

Aqua Bio Technology

INITIAL COMMENT

Key share data

Sector	Health Care
Reuters	ATBT.OL
Bloomberg	ABT NO

Market Cap (NOKm)	51
Net debt (NOKm)	-27
EV (NOKm)	23
Net debt / equity	-53%
Issued shares (m)	6.9

Share price (NOK)	7.30
Last target price (NOK)	10.00
Last recommendation	BUY

Figures & Ratios (NOKm)

	2016	2017E	2018E
Revenues	49	10	13
EBITDA	32	-6	-6
EBIT adj.	28	-7	-6
Pre-tax profit	2	-16	-6
Net profit	2	-12	-5
EPS rep. (NOK)	0.23	-1.78	-0.69
EPS adj. (NOK)	2.90	-0.74	-0.69
NIBD	-42	-17	-9
EV/Sales	0.5	4.1	3.3
EV/EBITDA	0.8	neg	neg
EV/EBIT (adj)	0.9	neg	neg
P/E (adj)	3.3	neg	neg
P/B (excl. gw)	1.1	1.4	1.3
ROE	30 %	-10 %	-12 %
ROCE	38 %	-12 %	-16 %

not updated

Focusing on the future after difficult 2017

ABT delivered slightly better-than-feared figures for 2H17, while work on new revenue streams continues with some visible income during 2018 and into 2019 likely. Having also in mind that legal issues are now behind and solid cash position is maintained, we are likely to keep our positive stance towards the stock.

Better-than-feared 2H figures

Aqua Bio Technology (ABT) released its annual report today with 2H17 figures reported as well. 2H17 top line came in at NOK 1.0m broadly in line with our NOK 1.4m estimate. The top line was, as communicated earlier, much lower than previous periods due to no minimum milestones from Restorsea and still limited revenues from the changed strategy during 2017. The company indicated that the lawsuit with former customer (Access Business Group) resulted in NOK 12m additional one-off costs in 2017 further affecting the bottom line. Still, EBITDA was at NOK -10.6m, slightly better than our NOK -12.4m estimate.

2H/17 results	2H/16	1H/17	2H/17	2H/17E	Deviation
NOKm			Reported	Norne	
Revenues	24.4	8.9	1.0	1.4	-28.5%
EBITDA adj.	15.1	2.2	-4.1	-8.4	nm
EBITDA	13.1	-3.3	-10.6	-12.4	nm
EBIT	-1.0	-3.6	-11.3	-12.7	nm
Pretax profit	-1.2	-3.8	-11.0	-12.5	nm
Net earnings	-1.1	-2.9	-13.2	-9.5	nm
EPS rep. (NOK)	-0.16	-0.41	-1.90	-1.37	nm
EPS adj. (NOK)	1.43	0.19	-	-0.93	-

Looking at the future with new revenue streams to start in 2018

Now that the legal issues seem to be behind, ABT continues to work on new revenue streams. Moana and Čugvet skin care products will be launched in more markets, while two of the ingredients the company is working on (AlgoSource and Zembra) should start generating revenues in 2018 as well. The cooperation with Banco Español de Algas should start generating revenues from 2019. ABT guides for some OPEX increase in 2018 adjusted for the legal costs in 2017. Reported total OPEX will be much lower in 2018 vs 2017.

Positives stance to be maintained

Finished products and ingredients should generating new revenue streams during 2018 and 2019. The company is also finished with legal issues related to two former customers. In addition, cash position is still solid at NOK 21.8m at the end of 2017. Therefore, our Buy recommendation on the stock is likely to be maintained.

Norne Securities AS is a market maker in the shares of Aqua Bio Technology

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Risk	Total return next 12 months (upside to target price)		
	Buy	Hold	Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 25%	5% - 25%	< 5%

In addition to the general recommendations, “Trading Buy” and “Trading Sell” recommendations can be used in the case where the analyst predicts a short term share price performance different from the twelve-month general recommendation. “Trading Buy” is given when the share price is expected to rise and “Trading Sell” is given when the share price is expected to fall in the short term (several days to several weeks horizon).

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This report has not been presented to the issuer before dissemination for a check of factual information.

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Responsible analyst(s)	0
All Norne analysts	0
All Norne employees	0
Norne Securities AS	0

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Distribution of Norne Securities' recommendations during three months up till March 31, 2018:

	Buy	Hold	Sell
Total recommendations	57	28	5
% of total	63%	31%	6%
Corporate clients*	24	10	0
% of corporate clients*	71%	29%	0%

* Includes publicly disclosed not immaterial investment banking services or issues of financial instruments where Norne Securities AS has been lead manager or co-lead manager, and market making clients during the 12 months prior to the overview date.

Note: In the table above, Trading Buy recommendation is treated as Buy, and Trading Sell is treated as Sell.

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