**Market data**

EPIC/TKR	AVO
Price (p)	103.5
12m High (p)	217.0
12m Low (p)	98.0
Shares (m)	72.2
Mkt Cap (£m)	74.7
EV (£m)	59.2
Free Float*	59%
Market	AIM

\*As defined by AIM Rule 26

**Description**

Developing next generation proton therapy systems for use in radiation therapy of cancers. The first LIGHT system is expected to be installed in Harley Street, London, during 2017; to be operated through a joint venture company with CircleHealth.

**Company information**

Exec. Chairman	Michael Sinclair
CEO	Nicolas Serandour
	+44 (0)203 617 8728
	www.advancedoncotherapy.com

**Key shareholders**

Board & Management	17.5%
Brahma AG	15.0%
MK Trust	6.9%
Banca Profilio	5.2%
Aviva Investors	4.5%
Hargreaves Lansdowne	4.1%

**Key events**

May-17	Finals
Jun-17	AGM

**Analysts**

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## Advanced Oncotherapy

### Open Offer exceeds expectations

AVO is focused on delivering a more affordable, novel proton-based radiotherapy system, based on a technology originally developed and tested at the world renowned CERN. Planning Permission for its Harley Street site has been recently granted, and the first proton beam has successfully been fired from the proton source\*. The Metric Capital financing plan has been re-negotiated necessitating (i) a £10m capital increase through a share Subscription at 100p together with an Open Offer, and (ii) a non-dilutive 'finance package'. AVO has also finalised the details of its LIGHT manufacturing contract with its industrial partner, Thales.

- **Strategy:** To develop a compact and modular proton therapy system at an affordable price for the payor, financially attractive to the operator, whilst generating superior patient outcomes. AVO benefits from the technology know-how developed by ADAM at CERN and relies on a base of world-class suppliers.
- **Open Offer:** With the announcement of the £10.0m Subscription at 100p per share, the company stated its intention to make an Open Offer to qualifying shareholders on the same basis. Existing shareholders were offered shares on a 1-for-13 basis, with an excess entitlement facility also being made available.
- **Result:** A maximum of 4.02m shares were available in the Open Offer. Valid applications were received for 3.38m shares, representing 84% of the offer, which considerably exceeded our expectations. Total gross funds raised in the Subscription and Open Offer were £13.38m.
- **Balance sheet:** These new funds have significantly strengthened the balance sheet and will allow management to progress the non-dilutive 'finance package', still to be announced, as part of the re-negotiation of the Metric Capital loan facility. Net cash at 31<sup>st</sup> December 2016 is now forecast to be £2.7m.
- **Investment summary:** The Subscription attracted a new 7% shareholder with expertise in business development in Asia, and the Open Offer has been very well supported by existing shareholders. The strengthened balance sheet will allow management to focus on delivering the much anticipated LIGHT proton-based radiotherapy system.

**Financial summary and valuation**

Year end Dec (£000)	2013	2014	2015	2016E	2017E	2018E
Sales	0.07	0.11	0.00	35.5	80.6	137.1
EBITDA	-2.04	-5.06	-6.41	-7.0	0.7	18.2
Reported EBIT	-3.17	-6.45	-8.51	-8.5	-1.2	15.9
Underlying PBT	-2.37	-5.06	-6.72	-7.4	-2.2	15.3
Statutory PBT	-3.96	-7.56	-8.63	-8.6	-3.7	13.3
Underlying EPS (p)	-14.77	-14.91	-7.13	-11.2	-3.0	21.2
Statutory EPS (p)	-24.66	-22.29	-12.25	-13.3	-5.1	18.5
Net (debt)/cash	-3.04	0.48	7.96	2.7	11.9	11.3
Capital increase	2.44	10.16	21.06	12.8	0.0	0.0
P/E (x)	-7.0	-6.9	-14.5	-9.2	-34.4	4.9
EV/sales (x)	-	-	-	2.0	0.8	0.5
EV/EBITDA (x)	-	-	-	-10.3	94.5	3.5

Source: Hardman &amp; Co Life Sciences Research

## Result of Open Offer

On 30<sup>th</sup> September 2016, Advanced Oncotherapy announced that it was raising £10m gross new capital by way of a Subscription for shares at a price of 100p per share. This Subscription was mostly taken up by the directors and senior management, together with a new investor – MK Trust. At the time of this announcement, the company informed the market that an Open Offer would also be made to qualifying shareholders. The primary purpose of the Open Offer was to allow existing Shareholders (other than Directors) to subscribe for shares at the same price as those participating in the Subscription, thereby treating all shareholders equally.

### The Open Offer

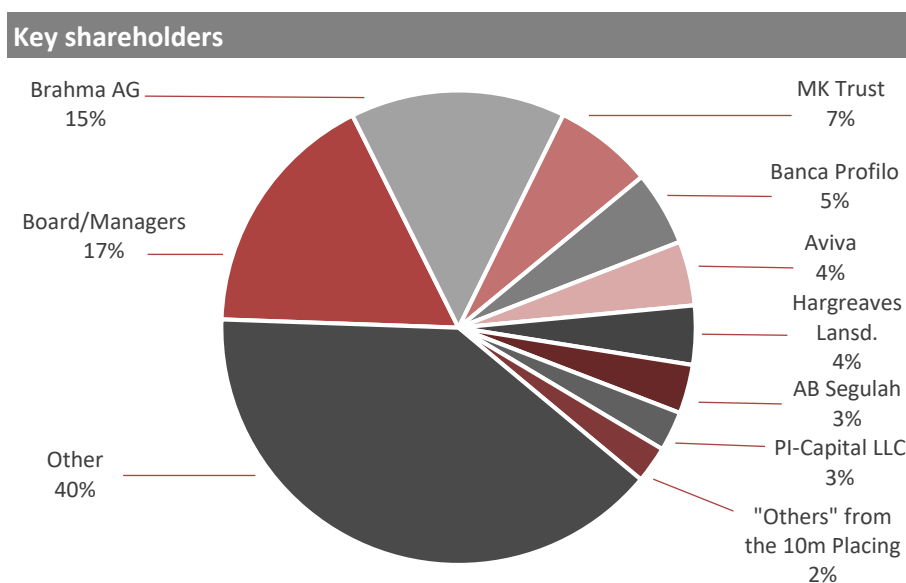
On 14<sup>th</sup> October 2016, the company duly announced the Open Offer. It was made to qualifying shareholders on the basis of one new share for every 13 existing shares held, with the potential to raise a maximum of £4.02m. However, given that the directors and management had participated already in the Subscription, and had stated that they would not be participating in the Open Offer, there was an Excess Open Offer Entitlement facility allowing qualifying shareholders to request in excess of their entitlement, subject to the maximum number of shares that could be issued in the Open Offer.

### 84% take-up

The Open Offer has been a resounding success. It has raised considerably more than we had anticipated, given that holders of 50% of the existing share capital were not going to be participating in the Open Offer. Valid applications were received for 3.38m shares, representing 84% of the Offer shares, raising £3.38m of additional capital for the company. This brings the total gross funds raised to £13.38m (estimated net funds of £12.8m).

### Total share capital

On Admission to AIM, there will be a total of 72,188,674 Ordinary shares outstanding. On the assumption that most of the Open Offer shares went to non-institutional shareholders, the key shareholders will be as follows:



Source: Hardman & Co Life Sciences Research

## Balance sheet

- ▶ **Open Offer** – The 1-for-13 offer to existing qualifying shareholders had the potential to raise a maximum of £4.02m. As part of the offer there was an excess entitlement facility
- ▶ **Result** – The 84% take up of the Open Offer has raised £3.4m for the company
- ▶ **Net cash/debt** – The consequence of the Open Offer is that total gross funds of £13.38m, including the £10.0m Subscription previously announced, have been raised by the company, which is now forecast to have a net cash position of £2.7m at 31<sup>st</sup> December 2016
- ▶ **Inventories** – No allowance has been made in our forecasts for the effect of the non-dilutive ‘financing plan’, supported by banks and strategic partners and which has yet to be announced, which was part of the re-negotiation of the Metric Capital debt facility

Balance sheet						
@31st Dec (£m)	2013	2014	2015	2016E	2017E	2018E
Shareholders' funds	5.37	11.13	27.28	33.90	31.73	47.06
Cumulated goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Total equity	5.37	11.13	27.28	33.90	31.73	47.06
Share capital	6.04	10.28	14.18	18.04	18.04	18.04
Reserves	-0.68	0.85	13.10	15.86	13.69	29.02
JV investment	0.00	0.00	0.00	2.00	1.70	1.40
Long-term loans	0.00	0.00	0.00	5.00	24.00	24.00
Short-term debt	3.19	0.99	1.00	1.00	1.00	1.00
less: Cash	0.15	1.47	8.96	8.69	36.85	36.34
<b>Invested capital</b>	<b>8.41</b>	<b>10.65</b>	<b>19.32</b>	<b>33.21</b>	<b>21.58</b>	<b>37.11</b>
Fixed assets	0.67	0.88	1.00	1.25	1.52	1.80
Intangible assets	6.69	9.22	12.74	16.24	16.24	16.24
Investments	2.01	1.20	0.31	0.31	0.31	0.31
Inventories	0.04	1.11	4.42	19.16	41.13	64.94
Trade debtors	0.03	0.07	0.00	0.05	20.16	34.27
Other debtors	1.17	0.52	0.52	0.99	2.31	2.31
Tax liability/credit	-0.08	-0.22	2.78	0.00	0.00	0.00
Trade creditors	-0.72	-1.14	-0.34	-4.50	-36.36	-56.20
Other creditors	-1.40	-0.98	-2.12	-2.30	-4.93	-4.93
Debtors less creditors	-1.00	-1.75	0.85	-5.75	-39.63	-48.17
<b>Invested capital</b>	<b>8.41</b>	<b>10.65</b>	<b>19.32</b>	<b>33.21</b>	<b>21.58</b>	<b>37.11</b>
<b>Net cash/(debt)</b>	<b>-3.04</b>	<b>0.48</b>	<b>7.96</b>	<b>2.69</b>	<b>11.85</b>	<b>11.34</b>

Source: Hardman & Co Life Sciences Research

### \*LEBT

In the opening paragraph, we refer to the proton beam. At this point in time, the first proton beam has been fired from the proton source through the low energy beam transport (LEBT) system only.

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