

# Genetic Analysis

Mangold Insight – Commissioned research – Update – 2023-02-24

## Taking the next step

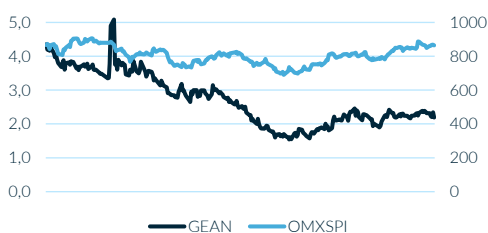
Genetic Analysis (GA), a medtech diagnostic company focused on microbiota, has established a platform for GA-map with recurring revenue in several major labs in 2022. Sales increased by 64 per cent in 2022 to NOK 11,2 million. During the year, the company has gained access to more distributors and established several technology partnerships. Overall, Mangold see good opportunities for GA to increase its sales in 2023. The activity in the market within microbiota is high and more labs see the benefits of using GA-map. The first Microbiome altering drug got FDA approval and has been launched. More drugs in this field are expected to be approved in 2023 which is expected to drive the diagnostic testing market.

## Accelerated Growth

For Genetic Analysis, 2023 is expected to be a year of accelerated growth. Mangold expects sales to pick up and sales to increase to SEK 21 million for 2023. In order for the company to be able to maintain a high pace both in terms of sales and continued development, we consider that a capital injection may be necessary.

## Adjusted estimates

Mangold has made changes in projections for the period 2023 to 2027 and expects profitability 2025. In order to calculate fair value, Mangold has carried out a DCF analysis and assumed different scenarios. In a Base case, fair value amounts to NOK 4,50, which is also our target price. This results in an upside of more than 100 per cent.



Price Performance %	1m	3m	12m
Genetic Analysis	-5,0	4,3	-53,8
OMXSPI	3,8	8,0	-2,6

## Information

Target Price (NOK)	4,50
Risk	Hög
Price (NOK)	2,00
Market value (MNOK)	50
No. of shares (million)	24,9
Free float	73,0%
Ticker	GEAN
Next earnings report	2023-05-25
Website	genetic-analysis.com
Analyst	Jan Glevén

Ownership structure	Shares	Capital
Avanza Bank	6,9	27,7%
Bio-Rad Lab	5,3	21,3%
Nordnet Pension	1,5	6,2%
Biohit Oyi	1,4	5,7%
Molver AS	0,6	2,6%
LJM AS	0,6	2,2%
S. Munkhaugen AS	0,5	1,9%
Jama Holding AS	0,4	1,7%
Bjelland Capital I AS	0,4	1,7%
Rolfs Holding	0,4	1,7%

Key Ratios (MNOK)	2021	2022	2023E	2024E	2025E
Total Sales ( Incl Grants)	13,4	21,6	46,0	71,2	73,4
EBIT	-28,9	-26,9	-10,8	5,5	4,8
Vinst f. skatt	-29,0	-27,0	-10,9	3,9	3,4
EPS, justerad	-1,16	-1,08	-0,44	0,16	0,14
EV/Försäljning	neg	neg	2,4	1,4	1,2
EV/EBITDA	neg	neg	neg	15,7	18,0
P/E	neg	neg	neg	13,5	15,6

# Genetic Analysis - Investment Case

## Improved stomach health with new test

Mangold repeats Buy for Genetic Analysis and the price target of NOK 4.50 (NOK 4.50).

*Buy the stock - target price SEK 4.50*

## Test to become standard

The company's product GA-map is intended to be used in-vitro diagnostics for examination of samples from the human body in order to obtain information about treatment effects or disease conditions in the intestinal flora. There is significant market potential linked to diseases such as IBS and IBD. In the United States and Europe, about 73 million people suffer from IBS and about 6 million from chronic IBD. The company also sees opportunities in other disease indications with great need of cost-effective and reliable diagnostics.

*Microbiota diagnostic company*

## A new market takes shape

The market for microbiome testing is characterized by non-standardized research-based tests. There is a clear incentive for taking microbiota testing from the research area to clinical routine use. The market was estimated at around \$600 million in 2021 according to Data Bridge Market Research. Growth (CAGR) is expected to reach 23 per cent. The value of the microbial market is expected to increase to \$3.1 billion in 2029.

*Growing market*

## Platform strategy

Genetic Analysis has a platform strategy with recurrent revenues from the sale of reagent kits to laboratories. Mangold estimates that the company can grow by an average of 54 percent per year during the period 2021 to 2027. By the end of the forecast period, the company is expected to be able to reach an EBIT margin close to 30 percent. Sales should reach SEK 90 million by 2027 according to our Basecase.

*Recurring Revenue*

*Growth of 54% CAGR 2021-2027*

## To grow in the US and Europe

Triggers consists of sales taking off in the North American and European markets. Larger labs are prioritized. Genetic Analysis is in an early stage in their sales cycle and there is still a lot of uncertainty about how its product will be received on the market. Reason for a success is that interest from the United States Life Science community is high and that the number of clinical studies in microbiota has risen sharply. If the company's products get high demand and succeed in reaching the clinical market after positive opinions from the FDA, we see the company as a takeover candidate.

*More medicines in microbiota provide support*

# Genetic Analysis - Update Q4

## GA-map in Growth

Genetic Analysis ended 2022 with sales of NOK 11,2 million. This is an increase of 64 per cent compared to 2021. Every quarter in 2022 has shown growth compared to the same period last year. In the fourth quarter, sales increased by 25 per cent.

During the fourth quarter, total revenue including research grants amounted to NOK 5.7 million, which was slightly lower than our forecast of NOK 6.5 million. The GA-map reagent kits make up most of the sales revenue. In 2022, they accounted for 80 per cent of sales. It is mainly in the United States that sales take place even if the customer base in Europe has increased. Platform installations to lab represent the remaining share of sales, a prerequisite for sales of reagent kits to increase. The company also makes some sales on test service in its own lab primarily intended for research projects. A business that had been slow during the pandemic not yet taken off.

*Growth of 64% in 2022*

*Rresearch grants included in total revenue*

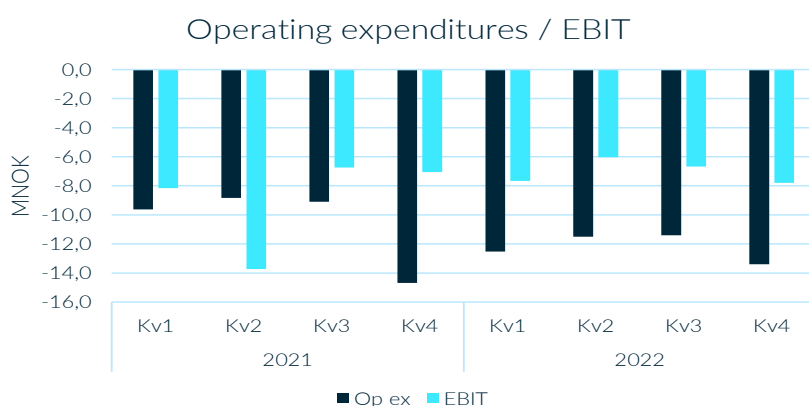
## GENETIC ANALYSIS - ACTUALS VS ESTIMATES Q4

MNOK	2022					
	Q1	Q2	Q3	Q4E	Q4A	Diff%
Net Sales	2,5	3,0	2,2	4,0	3,5	-13%
Growth	156%	123%	33%	43%	24%	
Grants	2,3	2,5	2,6	2,5	2,2	-12%
Total sales	4,8	5,5	4,8	6,5	5,7	-13%

Källa: GA

Costs for projects (IBD) and R&D amounted to NOK 3.4 million (5.8) in the fourth quarter. Total operational costs amounted to NOK 13.4 million in the quarter, which was lower than the same period last year but higher than our estimates. EBIT amounted to NOK 7.8 million.

*EBIT still negative*



Källa: GA

# Genetic Analysis - Update Q4

## Expanding in new markets

Genetic Analysis (GA) has added more distributors. A well-known diagnostic company (not named) for distribution of GA-maps Dysbosis Test in Europe has been added as well as Thai Hausen Bernstein. Hausen Bernstein also signed a technology transfer agreement. An agreement has also been signed with an Indian biotechnology company, Microbiome Research, for technology transfer.

*GA can grow in Thailand and India*

GA has also developed a GA-map prototype for the discovery of biomarkers and clinical research for the pharmaceutical industry. In addition, the company has developed a cloud-based software solution for the GA-map platform. The launch of the cloud solution is intended to strengthen the position in digital health.

*New cloud solution simplifies*

Product development of GA-map is ongoing and the work to establish new distributors and technology collaborations is prioritized. The GA-map is developed and launched for the three best-selling Luminex analysis instruments for laboratory diagnosis, offering a potential of 20,000 instruments in the market. The company also has the opportunity to enter the consumer market and ant to develop test for the pharmaceutical industry (companion diagnostics), which is expected to increase sales in the long term.

*Potential in Luminex-equipped larger labs*

## Microbiota drugs have been launched

Strong indications show that growth of the diagnostic testing market in the microbiome field will increase in the coming years. More approved drugs constitutes an important driver for growth. There are 23 ongoing microbiome studies in clinical phase to treat primarily infectious diseases such as CDi (Clostridioides difficile infections). Rebiotix has launched Rebyota to the market for treatment of recurrent CDi in the United States. Recurrent infections with C difficile are a major problem as antibiotic treatments have not proved effective.

*Rebyota for CDi a milestone*

Seres Therapeutics can also reach the market with the SER-109 for CDi later in 2023. The date when the FDA review is completed is set to April 26, 2023. Other projects that have received attention include Acurx Pharma (Ibezapolstat) in Phase 2 and Adiso Therapeutics (ADS 024) in Phase 1 both for CDi.

*More Microbiota drugs in the pipeline*

### MANGOLD - MICROBIOM-BASED DRUGS IN CLINICAL STAGE

Company	Project	Indication	Phase
Rebiotix	RBX2660/Rebyota	C Difficile	Launched
Seres Therapeutics	SER-109	C Difficile	Phase 3
Acurx Pharma	Ibezapolstat	C Difficile	Phase 2
Adiso Therapeutics	ADS 024	C Difficile	Phase 1

Källa: Clinical Trials Gov

# Genetic Analysis - Update Q4

## Adjusted Estimates

Mangold insists that sales are expected to pick up in 2023. Earlier projections are maintained, which means that sales are expected to increase to NOK 36 million for 2023. An increase of more than 200 per cent, with the emphasis on a greater increase in the second half of the year. In 2022, the company's operating costs amounted to NOK 4.1 million. Mangold expects these to increase slightly in 2023 to NOK 58 million. In 2023, we see that the loss can be reduced as sales increase. The company is expected to become profitable in 2024. In 2025, the share of research grants decreases, which affects EBIT.

*Growth expected to pick up in 2023*

### GENETIC ANALYSIS - ESTIMATES

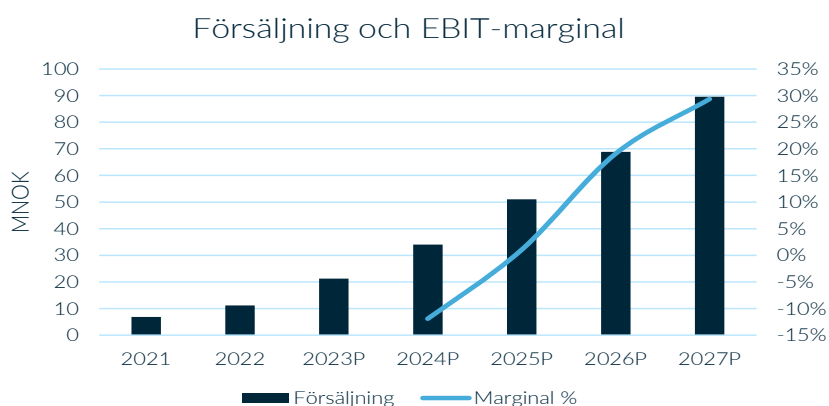
MNOK	2022	2023E	2024E	2025E	2026E	2027E
<b>Net Sales</b>	11	21	34	51	69	90
<b>Growth</b>	64%	91%	60%	50%	35%	30%
<b>Grants</b>	10	10	10	0	0	0
<b>Total Sales</b>	21	31	44	51	69	90
<b>EBIT</b>	-28	-17	-4	1	13	26
<b>Margin%</b>			-12%	1%	19%	29%

Källa: Mangold Insight

## Capital injection reviewed

It is reasonable to assume that further capital injection is required. Genetic Analysis had over 25 million cash at the end of the fourth quarter and a negative cash flow of about 7 million in the fourth quarter. Overall, Mangold see that a capital raise is needed to keep up the pace of further research and development and sales. This is as planned and as previously mentioned in the prospectus in connection with the IPO and mentioned in the last financial statement report. The alternative is to slow down the pace of sales growth activities, which would also slow the path to profitability. In the balance sheet Mangold has taken up a hypothetically loan for 2023.

*Negative cash flow expected in 2023*



Källa: Mangold Insight, GA

# Genetic Analysis - Update Q4

## Valuation

Mangold has chosen to rate Genetic Analysis using a DCF model. A rate of return of 12 per cent has been used which is in line with the recommendations of the 2022 Risk Premium Study by PwC. Mangold has opted for a 4.3 per cent risk premium supplement and a 7.8 per cent rate of return. Mangold is based on Norwegian tax rates. Based on these assumptions, we get a justified value of NOK 4.50. Mangold chooses to set the target price at NOK 4.50 (previously NOK 4.50 per share). This results in an upside of just over 100 per cent. As the company reaches more markets and increases sales, the value of the company is expected to approach our Basecase.

*Target price 4,50 kr per share*

### GENETIC ANALYSIS - DCF

(TNOK)	2023	2024	2025	2026	2027
EBIT	-16 958	-4 050	530	13 142	26 275
Free Cash Flow	-15 983	-2 357	-947	7 240	15 380
Terminal Value					153 796

Assumptions	Disc.rate	Growth	Tax
	12%	2%	28%

Equity Value	111 776
Fair Value/share	4,49

Källa: Mangold Insight

## Sensitivity analysis

Mangold has chosen to carry out a sensitivity analysis in which revenue increased by 10 per cent in a Bull case and decreased by 10 per cent in a Bear case. These scenarios have then been compared with different yield requirements ranging from 11 to 13 per cent. With 10 per cent higher growth and lower yield requirements, a justified value of the share can amount to NOK 6.44 per share.

*Lower yield requirements result in higher justified value*

### MANGOLD - SENSITIVITY ANALYSIS

Disc rate %	Bear	Base	Bull
11%	3,73	5,08	6,44
12%	3,33	4,49	5,67
13%	3,01	4,04	5,06

Källa: Mangold Insight

# Genetic Analysis - Update Q4

## Diagnostic Peers

The table shows comparable peers within the diagnostic Life Science field. The table is organized by market capitalization in local currency. A star is marked for companies whose financial statements for 2022 have not yet been published. Hence forecast has been used. For Genetic Analysis, the P/S ratio amounts to 4.5x for 2022 and is expected to drop to 2,3x in 2023.

*GA traded at P/S 2,3x on estimates for 2023*

### MANGOLD - PEERS\*

Company	Exchange	Activities	MC (MSEK)	Sales 2022 (MSEK)	P/S 2022
Gentian Diagnostics	Oslo Börs	IVD	617	76	8,1
Viro Gates	First North Köpenhamn	suPAR (measures protein in the blood)	180	10	18,0
2cureX	First North Stockholm	Cancer	127	0,1	nm
Carbiotix	Spotlight Stock Market	Tarmhälsa/medical food	52	0,1	nm
Alphahelix	Spotlight Stock Market	PCR/qPCR (virus och bakterier)	47	31	1,5
Snitt					9
<b>Genetic Analysis</b>	Spotlight Stock Market Norge	Tester human microbiome	50	11	4,5

\*Local Currency, NOK, DKK, SEK

## Summary

Genetic Analysis intends to become the standard for testing microbiota. It is the first company to have developed a CE-marked product for In Vitro diagnostic test for patients with IBS and IBD. As more medicinal products are launched, the need for standardized tests will increase. Genetic Analysis also benefits from the new IVDR regulation which places higher demands on Vitro diagnostic medical devices.

*Increased need for standardized tests*

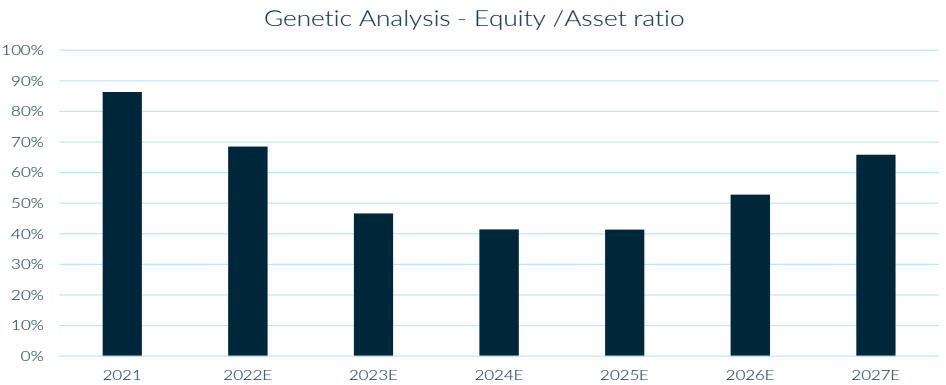
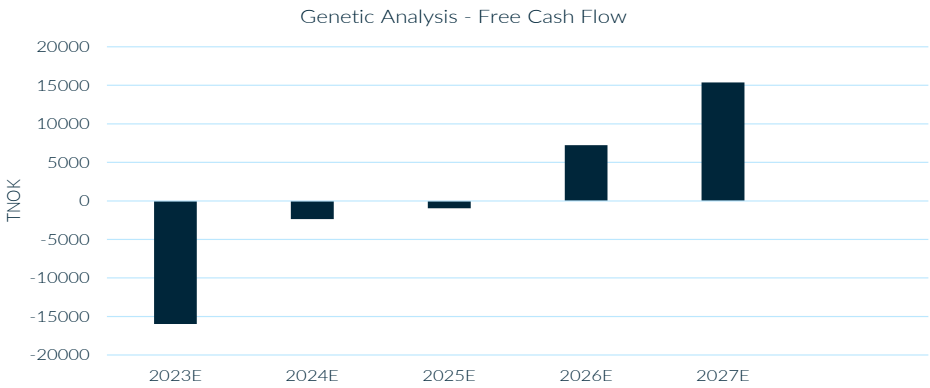
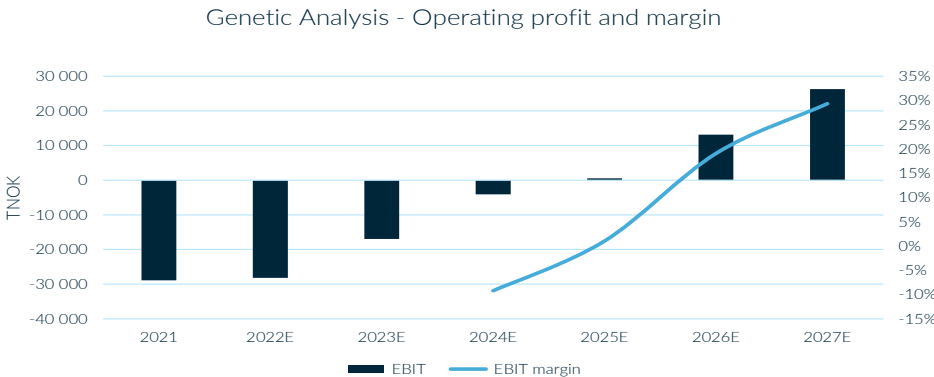
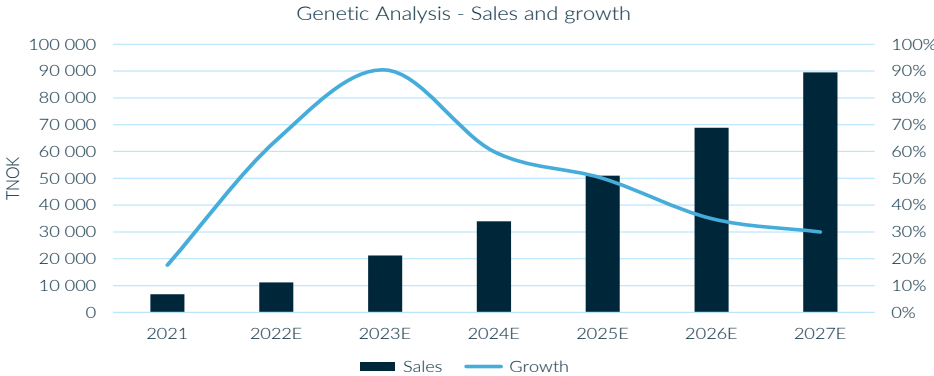
*Benefit from IVDR.*

# Genetic Analysis – SWOT





# Genetic Analysis – Appendix



# Genetic Analysis – Profit and loss

Income Statement (TNOK)	2021	2022	2023E	2024E	2025E	2026E	2027E
Revenues	13 379	20 747	46 000	71 200	73 440	84 456	92 902
Gross profit	12 098	16 840	35 200	52 840	53 611	61 653	67 818
Personnel costs	-22 835	-25 196	-26 341	-27 487	-28 632	-29 777	-30 922
Other operating expenses	-13 602	-14 994	-15 744	-16 531	-17 357	-18 225	-19 137
Depreciation	-4 531	-4 834	-4 876	-4 001	-3 301	-2 741	-2 292
<b>Operating result</b>	<b>-28 870</b>	<b>-28 184</b>	<b>-11 761</b>	<b>4 822</b>	<b>4 321</b>	<b>10 910</b>	<b>15 467</b>
Operating margin				7%	6%	13%	17%
Net interest income	135	90	132	132	132	132	132
<b>Profit after net fin. items</b>	<b>-29 005</b>	<b>-28 274</b>	<b>-11 893</b>	<b>4 689</b>	<b>4 189</b>	<b>10 777</b>	<b>15 334</b>
Taxes					-1 313	-1 173	-3 018
<b>Net profit</b>	<b>-29 005</b>	<b>-28 274</b>	<b>-11 893</b>	<b>3 376</b>	<b>3 016</b>	<b>7 760</b>	<b>11 041</b>

Källa: Mangold Insight

Balance sheet	2021	2022	2023E	2024E	2025E	2026E	2027E
<b>Assets</b>							
Cash and bank	46 810	25 323	9 186	6 425	5 074	11 384	25 834
Trade receivables	8 419	8 359	5 241	8 386	12 579	16 981	22 076
Inventory	1 885	2 367	1 755	1 048	1 258	1 887	2 887
Fixed assets	27 610	25 894	28 987	20 004	16 503	13 703	11 462
<b>Total assets</b>	<b>55 619</b>	<b>83 490</b>	<b>64 425</b>	<b>35 480</b>	<b>32 572</b>	<b>33 242</b>	<b>42 714</b>
<b>Liabilities</b>							
Account Payables	9 968	12 946	699	839	1 258	1 925	2 943
Liabilities	1 432	7 338	18 244	18 244	18 244	18 244	18 244
<b>Total liabilities</b>	<b>11 400</b>	<b>20 284</b>	<b>18 943</b>	<b>19 083</b>	<b>19 502</b>	<b>20 169</b>	<b>21 187</b>
<b>Equity</b>							
Restricted equity	99 871	72 090	72 090	72 090	72 090	72 090	72 090
Unrestricted equity	-27 781	-27 950	-55 553	-58 600	-58 350	-49 544	-31 283
Total equity	72 090	44 141	16 537	13 490	13 740	22 546	40 807
<b>Liabilities and Equity</b>	<b>83 490</b>	<b>64 425</b>	<b>35 480</b>	<b>32 572</b>	<b>33 242</b>	<b>42 714</b>	<b>61 994</b>

Källa: Mangold Insight

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Mangold last analysed Genetic Analysis on 23 November 2022.

Mangold's analyst does not own shares in Genetic Analysis.

Mangold does not own shares in Genetic Analysis, such as for own stock.

Mangold does not own shares in Genetic Analysis through assignments, such as a liquidity guarantor.

Mangold has performed services for the company and has received remuneration from the company for these.

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Mangold Insight grades its share recommendations over a 12-month period, according to the following structure:

Buy – An upside in the share of at least 20%

Increase – An upside in the share of 10–20%

Neutral – An upside and downside in the share of 0–10%

Decrease – A downside in the share of 10–20%

Sell – A downside in the share of at least 20%