

COMPANY NOTE

Ikonisys (ALIKO-FR)

Biocare Medical deal to drive Ikoniscope adoption

KEY TAKEAWAY

We believe the recently announced partnership between Ikonisys and Biocare Medical ("Biocare") should provide substantial impetus to the adoption of the Ikoniscope20 and '20max digital pathology platforms. Backed by healthcare PE specialist GHO Capital, Biocare has already established a comprehensive portfolio of immunohistochemical ("IHC") molecular tools integrated with an automated pathology sample and slide preparation platform. Biocare's customer base includes a full range of public and private pathology labs worldwide. With the recent acquisition of Empire Genomics, their FISH probes now exceed 1 million. We anticipate access to Biocare's comprehensive test menu and global customer base will provide a substantial catalyst for Ikoniscope20 and high volume '20max adoption. Although Ikonisys has so far struggled to gain traction, we anticipate that the Biocare deal will drive system sales over the next two years and ultimately provide access to a substantial global installed base generating sustainable consumable sales. We recommend the stock **OUTPERFORM** with a reduced fair value TP of €5.60 per share.

Strategic partnership with global IHC / FISH player - Ikonisys's partnership with Biocare Medical expands Ikonisys's global distribution for both the Ikoniscope20 and Ikoniscope20max with access to Biocare's customers including over 4,000 global labs. This partnership has strong synergy with existing Biocare's cancer research and diagnostic capabilities. It already offers an expansive array of FISH probes from their recent Empire Genomics acquisition, reagents and automated immunohistochemistry slide preparation platforms. Access to Ikoniscope20 provides Biocare customers with a fully automated biopsy-to-result digital solution.

Biocare backed by blue chip investors - GHO Capital joined Excellere in the 2021 financing "to expand not only the [Biocare] reagent focused portfolio, but also the instrument offering", Biocare's aim to achieve sustained sales growth by providing a comprehensive menu of diagnostics reagents through an expanding installed base of integrated IHC platforms looks well-supported. The availability of a large, expanding, and comprehensive test menu should accelerate adoption of Ikoniscope20 and the high throughput '20max by small hospital / regional and large commercial pathology labs.

Expansive FISH probe library to benefit customers - Ikonisys's optimised bladder cancer reagent solution had been developed with Empire Genomics and the company was subsequently acquired by Biocare in 2022, who now have a library of over 1 million FISH probes. Empire Genomics had already entered into an exclusive agreement with Ikonisys to supply Ikoniscope-optimised probes. This expansive offering should catalyse the Ikoniscope entry into the US FISH market, providing a complete solution of FISH probes for detection on the Ikoniscope platform. Ikonisys could further develop a range of optimised reagent packages tailored to labs as with Comprehensive Urology adopting the bladder cancer solution.

Substantial opportunity in CTC liquid biopsy - Further validated by the successful study at the UConn School of Medicine, the Ikoniscope20 proved to detect rare blood cells at a higher sensitivity and frequency than flow cytometry. Ikoniscope's demonstrated superiority over traditional detection methods coupled with its ease of use, automation and lower cost makes it ideal for CTCs liquid biopsies, with no enrichment required on standard blood smears. It has broad application for use in research labs and patient immune cell analysis for targeted immunotherapy and monitoring.

Growing market for FISH gold standard - While we expect growing use of liquid biopsies, combining molecular diagnostics with clinically critical cellular pathology, FISH remains the gold standard for diagnosis and cancer care. The FISH market is expected to approach \$1.8bn by 2024E.

OUTPERFORM

Target Price €5.60

Current Price €1.36

FINANCIAL SUMMARY

MARKET DATA

Current Price:	€1.36
Target Price:	€5.60
52 Week Range:	€1.98 - €1.14
Total Enterprise Value:	13
Market Cap (M):	12
Shares Out (M):	9.8
Float (M):	1.5
Average Daily Volume:	3,424

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PRICE PERFORMANCE



Source: Factset

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Financial Forecast and valuation

Profit and Loss

TABLE 1: Profit and Loss Forecast

Profit & Loss Statement	2021	2022	2023E	2024E	2025E	2026E
Dec YE (EURm)	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26
Net revenues	0.5	0.6	0.6	3.8	6.8	13.6
Total cost of goods	(0.1)	(0.2)	(0.2)	(1.7)	(3.1)	(6.2)
Gross profit	0.4	0.4	0.5	2.1	3.7	7.4
Gross Margin %	85%	70%	75%	55%	54%	54%
Sales and Marketing	(0.0)	(1.0)	(1.0)	(2.4)	(3.1)	(4.2)
G&A	(0.6)	(0.9)	(1.1)	(1.1)	(1.0)	(1.4)
Research and development expense	(0.0)	(1.2)	(1.0)	(1.1)	(1.4)	(1.9)
Other operating income	-	0.0	0.0	0.0	0.0	0.0
Other operating expenses						
EBITDA	(0.3)	(2.6)	(2.5)	(2.3)	(1.6)	0.4
Depreciation	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.4)
EBIT	(0.4)	(2.6)	(2.6)	(2.5)	(1.9)	0.0
Financial income						
Financial expenses						
Net financials	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Finance income/costs fair value meas.						
Net financials	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Profit before tax and exceptionals	(0.4)	(2.7)	(2.6)	(2.5)	(1.9)	0.0
Exceptionals/other non op.	(0.2)	-	-	-	-	-
Tax	-	-	-	-	-	(0.0)
Net profit	(0.6)	(2.7)	(2.6)	(2.5)	(1.9)	0.0
Avg # of shares (m)	9.5	11.0	13.0	13.0	13.0	13.0
EPS p	(0.06)	(0.24)	(0.20)	(0.20)	(0.15)	0.00

Source: Ikonisys, goetzpartners Research estimates.

Warning Note: Past performance and forecasts are not a reliable indicator of future results or performance. The return may increase or decrease as a result of currency fluctuations.

DCF analysis

TABLE 2: Ikonisys discounted cash flow analysis – Base case scenario

Dec YE	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	0.6	3.8	6.8	13.6	22.5	32.3	43.5	55.7	63.5	72.8	81.2
sales growth	33%	534%	79%	99%	65%	44%	35%	28%	14%	15%	12%
EBIT	(2.6)	(2.6)	(2.5)	(1.9)	0.0	3.7	9.3	15.9	23.3	27.9	32.8
EBIT margin	-438%	-69%	-37%	-14%	0%	11%	21%	29%	37%	38%	40%
Tax on EBIT	-	-	-	-	(0.0)	(1.1)	(2.8)	(4.8)	(7.0)	(8.4)	(9.8)
NOPLAT	(2.6)	(2.6)	(2.5)	(1.9)	0.0	2.6	6.5	11.1	16.3	19.5	23.0
Net investments	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)
Chg in W/C dec/(incr)	0.1	0.1	(0.4)	(0.5)	(1.0)	(1.4)	(1.6)	(1.8)	(2.1)	(1.6)	(1.5)
FCF	(3.0)	(2.9)	(3.2)	(2.5)	(1.1)	1.0	4.8	9.2	14.2	17.9	21.4

Discounted cash flow analysis

WACC	12%	Terminal value	54.4
Exit multiple	8.3	Sum of PV of FCF	18.7
		Enterprise value (EV)	73.0
		Marketable Securities	0.1
		Net debt	-
		Equity value	73.1
		Number of Shares	13.0
		Value per share	5.6

Source: goetzpartners Research estimates.

Footnote: The valuation ranges are based upon long term analysis and not short-term assessment of likely performance. Warning Note: Forecasts are not a reliable indicator of future performance or results. The return may increase or decrease as a result of currency fluctuations.

COMPANY DESCRIPTION

Ikonisys S.A. is specialised in the design, manufacture and marketing of medical diagnostic equipment. The company offers cell diagnostic products in the fields of cancer diagnosis, detection of genetic disorders, and fertility testing.

SCENARIOS

Base Case - GP Investment Case

Ikonisys achieves successful roll out of Ikonoscope20 to fill need for effective flexible fully automated platform. Valuation of successful launch €9 - €16 / share.

Bluesky Scenario

N/A

Downside risk

N/A

SWOT

Strengths

- # Proven platform
- # Endorsed by leading players
- # Substantial unmet need
- # Growing market
- # Complementary to current diagnostic workflow
- # Flexible open platform
- # Multiple applications
- # Experienced management team

Risks

- # Commercial infrastructure to be further built
- # Ikonoscope20max launch yet to ramp up sales
- # Established competition

Important Disclosures: Non-Independent Research

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- (BIOCARE MEDICAL)
- (GHO CAPITAL)
- (EXCELLERE PARTNERS)
- (COMPREHENSIVE UROLOGY)
- (UCONN SCHOOL OF MEDICINE)
- Ikonisys SA (ALIKO-FR)

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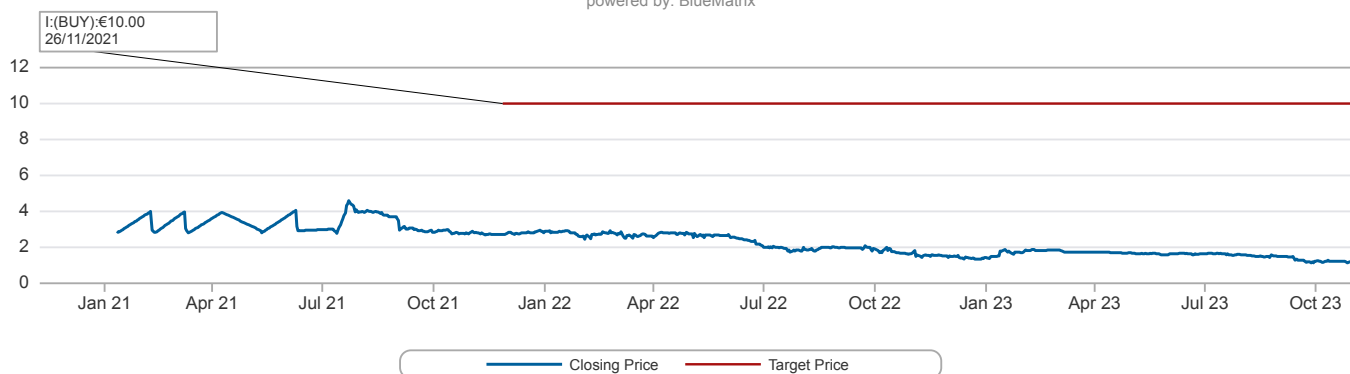
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ALIKO-FR

€5.60 | Company Update
9 November 2023

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