

Ulisse BioMed

Sector: Health Care



Analysts

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Some fine tuning on the new business model

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 immunodiagnosics and therapeutic drug monitoring; iii) antiviral aptamers for therapeutics or diagnostics. It is listed on EGM since Aug 2021

1H23 subdued: time to market longer than expected

UBM released 1H2023 results with both revenues and cash burn worse than expected, as none of the agreements announced in 1H is fully active yet. Top line came at €16k (€67k in 1H22) well below the trend to our FY23 forecast of €935k and hence both EBITDA loss at €741k (vs €408k in 1H22) and net cash at €2,896k (vs €3,786k of Dec 2022) came in below expectations.

Yet, ball is rolling and Menarini license terminated

The weak interims should not shadow the steps carried by management in order to get distribution contracts started (ELITech, Aenorasis) and the new high potential partnership with HYRIS set-up. In addition, UBM announced the early termination of the global license to Menarini Diagnostics of the Sars-CoV-2 and other respiratory diseases virus tests and in exchange for early termination, UBM waived its right to the €100k minimum royalty for FY23. Yet, this step is crucial to let the Company validate & distribute these tests with other partners (e.g. via the HYRIS system).

FY23E forecasts cut, FY24E fully funded in any scenario

The news described above lead to lower revenues and higher cash burn for FY23E, but visibility should start improving soon and we stick to our core assumptions, including the widening of distribution contracts to another panel by end of FY23 and more from 1Q24. Despite delays and lower revenues, our forecast horizon appears fully funded and FY24E should be funded also under an extremely unfavourable scenario.

Fair Value to €1.9 on lower peers' multiples and smaller cash pile

Fair value is based on an unchanged value exercise, albeit we move reference year for EV/Sales to FY2024E (following the delays described). Updated scale-up peers' EV/Sales and absolute market valuation now indicate a fair value of €1.9 per sh. from €2.2, mostly due to peers' multiple contraction and higher cash burn at UBM. The stock after recent weakness trades at 7.2 EV/24E Sales, slightly below peers. June 2023 cash pile was worth €0.36 p/s, i.e. 23% of stock price.

Fair Value (€)	1.90
Market Price (€)(*)	1.56
Market Cap. (€m)	10.4

KEY FINANCIALS (€mn)	2022A	2023E	2024E
TOTAL REVENUES	0.5	0.3	1.4
EBITDA	-1.0	-1.5	0.6
EBIT	-1.3	-1.8	0.3
NET PROFIT	-1.3	-1.8	0.3
OPFCF a.t.	-1.2	-1.6	0.2
NET INV. CAP.	2.2	2.0	2.1
EQUITY	5.9	4.1	4.4
NET FIN. POS.	3.8	2.2	2.4

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

KEY RATIOS	2022A	2023E	2024E
GROSS MARGIN (%)	39.1%	56.2%	91.4%
EBITDA MARGIN (%)	nm	nm	44.0%
EBIT MARGIN (%)	nm	nm	18.6%
NET PROFIT MARGIN (%)	nm	nm	18.9%
EV/SALES (x)	19.6	30.4	7.2
EV/EBITDA (x)	nm	nm	16.3
P/E (x)	nm	nm	34.4

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

STOCK DATA

FAIR VALUE (€)	1.90
MARKET PRICE (€) (*)	1.56
SHS. OUT. (m), primary	8.1
MARKET CAP. (€m)	10.4
FREE FLOAT (%)	80.8
AVG. -20D VOL. (#)	9,105
RIC / BBG	UBM.MI / UBM.IM
52 WK RANGE	0.97-3.28

Source: Stock Market Data (*) based on 18/09/2023 Opening Price

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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 immunodiagnostics and therapeutic drug monitoring and iii) antiviral aptamers for therapeutic or diagnostic purposes. The first products which hit the market are HPV related, next ones should be panels for respiratory pathogens and STI products.

Key Financials

(€'000)	2022A	2023E	2024E	2025E
Total Revenues	524	341	1,421	1,706
Chg. % YoY	26.3%	-34.8%	nm	20.1%
EBITDA	-987	-1,483	625	909
EBITDA Margin (%)	nm	nm	44.0%	53.3%
EBIT	-1,306	-1,821	264	524
EBIT Margin (%)	nm	nm	18.6%	30.7%
Net Profit	-1,308	-1,814	269	530
Chg. % YoY	nm	nm	nm	96.8%
Adjusted Net Profit	-1,212	-1,718	365	530
Chg. % YoY	nm	nm	nm	45.1%
Net Fin. Position	3,786	2,191	2,365	2,890
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-157	-151	-100	-100
OpFCF b.t.	-1,204	-1,602	168	520
OpFCF b.t. as % of EBITDA	nm	nm	26.9%	57.2%

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

Investment case

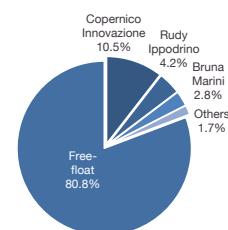
Strengths / Opportunities

- ◆ Strong R&D team and prestigious scientific committee;
- ◆ Competitive and diversified portfolio of products CE-IVD marked;
- ◆ Strong cash position and fully funded FY1 and FY2 operations;
- ◆ Highly innovative and fast growing technologies and applications.

Weaknesses / Risks

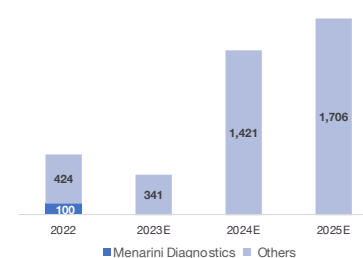
- ◆ License with Menarini Diagnostics terminated on disappointing results;
- ◆ Nanohybrid and Aptavir yet to be leveraged for product development;
- ◆ Change in CE-IVD regulations has increased costs faced by the industry;
- ◆ Business model depends on licensing and/or distribution agreements with big pharma and IVD players.

Shareholders Structure



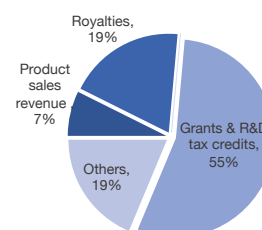
Source: UBM

Revenues Forecast



Source: UBM

Revenues by Segment (2022A)



Source: UBM

Stock multiples @ €1.9 Fair Value

	2023E	2024E
EV / SALES (x)	nm	9.1
EV / EBITDA (x)	nm	20.7
EV / EBIT (x)	nm	49.1
EV / CAP.EMP. (x)	6.6	6.3
OpFCF Yield (%)	nm	1.3
P / E (x)	nm	nm
P / BV (x)	3.7	3.5
Div. Yield. (%)	0.0	0.0

Source: Value Track

1H 2023 Results

UBM released on 29 September its 1H2023 results and we would say that both revenues and cash burn came below our expectations, despite we acknowledge that quarterly results are extremely unpredictable and volatile for start-up firms as UBM. In short, the key issues have been that i) so far none of the new agreements announced in 1H for the distribution of the HPV assays is fully active yet; ii) as anticipated in our last update, the sales of Ladymed (HPV self-test) via pharmacy were weaker than expected, being receptivity / incentive in out-selling below initial expectations; iii) costs and investments to run validation activities, to optimize tests recently marked and to carry R&D for new patents have been higher than we expected. Top line came at €16k (€67k in 1H22) well below the trend to our FY23 forecast of €935k and hence both EBITDA loss at €741k (vs €408k in 1H22) and net cash at €2,896k (vs €3,786k of December 2022) came in below expectations.

Hence, the key reasons for the weaker than expected **revenues** in 1H were

- ◆ longer than expected timing for starting the actual distribution of HPV Selfy by ELITechGroup Spa;
- ◆ relatively long and complex procedures for validation and set-up of UBM assay menu for the bCUBE system by HYRIS Ltd;
- ◆ lack of royalties by Menarini Diagnostics, following the early termination of the licensing agreement (see below);
- ◆ lack of sizeable revenues linked to research grants, however this should also represent only a delay, and expect in 2H the recognition of significant grants already awarded (HORIZON 2020), and the completion of reporting procedures for additional grants (POR) to be cashed in early FY2024.

UBM: 1H23 revenues - Key drivers

(€'000)	FY22	1H22	1H23	ΔYoY
Product sales	38.4	13.7	16.1	+18%
Royalties	100.0	50.0	0.0	nm
Collaboration revenues	0.0	0.0	0.0	nm
Net Sales	138.4	63.7	16.1	-75%
R&D tax credits	67.3	0.0	0.0	nm
Grants	220.2	200.9	18.6	nm
Other revenues (incl. diff. in stocks, capitalization, etc)	97.8	47.2	53.1	+12%
Value of Production	523.8	311.8	87.9	-72%

Source: UBM. Value Track Analysis

In addition, we acknowledge that the increased loss of the semester (**loss of €900k** compared to €532k loss in 1H22) comes not only from lower revenues, but also from higher-than-expected costs for validation activities, completion of wider PCR machine testing of diagnostic kits CE-IVD marked in 2022 and R&D costs in order to support the patent applications filed in Q3 and relative to NanoHybrid.

The combination of the above factors drove EBITDA down to a negative €-740k (€-408k in 1H22), and to a **cash burn** in the semester of **€890k: net cash** position was positive at **€2,896k**, down from the net cash of €3,786k at December 2022 and this implies a €148k monthly burn rate over the six-month period.

UBM: Profit & Loss statement FY22-1H22-1H23

(€'000)	FY22	1H22	1H23
Net sales	138.4	63.7	16.1
Value of production	523.8	311.8	87.9
EBITDA	-986.8	-408.4	-740.6
<i>Depreciation & Amortization</i>	-319.6	-121.9	-186.4
EBIT	-1,306.4	-530.3	-899.4
Financial revenue (expense)	-1.3	0.0	-0.1
EBT	-1,307.7	-531.6	-899.6
Income taxes	0.0	0.0	0.0
Net Results	-1,307.7	-531.6	-899.6

Source: Value Track Analysis

UBM: Balance Sheet FY22-1H22-1H23

(€'000)	FY22	1H22	1H23
Net Working Capital	565.1	530.7	644.2
Net Fixed Assets	1,611.4	1,762.8	1,523.1
Funds and Provisions	0.0	0.0	0.0
TFR	-15.7	-8.2	-16.0
Total Capital Employed	2,160.8	2,285.3	2,151.3
Shareholders' Equity	5,947.0	6,723.2	5,047.5
NFP [i.e. Net Debt (-) Cash (+)]	3,786.3	4,437.8	2,896.2

Source: Value Track Analysis

UBM: Cash Flow Statement 1H22-1H23

(€'000)	1H22	1H23
EBITDA	-408.4	-740.6
Working Capital Needs	-38.7	-79.1
Capex	-181.4	-90.5
Change in Provisions & TFR	4.6	-8.8
OpFCF	-623.9	-919.0
Capital Injection	2.5	0.0
Other Op. Items (incl. Fin. Inv.)	69.7	29.1
CF available to serve debt/equity investors	-551.7	-889.9
Net Financial Charges	0.0	-0.1
Net Cash generated (absorbed)	-551.7	-890.1

Source: Value Track Analysis

Recent Events

HPV related panels close to hit the market at last

The main news of 1H 2023 was related to the distribution strategy for the **HPV assays**, with the agreements signed with ELITechGroup and Aenorasis, and the validation process announced with HYRIS Ltd. All this was described in our last update and the more recent steps on this side were the successful validation of the HPV Selfy range on HYRIS instrumentation and the finalization of an integrated offer with HYRIS bCUBE system, which is now on the market as a fully integrated diagnostic solution.

Major Developments also for the other panels

As for the other assays, management announced they started the validation process on the **entire UBM assay** menu in conjunction with bCUBE, with the aim of completing these activities by the end of the year and start the distribution of a much wider integrated solution at the end of FY2023 / beginning of FY2024. We remind that in FY22, UBM CE-IVD-marked 5 new products / panels on different clinical applications, which are currently being tested in external research labs on a wider number of thermal cyclers and bio samples. Of these, the “Respiratory Pathogens panel” includes three sub-panels - Syndromic Bacterial, Syndromic Viral and Syndromic Flu + Coronavirus – and is likely to be the first to be launched on the market, given its “seasonal” appeal, the “Sexually Transmitted Infections panel” should follow the penetration of the HPV related assays and then UBM marked further three panels relative to Antibiotic Resistant STI, Tropical Pathogens and Coagulation Genetics.

Termination of Menarini Diagnostic exclusive licence: short term pain, long term gain

In addition, UBM announced the **early termination** on 29 September 2023, of the global license to **Menarini Diagnostics** of the Sars-CoV-2 and other respiratory diseases virus tests, based on *Sagitta* technology, due to the disappointing results of the partnership. In exchange for early termination (the license was supposed to last until 2040) UBM waived its right to the €100k minimum royalty due for FY23 (out of a total €300k due over FY21-22-23), with the aim of developing new kits for respiratory viral pathogens based on *Sagitta* and in particular to validate & distribute these tests with the HYRIS system, within the process described above.

R&D on more junior technologies keeps going

Finally, in September UBM filed an **international patent** application concerning the technology called “NanoAmp”, an evolution of the proprietary technology NanoHybrid. “NanoAmp” is an innovative method for the single-step detection and quantification, with high sensitivity, of analytes, in particular of protein nature, based on the combination of local concentration enhancement and PCR amplification.

Review of estimates

In the light of first half results and recent developments, we updated our forecast model as follows:

- ◆ trimming down FY2023E revenues and margins on longer time to market and higher validation and R&D costs (as well as lack of Menarini Diagnostic €100k contractual guaranteed minimum in current FY);
- ◆ sticking to our broad assumptions in terms of medium term (FY2024-2025E) potential of the announced partnerships as for the HPV and the other panels, albeit the product mix and contributions of different partners changed a lot compared to previous assumptions, due to a fine tuning of the go-to-market model, terms and timing;
- ◆ slightly higher R&D bill and capex, in line with trends outlined in 2023,
- ◆ increasing cash burn over FY23 and assuming end of cash absorption from FY24.

As a result, the Company's **net cash position is worsened** again, compared to our previous expectations, and our model is still based on a few key assumptions that will need to be verified in coming months (i.e. final timing and real potential of distribution agreements) and potentially fine-tuned again. Overall, our revised estimates compare as follows to the previous ones.

UBM: New vs. Old estimates

(€'000)	2023E		2024E		2025E	
	Old	New	Old	New	Old	New
Total Revenues (VoP)	935	341	1,386	1,421	1,889	1,706
EBITDA	33	-1,483	472	625	913	909
EBITDA margin	4%	nm	34%	44%	48%	53%
EBIT	-287	-1,821	141	264	571	524
EBIT margin	nm	nm	10%	19%	30%	31%
Net profit	-278	-1,814	150	269	580	530
Capex	-81	-151	-50	-100	-50	-100
Net Financial Position	3,514	2,191	3,756	2,365	4,222	2,890
Group Net Equity	5,669	4,133	5,819	4,402	6,400	4,932
OpFCF a.t.	-289	-1,602	234	168	457	520
R&D Expenses	450	450	360	400	280	360

Source: Value Track Analysis

Finally, it is worth to add that moving from the June 2023 cash position, the operations at UBM are **fully funded into end of FY2024** even **assuming an extremely unfavourable scenario, namely:**

- a) no distribution agreement does actually kick-off for another 18 months;
- b) the validation and R&D activities are carried on at the same pace of 1H23;
- c) in short, we assume a monthly burn rate of €148k, in line with 1H23.

Revenues drivers

The table below reports the key components of the forecasted revenues into FY2025, namely:

- ◆ As for **HPV assays**, these include our expected revenues from the distribution agreements in place, including closed system revenues and open systems served by partners or directly;
- ◆ As for the **Ladymed**, our forecast remains subdued, pending clear signs that self-test receptivity at mass market has improved (<€4k in 2025E);
- ◆ we factor ca. €210k cumulated revenues over 2024E-2025E for the **Respiratory panels** assuming the new panels to be commercialized from 1Q2024 and this stands well below the €735k cumulated revenues over 2023E-2025E of our old forecasts, due to the explained delays, to the change of the most likely partner and to more cautious stance;
- ◆ we now factor also the launch of the new panels, CE-IVD marked in 2022 and currently in validation phase with potential Partner HYRIS. These are expected to compensate for the lower contribution from the Respiratory assays, with cumulated revenues of €265k over FY2024-2025E;
- ◆ As for the production of new rt-PCR assays as **white labelling activity**, we expect the business area to generate ca. 425k revenues in the forecast horizon (2024-25E), broadly unchanged.

We remind that at this stage **our model 2023-25E does not factor** any of the following:

- ◆ **NanoHybrid** collaboration revenues, as Nanohybrid is supported only by research grants;
- ◆ **Aptavir** potential collaboration revenues, given its low Technology Readiness and nil R&D;
- ◆ **Royalties from Menarini Diagnostics**, following the terms of the mutual agreement for early termination signed on 29 September 2023.

UBM: Revenues from Sales Breakdown 2022A-2025E

(€ '000)	2022	2023E	2024E	2025E
HPV Selfy	0.0	68.0	604.8	755.2
Ladymed	38.4	1.8	2.6	3.5
Respiratory Panels	0.0	0.0	90.0	120.0
STI Panels	0.0	0.0	67.5	90.0
Others Panels	0.0	0.0	43.2	64.8
White label production	0.0	0.0	200.0	225.0
Royalties (Menarini Diagnostics)	100.0	0.0	0.0	0.0
Revenues from Sales	138.4	69.7	1,008.2	1,258.5

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

Among the other components of Value of Production, we also include the following items, broadly unchanged over the forecast period:

- ◆ the expected **grants**, equal to €105k in 2023E – this amount corresponds to a grant already awarded and cashed (HORIZON 2020), but it is below our old estimates because of a different revenues' recognition, due to a longer distribution timing and later start (in addition we reckon the delay in reporting and hence in cash in of another grant already awarded (POR), which is due to move into 1Q2024E. As for 2024E and 2025E we expect the amounts indicated in the table below, where FY2024 benefits from the delay of the POR indicated above, but we cautiously assume the next cash-in and recognition of a new POR grant to occur in 2025E;
- ◆ **R&D tax credits**, equal to ca. 15% of the same year R&D costs;

- ◆ 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	69.7	908.2	1,158.5
Royalties	100.0	0.0	0.0	0.0
Collaboration revenue	0.0	0.0	100.0	100.0
Net sales	138.4	69.7	1,008.2	1,258.5
R&D tax credits	67.3	67.5	60.0	54.0
Grants	220.2	104.9	253.5	294.5
Other revenue (incl. fiscal credits)	97.8	99.3	99.3	99.3
Value of production	523.8	341.4	1,421.0	1,706.3

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

R&D costs

As for R&D, we broadly confirm our assumptions for current year and rise the FY2024-2025E budget, i.e.

- ◆ Total R&D expense to account for €1.2mn over 2023E-25E and entirely charged on P&L;
- ◆ R&D to benefit from an annual tax credit of around 15% of total 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	280.0	240.0
NanoHybrid	150.0	120.0	120.0	120.0
Aptavir	0.0	0.0	0.0	0.0
Total R&D expenses (excl. capitalizations)	504.2	450.0	400.0	360.0
<i>o/w capitalized via P&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)

Higher cash burn in FY2023E with operations at peak of cash needs

For FY2023, we expect a much higher cash burn compared to our initial expectations, given

- the missing contribution of sales,
- steady R&D,
- much higher-than-expected costs for validation and optimization of UBM assays on potential partners' systems,
- higher than expected Capex (updated assumption of €150k capex vs previous €80k).

Due to all these factors, we now expect the financial relief to arrive in FY2024.

Despite the downward revision of earnings and free cash flow, thanks to the cash pile above €3.8mn at start of FY2023, the business appears fully funded for a reasonable time horizon, leaving time to management to ramp-up sales leveraging on new partnerships to distribute the Sagitta panels and to consider potential options for the more junior technologies. In fact, our forecast horizon appears fully funded and FY2024 should be funded also under an extremely unfavourable scenario, i.e. assuming none of the distribution agreement or partnership does actually kick-off for another 18 months, while at the same time the validation and R&D activities are carried on at the same pace of 1H23. This scenario implies a monthly burn rate of €148k, in line with 1H23, and moving from the June 2023 cash position of €2.9mn, operations are fully funded for 20 months, i.e. into the end of FY2024.

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	69.7	908.2	1,158.5
Royalties	100.0	0.0	0.0	0.0
Collaboration revenues	0.0	0.0	100.0	100.0
Net sales	138.4	69.7	1,008.2	1,258.5
R&D tax credits	67.3	67.5	60.0	54.0
Grants	220.2	104.9	253.5	294.5
Other revenues	97.8	99.3	99.3	99.3
Value of production	523.8	341.4	1,421.0	1,706.3
COGS	-318.8	-149.7	-122.6	-166.2
Gross Profit	205.0	191.7	1,298.3	1,540.0
Gross margin %	39.1%	56.2%	91.4%	90.3%
R&D expenses	-504.2	-450.0	-400.0	-360.0
Sales and marketing expenses	-15.0	-500.0	-60.0	-70.0
General and Administrative expenses	-663.1	-1063.1	-574.4	-585.9
EBIT	-977.4	-1,821.4	263.9	524.1
EBIT margin %	<i>nm</i>	<i>nm</i>	18.6%	30.7%
Total D&A	-319.6	-338.0	-361.5	-385.0
EBITDA	-657.8	-1,483.5	625.4	909.1
EBITDA margin %	<i>nm</i>	<i>nm</i>	44.0%	53.3%
Financial Income (expense)	-1.3	7.3	5.2	5.7
EBT	-1,307.7	-1,814.1	269.2	529.8
Income taxes	0.0	0.0	0.0	0.0
Net Profit (loss)	-1,307.7	-1,814.1	269.2	529.8

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

UBM: Balance sheet 2022A-2025E

(€'000)	2022	2023E	2024E	2025E
Net Working Capital	565.1	541.8	885.5	1,173.8
Net Fixed Assets	1,611.4	1,424.4	1,162.9	878.0
Provisions	0.0	0.0	0.0	0.0
TFR	-15.7	-24.8	-11.0	-9.9
Total Capital Employed	2,160.8	1,941.5	2,037.5	2,041.9
Shareholders' Equity	5,947.0	4,132.9	4,402.1	4,931.9
NFP [i.e. Net Debt (-) Cash (+)]	3,786.3	2,191.5	2,364.6	2,890.0

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

UBM: Cash flow Statement 2022A-2025E

(€'000)	2022	2023E	2024E	2025E
EBITDA	-986.8	-1,483.5	625.4	909.1
Change in Working Capital	-73.1	23.3	-343.7	-288.3
Capex (incl.R&D cost capit.)	-156.7	-151.0	-100.0	-100.0
Change in Provisions & TFR	12.1	9.1	-13.8	-1.1
OpFCF b.t.	-1,204.5	-1,602.1	167.9	519.7
Cash Taxes	0.0	0.0	0.0	0.0
OpFCF a.t.	-1,204.5	-1,602.1	167.9	519.7
Capital Injection	2.4	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
CF available to serve debt/equity	-1,202.0	-1,602.1	167.9	520.7
Net Financial Charges	-1.3	7.3	5.2	5.7
Dividends paid	0.0	0.0	0.0	0.0
Net Cash generated (absorbed)	-1,203.3	-1,594.8	173.2	526.4

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

Valuation

We stick to our valuation methodology, driven by peers' relative multiples (EV/Sales) and by scale-up companies' absolute valuation, however we have moved our focus for relative multiples to FY2024E, as the current fiscal year at this stage is not very meaningful, given the announced delays on new projects. The average of the two models gives a **fair value of €1.9 p/s** (€15.3mn equity value), compared to previous €2.2 p/s or €17.9mn equity value.

The cut is due to i) the downward revision of UBM forecasts and in particular the higher cash burn expected for FY23-24E; ii) the de-rating of sector's market multiples, which mirrors the generalised equity market outlook together with stock specific drivers and they trade on average 8.3x 2024E EV/Sales (median 5.6x) vs previous 10.5x (7.4x median).

At fair value, the stock would trade at **9.1x EV/Sales** based on our 2024E estimates and out of this value **€0.36 p/s is represented by the net cash as of June 2023** (€0.27 p/s as of December 2023E).

Valuation methodology

Albeit the operating risk profile of UBM has been improving more recently, we remind as a general consideration that its valuation inevitably still embeds a few issues both for the short and the medium-term, namely

- ◆ in the short-term **earnings momentum remains weak and cash burn has accelerated**, and we now expect EBITDA break-even and **FCF positive in 2024E**, provided no further delays and hicks-up are faced;
- ◆ **visibility is still low on the real economics of recent contracts**, as our forecasts are based on our assumptions for all key metrics as timing, order size, etc., **but it has further improved** as validation activities have been completed positively on HPV and have started on other assays, while the early termination of the Menarini Diagnostic exclusive license has removed a potential hurdle to UBM new growth projects;
- ◆ **should something else go wrong** and material delays in the “go to market” cause a further steady cash burn (rates in line with 1H23, i.e. with virtually no revenues) **into the end of FY2024, UBM would still be fully funded**.

Our valuation methodologies, as anticipated, remain the following:

1. **Relative market multiples (EV/Sales)**; as market multiples of smaller players in the diagnostic sector do incorporate their expected growth and the value linked to their pipelines – despite this implies to deal with high dispersion of multiples and often with lack of meaningful forecasts;
2. **Valuation as a Scale-Up company**; based on the average enterprise value in absolute terms of similar peers (European scale-up / pre-revenues companies).

Peers' Analysis

The comparable analysis focuses on European scale-up names (mostly pre-revenues) and the group includes most of the names included in the past, which are similar to UBM in terms of products, business model and life cycle.

As summarised below these firms are all loss-making and with limited revenues, hence they show scattered around and relatively high trading multiples, when meaningful: 7.9x-8.3x for 2023-2024E

average EV/Sales, as stock markets attribute a certain value not only on “visible” revenues, but mostly to their R&D pipeline – and despite their high-risk profile and frequent recapitalization needs.

UBM: Scale-up Peers’ trading multiples

Company	Listing market	Market Cap (€mn)	Enterprise Value (€mn)	EV/Sales (x)	
				2023E	2024E
Spago Nanomedical AB	Sweden	5.1	nm	nm	nm
SenzaGen AB	Sweden	14.8	13.2	2.8	1.8
BioMark Diagnostics Inc.	Germany	13.4	15.0	nm	15.0
Genedrive PLC	UK	10.0	10.0	5.4	5.4
Epigenomics AG	Germany	2.5	nm	8.8	5.8
Biovica International AB	Sweden	26.7	16.9	nm	7.7
Lumito AB	Sweden	22.7	18.2	nm	nm
Aegirbio AB	Sweden	1.8	nm	22.2	25.9
Attana AB	Sweden	4.7	nm	3.2	2.8
Active Biotech	Sweden	16.0	11.5	nm	1.9
Alligator Bioscience	Sweden	20.4	20.5	5.0	nm
Average		12.5	15.1	7.9	8.3
Median		13.4	15.0	5.2	5.6

Source: Consensus Estimates, Value Track Analysis

In order to evaluate UBM we focus on the average of 2024E EV/Sales of peers and get to a fair equity value per share of **€1.75**, as reported below.

UBM: Fair value based on peers’ EV/Sales

(€mn)	2024E
UBM Sales	1.4
Peers EV/Sales (avg)	8.3x
Fair Enterprise Value	11.8
UBM Net Cash	2.4
Fair Equity Value	14.1
Shares total (mn)	8.1
Fair Equity Value p/s (€)	1.75

Source: Value Track Analysis

Scale-up companies’ absolute values

Our second methodology focuses on the value the stock market may expect from the companies’ R&D pipeline, notwithstanding their current or “visible” revenues, as outlined in the previous section. We stick to the same peer group above, given consistent features in terms of market segment, life cycle and risk profile, but here we bypass the issue of limited availability of significant economic performance indicators, by simply looking at the firms’ absolute market values – yet focusing on those firms with Market Capitalization above €5mn.

UBM: Peers' Key Data

(€mn)	Revenues 2023E	Net debt (Cash) 2023E	Market Cap (*)	EV 2023E	EV 2024E
Spago Nanomedical AB	6.5	-8.2	5.1	nm	nm
SenzaGen AB	55.3	-1.6	14.8	13.2	13.1
BioMark Diagnostics Inc.	0.2	1.6	13.4	15.0	15.0
Genedrive PLC	1.6	0.0	10.0	10.0	10.0
Epigenomics AG	0.2	-0.7	2.5	1.8	1.2
Biovica International AB	3.0	-9.8	26.7	16.9	19.3
Lumito AB	0.3	-4.5	22.7	18.2	15.2
Aegirbio AB	1.2	0.5	1.8	2.3	4.0
Attana AB	12.0	-1.4	4.7	3.3	4.6
Active Biotech	0.0	-4.4	16.0	11.5	11.5
Alligator Bioscience	48.0	0.1	20.4	20.5	6.6
Average	11.7	-2.6	12.5	11.3	10.0
Median	1.6	-1.4	13.4	12.4	10.8
Avg. (Mkt Cap >5mn)				15.1	13.0

Source: Value Track Analysis

These peers' market capitalisations range between €2-27mn and their **Enterprise Values** between €2-20mn, with a high concentration **in the €10-20mn bracket**. Focusing on the stocks with market capitalizations above the **€5mn threshold**, we get to and a **€15-13mn** average EV for 2023-24E.

Assuming this range 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 €2.02 per share**.

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

(€mn)	2023E	2024E
Enterprise Value of peers (average)	15.1	13.0
UBM Net Cash	2.2	2.4
Fair Equity Value UBM	17.2	15.3
Shares total (mn)	8.1	8.1
Fair Equity Value p/s (€)	2.14	1.90
Fair Equity Value p/s (€) - Average		2.02

Source: Value Track Analysis

The average between these two methods (i.e. relative peers' multiples and absolute market valuations) gets us to an **equity value of €15.3mn** or €1.9 per share, primarily based on outstanding shares, as outstanding warrants are out of the money.

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