

Corporate

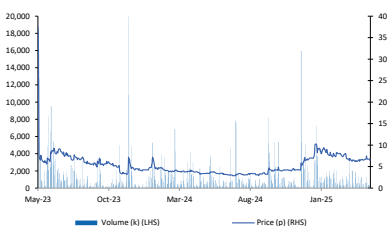
 Current price **6.55p**

 Sector **Healthcare Equipment and Services**

 Code **FAB.L**

 Listing **AIM**

Share Performance



% Change	1m	3m	12m
FAB.L	+4.8	-13.8	+89.9

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **7.7**

 Shares in issue (m) **113.3**

52 weeks (p)	High	Low
	10.2	2.9

 Financial year end **31 March**

Source: Company Data, Allenby Capital

Key Shareholders

Rathbone Invest. Man. 7.1%

Canaccord Genuity 7.1%

Unicorn Invest. Man. 5.6%

Amati Global Investors 4.5%

Invest Northern Ireland 3.1%

Source: Company Data, Allenby Capital

Dr John Savin and Robin Davison
john@equitydevelopment.co.uk
robin@equitydevelopmentl.co.uk

020 7065 2690

www.allenbycapital.com

Fusion Antibodies plc (FAB.L)

Positive year end update follows new grant award

Fusion Antibodies' trading update (6 May) confirms FY25 revenues of £1.96m, suggesting a solid 27% improvement in the H2 (Sept-March) period. We consider this growth to be impressive in the context of prevailing difficult trading environment. Year-end (March 31) cash stood at £0.4m, including the first tranche proceeds of a two-part equity placing. Pro forma cash including the second part of the now-completed equity raise would be c. £0.9m. The statement follows the announcement last week of up to £808k UK Government grant to support a new R&D project. Management commentary on current trading in the statement today is very positive, although the current heightened economic uncertainty and disruption in the US public sector from the economic policies of the Trump Administration may affect potential new orders.

- FY25 revenue:** Revenue for the year to 31 March 2025 is disclosed at £1.96m, suggesting Fusion booked c£750k (+27%) in H2. While lower than the £1.2m recorded in H1, the fact it showed growth over the comparative figure in FY24 is positive. Although management indicates it expects to see further revenue growth in FY26, we are cautious given the poor stock market performance in the biotech sector YTD as well as the disruption in the US public sector from the US government efficiency programme. Fusion's successful revenue diversification strategy (targeting sources in diagnostics and veterinary industries) does, however, seem to have made it more resilient to economic shocks.
- Gross margin recovery:** Full results (expected to be published in July) should show some further improvement in gross margins in H2. These rose to 29% in H1 as trading became more stable, allowing Fusion to be more disciplined over pricing. Ultimately, however, this figure needs return to a sustainable c. 50% level achieved prior to 2023.
- Cash runway to at least end FY26:** Pro forma cash including the second part of the now completed equity raise would be c. £0.9m. This should give Fusion cash runway beyond the end of FY26, depending on its sales trajectory, grant income and margins. We estimate the cash outflow from operations in FY25 was c. £2m.
- Cautious outlook:** We are not yet publishing forecasts for FY26, given the multiple economic uncertainties, but are indicating that we currently see revenue (excluding grant income) as likely to be in the region of £2.5m.
- Valuation:** Based on 113m share count, Fusion's market cap is £7.7m suggesting an EV of £6.8m. We continue to believe this ascribes almost no value to Fusion's industry-leading antibody discovery/development technologies and suggest the shares offer a potentially highly geared return.

Year End: 31 March				
(£'000)	2022	2023	2024	2025E
REVENUE	4,799	2,901	1,136	1,960
ADJ. EBITDA	-573	-2,486	-2,068	-1,383
ADJ. PBT	-1,397	-2,859	-2,289	-1,503
ADJ. EPS (p)	-4.6	-10.0	-4.0	-1.5
CASH	1,980	195	1,199	386
EV/EBITDA (x)*	NEG	NEG	NEG	NEG

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Joint Broker to Fusion Antibodies.

Revenues of £1.96m

Financial update

Fusion Antibodies year-end trading update (issued 6 May) confirms FY25 (year to 31 March) revenues of £1.96m. This suggests revenue in the H2 period (Sept-March) was £753k, a 27% rise the figure reported. The £125k per month average in H2 was lower than the £200k figure recorded in H2 FY24, but we understand this may have been affected the timing of an individual contract. Thus, we consider the y-o-y growth to be impressive, especially in the context of prevailing difficult trading environment. We are not yet publishing forecasts for FY26 out of prudence, given the multiple economic uncertainties and possible disruption in the US public sector that is likely to have resulted from economic policies of the Trump Administration. Thus, we are indicating FY26 revenues could be in the region of £2.5m.

Our current forecasts for FY25 are summarised in the table below.

Exhibit 1: Financial summary

Year End: March

(£'000)	FY24 H1A	FY24 H2A	FY24A	FY25 H1A	FY25 H2E
REVENUE	541	595	1,136	1,207	753
ADJ. EBITDA	-1,416	-791	-2,486	-717	-666
ADJ. PBT	-1,417	-792	-2,289	-718	-785

Source: Company; Allenby Capital

Full FY25 results, expected to be published in July, should show further improvement in gross margins in H2. These rose to 29% in H1 as trading became more stable, allowing Fusion to be more disciplined over pricing. Ultimately, however, this figure needs return to a sustainable c. 50% level achieved prior to 2023. We also expect the recent grant awards (detailed below) to help improve margins in FY26 as these can absorb some overhead (note grant income is not included in revenue).

Fusion's business plan remains to grow the revenue and focus on improving margins with the aim of achieving cash neutrality in the short term. The placing proceeds allows it to do this and, at the same time, cautiously invest in marketing and to some extent R&D.

Year-end cash stood at £0.4m, although this only included the first tranche proceeds of a two-part equity placing that raised in total £1.17m gross (£1.05m net). The placing was of 17.4m shares at 6.75p/share. Pro forma cash, including the second part of the now-completed equity raise, is c£0.9m (excluding the first part of a non-dilutive grant) and this should give Fusion a cash runway beyond the end of FY26, depending on its sales trajectory, margins and grant income. Management believes it has sufficient cash on hand now to reach operational breakeven. We estimate the cash outflow from operations in FY25 was c. £2m.

Grant funding from UK Research & Innovation and InvestNI

New UK grant secured for joint anticancer project

Last week, Fusion announced it had secured up to £808k in direct non-dilutive grant funding from UK Research & Innovation and InvestNI, two government entities. This follows a separate grant award under the Future Medicines Initiative, that was announced in January and the first payment of which was received on 2 May. The latest UKRI/InvestNI grant is expected to provide a minimum of £545k over 18 months.

The purpose of the UKRI/InvestNI grant is to fund the development of a humanised antibody targeting and activating the DR5 protein on cancer cells (a DR5 agonist), in collaboration with Queen's University Belfast. The goal at the end of the project is a clinic-ready antibody that can be licenced to third party. DR5 is a validated but difficult-to-address anticancer target on the TRAIL receptor. The lead compound in the class is a tetravalent antibody construct under development by the US biotech Inhibrx, called ozeklibart. This is currently in Phase I studies.

Fusion's primary role will be the humanisation of the antibody and creation of a stable cell line. QUB will conduct the *in vivo* efficacy studies of the antibody. The grant will cover human resource needs, materials/consumables costs and overheads. The antibody asset generated under the project will be jointly owned by Fusion and QUB, with ownership ratios to be determined.

Recent highlights

Management commentary in the trading statement was generally very positive and three other recent events were highlighted:

- Further orders under a master services agreement with a leading diagnostics company;
- A cell line development project from a US biotech company; and
- The ongoing collaboration agreement with the US National Cancer Institute was expanded/extended to include the humanisation by several camelid nanobodies, following the generation and validation and resynthesis of hits of OptiMAL derived antibodies.

The value of the order book at this point was not been disclosed. The last reported figure was £700k as of 30 June 2024.

AI/ML-Ab and OptiPhage

Fusion is endeavouring to gain customers for two relatively newly launched products: **AI/ML-Ab**, an offering designed to leverage artificial intelligence and machine learning; and **OptiPhage**, a means to offer its OptiMAL technology in an industry standard phage display screening format. It reorganised its existing product offerings into a combined Integrated Therapeutic Antibody Service. OptiMAL combines two technologies: the Opti library design that closely models the natural human immunome allowing focussed libraries of c. 108-109 antibodies to be constructed from more than 1,045 possibilities; and Mammalian display that presents multiple copies of a fully intact antibody to be presented on the surface of a mammalian cell.

We consider AI/MLab and OptiMAL to represent the main long-term value to Fusion shareholders. Having had to place internal development of OptiMAL on hold for financial reasons, the placing allows Fusion to resume this in collaboration with the US NCI. The potential publication describing this work in the scientific literature may help raise the profile of this technology with potential clients and partners.

Sensitivities

Short-term cash and revenue generation crucial

The key sensitivities to the investment case remain Fusion's ability to secure new contracts and manage its costs in the short-term as revenue recovers. Medium-term, the key issue will be to resume development and commercialise OptiMAL technology and take advantage of the industry trend in favour of AI developments with its AIML-Ab approach.

Valuation

Special situation geared to recovery

Fusion's market capitalisation is £7.7m, suggesting an EV of £6.8m. We consider this to represent a geared situation, given almost no value is being ascribed to Fusion's antibody discovery technologies. Given there is evidence that sales and margins are on an upward trajectory, our investment thesis is that investors will start to recognise the value of Fusion's class leading antibody discovery technology. To highlight this, we note the current valuation of Absci (Nasdaq: ABSI), a larger US/Canadian-based firm that has an AI-led approach to antibody drug design. This company has an EV of \$275m (market capitalisation of \$386m and cash of \$112m).

Exhibit 2: Summary income statement

Year to March (£'000)	2022A	2023A	2024A	2025E
Revenues	4,799	2,901	1,136	1,960
Cost of goods sold	-2,333	-2,327	-1,104	-1,411
Gross Profit	2,466	574	36	549
Other income	30	11	6	50
R&D Expense	-669	-807	-250	-254
G&A Expenses	-3,131	-2,601	-1,650	-1,800
Underlying operating profit	-1,304	-2,823	-1,858	-1,455
EBITDA	-574	-2,486	-1,614	-1,383
Adjusted EBITDA	-574	-2,486	-1,614	-1,383
Operating Profit	-1,325	-2,858	-1,864	-1,503
Interest income	-6	-1	-12	0
Profit Before Taxes	-1,331	-2,859	-1,876	-1,503
Current tax income	133	263	145	40
Net Income	-1,198	-2,596	-1,730	-1,463
EPS (p)	-4.6	-10.0	-3.1	-1.5

Source: Company; Allenby Capital

Exhibit 3: Summary balance sheet

Year end March (£000s)	2022A	2023A	2024A	2025E
Current assets	4,282	1,687	2,182	1,425
Cash and cash equivalents	2,049	195	1,119	386
Accounts receivable	1,517	690	557	644
Inventories	585	539	460	348
Other current assets	131	263	46	46
Non-current assets	633	375	157	40
Property, plant & equipment	633	375	157	40
Intangible assets	0	0	0	0
Current liabilities	-1,208	-879	-564	-592
Short-term debt	-66	-35	0	0
Accounts payable & accruals	-466	-480	-564	-592
Accruals/deferred revenues	-561	-177	0	0
Tax payables	-68	-136	0	0
Non-current liabilities	-26	-60	-43	-29
Long-term debt	-3	-40	-23	-9
Other non-current liabilities	-23	-20	-20	-20

Source: Company; Allenby Capital

Exhibit 4: Summary cash flow

Year end March (£000s)	2022A	2023A	2024A	2025E
Operating cash flow	-424	-803	-1,636	-1,250
Net income	-1,198	-2,596	-2,226	-1,463
Non-cash adjustments	780	408	308	160
Change in working capital	127	1,385	345	52
Interest paid/(received)	0	0	0	0
Taxes paid/(received)	-133	0	-63	0
Investing cash flow	-257	-111	1	-2
CAPEX on tangible assets	-258	-114	-2	-2
Financing cash flow	-46	3	2,770	520
Proceeds from equity	116	0	2,808	544
Increase in borrowings	0	69	0	0
Dividends	-162	-62	-33	-22
Other financing cash flow	0	-4	-5	-2
Net increase in cash	-736	-1,993	721	-733
Cash at start of year	2,686	2,049	195	1,119
Cash at end of year	1,950	195	1,119	386

Source: Company; Allenby Capital

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Allenby Capital, 5 St Helen’s Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com