Ulisse BioMed

Sector: Health Care

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With integrated offer top line finally sales-driven

Ulisse BioMed (UBM) is an Italian Diagnostic company active in development of real time-PCR molecular diagnostic assays and other innovative technologies. Listed on EGM in 2021, after the merger with Hyris Ltd (1Q24), UBM became provider of an integrated PCR system via a flexible platform for medical purposes and many other verticals.

Small recapitalization in Sept and first set of result post deal

UBM disclosed i) a €255k recapitalization completed on 27 Sept, and ii) its 1H24 results, the first P&L released on a post-Hyris-deal basis. As Group EBIT and bottom line are affected by €2.3mn annual goodwill amortization, we prefer to focus on key metrics as Revenues from sales (€371k or +87% y/y on recurring pro-forma in 1H23, we estimate), EBITDA (€1.4mn loss excl. one-offs, well below €2.1mn PF loss of 1H23) and net cash (€790k in June 2024, pre-Sept recap, vs €2.3mn of Dec 2023).

Few shadows: weaker growth/higher burn rate vs our FY24E

The interim results indicate that revenues mix improved and operating loss diminished, yet pace of revenues growth and cost cutting was not on track to our FY24 forecasts. This was caused by a combination of i) delays on cost-savings; ii) unforeseen setbacks on product fine-tuning and new assays validation and iii) some extraordinary costs linked to the deal. Despite this is mostly resolved - launch of new products and full benefits of cost cutting will come by year-end - and cash burn should halve in 2H, cash pile has reduced by €2mn (incl. one-offs) in 1H and will fall further in next quarters.

…but most of work is done (only funding still needs fine-tuning)

On the positive side i) 1H jump in the platform sales (€740k annualized) supports strong M/T strategic potential of the integrated offer; 2) most of the integration work (cost&procedure review, industrialization of medical segment) is now done; 3) revenues should accelerate and cash burn drastically reduce. Our revised model sees FY26E VoP doubled vs FY23PF and EBITDA break-even in 2H26E, but cash generation is not at sight yet. The funding issue should be addressed by mid-FY25.

Fair value at €0.98 p.s., pending more visibility on M/T strategy

Slower growth and higher cash needs suggest a worsened earning and funding profile according to our model, based on existing strategies, but subject to reassessment pending better visibility and more insight on M/T projects, once integration is completed. Hence, despite the sector rating has improved (peers at avg. 9.6x FY2 EV/Sales vs 6.9x of May 2024), we cut fair value to €0.98 p/s (from €1.25) and remind that investments in UBM equity are entitled to the Innovative PMI fiscal benefits, which may add €0.27 p/s extra-return (at current mkt price) if new shares are issued.

Fair Value (€)	**0.98**
Market Price (€)	**0.92**
Market Cap. (€m)	**20.3**

KEY FINANCIALS (€mn)	2023PF	2024E	2025E
VALUE OF PRODUCTION	1.2	1.3	1.9
EBITDA	-4.7	-2.8	-0.3
EBIT	-7.4	-5.5	-3.0
NET PROFIT Adj.	-5.0	-3.2	-0.7
OPFCF a.t.	nm	-2.8	-0.4
NET INV. CAP.	25.5	22.9	20.4
EQUITY	27.4	22.6	19.5
NET FIN. POS.	2.3	0.1	-0.3

Source: Ulisse BioMed SpA (historical figures), Value Track (estimates)

KEY RATIOS	2023A	2024E	2025E
GROSS MARGIN (%)	nm	78.1	79.4
EBITDA MARGIN (%)	nm	nm	nm
EBIT MARGIN (%)	nm	nm	nm
NET PROFIT MARGIN (%)	nm	nm	nm
EV/SALES (x)	nm	15.4	10.7
EV/EBITDA (x)	nm	nm	nm
P/E (x)	nm	nm	nm

Source: Ulisse BioMed SpA (historical figures), Value Track (estimates)

STOCK DATA	
FAIR VALUE (€)	0.98
MARKET PRICE (€)	0.92
SHS. OUT. (m), primary	22.0
MARKET CAP. (€m)	20.3
FREE FLOAT (%)	42.3(*)
AVG. -20D VOL. (#)	12,286
RIC / BBG	UBM.MI / UBM IM
52 WK RANGE (€)	0.86 – 1.97

Source: Stock Market Data, (*) includes those part of the shareholder agreement

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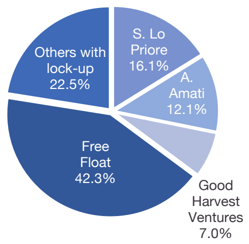
Business Description

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 announced in December 2023 the reverse merger with the UK company Hyris Ltd, completed on 28 December 2023. The combined entity is a much stronger player, thanks to an innovative integrated PCR platform, an attractive assay menu and a combination of hardware, software and diagnostic expertise.

Shareholders Structure



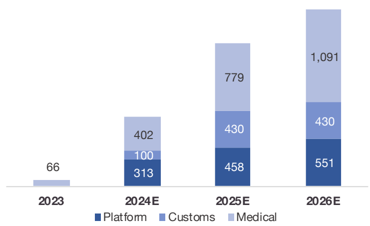
Source: UBM

Key Financials

(€'000)	2023PF	2024E	2025E	2026E
Value of Production	**1,150**	**1,304**	**1,920**	**2,228**
Chg. % YoY	nm	nm	47.2%	16.0%
EBITDA	**-4,700**	**-2,779**	**-306**	**-101**
EBITDA Margin (%)	nm	nm	nm	nm
EBIT	**-7,354**	**-5,472**	**-3,003**	**-2,802**
EBIT Margin (%)	nm	nm	nm	nm
Net Profit	**-7,353**	**-5,507**	**-3,024**	**-2,840**
Chg. % YoY	nm	nm	nm	nm
Adjusted Net Profit	**-5,029**	**-3,183**	**-700**	**-516**
Chg. % YoY	nm	nm	nm	nm
Net Fin. Position	**2,291**	**134**	**-329**	**-781**
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	nm	-34	-35	-40
OpFCF b.t.	**nm**	**-2,833**	**-442**	**-414**
OpFCF b.t. as % of EBITDA	nm	nm	nm	nm

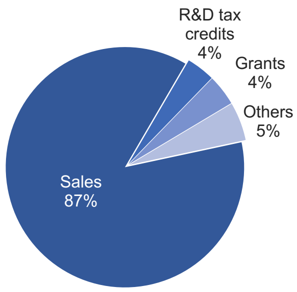
Source: UBM (historical data), Value Track (estimates)

Revenues from Sales Forecast



Source: UBM, Value Track estimates

VoP by Revenues Stream (2024E)



Source: Value Track estimates

Investment case

Strengths / Opportunities

- Stronger post deal positioning, guaranteed by the comprehensive commercial offering (software+ hardware + reagents);
- HW Rental and SaaS business model allow a more stable revenue stream;
- Highly innovative and fast-growing technologies and applications;
- Potential for further strengthening of assay panel menu (incl. M&A).

Weaknesses / Risks

- Necessity to keep cash burn under control and address actual funding needs in the next quarters;
- Market response to combined offer positive but yet to be really tested on large volumes, execution risk slightly improved but still high.

Stock multiples @ €0.98 Fair Value

	2024E	2025E
EV / SALES (x)	16.4	11.4
EV / EBITDA (x)	nm	nm
EV / EBIT (x)	nm	nm
EV / CAP.EMP. (x)	0.9	1.1
OpFCF Yield (%)	nm	nm
P / E (x)	nm	nm
P / BV (x)	nm	nm
Div. Yield. (%)	0.0	0.0

Source: Value Track

Executive Summary

The Company profile has changed deeply with Hyris

Ulisse Biomed is a company **completely different from the one listed back in 2021**, following the termination of the agreement with Menarini, but even more so due to the reverse merger with the Hyris Group, announced at the end of FY2023 and finalized in February 2024. The deal gave birth to **an integrated IVD/MD player**, able to develop and produce proprietary reagents (Ulisse Biomed) as well as PCR hardware and software (Hyris), with a flexible offer and a much stronger competitive positioning. Also, the Group is currently run by **Hyris management team**, which had proven effective in exploiting the pandemic potential, but in the last quarters has started to prove its skills also in terms of strategic vision, execution, communication, cost cutting and optimization.

…with a strong medium-term potential for the "combined entity"

We believe **the long-term potential of the combined entity is strong**, as stated at the time of the deal announcement, thanks to its **distinctive positioning** guaranteed by the control of the entire industrial chain, with a system CE-IVD marked and registered also with Health Canada and FDA (US) and a strong potential also outside the medical segment, in a few high-potential verticals. This entails:

1. a stronger **commercial proposition and** hence a stronger **competitive position**;
2. a wider Target **Addressable /Serviceable Market**;
3. massively **improved long-term strategic potential**;
4. a new potential for ***industrial*** **M&A,** instrumental to exploit growth in the long term.

…through a challenging integration plan

We would summarise the key and **critical steps** in terms of strategy execution as follows:

- **Exploiting** the revenues and margin potential on the **medical segment, i.e. of the closed integrated platform**, which in turn implies a) to optimize the launch and maximise the penetration of the assay already in the market (**HPV test and from July Sexually Transmitted Diseases (STDs)**; b) to validate very carefully in order to launch successfully in the market the new assays already developed by Ulisse (i.e. **Respiratory and Tropical panels**) and c) develop in the medium term, capitalizing on know-how of both Ulisse and Hyris, new tests on other diseases, drug resistance, well-being, etc.;
- Exploit the potential of the **open platform** (i.e. all the possible combinations and utilization of Hyris System hardware, software and third party's assays) beyond its initial applications and beyond the UBM medical segment (e.g. veterinary, agro-tech, food related, etc.) in many diversified verticals, with increasing contribution of recurring revenues. This also includes the policy of securing nice ***custom*** **contracts**, often with prestigious partners, with good short-term revenues and profitability and a potential recurring business in medium term;
- **Optimize the cost base** of the combined entity, considering that i) Hyris at the time of the merger was still in the process of down-sizing to reach its post-Covid-19 configuration, ii) the deal added a ca. €1.5mn burden to FY24E cash flow and iii) the cost cutting measures in the short term bring additional one-off cash charges. In addition, the new entity required to streamline its R&D, manufacturing and commercial procedures as well as to **industrialize** the processes of the **medical segment**.

Despite some initial hick-ups

Following the close of the deal, a few indications have suggested that the integration of the two companies has not been as smooth as expected, namely:

i) a sub-optimal initial performance of the closed platform (for the assay already in the market and for those due to launch), which has consequently required more fine-tuning, **higher** than expected validation and **R&D costs, slower re-orders** and **longer than expected time to market**;

ii) a **cost base** higher than planned, also due to the high one-off costs related to the deal, accounted for in 4Q23 and 1H24, and all to be paid in FY24 - for a total amount close to €1.5mn, and the "red-tape" required to reduce costs, including personnel.

…and 1H24 with lights and shadows

The **1H results** released on 30 Sept provided a mixed picture, as partially anticipated above, and in more details, we would highlight the following positive and negative data points:

Positives - **#1** finally top line was supported by "**core/sustainable sales**", i.e. 1H revenues from sales (€371k) were fully due to products related to the integrated platforms and these were broadly equally split between the medical segment (closed platform) and the opened platform; **#2** management proved a rigorous **NWC management**, with 1H working capital needs below expectations; **#3** the combined company underwent a 360-degree **cost review** as well as a revision of all operating procedures aimed at a **industrialization** of all processes, including the medical segment;

Negatives - #1 higher Opex and **EBITDA loss** (-€1.6mn) due to higher-than-expected operating/R&D costs required by medical assays fine tuning and validation, and to slower benefits from cost cutting measures, as these will bring full effects only in Q4; **#2 net cash diminished** strongly (€790k vs €2.3mn of Dec 2023), due to lower than exp. revenues and higher operating and extraordinary costs, including those related to the reverse merger.

…most of work on operations is done

Where are we now? In the light of 1H24 results and management indications, and despite some initial "bad news", we could say that **a lot has already been done in these nine months**: a) the deal costs have been mostly digested (virtually all paid by 3Q); b) the extra-costs required to launch the new assays will be faced by end of year, as HPV test is now performing well, STDs assay hit the market in July and the other two tests are ready for launch in 4Q24; c) cost cutting measures have all been finalized, with related one-off costs due in 3Q and with the cost base of the combined entity running at the "new" thinner level from November; d) a €255k recapitalization was finalised at the end of September. Hence, we expect **Q3** to be very **demanding in terms of cash-out**, but these should be offset by the proceeds of the rights issue, the rise in revenues and the planned cash-in of grants.

Despite a few temporary negative factors, VoP to double by FY26

All the events and trends outlined above have clearly required a material revision of our model: the **revised forecasts** are **well below our previous expectations**, due to the combination of slower revenues take-off, higher one-off and operating costs and delayed cost savings. Here we outline the following trends:

- **Value of Production** at €1.3mn in FY24E (VoP), with further acceleration in 2H for revenues from sales (€444k in 2H vs €371k of 1H), and growing to €2.2mn by FY26E, compared to €1.2mn of FY23PF;

- **Gross margin** broadly stable at 78%-80% of VoP, but moving from 65% to 79% of revenues from sales between FY24E and FY26E, thanks to improved business mix and increased returns in the medical segment;
- **Opex** are expected to reduce sharply in 2H24 and further down in FY25E to €1.8mn - compared to €3.8mn of FY24E and €5.9mn of FY23 pro-forma - of which ca. €740k in R&D (all charged to P&L);
- **EBITDA** is expected to remain negative over the forecast period, but loss should reduce from €2.8mn of FY24E to €100k of FY26E;
- **FCF** is equally forecasted to remain negative, with the **net financial position** moving from €134k net cash of FY24E to €781k net debt as of FY26E;
- as for **EBIT and Net result** we would highlight that these metrics are not very meaningful, as they are **affected by the sizeable amortizations of intangibles, goodwill and IPO costs**, worth ca. €2.3mn and €200k per year respectively.

What about risk profile?

Despite the sizeable earning revision, we could say that visibility on operations has improved and **execution risk is diminishing at last**, as 1H P&L reported initial but somehow "meaningful" revenues from sales of products, new assay launches have finally arrived or are arriving very soon, management has kept strict control on working capital and benefits of costs cutting measures should be fully visible by the end of the year.

However, as all the above is taking longer than we initially expected and required higher resources, the **funding needs have increased** and the fully funded horizon has reduced. We reckon that at this stage financial needs seem more predictable though, given the much thinner cost base and the normalizing working capital. In short, we would expect management to secure **additional funding via debt or equity before mid-FY25** and despite our model assumes the Group to leverage in order to meet cash needs, we would not rule out that management may rather go for further **recapitalizations,** either simply to bridge to FY26 - as already occurred in FY24, with YTD recapitalizations for €710k - or to chase further growth paths.

Valuation discounts the worsened short-term outlook

In terms of **valuation,** we stick to the methodology used in our latest report, based on 1) Relative market **EV/Sales**, as the only relative valuation metric that can be used in this context; and 2) valuation as a Scale-Up company, based on the **average absolute EV** of similar peers (scale-up/pre-revenues firms). These methodologies provide values of €0.82/share and €0.93/share respectively, with an average of €0.88/share. In addition, we factor also for the potential risk-adjusted value derived from new additional custom contract, i.e. new unsolicited contracts which could generate significant revenues and cash flow already in the very near future. We estimate this **optionality** at €0.10/share. As a result, we get to a **fair equity value of €0.98/share**, based on the number of existing shares, compared to previous **€1.25/share**.

…but the Innovative PMI status may provide further appeal

Finally, we would point out that assuming management decide to undertake in the next quarters one or more issues of new shares, these would grant entitled investors material fiscal benefits (i.e. 30-50% tax credits related to innovative SMEs). On the back of these fiscal savings (assumed at 30% of the value underwritten), such investors would get an extra-return of €0.27/share, based on current market price or, in other words, they would get a total potential "Cash on Cash" return equal to €1.25/share vs 0.98/share of investors "at large", all the rest being equal.

First half with lights and shadows

The company has reported its first full set of results post integration, with both Balance Sheet and P&L fully consolidating both Ulisse and Hyris assets and business - we remind that **FY23 P&L did not consolidate Hyris**, as the deal was closed on 28 December 2023 and hence the Revenues and EBITDA reported in FY23 only included Ulisse business, leaving out the ca. €1mn turnover of Hyris Group and its sizeable cost base.

1H24: "visible" revenues from sales, finally, but still weak relative to expectation

As 1H23 UBM results were not comparable to the current post-deal picture, management provided 1H23 "pro-forma" data. On this basis, interim results appear light on both revenues and cost savings, compared to our full year forecasts, albeit we see also some positive signs.

In more detail:

- **Revenues from sales** in 1H were down to **€371k** from €492k of 1H pro-forma, but it is worth noting that 1H23 pro-forma revenues included Hyris' €196k sales related to Covid-19 products and €205k related to a specific project of clinical activity, i.e. two flows of revenues somehow "not recurring" and not linked to the industrial project of the combined entity;
- On the contrary, 1H24 revenues from sales were almost fully attributable to the new **integrated solutions**, whose revenues suggest an **annualized value of €740k**, and despite this is well below our FY24E revenues estimate, it is finally a "visible" amount;
- The 1H24 **revenues from sales were almost equally split between** the **medical** segment (i.e. revenues derived from the closed/integrated platform including proprietary reagents, namely HPV) and the **platform** segment (i.e. revenues from sales of the open platform, including HW, SW and other services in any combination and for any sector, outside the regulated medical device sector);
- This indication suggests that both sales from the **HPV related platform and Hyris System recorded a strong growth y/y** and we estimate the former grew from €16k to €185k and the latter almost doubled to €140k, as reported below;

UBM: Group Revenues from Sales - 1H24 vs 1H23 pro-forma (*)

(€'000)	1H24 Group	1H23 "pro-forma"	Comment
PLATFORM, of which	185.5	476.1	
HW-SW-Services	140.4	75.0	**+87% y/y**
Non-recurring sales	0.0	196.4	One-off supply contract in 1H23
Custom projects	45.0	204.7	One-off clinical services in 1H23
MEDICAL - Closed Platform & Reagents	185.4	16.1	**10.5x**
Revenues from Sales	**370.9**	**492.2**	**-25%**

Source: UBM. (*) Split of Revenues is a Value Track estimate

- **Value of Production** came at **€664k**, compared to aggregated "pro-forma" of €583k in 1H23, and was supported by a grant to POR research projects. While the 1H23 pro-forma figure was mostly represented by Hyris revenues, as described above, the revenues of UBM standalone were negligible in 1H23 (€16k), as shown below;

UBM: Group Top Line - 1H24 vs 1H23 pro-forma and reported

(€'000)	2022 UBM only	2023 UBM only	1H24 Group	1H23 "pro-forma"	1H23 UBM only
Net sales	**138.4**	**66.2**	**370.9**	**492.2**	**16.1**
R&D tax credits	67.3	51.8	n.a.	n.a.	n.a.
Grants	220.2	44.0	166.2	18.6	18.6
Other revenues (incl. fiscal credits)	97.8	101.1	127.1	71.9	53.1
Value of production	**523.8**	**263.2**	**664.2**	**582.7**	**87.9**

Source: UBM, Value Track analysis

- **Opex in 1H24** were well below those of 1H23 "pro-forma", i.e. **€550k lower to €2.1mn**, despite this year the company has faced some €268k unexpected costs, in part still linked to the reverse-merger finalized in 4Q23. Excluding the one-off items, the cost base would have been ca. €800k lower;
- **Loss** at **EBITDA** level came at €1.6mn (**€1.4mn excluding the one-off costs** mentioned above), compared to the "aggregated" 1H23 loss of €2mn. This improvement mirrors the initial benefits of the cost saving measures gradually implemented from 2H23 at Hyris, but it does not benefit from the cost cutting measures undertaken after the deal. This loss is still very high if compared to our estimate of FY24E EBITDA loss of €0.3mn, and it is due to lower revenues, as well as to opex still higher than expected;
- **EBIT loss** was heavily impacted by huge amortizations - **goodwill amortization** for €2.3mn on annual base and €1.2mn for the semester and ca. €200k per year (€99k in 1H) for the listing costs capitalized. **Net loss** came at €3mn, in line with EBIT loss given limited financial charges and no taxes;

UBM: Group P&L - 1H24 vs 1H23 pro-forma and reported

(€'000)	2022 UBM only	2023 UBM only	1H24 Group	1H23 "pro-forma"	1H23 UBM only
Value of production	**523.8**	**263.2**	**664.2**	**582.7**	**87.9**
COGS	-318.8	-317.0	-221.5	-2.7	-118.5
Gross Profit	**-205.0**	**-53.9**	**442.6**	**580.0**	**-30.6**
Opex (cash)	-781.8	-2,088.3	-2,088.5	-2,614.1	-710.0
EBITDA	**-986.8**	**-2,142.2**	**-1,645.9**	**-2,034.1**	**-740.6**
EBITDA margin %	n.m.	n.m.	n.m.	n.m.	n.m.
D&A	-319.6	-2,654.3	-1,406.8	-1,292.0	-158.8
o/w goodwill	0.0	-2,324.2	-1,162.1	-1,162.1	0.0
EBIT	**-1,306.4**	**-4,796.5**	**-3,052.7**	**-3,326.1**	**-899.4**
EBIT margin %	*n.m.*	*n.m.*	n.m.	*n.m.*	n.m
EBIT adj. for goodwill	**-1,306.4**	**-2,472.3**	**1,890.6**	**2,164.0**	**n.m.**
Financial Income (expense)	-1.3	-0.3	**-16.5**	-10.4	-0.1
EBT	**-1,307.7**	**-4,796.8**	**-3,069.2**	**-3,336.5**	**-899.6**
Income taxes	0.0	0.0	0.0	0.0	0.0
Net Profit (loss)	**-1,307.7**	**-4,796.8**	**-3,069.2**	**3,336.5**	**-899.6**

Source: UBM, Value Track analysis

High cash burn due to high one-offs and operating losses

The June 2024 net cash came well below Dec 2023 level and burn rate was worse than expected despite a better NWC management. In fact:

- **Net Financial Position** as of June 2024 was positive for €790k compared to Dec 2023 cash of €2.3mn and despite the €455k capital increase completed in January 2024, indicating a cash burn close to €2mn in the first semester, driven by the €1.6mn EBITDA loss;
- We did expect a relatively high cash absorption in 1H 2024, due to the expected "normalization" of NWC (debt to suppliers in primis), but the NWC dynamics were more favorable than expected;
- As for **Balance Sheet**, we remind that FY23 UBM data already included Hyris Group in terms of assets (mostly inventories and goodwill) and net debt (virtually none) as of 31 December 2023. As a result, the changes relative to Dec 2023 are marginal and summarised below.

UBM: Group 1H24 Balance Sheet vs FY23

(€'000)	2023	1H24	
Net Working Capital	478.2	763.5	Dec 2023 deal-related payables (€1.3mn) zeroed in 1H, but compensated by strong NWC discipline
Net Fixed Assets	24,813.0	23,426.2	€26mn goodwill from merger amortized @ €2.3mn/year
TFR	-232.0	-243.5	
Total Capital Employed	25,059,2	23,946.2	Mostly due to goodwill, no capex in 1H24
Shareholders' Equity	27,350.2	24,736.8	1H24 includes Jan €455k recap
NFP [i.e. Net Debt (-) Cash (+)]	2,291.0	790.6	Excluding recap cash-burn close to €2mn

Source: UBM, Value Track analysis

Key commercial agreements and other achievements YTD

We refresh the achievement/agreements announced YTD, and due to support both the repositioning of Hyris in its post-Covid-19 offer, and the launch of the Hyris-UBM integrated platform:

- Hyris announced (20 Feb) the positive conclusion of a 3-year international project - funded by the ***Bill and Melinda Gates Foundation*** - to develop a technology for active surveillance of the spread of malaria in remote and disadvantaged countries. The project was worth US$260k grant;
- On 4 March UBM announced the partnership between Hyris and **Generon** Spa, a small Italian player active in agro-food quality control systems. Generon will use Hyris System platform (device + cloud software) for an initial period of 5 years (renewable) with a formula of a) subscription (or purchase), with a minimum granted of €243k over the 5-year period (€450k for the following 5 years) and b) an additional royalty to be paid on actual platform usage;
- On 18 March Hyris signed a non-exclusive agreement with **Mediline d.o.o**., which will distribute its products in Slovenia, Croatia and other six countries in the region, with no minimum granted, and based on a formula of subscription or purchase plus an additional royalty on actual usage;
- In May, Hyris signed an agreement with the Californian company **GrowBIGogh** to distribute the Hyris System, combined with their test kits, to US private labs, clinics and public bodies operating in the cannabis and plant health sector;
- In May/June UBM signed a service agreement to support the development of an IVD device with **Elettrobiochimica** Srl and a collaboration agreement with **Ikonysis** SA, for potential cross-selling and co-marketing opportunities;
- In July the Company launched the second product line, i.e. the one referring to **Sexually Transmitted Diseases (STDs**), which is expected to be a line with material revenues potential and which will leverage on the distribution synergies with the HPV screening and genotyping line;

- On 30 July, a patent was officially granted by the **United States** Patent and Trademark Office the patent on the **HYRIS bCUBE™**, a proprietary device for the detection of pathogens in biological samples, integrating the protection of this intellectual property in the American market as well as that already obtained in the European Union and China.

Integration process: the light at the end of the tunnel

As for the UBM-Hyris integration process, started in 1Q24 on both operations and commercial offers, our understanding is the following.

As for operations, we understand management have been working throughout the summer in order to a) finalize the process of **right sizing Hyris costs** to the post-Covid business model and b) **optimize** the **cost base of the combined entity** with a 360-degree cost review: general overhead, R&D as well as production, rationalization of buildings and locations, supply contracts. The early benefits of the cost optimization measures were felt only in June, with gradual improvements over 2H and full impact due in FY25. Hence, we understand that:

i) **1H24 did not benefit from deal cost synergies** – as the lower cost base compared to 1H23 - i.e. opex of around €1.8mn (excl. one-off items) compared to aggregated opex of €2.6mn in 1H23 pro-forma - was mostly due to the effect of Hyris post-Covid right sizing, rather than to the post-deal cost synergies, as these started to come though only in June;

ii) **full benefits of cost savings will be visible in FY2025** - according to management the cost cutting measures will be gradually felt over 2H and hence **for FY2024** the net savings are likely to be lower than initially expected, **also** due to the **unexpected one-off costs** faced in 1H **and** to the costs related to the **restructuring** measures, still due in 2H;

iii) **the final target in terms of cost savings is however maintained** – the target of a combined cost base more than halved to €2mn (annualized), as indicated in our last report, is unchanged, but it is now **at sight as of Q1 2025**;

iv) the review and the process re-design is also aimed at the **industrialization** and optimization of validation and manufacturing for the **medical segment**, compared to the initial "research-driven" DNA of Ulisse.

As for cross selling, upselling & **revenues synergies** of the combined offer and of the separate services on existing and prospects clients, we believe **the take-off has been so far slower than original plans**.

According to management, the platforms have required further validation work and further fine-tuning, in order to reach a compelling positioning of the product in terms of performance and reliability. This in turn, and despite the favorable initial reaction of clients to the fully integrated Hyris system for **HPV** screening and genotyping, had major implications in terms of

1) **higher costs**, as R&D, validation tests and client support required in the past quarters an unexpected effort, which impacted 1H margins but will likely have a long tail also in Q3;

2) **lower revenues** due to weak reorders on HPV – and hence slower revenues acceleration and slower penetration growth - and delayed launch of new assays (the new test for STDs has been launched only in July and hence will have little impact also in Q3).

The September 2024 recapitalization

On 27th Sept the Company completed a **€255k recapitalization** with a rights issue reserved to **3 new shareholders** – Margherita Brovelli, Marcello Gatti and Stefano Occhiodoro - which are expected to support UBM in its next strategic steps thanks to their strong entrepreneurial and managing experience and signed a 6-month lock-up agreement. The 226k new shares were issued at a price of €1.13, compared to the previous 3/6 month-weighted average market prices of 1.01/1.16 respectively. The new share capital and shareholding structure are as follow:

UBM: Shareholding Structure

Shareholder	NoSH.	% Share Capital / Voting Rights
Stefano Lo Priore	3.543,178	16.25%
Alberto Amati	2.672,537	12.26%
Good Harvest Ventures	1.549,154	7.10%
Copernico Innovazione S.r.l.	826,597	3.79%
Locorian s.s.	829,703	3.81%
Bruna Marini	222,438	1.02%
Matteo Petti	140,900	0.65%
Others subject to lock-up agreements	4.949,870	22.47%
Free Float	7.296,767	33.12%
Total	**22.031,144**	**100.00%**

Source: UBM, Value Track analysis

Key take-aways

The elements emerged from 1H, together with further details provided by management, suggest that

- As for the lower **revenues** released in 1H and soft outlook for 2H, as this was due to the longer than expected validation processes for the new integrated platforms and longer fine tuning required by HPV assays for some clients, these factors are likely to affect also the next quarters, hence FY24E and FY25E revenues are **likely to be much lower than expected**;
- As for the **UBM "legacy" business**, we confirm what indicated in our last report of May 2024, i.e. due to a few factors (including the lack of follow-up on a few potential partnerships and the recent take-over of ELITechGroup by Bruker, which probably caused a few delays), the contribution from UBM standalone business to post-deal revenues is **limited**;
- On the other hand, the key reasons behind the **higher-than-expected cost base** were in our view a **mix of one-off items and timing issues**:
  1. Some unexpected costs and charges which emerged during the integration phase, both linked to Hyris operations and to the reverse-merger process (deal costs/fees), which should be considered as one-off;
  2. The mentioned longer than expected validation processes for the new integrated platforms, were also more expensive, causing higher costs in 1H24 (and very likely in 2H24 too), but should normalize from FY25;
  3. Longer than expected timing for the cost saving measures to become effective, i.e. we understand the final total effect expected from the cost-saving-measures should be in line with initial targets, albeit with a certain delay (i.e. FY25);
  4. Higher than expected restructuring costs in FY24 aimed at reducing the cost base of the combined entity (hence again non-recurring costs).
- Finally, as for the higher-than-expected **cash burn** witnessed in 1H, it is worth to underline that the key reason is the higher operating/cash losses (as described above) while the company faced an overall **limited NWC absorption in 1H**, much lower than we expected, thanks to an extremely rigorous working capital management. However, this driver is not due to last much longer, and NWC is due to **absorb further cash going forward** and keep gradually normalizing.

Longer term strategic prospects are still intact

Despite clear caution regarding ongoing challenges, the long-term prospects - subject to securing the necessary funding - remain strong, and the integrated business model results in a **distinctive positioning** guaranteed by the control of the entire industrial chain, with a system CE-IVD marked and registered also with Health Canada and FDA (US).

#1 A stronger commercial proposition and competitive position

The new entity is already showcasing a stronger commercial proposition, which includes the following.

1) A **distinctive closed diagnostic system**; from a technical perspective, management expects the new UBM Group to achieve a competitive advantage across all system components (hardware, software, reagents from UBM or partners) compared to current market technology;
2) A **flexible open system**, utilizing Hyris hardware (bCUBE) and/or software (bAPP, bDATA, bGATE), catering to clients outside the medical field as well. This service is provided as a proprietary SaaS platform, with the ability to integrate third-party hardware when necessary;
3) A **digital diagnostics software**, aligning with the latest IVD trends, where the combination of advanced data analytics and traditional testing is becoming critical to enhance clinical insights and streamline workflows.
4) A **wide range of tests (CE-IVD marked)**, developed by UBM thanks to its proprietary *Sagitta* technology – these are 16 at the moment and deal among others with **HPV**, viral and bacterial **respiratory** pathogens, **STD** and resistant STI, Tropical pathogens. In addition, the strong development and validation skills of the *new UBM* allow the integration of **new partners' panel** to further strengthen the proprietary menu offer;

Hyris Product Lines: bCube, bAPP/bData, bKIT, bGate

Source: Hyris

#2 Much broader addressable market

The merger of UBM and Hyris brings together complementary products, technologies, and expertise, allowing New UBM to access a much larger market more efficiently than UBM could on its own. While UBM traditionally focused on Human Health, Hyris adds services that also cover the **Veterinary**, **Food**, and **Botanical** sectors—industries that are still emerging but growing quickly.

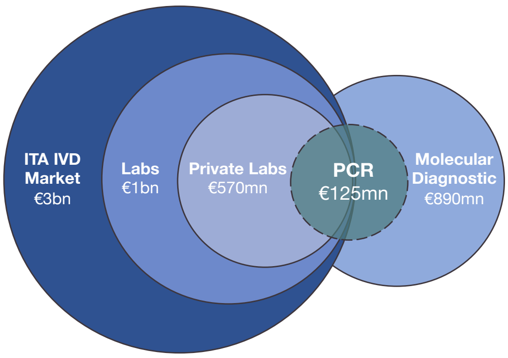
Italian IVD Private labs Market is worth ca. €125mn a year

Hence, as a broad indication of the Italian market size for Molecular Diagnostics and PCR in particular, these markets are worth ca. €0.89bn and €0.66bn respectively (2022E by PwC, *In Vitro Diagnostics Market trends – Overview*, 2021) and are expected to growth at a 7% CAGR into 2026E.

Focusing on **private labs** (representing almost 60% of total laboratories and ca. 20% of total IVD demand), and **PCR** technology only (ca. 22% of total Italian IVD market), we could evaluate the 2022E **total serviceable market at ca.€125mn** per year, which would include the full process (HW, services, reagents), out of the total €3bn Italian IVD market (*PwC, Statista Market Insight*).

Moving from another angle, according to an internal estimate by the Company, the total addressable volume demand as of today – i.e. limited to Italian private labs and assuming only the diagnostic segments already addressed or due to be addressed shortly by the Company via UBM's and other partners' assays - could be close to **11mn tests per year**, growing to 19mn and 82mn once the domestic public sector and the EU private markets are targeted, respectively.

Reference Market



Source: PWC, In Vitro Diagnostic Market Trends, Statista, Market Insight, Value Track analysis

Public institution and Foreign Markets will be the second step

According to the management, large public institutions will be targeted only in a second phase as it will be the case of foreign European markets. Should the Company start to address also the public segment, the **addressable market would increase by ca. 70%**, and a further step change would be to enter **EU foreign markets, a move that would increase the addressable market by ca. 8x** (as Italy represents only 11% of the European IVD market; *PwC, Grand View Research*).

#3 Replicate UBM-Hyris Deal with other *Industrial M&A*

A key weakness of UBM's standalone business model was its reliance on licensing and distribution agreements with major pharmaceutical and IVD companies. The merger with Hyris addressed this issue by creating a fully integrated system. To capitalize on this, management plans to enhance the assay offerings beyond those currently provided by UBM and its non-exclusive partners, focusing on areas like Human Health, Veterinary, Food, and Botanicals. This strategy may involve pursuing stronger, **long-term partnerships, potentially through equity swaps or joint ventures**, rather than plain vanilla commercial/distribution agreements.

Revised estimates

The **main implications** of the previous sections' considerations are that:

- while we acknowledge that **it is taking longer than expected to get clear evidence of the stronger commercial proposition and competitive positioning of the post-deal UBM**, at this stage we do not see reasons to change our view as for the longer-term prospects,
- as the economic performance post deal has been weaker than initially expected so far, **we need to assume a more cautious scenario for FY24E-25E** in terms of revenues, margins and cash burn;
- we still need to highlight, as we have done in the past, the **business limited visibility** and its **execution risk**, albeit slightly diminished, and we also highlight a higher **funding risk** compared to the past, given the reduced net cash pile;
- as for the latter, the funding risk is likely to remain high as long as management is not able to push revenues above the €2mn threshold, with a good contribution from recurring business, and this is no longer at sight within FY2025. Management was able to secure a **capital injection in the past weeks of ca. €255k** and this is clearly good news, but in the light of the above considerations, this is not enough to secure a fully funded horizon for the company on the back of available information.

Introduction & assumptions

It is worth to highlight that our revised **estimates are still prepared in continuity with the strategy briefly outlined** at the time of the deal. Pending updates from management, this represents a **base case** that could be revised and updated with higher visibility in the future, once more details are provided about M/T strategy of the "combined Group". In fact, we reckon the new management team has been very much focused on a) the existing pipeline to secure new products hit the market as soon as possible and b) the integration process and the cost optimization. However, going forward, we would expect, with integration largely completed, management to start focusing and communicating about **business growth and medium-term strategy**.

Finally, before reporting our FY24E-25E forecast revision, it may be useful to remind the following considerations relative to FY23 *Pro-forma*:

- the Group **P&L *Pro-forma* come from our estimate** of the aggregated business, based on UBM reported data and Hyris 1H23 annualized data;
- the cost base of **FY23 was affected by the sizeable one-off costs linked to the deal**, **but *Pro-forma* P&L and Dec 2023 net debt did not fully mirror these costs**, as i) Hyris faced extraordinary costs for €0.4mn in 2H (hence not mirrored in the annualized P&L or in the Dec 2023 Net debt as not cashed-out yet); ii) UBM faced in Q4 extraordinary costs for the deal of around €0.9mn, recognized in P&L but the relative payables were included in Dec 2023 payables and did not impact net debt;

- the above considerations, coupled with the fact that some further costs related to the 4Q23 deal were recognized in 1H24, imply **a sizeable cash-out (of ca. €1.5mn) related to the costs of the deal/reverse merger of FY23, is due in FY24**;
- a **large goodwill and the related amortization (€2.3mn/year**) emerged from the merger and it was already factored in UBM FY23 D&A (despite FY23 P&L did not consolidate Hyris).

Top Line - VoP to double by FY26E driven by Revenues from Sales

Following the trends observed in the 1H, we anticipate that FY2024 revenues will start benefiting from three main drivers: 1) the push of **Hyris Open System**, positioned as an open, application-neutral platform; 2) the ramp-up of the **Closed Hyris platform**, now integrated with UBM assays, primarily **HPV** and 3) the progressive uptake of Hyris' **new medical segment products**. Additionally, the product offering is expected to expand with new assays launching from early 2025 onward. Finally, we expect also **grants and fiscal credits** related to R&D and to the IPO and some UK research refunds. The combined entity should reach FY24E **Revenues from Sales of €815k** and this amount is expected to **more than double though our forecast horizon**, reaching **€2.1mn** in 2026E.

UBM: Revenues from Sales Breakdown 2023-2026E

(€ '000)	2023	2023PF	2024E	2025E	2026E
PLATFORM - Open platform & services	0.0	160.8	313.2	457.5	550.5
PLATFORM - Custom Projects	0.0	623.0	100.0	430.0	430.0
MEDICAL - Closed Platform	66.2	66.2	402.3	778.9	1,091.1
Revenues from Sales	**66.2**	**850.0**	**815.5**	**1,666.4**	**2,071.6**
R&D tax credits	51.8	51.8	132.0	74.0	76.0
Grants	44.0	44.0	180.0	80.0	80.0
Other revenues (incl. fiscal credits)	101.1	204.2	176.8	99.3	0.0
Value of production (*)	**263.2**	**1,150**	**1,304.4**	**1,919.8**	**2,227.6**

Source: Value Track analysis. (*) FY23 and FY23PF split is estimated.

Margins – Opex hammered down by FY25E

For **FY2024-2026**, it is expected:

- **Gross margin** to stabilize at 78% - 80% of VoP, reflecting the improvement in volumes and in the expected revenues mix. We expect each segment of revenues from sales to contribute with Gross Margins converging towards the following: 1) ca. 78% for the Open Hyris Platform; 2) ca. 77% for the Medical Closed platforms (driven by reagents/consumable revenues); 3) ca. 85% for custom projects (e.g. clinic trials, other research projects, collaboration revenues, etc.); as for grants and fiscal credits we assume virtually no cost (despite they do help covering R&D);
- **EBITDA margin** is expected to nearly reach breakeven in FY2026E, with still wide room for improvement thereafter. We expect cost base to reduce as an effect of the **ongoing restructuring plan**, which should bring **annual Opex to <€2mn/year** (compared to €3.8mn of FY24E and €5.9mn of FY23 pro-forma). This involves the elimination of overlapping roles (at least -10/12 units), a downsize in terms of rented areas (-320sqm) and an overall cost and supply review. As a consequence, **EBITDA** is expected to remain negative over the forecast period, but loss should reduce massively from €2.8mn of FY24E to €100k of FY26E;
- **EBIT and Net margin** are **affected by the sizeable amortizations of intangibles, goodwill and IPO costs**, worth ca. €2.3mn and €200k per year respectively. As such, both are

expected to remain negative in the visible forecasting horizon, even on an adj. basis, i.e. adding back the substantial goodwill amortization charge.

UBM: Profit & Loss 2023-2026E

(€'000)	2023	2023PF	2024E	2025E	2026E
Value of production	**263.2**	**1,150.0**	**1,304.4**	**1,919.8**	**2,227.6**
COGS	-317.0	-100.0	-285.7	-395.0	-439.1
Gross Profit	**-53.9**	**1,050.0**	**1,018.7**	**1,524.8**	**1,788.5**
Gross margin %	*nm*		*78.1%*	*79.4%*	*80.3%*
R&D expenses	-450.0		-1,320.0	-740.0	-760.0
Sales and marketing expenses	-50.0	-5,750(**)	-30.0	-20.0	-30.0
General and Administrative expenses	-1,588.3		-2,447.3	-1,070.3	-1,099.3
EBITDA (Reported)	**-2,142.2**	**-4,700.0**	**-2,778.6**	**-305.5**	**-100.8**
D&A	-2,654.3	-2,654.0	-2,693.8	-2,697.3	-2,701.3
EBIT (Reported)	**-4,796.5**	**-7,354.0**	**-5,472.5**	**-3,002.8**	**-2,802.1**
Financial Income (expense)	-0.3		-34.3	-21.0	-37.7
EBT	**-4,796.8**	**-7,353.0**	**-5,506.8**	**-3,023.8**	**-2,839.9**
Income taxes	0.0		0.0	0.0	0.0
Net Profit (loss)	**-4,796.8**	**-7,353.0**	**-5,506.8**	**-3,023.8**	**-2,839.9**
EBIT Adj. (*)	**-2,472.3**	**-5,030.0**	**-3,148.2**	**-678.6**	**-477.9**
Net Profit (loss) Adj. (*)	**-2,472.6**	**-5,029.0**	**-3,182.5**	**-699.6**	**-515.6**

Source: Value Track analysis. Combined Entity as of FY24E P&L (*) for goodwill amortization, (**) Total Opex

Balance Sheet / Cash Flow – Fine tuning for funding required

Our assessment of the Balance Sheet and Cash Flow positions is based on consolidated data as of December 2023, leading to the following considerations.

- **Working Capital**. Our estimates assume disciplined working capital management in 2H24, supported also by inventory reductions as stock is gradually sold off. We assume that the anticipated 2H revenues acceleration will not cause an excessive increase in working capital, which will also benefit from an accelerated utilization of fiscal credits (around €1.4mn as of Dec 2023) by offsetting social security costs and potentially generating annual cash savings of €150-200k;
- **Capital Expenditures**. Capex requirements remain minimal, at approximately €30-40k per year throughout the forecast horizon;
- **Capital increase proceeds**. amounting to €710k in FY24E (already finalized), of which €455k in January and €255k in September, while no further issues are considered, albeit likely (as discussed in other sections);
- **Net Financial Position**. The net effect of the drivers described should be a **cash absorption of ca. €2.1mn** in FY24E to a position of €0.1mn net cash at year-end, which keeps deteriorating slightly to €0.8mn net debt at the end of the forecast period.

The Net Cash/Debt profile is much worsened compared to our previous expectations and clearly requires funding to get through 1H25: according to our model, we expect the Company to **start generating cash only in 2H26E, with a yearly free cash flow still negative on all the**

forecasting horizon. Our model assumes management to fund cash requirements with new debt from FY25E, but we reckon that the scenario of one or more recapitalizations is likely.

UBM: Balance sheet 2023-2026E

(€'000)	2023	2024E	2025E	2026E
Net Working Capital	**478.1**	**530.6**	**649.8**	**941.5**
Net Fixed Assets	**24,813.0**	**22,153.2**	**19,490.9**	**16,829.5**
Provisions	0.0	0.0	0.0	0.0
TFR	-232.0	-263.7	-281.5	-299.7
Total Capital Employed	**25,059.2**	-5,506.8	-3,023.8	-2,839.9
Shareholders' Equity	**27,350.2**	**22,554.3**	**19,530.5**	**16,690.6**
NFP [i.e. Net Debt (-) Cash (+)]	**2,291.1**	**134.2**	**-328.8**	**-780.7**

Source: Value Track analysis

UBM: Cash flow Statement 2023-2026E

(€'000)	2023	2024E	2025E	2026E
EBITDA	-2,142.2	-2,778.6	-305.5	-100.8
Change in Working Capital	529.4	-52.4	-119.2	-291.7
Capex	-98.5	-34.0	-35.0	-40.0
Change in Provisions & TFR	216.3	31.7	17.8	18.2
OpFCF b.t.	**-1,494.9**	**-2,833.4**	**-442.0**	**-414.2**
Cash Taxes	0.0	0.0	0.0	0.0
OpFCF a.t.	**-1,494.9**	**-2,833.4**	**-442.0**	**-414.2**
Capital Injection	0.0	710.8	0.0	0.0
Other Fiscal liabilities	0.0	0.0	0.0	0.0
Other Op. Items	0.0	0.0	0.0	0.0
CF available to serve debt/equity	**-1,494.9**	**-2,122.6**	**-442.0**	**-414.2**
Net Financial Charges	-0.3	-34.3	-21.0	-37.7
Dividends paid	0.0	0.0	0.0	0.0
Net Cash generated (absorbed)	**-1,495.2**	**-2,156.9**	**-463.0**	**-451.9**

Source: Value Track analysis. Combined Entity as of FY23 B/S and FY24E P&L

Valuation Update

We stick to the valuation methodology outlined in our latest update, which is based on:

1. **Relative market multiples (EV/Sales);** despite this implies to deal with high dispersion of multiples and often lack of meaningful forecasts, it is still the sole market multiple applicable for smaller players of the sector. This methodology gives a value of **€0.82/share**;
2. **Valuation as a Scale-Up company;** based on the average absolute value of EVs of similar peers (scale-up/pre-revenues firms) and leading to an average equity value of **€0.93/share**.

In addition, we account also for the potential **risk-adjusted value which may come from the custom contract segment**, where new unsolicited contracts could generate significant revenues and cash flow in the near future. We estimate this optionality at **€0.10 per share**, potentially adding ca. 10% upside to the equity story.

By averaging the two methodologies and adding the above optionality we get to a **fair equity value of €0.98/share**. However, this refers to existing shares while, assuming management decide to undertake in the next quarters one or more issues of new shares, these would grant entitled investors material fiscal benefits, i.e. an extra-return of €0.27/share, based on current market price or, in other words, they would enjoy a total "Cash on Cash" return equal to **€1.25/share** vs 0.98/share (Fair Value) of investors "at large", all the rest being equal.

Peers' Analysis

The comparable analysis retains most of the companies included in the past, with only a minor adjustment: we have removed Epigenomics, as its market performance made multiples less meaningful, and introduced Ikonisys, which we find very similar to UBM in terms of product focus, business model, and stage in the business lifecycle. The peer cluster primarily comprises pre-revenue, loss-making companies with frequent recapitalization needs, leading to scattered and often non-meaningful trading multiples. Yet, the group has shown a re-rating since our last update, despite this being largely driven by downward estimates revision rather than actual stock price appreciation. Average **EV/Sales** currently stands at **11.4x and 9.6x for FY24E-25E** respectively (vs 7.0x and 6.9x for FY24E-25E respectively, as of our last research update).

UBM: Scale-up Peers' trading multiples

Company	Listing market	Market Cap (€mn)	Enterprise Value (€mn)	EV/Sales (x)	
				2024E	2025E
Spago Nanomedical AB	Sweden	7.7	nm	1.7	2.1
SenzaGen AB	Sweden	18.8	15.8	2.7	2.2
BioMark Diagnostics Inc.	Germany	12.7	13.7	18.3	13.7
Genedrive PLC	UK	16.1	20.4	22.7	21.8
Ikonisys	France	21.3	24.0	24.0	8.9
Biovica International AB	Sweden	17.4	11.8	4.5	1.3
Lumito AB	Sweden	13.0	11.0	nm	nm
Aegirbio AB	Sweden	1.6	nm	11.1	9.7
Attana AB	Sweden	1.2	nm	2.8	2.8
Active Biotech	Sweden	9.9	10.9	nm	6.7
Alligator Bioscience	Sweden	54.1	31.2	16.3	nm
Co-Diagnostics	US	39.9	39.9	10.3	26.6
Sophia Genetics	Switzerland	225.1	nm(*)	nm	nm
Average		**33.7**	**19.9**	**11.4**	**9.6**
Median		**16.1**	**15.8**	**10.7**	**7.8**

Source: Consensus Estimates, Value Track Analysis, EV>100 thus excluded as distorting

Using the average EV/Sales of peers, this methodology yields a fair equity value which we deem penalizing if applied to FY24E year. However, based on FY25 estimates - when we anticipate the new business model will be better reflected in financials - it indicates a **value of €0.82 per share**, as summarized below.

UBM: Fair value based on peers' EV/Sales

(€mn)	2024E	2025E
UBM Sales	1.3	1.9
Average Peers EV/Sales (x)	11.4x	9.6x
Fair Enterprise Value	**14.9**	**18.5**
UBM Net Cash	0.1	-0.3
Fair Equity Value	**15.0**	**18.2**
Shares total (mn)	22.0	22.0
Fair Equity Value p/s (€) - Range	**0.68**	**0.82**
Fair Equity Value p/s (€) – Based on FY25E	**0.82**	

Source: Value Track Analysis

Scale-up companies' absolute values

We focus on the value stock markets currently attributes to companies' potential, as from their R&D pipeline and initial commercial agreements and collaboration, notwithstanding their current or "visible" revenues. Hence, we limit the analysis to current market capitalizations and FY23 and FY24E net cash/debt figures, in order to reduce as much as possible forecasted data.

We stick to the same peer group above, given consistent features in terms of market segment, life cycle and risk profile, but in order to bypass the limited availability of meaningful KPIs we focus on those firms with market capitalisations above €10mn and exclude outliers that would cause distortion such as Sophia Genetics. By doing so, we get to a cluster with an **Enterprise Value which ranges between €10-50mn** a high concentration **in the €15-20mn bracket**.

By doing so, we get to a fair equity value range of ca. €18-20mn, and **an average value of €0.93 per share**.

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

(€mn)	2023	2024E
Enterprise Value of peers (average)	18.3	19.9
UBM Net Cash	2.3	0.1
Fair Equity Value UBM	**20.6**	**20.0**
Shares total (mn)	22.0	22.0
Fair Equity Value p/s (€)	**0.94**	**0.91**
Fair Equity Value p/s (€) – Average	**0.93**	

Source: Value Track Analysis

UBM: Scale Up Peers' Key Data

(€mn)	Revenues 2023	Net debt (Cash) 2023	Market Cap Actual	EV 2023	EV 2024
Spago Nanomedical AB	6.5	-4.0	7.7	nm	nm
SenzaGen AB	50.0	-1.4	18.8	17.4	15.8
BioMark Diagnostics Inc.	0.2	1.6	12.7	14.3	13.7
Genedrive PLC	0.1	-3.1	16.1	13.0	20.4
Ikonisys	0.3	2.3	21.3	23.6	24.0
Biovica International AB	7.3	-6.3	17.4	11.1	11.8
Lumito AB	0.3	-2.0	13.0	11.0	11.0
Aegirbio AB	1.3	-2.0	1.6	nm	nm
Attana AB	7.1	0.0	1.2	nm	nm
Active Biotech	0.0	-3.2	9.9	6.7	10.9
Alligator Bioscience	61.9	-4.4	54.1	49.7	31.2
Co-Diagnostics	6.8	-58.5	39.9	nm	39.9
Sophia Genetics	62.4	-123.0	225.1	nm	nm
Average	**15.7**	**-15.7**	**33.7**	**18.3**	**19.9**
Median	**6.5**	**-3.1**	**16.1**	**13.6**	**15.8**

Source: Value Track Analysis

Additional value may come from new custom contracts

The positioning of UBM paves the way to a very specific segment of custom projects, which typically boasts **high margins** and brings **potential for recurring revenues** through SaaS/IP contracts. Currently, management is in discussions with several potential clients for special projects based on unsolicited customization requests, after securing nice contracts recently. While these contracts are still under negotiation, they hold significant potential relative to the current size of the "custom" segment.

We understand additional business from new contracts could be in the range of €0.5-1.0mn (e.g. 5-10 projects worth €50-150k each): should this business be secured by contracts signed over the next 12 months, this would definitely add value to the equity story.

According to the simplified model below, **the additional value could be above €3mn or €0.10 per share**, based on the following assumptions:

- Additional revenues in year FY2 range from €800k to €1.0mn in Base and Bull case respectively and compare to current forecast of €430k in FY25E;
- We assume this business to add value by i) providing positive free cash flow equal to its gross margin. and ii) triggering an adjustment of the enterprise value which is based on half of the sector EV/Sales trading multiple, given the unpredictable and often non-recurring nature of this business;
- The resulting value is risk adjusted by a risk factor of 50%.

UBM: Potential value related to new large contracts in custom projects

(€, 000)		Base Case	Bull Case
Potential additional revenues		500	1,000
Estimated margin		80%	80%
Free Cash Flow	**A**	**400**	**800**
Potential additional revenues		500	1,000
FY_2 EV/Sales (50% discount to peers)		**4.8x**	**4.8x**
EV	**B**	**2,400**	**4,800**
Additional Equity from new business	**A+B**	**2,800**	**5,600**
Shares total (mn)		22.0	22.0
Risk factor		50%	50%
Additional Equity from new business/share	**Risk Adjusted**	**0.06**	**0.13**
Additional Equity from new business/share	**Average**	**0.10**	

Source: Value Track Analysis

Innovative SMEs tax deduction may support an extra return

UBM is classified as an Innovative SME, thereby qualifying for the "*de minimis*" tax incentive for investments in innovative startups and SMEs, as per *Regulation EU No. 1407/2013* of the Commission dated December 18, 2013. According to this, companies/investors investing in "fresh" equity of innovative startups or innovative SMEs can deduct 30-50% of their investment from taxable income, provided that the investment is held for at least three years and with different caps and limits depending on investor's profile.

Assuming the minimum 30% tax incentive, and assuming UBM management undertakes in the next quarters one or more issues of new shares, these would grant entitled investors material fiscal benefits, i.e. an extra-return of €0.27/share, based on current market price. In other words, they would enjoy a total "Cash on Cash" return equal to **€1.25/share** vs 0.98/share (Fair Value) of investors "at large", all the rest being equal.

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