: 1) Top Line (€523k VoP) broadly in line with our Nov 22 forecasts; 2) R&D costs at €504k, also in line; 3) SG&A and cash burn €600/500k respectively higher than expected. Net Cash as of Dec 2022 was at ca. €3.8mn. In 2H22 UBM also secured a sizable grant relative to the Nanohybrid platform and validated two HPV Selfy assays on ELITech Group's InGenius system.

### Distribution contracts improve visibility

Management has announced in 1Q23 two distribution contracts (ELITech, Aenorasis) and a new potential partnership (Hyris). These all relates to HPV assays (*HPV Selfy*), but they may represent potential entry points for other Sagitta panels, following the five new products CE-IVD-marked in 2022. On the other hand, we note that i) following the FY22 pilot tests, *LadyMed* is ready for national roll out in HPV self-test in FY23 as expected, but early indications on volumes are below initial assumptions; ii) March 2022 LoI on Nanohybrid has not led to any agreement / collaboration revenues yet.

### Forecasts broadly confirmed and fully funded

The news above has driven a few changes in our model: revenues mix more focused on HPV diagnostic products (*HPV Selfy* in particular) and forecasted revenues and cash at the end of FY23E slightly reduced, albeit broadly unchanged for FY24E. Forecasts do benefit from improved visibility now, we believe, despite they are still based on key assumptions and on a successful widening of distribution contracts at least to another panel by end of FY23. Worth to add that despite steady R&D expenses and lower collaboration revenues, our forecast horizon still appears fully funded.

### Fair value again above IPO price

Fair value is based on unchanged drivers: scale-up peers' EV/Sales and absolute market valuation, and is revised up to €2.2 from €1.65 due to recent peers' multiple expansion, given stock performance, recaps and cut in forecasts. UBM stock price has doubled since new contracts (Feb 2023) and trades almost in line with our updated fair value, i.e. at 15.2 EV/23E Sales. Dec 22 cash pile is worth €0.47p/s, 23% of stock price.

<b>Fair Value (€)</b>	<b>2.20</b>
<b>Market Price (€)(*)</b>	<b>2.06</b>
<b>Market Cap. (€m)</b>	<b>16.6</b>

KEY FINANCIALS (€mn)	2022A	2023E	2024E
TOTAL REVENUES	0.5	0.9	1.4
EBITDA	-1.0	0.0	0.5
EBIT	-1.3	-0.3	0.1
NET PROFIT	-1.3	-0.3	0.1
OPFCF a.t.	-1.2	-0.3	0.2
NET INV. CAP.	2.2	2.2	2.1
EQUITY	5.9	5.7	5.8
NET FIN. POS.	3.8	3.5	3.8

Source: Ulisse BioMed SpA (historical figures), Value Track (2023E-24E estimates)

KEY RATIOS	2022A	2023E	2024E
GROSS MARGIN (%)	39.1%	80.9%	82.0%
EBITDA MARGIN (%)	nm	3.5%	34.1%
EBIT MARGIN (%)	nm	nm	10.2
NET PROFIT MARGIN (%)	nm	nm	10.8%
EV/SALES (x)	24.3	14.0	9.3
EV/EBITDA (x)	nm	nm	27.2
P/E (x)	nm	nm	67.6

Source: Ulisse BioMed SpA (historical figures), Value Track (2023E-24E estimates)

### STOCK DATA

FAIR VALUE (€)	2.20
MARKET PRICE (€) (*)	2.06
SHS. OUT. (m), primary	8.1
MARKET CAP. (€m)	16.6
FREE FLOAT (%) (**)	80.8
AVG. -20D VOL. (#)	17,150
RIC / BBG	UBM.MI / UBM.IM
52 WK RANGE	0.97-3.28

Source: Stock Market Data (\*) based on 11/04/2023 Opening Price (\*\*) 46% of capital is free float but subject to a 2yrs lock-up from IPO

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## Business Description

Ulisse Biomed (UBM) is a small healthcare biotech company, specialized in the development of innovative, cost-effective and rapid in-vitro diagnostics (Molecular Diagnostics), personalized medicine products and innovative therapeutic solutions. The company is active in the development of: i) rt-PCR molecular diagnostic assays/reagents; ii) nano-switches based assays for therapeutic drug monitoring and iii) antiviral aptamers for therapeutic or diagnostic purposes. The early products to hit the market should be in the Sexually Transmitted Diseases (STD) and HPV in particular.

## Key Financials

(€'000)	2022A	2023E	2024E	2025E
<b>Total Revenues</b>	<b>524</b>	<b>935</b>	<b>1,386</b>	<b>1,889</b>
Chg. % YoY	26.3%	78.4%	48.3%	36.3%
<b>EBITDA</b>	<b>-987</b>	<b>33</b>	<b>472</b>	<b>913</b>
EBITDA Margin (%)	nm	3.5%	34.1%	48.3%
<b>EBIT</b>	<b>-1,306</b>	<b>-287</b>	<b>141</b>	<b>571</b>
EBIT Margin (%)	nm	-30.7%	10.2%	30.2%
<b>Net Profit</b>	<b>-1,308</b>	<b>-278</b>	<b>150</b>	<b>580</b>
Chg. % YoY	nm	-78.8%	nm	nm
<b>Adjusted Net Profit</b>	<b>-1,212</b>	<b>-182</b>	<b>246</b>	<b>580</b>
Chg. % YoY	nm	-85.0%	nm	nm
<b>Net Fin. Position</b>	<b>3,794</b>	<b>3,514</b>	<b>3,756</b>	<b>4,222</b>
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-157	-81	-50	-50
<b>OpFCF b.t.</b>	<b>-1,197</b>	<b>-289</b>	<b>234</b>	<b>457</b>
OpFCF b.t. as % of EBITDA	nm	nm	49.5%	50.0%

Source: UBM (historical figures), Value Track (estimates)

## Investment case

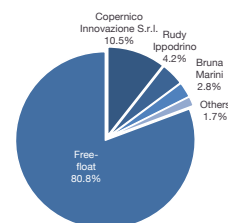
### Strengths / Opportunities

- ◆ Strong R&D team and prestigious scientific committee;
- ◆ Competitive and diversified portfolio of products CE-IVD marked;
- ◆ Strong cash position and fully funded R&D pipeline;
- ◆ Highly innovative and fast growing technologies and applications.

### Weaknesses / Risks

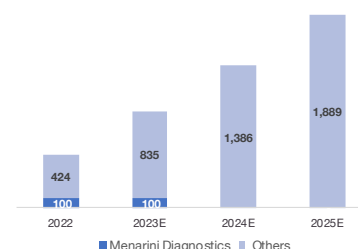
- ◆ Partnership with Menarini Diagnostics far from expectations;
- ◆ UBM's technology platforms are still to be tested (Nanohybrid, Aptavir);
- ◆ Change in regulations may increase costs faced by the firm;
- ◆ Business model depends on licensing and/or distribution agreements with big pharma and IVD players.

## Shareholders Structure



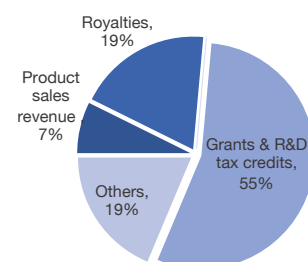
Source: UBM

## Revenues Forecast



Source: UBM

## Revenues by Segment (2022A)



Source: UBM

## Stock multiples @ €2.2 Fair Value

	2023E	2024E
EV / SALES (x)	15.2	10.1
EV / EBITDA (x)	nm	29.6
EV / EBIT (x)	nm	nm
EV / CAP.EMP. (x)	6.5	6.7
OpFCF Yield (%)	nm	1.7
P / E (x)	nm	nm
P / BV (x)	3.1	3.0
Div. Yield. (%)	0.0	0.0

Source: Value Track

## FY2022 Results

The FY22 results are summarised here below and the main drivers of the **top line**, which **has been reported broadly in line with expectations** (as from our November 2022 update) are the following:

- ◆ Revenues from sales decreased from €277k in FY21 to €138k in FY22, due to the absence of revenues related to co-development projects with Menarini Diagnostics and only partially offset by a) the €100k royalties received from Menarini Diagnostics (according to the minimum granted of €100k per year over 2021-2023) and b) the €38k product sales related to *HPV* assay and self-tests;
- ◆ Revenues from grants were supported by the recognition of a grant from the Friuli Venezia Giulia Region related to the 2014-2020 POR FESR programming, and were equal to € 220k and cashed in early 2022;
- ◆ The other Revenues lines included i) R&D tax credit for €67k and ii) tax credit related to the IPO costs (equal to €496k and recognised over 5 years).

### UBM: FY22 revenues - Key drivers

(€'000)	FY21	FY22	ΔYoY
Product sales	4.1	38.4	34.3
Royalties	100.0	100.0	0.0
Collaboration revenues	172.5	0.0	-172.5
<b>Net Sales</b>	<b>276.6</b>	<b>138.4</b>	<b>-138.2</b>
R&D tax credits	31.8	67.3	35.5
Grants	0.0	220.2	220.2
Other revenues (incl. diff. in stocks, capitalization, etc)	106.4	97.8	-8.6
<b>Value of Production</b>	<b>414.8</b>	<b>523.8</b>	<b>108.9</b>

Source: Value Track Analysis

In terms of **costs and cash burn**, the trends outlined in FY22 were **slightly worse than we expected**. In fact, the higher costs were on the one hand **due to the acceleration of R&D** and IVD marking activities relative to molecular diagnostic tests of the *Sagitta* technology, as already outlined in the interim results and hence overall expected. On the other hand, the cost structure of the company was loaded also by higher than expected overheads due to the listing status, consultancies and some one-offs.

In more detail, in terms of costs

- ◆ the major swing y/y and relative to our expectation was witnessed by costs of services (rising from €428k in FY21 to €706k in FY22), due to the higher costs related to the listed company status, the higher cost of BoD and Statutory Auditors, as well as travel and transfer costs (for €25k);
- ◆ personnel costs rose from €141k to €330k, mainly attributable to new hires (required to carry out the increased R&D activity) and strengthened management structure;
- ◆ costs for consumables and reagents in FY22 more than doubled (from €121k to €319k), as the Company made a major effort in terms of development and validation activities as well as CE-IVD marking in order to expand the test portfolio, in view of the implementation of the change of regulations CE-IVDR, in May 2022;
- ◆ also the other minor costs, including lease, almost doubled (from €81k to €157k).

The higher cost base drove EBITDA down to a negative €-987k, while EBIT closed at €-1.3mn, also due to higher D&A and bottom line was a **loss of €-1.3mnk** compared to €-604k in FY21.

**Net cash** position was positive at **€3,794k**, down from the net cash of €4,990k at December 2021, when the proceeds of August 2021 IPO and December 2021 Short Run warrants were still intact.

#### UBM: Profit & Loss statement FY21-FY22

(€'000)	FY21	FY22	ΔYoY
<b>Net sales</b>	<b>276.6</b>	<b>138.4</b>	<b>-50.0%</b>
<b>Value of production</b>	414.8	523.8	26.3%
COGS	-16.7	-318.8	nm
<b>Gross Profit</b>	<b>398.1</b>	<b>205.0</b>	<b>-48.5%</b>
Research and development expenses	-284.4	-504.2	77.3%
Sales and marketing expenses	-2.0	-15.0	nm
General and Administrative expenses	-715.1	-663.1	-7.3%
<b>EBITDA</b>	<b>-355.7</b>	<b>-986.8</b>	<b>nm</b>
<i>Depreciation &amp; Amortization</i>	-247.7	-319.6	nm
<b>EBIT</b>	<b>-603.4</b>	<b>-1,306.4</b>	<b>nm</b>
Financial revenue (expense)	-0.2	-1.3	nm
<b>EBT</b>	<b>-603.6</b>	<b>-1,307.7</b>	<b>nm</b>
Income taxes	0.0	0.0	nm
<b>Net Results</b>	<b>-603.6</b>	<b>-1,307.7</b>	<b>nm</b>

Source: Value Track Analysis

#### UBM: Balance Sheet FY21 – FY22

(€'000)	FY21	FY22	ΔYoY
<b>Net Working Capital</b>	<b>492.0</b>	<b>557.7</b>	<b>13%</b>
<b>Net Fixed Assets</b>	<b>1,774.3</b>	<b>1,611.4</b>	<b>-9%</b>
Funds and Provisions	0.0	0.0	nm
TFR	-3.6	-15.7	nm
<b>Total Capital Employed</b>	<b>2,262.7</b>	<b>2,153.4</b>	<b>-5%</b>
<b>Shareholders' Equity</b>	<b>7,252.3</b>	<b>5,947.0</b>	<b>-18%</b>
<b>NFP [i.e. Net Debt (-) Cash (+)]</b>	<b>4,989.6</b>	<b>3,793.7</b>	<b>-24%</b>

Source: Value Track Analysis

#### UBM: Cash Flow Statement FY21-FY22

(€'000)	FY21	FY22
EBITDA	-355.7	-986.8
Working Capital Needs	58.1	-65.7
Capex	-1,042.3	-156.7
Change in Provisions & TFR	-7.7	12.1
<b>OpFCF</b>	<b>-1,347.6</b>	<b>-1,197.0</b>
Capital Injection	6,296.6	2.5
Other fiscal liabilities	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-2.3	0.0
<b>CF available to serve debt/equity investors</b>	<b>4,946.7</b>	<b>-1,194.6</b>
Net Financial Charges	-0.2	-1.3
<b>Net Cash generated (absorbed)</b>	<b>4,946.6</b>	<b>-1,195.9</b>

Source: Value Track Analysis

## Recent Events

In FY22, management has been focused on the internal activities aimed at strengthening UBM portfolio of panels for molecular diagnostics, which paved the way for a series of agreements concluded in early 2023. Although the longer than expected take-off, we note that FY23 is off to a good start, thanks to:

- 1) **good news flow as for agreements**, with two distribution agreements signed (ELITechGroup and Aenorasis) and one ongoing validation (with Hyris Ltd);
- 2) **new potential market drivers**, in the world of HPV self-testing, due to the global player Beckton Dickinson market entry and the campaign for launch of its *Musa* test.

Here is a round-up of the major events that took place in last months.

### FY22 for UBM portfolio in a nutshell

- ◆ **HPV Selfy was validated** for primary cervical cancer screening;
- ◆ **HPV diagnostic product range development was finalized**, now consisting of 7 products marked CE-IVD capable of detecting and discriminating up to 30 Papilloma Virus genotypes;
- ◆ **5 new products were developed and CE-IVD-marked**, allowing UBM to expand the portfolio of identifiable targets by 80 units, thus surpassing the 110 identifiable targets in total;
- ◆ **3 new patents were granted**;
- ◆ **A €259k contribution was granted** under the Horizon 2020 programming;
- ◆ Two products in the 'HPV Selfy' range were **validated on ELITechGroup's InGenius** system.

### Large player entrance due to boost HPV screening awareness & self-test appeal?

The last weeks witnessed the entry into the HPV self-testing sector of **Beckton Dickinson**, which in collaboration with Centro Diagnostico Italiano (CDI) has launched the MUSA project to raise awareness among the female population on the early diagnosis of cervical cancer. The new project goes hand in hand with the development of BD Onclarity test, i.e. a Ladymed-like HPV self-test. We consider this news to be potentially positive, as:

- ◆ Market wise, the unmet demand –ie the massive screening needs - is so high that the main challenge lays in raising awareness, while competition is a less a relevant factor;
- ◆ Product wise, management is confident on Ladymed's offer and pricing, as UBM's test is still distinguished by the highest accuracy on the market (which involves single and not group genotyping), and potentially available at attractive cost.

We believe these factors could not only prompt some of the prospects reached by the MUSA campaign to lean towards a Ladymed test, but it could rise the general awareness on this screening, thus generating a positive impact on UBM's sales.

### Distribution Agreements with ELITechGroup and Aenorasis S.A. in Q1 2023

- ◆ On February 2023, UBM has entered into a **two-year worldwide distribution agreement** with **ELITechGroup S.p.A.**, an integrated in vitro diagnostics company serving hospitals and diagnostic laboratories in over 100 countries through a direct sales organisation and through third-party distribution partners. The deal covers two tests in the HPV Selfy range (14 and 30 genotyping), providing for the promotion and marketing on a
  - (i) exclusive basis to customers using the platforms developed by ELITech;

(ii) non-exclusive basis to customers using open platforms.

Although **no minimum purchase volume is required**, the agreement presents a promising prospect for UBM to broaden its commercial reach and cater to a wider clientele. In addition, under the terms of the Agreement the products will be promoted and marketed to customers using open platforms **on a non-exclusive basis**. Therefore, we do not exclude the possibility of other open platforms distribution contracts being signed;

- ◆ In March 2023, the Company signed an exclusive **two-year distribution agreement for Greece and Cyprus** for products in the HPV Selfy range with Aenorasis S.A., a Greek pharmaceutical company specialising in the distribution of in vitro diagnostic medical devices.

### New ongoing validation with Hyris Ltd

On March 2023, the Company signed an agreement with Hyris Ltd for the validation of products in the HPV Selfy range with the **bCube** thermal cycler, i.e. a high-performance miniaturised PCR.

Hyris is a global biotech company committed to “democratise” diagnostics and health insights by making genetic analysis simpler, more connected and accessible, leveraging the power of AI and IoT Data management.

### New panels ready to hit the market

In FY22, 5 new products / panels on different clinical applications were CE-IVD-marked. As the last preparatory step to commercialisation, these products are currently being tested in an external research lab on a wider number of thermal cyclers and bio samples. Of these, 3 test categories within a “Respiratory panel” are the first expected to hit the market, pushed also by some initial interest by potential partners, namely:

- 1) Syndromic Bacterial panel;
- 2) Antibiotic Resistance panel;
- 3) Syndromic Flu + Coronavirus panel.

These will then be followed by a STD and a Tropical Pathogens panels respectively.

## UBM: Molecular Diagnostics Catalogue

Sexually Transmitted Infections (STI) Panel				Resistant STI Panel	
<b>Vaginitis</b> Attophylum vaginae Bacterial vaginosis-associated bacteria 2 Bacteroides fragilis Gardnerella vaginalis ... Candida krusei Lactobacillus spp Megaspheera Type 1 Mobiluncus spp.	<b>Candidosis</b> Candida albicans Candida dubliniensis Candida glabrata Candida tropicalis ... Candida lusitanae Candida parapsilosis	<b>Genital ulcer</b> Haemophilus ducreyi Herpes simplex virus type 1 Herpes simplex virus type 2 ... Treponema pallidum (TPP) Varicella-zoster virus (VZV)	<b>Sexually transmitted pathogens</b> Mycoplasma genitalium Mycoplasma hominis Neisseria gonorrhoeae ... Trichomonas vaginalis Ureaplasma parvum Ureaplasma urealyticum	<b>Mycoplasma genitalium</b> <b>Azithromycin-resistance mutations</b> A2058G A2058T A2058C A2059C A2059G <b>Moxifloxacin-resistance mutations</b> A247C G248T C259A G259T C259C	<b>Neisseria gonorrhoeae</b> <b>Ciprofloxacin-resistance mutation</b> gypA S91F <b>Azithromycin-resistance mutations</b> A2059G C261T <b>Spectinomycin-resistance mutation</b> CT192T
Respiratory Pathogens Panel			Tropical and Vector-borne Panel		
<b>Syndromic flu viral panel</b> Flu A Flu B Respiratory syncytial virus A Respiratory syncytial virus B SARS-CoV-2 SARS MERS	<b>Respiratory viral panel</b> Coronavirus 229E Coronavirus NL63 Coronavirus OC43 Coronavirus HKU1 Adenovirus Enterovirus Metapneumovirus Parainfluenza virus 1-4 Bocavirus 12/34 (HBoV) Human rhinovirus	<b>Respiratory bacteria panel</b> Bordetella parapertussis Bordetella pertussis Chlamydia pneumoniae Haemophilus influenzae Legionella pneumophila Mycoplasma pneumoniae Streptococcus pneumoniae	<b>Malaria panel</b> Plasmodium malariae Plasmodium knowlesi Plasmodium ovale Plasmodium falciparum Plasmodium vivax	<b>Bacterial and parasites</b> Borrelia Anaplasma Babesia Rickettsia ... Ehrlichia Coxiella Leishmania	<b>Viral infections</b> West Nile virus Yellow Fever virus ... Zika Dengue Chikungunya
Coagulation Genetics Panel					
<b>Factor II (prothrombin)</b> G20210A		<b>Factor V (Leiden)</b> C678A (G506C)		<b>MTHFR</b> C677T ... A289C	

Fonte: UBM

## Review of 2023E-2025E estimates

We have updated our forecast model following FY22 results and the recent news flow, by

- ◆ trimming down FY23E revenues, margins and cash flow;
- ◆ confirming overall the FY24's outlook, despite a changes in revenue mix;
- ◆ adding FY2025 to our forecasts, incorporating higher sales from new agreements, as well as the respiratory panel development.

As a result, the Company's 2022-2025E **earnings outlook are more skewed toward FY25, while net cash position is slightly worsened** compared to our previous forecasts. It is worth to add that, our model is still based on a few key assumptions that will need to be verified in coming months, mainly as for the amount of revenues that will be generated by the recent distribution agreements.

Other changes involve:

- as for the HPV panels and kits, we have slightly cut their contribution in FY23 and have moved it forward to FY2024-2025, estimating a revenue boost coming from new agreements;
- unchanged expectations as for the business driven by the partnership with Menarini Diagnostics, i.e. just the €100k contractual guaranteed minimum in FY2023;
- as for Nanohybrid we have removed the potential revenues coming from the agreement announced in March for nano switches, following the lack of news on a positive outcome. On this we will incorporate revenues as soon as there is more visibility on a new deal;
- no significant changes were made as for the cash burn rate assumptions, with the net cash outlook differing from previous estimates almost exclusively due a lower FY22 baseline, and still due to support operations on our forecast horizon.

### UBM: New vs. Old estimates

(€'000)	2022		2023E		2024E	
	V-T Est.	Actual	Old	New	Old	New
<b>Total Revenues (VoP)</b>	554	524	1,106	935	1,439	1,386
<b>EBITDA</b>	-405	-987	88	33	403	472
EBITDA margin	nm	nm	8%	4%	28%	34%
<b>EBIT</b>	-710	-1,306	-228	-287	76	141
EBIT margin	nm	nm	nm	nm	5%	10%
<b>Net profit</b>	-710	-1,308	-226	-278	78	150
Capex	-80	-157	-55	-81	-50	-50
<b>Net Financial Position</b>	4,323	3,794	3,950	3,514	3,955	3,756
Group Net Equity	6,542	5,947	6,317	5,669	6,395	5,819
<b>OpFCF a.t.</b>	-665	-1,197	-376	-289	3	234
R&D Expenses	500	504	450	450	330	360

Source: Value Track Analysis

### Revenues drivers

As for the main revenues drivers, extending our forecast horizon into Fy2025, we assume the following:

- ◆ As for the **HPV** products, we incorporate in our forecasts the expected revenues related to the two distribution agreements just closed, including a portion of sales (ca.20% on average 2023E-25E) deriving from other non-InGenius open systems served by EliTechGroup or from direct sales (e.g. to Hyris, following the ongoing validation). Our updated model still does not include any revenues from the multiplex STD panels. We now assume ca. €1.7mn cumulated revenues over 2023E-2025E;
- ◆ As for the **Ladymed**, we cut our forecast according to FY22 pharmacy sales trend, which showed a weaker than expected receptivity / incentive in out-selling the product and hence in re-orders. This stream still does not factor in the potential positive impact of BS's *Musa* project and revenues remain subdued (€108k in 2025E);
- ◆ As for the **Respiratory panel**, we factor ca. €735k cumulated revenues over 2023E-2025E assuming the new panels to be somewhat ready by 3Q23 and commercialization to start before the end of the year;
- ◆ As for the production of new rt-PCR assays as **white labelling activity**, we expect the business area to generate ca. 400k revenues in the forecast horizon (2023-25E), broadly unchanged, but concentrated over 2024-25E;
- ◆ As for **NanoHybrid**, we no longer expect collaboration revenues in the forecast period due to a missed partnership tie-up, as well as UBM's concentration on other projects with shorter-term targets. Nanohybrid still remains an important element of the pipeline, which for the time being is supported only by research grants, pending more visibility on new partnerships for development;
- ◆ As for **Menarini Diagnostics agreement**, we only record the minimum royalties granted for by the know-how transfer and license agreement (i.e. the last €100k/year due for 2023). After this, the co-development agreement will be terminated.

#### UBM: Revenues from Sales Breakdown 2022A-2025E

(€ '000)	2022	2023E	2024E	2025E
HPV Selfy	0.0	312.9	541.0	806.0
Ladymed	38.4	54.3	81.4	108.5
Respiratory Panel	0.0	77.8	298.6	358.3
Certifications & White label production	0.0	0.0	100.0	300.0
Royalties (Menarini Diagnostics)	100.0	100.0	0.0	0.0
<b>Revenues from Sales</b>	<b>138.4</b>	<b>544.9</b>	<b>1,021.0</b>	<b>1,572.8</b>

Source: UBM (historical figures), Value Track (estimates)

- ◆ Finally, the top line also includes
  - i) the expected **grants**, i.e. €223k in 2023E (supported by most of the €259k grant already awarded in 2H22 but not cashed), and ca. €386k over 2024-2025E. This compares to our previous assumption of €348k over 2023E-24E;
  - ii) **R&D tax credits**, still assumed equal to ca. 15% of the same year R&D costs;
  - iii) the annual quota of **the fiscal credit** awarded in relation to the **listing costs**, according to Italian regulation, and equal to of €99k per year over 2021-2025E.



### UBM: Revenues and VoP 2022A-2025E

(€ '000)	2022	2023E	2024E	2025E
Product sales revenue	38.4	444.9	921.0	1,472.8
Royalties	100.0	100.0	0.0	0.0
Collaboration revenue	0.0	0.0	100.0	100.0
<b>Net sales</b>	<b>138.4</b>	<b>544.9</b>	<b>1,021.0</b>	<b>1,572.8</b>
R&D tax credits	67.3	67.5	54.0	42.0
Grants	220.2	223.0	211.5	175.0
Other revenue (incl.R&D cost capit.)	97.8	99.3	99.3	99.3
<b>Value of production</b>	<b>523.8</b>	<b>934.7</b>	<b>1,385.8</b>	<b>1,889.1</b>

Source: UBM (historical figures), Value Track (estimates)

### R&D costs

As for R&D, we assume the following:

- ◆ Total R&D expense to account for €1.0mn over 2023E-25E, consistent with old estimates;
- ◆ R&D costs entirely charged on P&L;
- ◆ R&D to benefit from an annual tax credit of around 15% of total UBM R&D expenses;
- ◆ Research costs fully focused on Sagitta and NanoHybrid.

### UBM – R&D expenses and accounting policy – 2022A-2025E

(€ '000)	2022	2023E	2024E	2025E
Sagitta	354.2	330.0	240.0	160.0
NanoHybrid	150.0	120.0	120.0	120.0
Aptavir	0.0	0.0	0.0	0.0
<b>Total R&amp;D expenses (excl. capitalizations)</b>	<b>504.2</b>	<b>450.0</b>	<b>360.0</b>	<b>280.0</b>
<i>o/w capitalized via P&amp;L</i>	0.0	0.0	0.0	0.0
<i>o/w capitalized directly to B/S</i>	0.0	0.0	0.0	0.0

Source: Value Track (estimates)

Our model includes the following assumptions:

- ◆ We still do not take in consideration **Aptavir** potential revenues, as they are characterized by a low Technology Readiness Level and quite far from entering the market, consistently with the zeroed R&D budget related to this technology;
- ◆ **Capex forecast:** €181k over 2023E-25E, slightly increasing from previous assumption of €105k over 2023E-24E.

### Limited cash burn expected, despite lower FY2022 Net Cash baseline

For FY2023, we expect a much limited cash burn with respect to the previous year supported by increased sales, lower R&D and one-off costs and by nearly halved Capex (€80k). We still believe such low cash absorption and a cash pile above €3.8mn at start of FY2023 make the R&D plan sustainable and the business fully funded, leaving time to management to ramp-up sales and find new partnerships to distribute the Sagitta panels and to develop the more junior technologies.

Here below we report the full set of revised financial forecasts into 2025E.

### UBM: Profit & Loss 2022A-2025E

(€'000)	2022	2023E	2024E	2025E
Product sales revenues	38.4	444.9	921.0	1,472.8
Royalties	100.0	100.0	0.0	0.0
Collaboration revenues	0.0	0.0	100.0	100.0
<b>Net sales</b>	<b>138.4</b>	<b>544.9</b>	<b>1,021.0</b>	<b>1,572.8</b>
R&D tax credits	67.3	67.5	54.0	42.0
Grants	220.2	223.0	211.5	175.0
Other revenues	97.8	99.3	99.3	99.3
<b>Value of production</b>	<b>523.8</b>	<b>934.7</b>	<b>1,385.8</b>	<b>1,889.1</b>
COGS	-318.8	-178.4	-250.1	-382.1
<b>Gross Profit</b>	<b>205.0</b>	<b>756.2</b>	<b>1,135.7</b>	<b>1,507.0</b>
Gross margin %	39.1%	80.9%	82.0%	79.8%
R&D expenses	-504.2	-450.0	-360.0	-280.0
Sales and marketing expenses	-15.0	-30.0	-60.0	-70.0
General and Administrative expenses	-663.1	-563.1	-574.4	-585.9
<b>EBIT</b>	<b>-977.4</b>	<b>-286.9</b>	<b>141.3</b>	<b>571.1</b>
EBIT margin %	<i>nm</i>	<i>nm</i>	10.2%	30.2%
Total D&A	-319.6	-320.0	-331.0	-342.0
<b>EBITDA</b>	<b>-657.8</b>	<b>33.0</b>	<b>472.2</b>	<b>913.0</b>
EBITDA margin %	<i>nm</i>	3.5%	34.1%	48.3%
Financial Income (expense)	-1.3	9.3	8.6	9.2
<b>EBT</b>	<b>-1,307.7</b>	<b>-277.6</b>	<b>149.9</b>	<b>580.3</b>
Income taxes	0.0	0.0	0.0	0.0
<b>Net Profit (loss)</b>	<b>-1,307.7</b>	<b>-277.6</b>	<b>149.9</b>	<b>580.3</b>

Source: UBM (historical figures), Value Track (estimates)

### UBM: Balance sheet 2022A-2025E

(€'000)	2022	2023E	2024E	2025E
<b>Net Working Capital</b>	<b>557.7</b>	<b>795.8</b>	<b>982.0</b>	<b>1,386.1</b>
<b>Net Fixed Assets</b>	<b>1,611.4</b>	<b>1,372.4</b>	<b>1,091.4</b>	<b>799.5</b>
Provisions	0.0	0.0	0.0	0.0
TFR	-15.7	-12.4	-9.9	-7.7
<b>Total Capital Employed</b>	<b>2,153.4</b>	<b>2,155.8</b>	<b>2,063.5</b>	<b>2,177.9</b>
<b>Shareholders' Equity</b>	<b>5,947.0</b>	<b>5,669.4</b>	<b>5,819.3</b>	<b>6,399.6</b>
<b>NFP [i.e. Net Debt (-) Cash (+)]</b>	<b>3,793.7</b>	<b>3,513.6</b>	<b>3,755.7</b>	<b>4,221.7</b>

Source: UBM (historical figures), Value Track (estimates)

**UBM: Cash flow Statement 2022A-2025E**

(€'000)	2022	2023E	2024E	2025E
EBITDA	-986.8	33.0	472.2	913.0
Change in Working Capital	-65.7	-238.1	-186.2	-404.1
Capex (incl.R&D cost capit.)	-156.7	-81.0	-50.0	-50.0
Change in Provisions & TFR	12.1	-3.3	-2.5	-2.2
<b>OpFCF b.t.</b>	<b>-1,197.0</b>	<b>-289.3</b>	<b>233.5</b>	<b>456.8</b>
Cash Taxes	0.0	0.0	0.0	0.0
<b>OpFCF a.t.</b>	<b>-1,197.0</b>	<b>-289.3</b>	<b>233.5</b>	<b>456.8</b>
Capital Injection	2.452	0.0	0.0	0.0
Other Fiscal liabilities	0.0	0.0	0.0	1.0
Other Op. Items	0.0	0.0	0.0	0.0
<b>CF available to serve debt/equity</b>	<b>-1,194.6</b>	<b>-289.3</b>	<b>233.5</b>	<b>457.8</b>
Net Financial Charges	-1.3	9.3	8.6	9.2
Dividends paid	0.0	0.0	0.0	0.0
<b>Net Cash generated (absorbed)</b>	<b>-1,195.9</b>	<b>-280.1</b>	<b>242.1</b>	<b>466.9</b>

Source: UBM (historical figures), Value Track (estimates)

## Valuation

Our valuation methodology is unchanged and is still driven by peers' relative multiples (EV/Sales) and scale-up companies' absolute valuation: the average of the two models gives a **fair value of €2.2 p/s** (€17.9mn equity value), compared to previous €1.65 p/s or €13.4mn equity value.

The upgrade is due to the sector's market multiples re-rating occurred in the last months, driven by a mix of stock price performances, recapitalizations and/or downward revision of top line forecasts. The peers' group has in fact witnessed a lively news flow over the past months, when positive news on the R&D and approval front has combined with negative implications of the collapse in Covid-19 testing needs and of urgent and sizeable recapitalization decisions. All in all, peers gained on average ca. 3% of their aggregated market value and lost 10% of their Enterprise Value, compared to our last update, but also their aggregated 2023E Revenues consensus estimates have been hammered from ca. €45mn to c. €9mn. All this leads to higher average valuations both in absolute terms and in terms of EV/Sales. At fair value, the stock would trade at **15.2x-10.1x EV/Sales** based on our 2023E-24E estimates and out of this value **€0.47 p/s is represented by the net cash as of December 2022** (€0.43 p/s as of December 2023E).

### Valuation methodology

As already outlined in the past, UBM valuation embeds a few issues for both the short and medium-term, albeit the risk profile has been improving. In more details

- ◆ in the short term **earnings momentum remains weak**, but we now expect EBITDA break-even in 2023E and **FCF positive in 2024**;
- ◆ **visibility is still low on the real economics of recent contracts**, as our forecasts are based on our assumptions in terms of timing, order size, etc., but **it has much improved** as formal agreements have been signed and announced in 1Q2023.

In terms of methodologies, we stick to our usual valuation approach according to:

1. **Relative market multiples**; as market multiples of smaller players in the diagnostic sector do incorporate their expected growth and the value linked to their pipelines - even if we acknowledge that setting an appropriate and accurate peers' group, dealing with high dispersion of multiples and often with lack of meaningful forecasts is challenging;
2. **Valuation as a Scale-Up company**; based on the average enterprise value in absolute terms of the most similar peers (European scale-up / pre-revenues companies).

### Peers' Analysis

Consistent with our previous report, our comparables analysis focuses on European scale-up names (mostly pre-revenues). The group includes nine players similar to UBM in terms of products, business model and life cycle.

Below are summarised the current trading multiples of these stocks: all of them are loss-making and with limited revenues and not surprisingly they have scattered around and relatively high trading multiples, when meaningful: 13.6-10.5x for 2023-2024E average EV/Sales. Such rich trading multiples on EV/Sales for scale-up names incorporate the projected material growth potential of these innovative, young companies: stock markets attribute this value based not only on "visible" revenues, but mostly because of their R&D pipeline, despite their high risk profile, including the need of frequent recapitalizations.

### UBM: Scale-up Peers' trading multiples

Company	Listing market	Market Cap (€mn) (*)	Enterprise Value (€mn)	EV/Sales (x)	
				2023E	2024E
Spago Nanomedical AB	Sweden	6.5	1.9	3.6	0.1
SenzaGen AB	Sweden	21.5	19.7	4.0	3.8
BioMark Diagnostics Inc.	Germany	10.9	11.0	nm	nm
Genedrive PLC	UK	43.0	36.8	23.7	12.1
Epigenomics AG	Germany	2.9	7.9	nm	nm
Biovica International AB	Sweden	33.9	24.1	nm	11.1
Lumito AB	Sweden	15.1	12.8	nm	nm
Aegirbio AB	Sweden	5.0	5.4	33.9	32.4
Attana AB	Sweden	6.1	3.0	2.8	3.5
<b>Average</b>		<b>16.1</b>	<b>13.6</b>	<b>13.6</b>	<b>10.5</b>
<b>Median</b>		<b>10.9</b>	<b>11.0</b>	<b>4.0</b>	<b>7.4</b>

Source: Consensus Estimates, Value Track Analysis, (\*) Market Prices as of 7/04/2023

In order to evaluate UBM we focus on the average of 2023E and 2023E EV/Sales and get to a fair equity value per share of **€2.14**, as from the table below.

### UBM: Fair value based on peers' EV/Sales

(€mn)	2023E	2024E
UBM Sales	0.9	1.4
Peers EV/Sales (avg)	13.6x	10.5x
<b>Fair Enterprise Value</b>	<b>12.7</b>	<b>14.6</b>
UBM Net Cash	3.5	3.8
<b>Fair Equity Value</b>	<b>16.2</b>	<b>18.3</b>
Shares total (mn)	8.1	8.1
<b>Fair Equity Value p/s (€)</b>	<b>2.01</b>	<b>2.27</b>
<b>Fair Equity Value p/s (€) - Average</b>	<b>2.14</b>	

Source: Value Track Analysis

### Scale-up companies' absolute values

As a second methodology, we consider these companies as “research hubs”, i.e. focusing on the value the stock market may expect from their R&D pipeline, notwithstanding their current or “visible” revenues, as outlined above. We stick to the same peers group, with consistent features in terms of market segment, life cycle and risk profile, and in order to bypass the issue of limited availability of significant and reliable economic performance indicators, we simply look at their absolute market values.

### UBM: Peers' Key Data

(€mn)	Revenues 2023E	Net debt (Cash) 2023E	Market Cap (*)	EV 2023E	EV 2024E
Spago Nanomedical AB	0.5	-4.5	6.5	1.9	0.6
SenzaGen AB	4.9	-1.8	21.5	19.7	20.2
BioMark Diagnostics Inc.	0.1	0.0	10.9	11.0	11.0
Genedrive PLC	1.6	-6.2	43.0	36.8	37.4
Epigenomics AG	0.2	5.0	2.9	7.9	19.0
Biovica International AB	0.4	-9.8	33.9	24.1	30.9
Lumito AB	0.0	-2.2	15.1	12.8	13.3
Aegirbio AB	0.2	0.5	5.0	5.4	7.2
Attana AB	1.1	-3.1	6.1	3.0	6.0
<b>Average</b>	<b>1.0</b>	<b>-2.5</b>	<b>16.1</b>	<b>13.6</b>	<b>16.2</b>
<b>Median</b>	<b>0.4</b>	<b>-2.2</b>	<b>10.9</b>	<b>11.0</b>	<b>13.3</b>

Source: Value Track Analysis, (\*) Market Prices as of 7/04/2023

These peers' market capitalisations average between €3-43mn and **Enterprise Values range** between €2-37mn, with a high concentration **in the €10-25mn bracket** and a **€13.6-16.2mn** average for 2023-24E.

Assuming these as an indication of a fair EV for a “research hub” like UBM we get to a **fair equity value range of €17-20mn, or an average value of €2.30 per share.**

### UBM: Fair value based on Scale Up companies' absolute market value

(€mn)	2023E	2024E
Enterprise Value of peers (average)	13.6	16.2
UBM Net Cash (2022E)	3.5	3.8
<b>Fair Equity Value UBM</b>	<b>17.1</b>	<b>19.9</b>
Shares total (mn)	8.1	8.1
<b>Fair Equity Value p/s (€)</b>	<b>2.13</b>	<b>2.47</b>
<b>Fair Equity Value p/s (€) - Average</b>	<b>2.30</b>	

Source: Value Track Analysis

Our fair valuation results from the average between the two methods outlined (i.e. relative peers' multiples and absolute market valuations), and gets to an **equity value of €17.9mn** or €2.2 per share, primary based on outstanding shares.

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