

MaxCyte

Consistent solid delivery

Continued expansion of MaxCyte's base of licenced cell therapy programmes provides an increasingly solid foundation to support future revenue growth. MaxCyte has delivered four-year revenue CAGR of 24%; H119 revenues were up 21%. With an industry increasingly transitioning towards non-viral transfection methods for cell and gene therapies, MaxCyte's enabling technologies are well positioned. The company is benefitting from this trend with an increasing number of licenced cell therapy programmes (now 80+), as well as expansion in the number of clinical (45+) and commercial (5) licences. The latter represent \$450m in aggregate pre-commercial milestones. Coupled to this, MaxCyte is advancing the development of its proprietary CARMA platform and is exploring independent sources of investment to fully exploit this opportunity. We value MaxCyte at £195m or 341p per share.

Year-end: December 31	2017	2018	2019E	2020E
Sales (US\$m)	14.0	16.7	20.9	25.2
Adj. PBT (US\$m)	(9.9)	(8.9)	(16.6)	(16.2)
Net Income (US\$m)	(9.9)	(8.9)	(16.6)	(16.2)
EPS (USc)	(20.4)	(17.3)	(29.5)	(28.3)
Cash (US\$m)	25.3	14.4	13.3	4.0
EBITDA (US\$m)	(9.1)	(8.1)	(15.4)	(14.8)

Source: Trinity Delta Note: Adjusted numbers exclude exceptionals

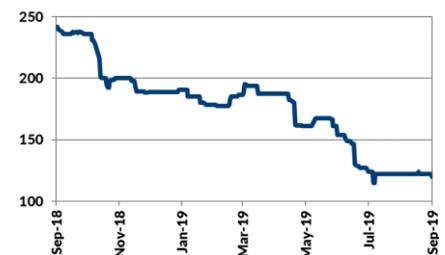
- Expectations of continued top-line growth** Maintenance of MaxCyte's 20+% revenue growth should be underpinned by roll out and uptake of its new EXPERT product suite and boosted by expansion in the number of technology licences. Revenues derived from instruments and consumables, and licence fees provide effectively annuity streams; licences also have significant potential for generating somewhat lumpier future milestones. At H119 results, MaxCyte disclosed it has secured five commercial licences to date, which collectively represent over \$450m in potential pre-commercial milestones, with undisclosed potential sales economics.
- Positioned to benefit from industry trends** Increasing demand for MaxCyte's enabling technology for cell and gene therapies should drive its sales growth, especially with the shift to non-viral approaches as the limitations of viral transduction are more widely appreciated. MaxCyte offers one of the few alternative methods to modify cells efficiently and reproducibly for such therapies.
- Funding sought to advance CARMA** Lead CARMA asset MCY-M11 is dosing the second cohort in a Phase I ovarian cancer and mesothelioma study. Two key milestones have been achieved: successful validation of the one-day manufacturing process (vs 1-2 weeks for current CAR-T therapies), and no safety concerns seen in patients treated to date. MaxCyte is exploring independent funding sources for the CARMA platform; preliminary clinical data from Q419 will support these efforts.
- Valuation unchanged at 341p/share** We continue to value MaxCyte at £195m or 341p per share, although we have updated our estimates following the H119 results. Our valuation of the core business excluding CARMA is £111m, which is 56% more than the current market cap.

Update

19 September 2019

Price	124.0p
Market Cap	£71.1m
Enterprise Value	£59.6m
Shares in issue	57.3m
12 month range	110.0-244.0p
Free float	70%
Primary exchange	AIM London
Other exchanges	NA
Sector	Healthcare
Company Code	MXCT.L MXCS.L

Corporate client Yes



Company description

MaxCyte uses its patented flow electroporation platform to transfect a wide array of cells. Revenues arise from sale and lease of equipment, disposables and licence fees; with an impressive client list. Additionally, a novel mRNA mediated CAR technology, known as CARMA, is being explored in various cancers, including solid tumours.

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MaxCyte: Consistent delivery

MaxCyte has delivered another six-month period of strong sales growth, with H119 revenues up 21% to \$8.4m, and with gross margin of 88% maintained at pharmaceutical company-like levels. Consistency is a key theme for MaxCyte, both financially and with respect to its proprietary flow electroporation technology which delivers highly efficient, reproducible, and scalable non-viral cell engineering. The consistency and broad applicability of this technology has given the company a leading position in non-viral cell modification, and with the rapid growth of the number of cell and gene therapies in development, MaxCyte is approaching a revenue inflection point. Ahead of this, we reiterate our 341p/share valuation.

Potential milestones to accelerate revenue growth

Milestones likely to contribute a greater proportion to future revenues...

...current clinical and commercial licences represent milestones in excess of \$450m

Less than 10% of MaxCyte's current revenues are derived from milestones, but we expect both the proportion and magnitude of this revenue stream to increase over the coming years as the company's stable of cell therapy licences matures. At H119 results, management reported a further rise in the number of cell therapy programmes covered by licences (Exhibit 1), including potentially lucrative clinical (up from >35 to >45) and commercial (five, including two additions so far in 2019) licences. These latter licences represent over \$450m in aggregate pre-commercial milestones which would be triggered as these programmes progress through development and the regulatory process. However, it should be noted that not all programmes covered by a commercial licence will enter clinical development.

Additionally, as is typical with most licensing agreements, the deals are backend-weighted with the most significant potential payments to MaxCyte dependent on the programme becoming an approved and marketable product. We note that the >\$450m milestone potential does not include MaxCyte's share of post approval product revenues (broad instrument roll-out, per patient consumable sales plus royalties and/or sales milestones).

Exhibit 1: The growth in licenced cell therapy programmes



Source: MaxCyte, Trinity Delta

\$10m estimated NPV of each programme with commercial licence

MaxCyte estimates that the NPV of each programme with a commercial licence is on average c \$10m at the start of clinical development, after considering development and commercial risks.

Blue-chip commercial partners covering a range of technologies/therapy types

Four of the five commercial partners have been publicly disclosed: CRISPR Therapeutics, Casebia, Kite Pharmaceuticals (Gilead), and Precision Biosciences. Further detail on these deals can be found in our July 2019 [Update](#); but we highlight here that they cover a range of genome editing approaches, as well as stem cell therapies, and allogeneic cell therapy programmes, demonstrating the versatility of MaxCyte’s technology.

CARMA data to attract independent funding

Independent investment sought for CARMA platform

MaxCyte announced that it is exploring independent sources of funding for CARMA, its proprietary autologous mRNA-based CAR therapy platform. This business line now operates as a standalone, with a different risk/reward profile to MaxCyte’s life sciences business. Investment is required to advance the development of the CARMA pipeline (Exhibit 2), and data from the lead programme MCY-M11 should support MaxCyte’s partnering efforts.

Exhibit 2: MaxCyte’s CARMA pipeline



Source: MaxCyte Note: Light blue = current status; navy blue = expected status end-2019

Important milestones already achieved by lead CARMA asset

MCY-M11 entered the clinic in H218; it is being evaluated in an open-label Phase I ovarian cancer and mesothelioma study, which has a dose escalation 3+3 design with intraperitoneal dosing. The trial is expected to complete by mid-2020. Nevertheless, two key milestones for CARMA have already been achieved with the validation of the one-day manufacturing process for MCY-M11 one day (vs 1-2 weeks for current CAR-T approaches), and the fact that no dose-limiting toxicities or safety concerns were observed in first patient cohort.

Further data expected at upcoming conferences

The second dose cohort started enrolling in May, and preliminary safety (and possibly efficacy) data is expected to be announced at various upcoming conferences, potentially including ESMO and/or SITC.

Forecasts updated to reflect increased investment across the business

We have updated our financial estimates following the report of H119 results. The key changes (Exhibit 3) relate to increased CARMA spend with progression of the MCY-M11 Phase I, and additional investment into R&D and sales.

Exhibit 3: Summary of changes to estimates

	Sales (\$m)			EBITDA (\$m)			Adj. EPS (c)		
	Old	New	Change	Old	New	Change	Old	New	Change
2019E	20.9	20.9	0.0%	(13.4)	(15.4)	(14.9%)	(25.6)	(29.5)	(15.2%)
2020E	25.2	25.2	0.0%	(13.6)	(14.8)	(8.8%)	(25.9)	(28.3)	(9.3%)

Source: Trinity Delta

Exhibit 4: Summary of financials

Year-end: December 31	\$m	2015	2016	2017	2018	2019E	2020E
INCOME STATEMENT							
Revenues		9.3	12.3	14.0	16.7	20.9	25.2
Cost of goods sold		(1.0)	(1.3)	(1.5)	(1.8)	(2.5)	(3.0)
Gross Profit		8.3	11.0	12.5	14.8	18.3	22.1
R&D expenses (excluding CARMA)		(2.7)	(3.4)	(3.8)	(4.7)	(7.1)	(8.7)
R&D expenses (CARMA)		(0.3)	(1.3)	(7.5)	(6.5)	(12.6)	(11.7)
Sales and marketing expenses		(3.3)	(4.8)	(6.0)	(6.7)	(8.8)	(10.8)
General and administrative expenses		(2.7)	(4.2)	(4.5)	(5.3)	(5.8)	(6.6)
Underlying operating profit		(0.8)	(2.7)	(9.3)	(8.4)	(16.0)	(15.6)
Underlying operating profit (excluding CARMA)		(0.5)	(1.4)	(1.8)	(1.9)	(3.4)	(3.9)
Other revenue/expenses		0.0	0.0	0.0	0.0	0.0	0.0
EBITDA		(0.7)	(2.6)	(9.1)	(8.1)	(15.4)	(14.8)
EBITDA (excluding CARMA & share-based payments)		(0.4)	(1.2)	(1.2)	(0.8)	(1.0)	(1.1)
Operating Profit		(0.8)	(2.7)	(9.3)	(8.4)	(16.0)	(15.6)
Interest expense		(0.7)	(0.6)	(0.6)	(0.4)	(0.5)	(0.6)
Profit Before Taxes		(1.4)	(3.3)	(9.9)	(8.9)	(16.6)	(16.2)
Adj. PBT		(1.4)	(3.3)	(9.9)	(8.9)	(16.6)	(16.2)
Current tax income		0.0	0.0	0.0	0.0	0.0	0.0
Cumulative preferred stock dividend		(2.1)	(0.5)	0.0	0.0	0.0	0.0
Net Income		(3.5)	(3.9)	(9.9)	(8.9)	(16.6)	(16.2)
EPS (c)		(186.4)	(11.5)	(20.4)	(17.3)	(29.5)	(28.3)
Adj. EPS (c)		(186.4)	(10.0)	(20.4)	(17.3)	(29.5)	(28.3)
DPS (c)		0.0	0.0	0.0	0.0	0.0	0.0
Average no. of shares (m)		1.9	33.5	48.6	51.2	56.2	57.3
<i>Gross margin</i>		89%	89%	90%	89%	88%	88%
BALANCE SHEET							
Current assets		6.2	15.8	30.6	22.5	21.6	13.8
Cash and cash equivalents		2.4	11.7	25.3	11.2	9.8	0.6
Short-term investments		0.0	0.0	0.0	3.2	3.4	3.4
Accounts receivable		1.5	2.4	3.2	4.9	3.2	3.9
Inventories		1.1	1.3	1.3	2.2	4.2	5.0
Other current assets		1.2	0.3	0.7	0.9	0.9	0.9
Non-current assets		0.2	0.3	0.8	1.8	2.8	3.1
Property, plant & equipment		0.2	0.3	0.8	1.8	2.5	2.8
Other non-current assets		0.0	0.0	0.0	0.0	0.3	0.3
Current liabilities		(5.1)	(5.7)	(7.2)	(6.6)	(9.0)	(15.8)
Short-term debt		(0.8)	(0.0)	(0.9)	0.0	0.0	(5.0)
Accounts payable		(2.3)	(3.2)	(4.3)	(4.1)	(5.7)	(6.8)
Other current liabilities		(2.0)	(2.5)	(2.1)	(2.4)	(3.3)	(4.0)
Non-current liabilities		(4.4)	(5.3)	(4.6)	(5.4)	(5.3)	(5.3)
Long-term debt		(4.2)	(5.0)	(4.2)	(5.1)	(5.0)	(5.0)
Other non-current liabilities		(0.2)	(0.3)	(0.4)	(0.4)	(0.3)	(0.3)
Equity		(3.1)	5.1	19.6	12.3	10.0	(4.3)
Share capital		45.3	56.8	81.2	82.8	96.1	96.1
Other		(48.4)	(51.7)	(61.6)	(70.5)	(86.1)	(100.3)
CASH FLOW STATEMENTS							
Operating cash flow		(0.2)	(2.3)	(9.7)	(10.5)	(12.5)	(13.1)
Profit before tax		(1.4)	(3.3)	(9.9)	(8.9)	(16.6)	(16.2)
Non-cash adjustments		0.2	0.3	0.8	1.8	2.4	3.4
Change in working capital		1.1	0.7	(0.5)	(3.5)	1.6	0.3
Interest paid		0.0	0.0	0.0	0.0	0.0	(0.6)
Taxes paid		0.0	0.0	0.0	0.0	0.0	0.0
Investing cash flow		(0.1)	(0.2)	(0.6)	(3.8)	(1.2)	(1.1)
CAPEX on tangible assets		(0.1)	(0.2)	(0.6)	(0.7)	(1.0)	(1.1)
Other investing cash flows		0.0	0.0	0.0	(3.1)	(0.2)	0.0
Financing cash flow		(0.7)	11.9	23.9	0.2	12.3	5.0
Proceeds from equity		0.0	11.9	23.9	0.2	12.4	0.0
Increase in loans		(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	5.0
Other financing cash flow		(0.7)	0.0	0.0	0.0	0.0	0.0
Net increase in cash		(1.0)	9.3	13.6	(14.1)	(1.4)	(9.2)
Cash at start of year		3.4	2.4	11.7	25.3	11.2	9.8
Cash at end of year		2.4	11.7	25.3	11.2	9.8	0.6
Net cash at end of year		(2.6)	6.7	20.3	9.4	8.3	(6.0)

Source: Company, Trinity Delta Note: Adjusted numbers exclude exceptionals. No new commercial licensing deals are included in our forecasts.

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