Half Year Revenue Update

RNS Number : 5589W
Novacyt S.A.
02 August 2018

Half Year Revenue Update

Primerdesign revenues up 18% to €3m

Strong pipeline of B2B and tender prospects

Decision to undertake a strategic review of the

NOVAprep® business

Paris, France and Camberley, UK - 2 August 2018 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, announces an unaudited half year revenue update for the six months to 30 June 2018.

Unaudited revenues for the first half of 2018 were €7.0m, with a strong performance in Primerdesign and Lab21 offset by lower than expected sales in NOVAprep®. Group revenues, excluding NOVAprep®, increased 8% (11% at constant exchange rates CER).

NOVAprep® revenues, representing less than 9% of the consolidated revenue, reflect the previously announced strategic decision to further optimise the platform, and also reflect unexpected supply chain issues. As a result of the recent poor sales performance and the continued investment needs of the business unit, the Board has decided to undertake a strategic review of the NOVAprep® business and will now explore ways to maximize the future value of the assets. The Company will continue to focus on maximizing the value of the NOVAprep® Asian business, particularly the profitable operations in China.

Unaudited Group gross margin has improved to 64%, an increase of three percentage points compared to the same period last year. The Board expects the Group's full year profitability will be higher than previously anticipated excluding the NOVAprep business.

Double digit sales growth in molecular diagnostics business

Primerdesign revenues increased 15% to €3.0m, 18% CER versus H1 2017, as a result of strong growth in its core research use only (RUO) markets. In addition, business-to-business (B2B) activity grew with ten new customers compared with three customers during the prior year period, underpinning the rich pipeline of B2B partnerships, which are expected to accelerate growth during the second half of 2018. The R&D pipeline of CE-Mark assays continues to make progress and two new product launches are planned at the end of the year.

Robust tender pipeline in protein diagnostics business

Lab21 revenue of €3.4m represents growth of 3% - 6% CER - versus H1 2017, which is a solid start to the year that does not reflect the strength of the order book, which is currently at a record high. With recent awards of significant tenders, the current order book stands at €1.2m, this business unit is expected to meet or exceed the Board's growth expectations for the year.

On 28 June 2018, Novacyt announced that it had entered into an asset purchase agreement to acquire the infectious disease (ID) business from Omega Diagnostics Ltd. The ID business brings a highly complementary product range, increasing the offering and global reach of Novacyt's protein diagnostics business through new sales channels. This business delivered unaudited results for the twelve months to 31 March 2018 of £2.49 million in revenues and EBITDA profitability of £310,000. Novacyt expects to see a similar level of revenue in the first twelve months of ownership but material cost synergies are anticipated immediately as a result of leveraging existing commercial and manufacturing infrastructure within Novacyt, leading to operating margin expansion.

Strategic review of whole cell diagnostics business

The NOVAprep® business has enjoyed high revenue growth in the past three years as Novacyt invested in rolling out the system into developed and the developing markets in Asia where there is a significant market opportunity for further growth.

In H1 2018, revenue was €0.6m versus €1.1m in H1 2017. For the financial year 2017, NOVAprep® reported revenue of €2.2m, with an EBITDA loss of €1.2m impacting the profitability of the wider Group. As previously guided, NOVAprep® revenues were expected to be lower in H1 2018 but additional supply chain issues have further impacted the first half performance, which will also impact performance in the second half of the year. In addition, the Board has resolved to undertake a strategic review of the business and consider the optimal way to maximise value for the technology. The outcome of the review is expected to be completed within the next six months.

Outlook

The performance of the Primerdesign and Lab21 businesses remains strong entering the second half of the year with significant sales pipelines but, as a result of underperformance of the NOVAprep® business, Group revenue for the full year will now be lower than envisaged at the start of the year. However, with a reduction of the operating costs of NOVAprep combined with the strength of the remaining business, Group EBITDA profitability is expected to be be higher than previously anticipated in 2018 following the conclusion of the strategic review.

Cash at the end of the period was €2.2m and trade receivables are at €2.9m. The receivable associated with the large Primerdesign sale to China in late 2017 for €0.9m remains unchanged but the Board is confident of its collection.

The Group will continue to build on the organic sales progress made in 2017 in its molecular and protein reagent businesses and will evaluate the potential for further accretive acquisitions, as well as continuing to integrate the ID business to unlock the identified cost and growth synergies.

Graham Mullis, Group CEO of Novacyt, commented:

"Group sales, excluding NOVAprep®, increased 11% as a result of significant core sales growth in Primerdesign and further progress in securing tenders in Lab21. The strategic review of NOVAprep® operations is expected to improve the current and future profitability of the Group.

The rest of the Group performed well and we continue to make good progress across our strategic objectives. This includes completing the acquisition of the infectious disease assets from Omega diagnostics. Integration activities have begun and we are focused on expanding sales and delivering the anticipated material synergies.

"We have a strong order book going into the second half of the year, which is traditionally stronger than the first half of the year, and we remain committed to achieving profitability for the full year on an organic basis. The profitability of the recent ID business from Omega will add to the underlying EBITDA profitability of the Group and we will continue to evaluate selected accretive acquisition opportunities and expect to provide an update on the NOVAprep® business unit review in due course."

Key dates for the company's results disclosure include:

· Half-year 2018 results - 26 September 2018

Inside Information

This announcement contains inside information. The person responsible for arranging for the release of this announcement on behalf of the Company is Anthony Dyer.

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About Novacyt Group

The Novacyt Group is a rapidly growing, international diagnostics group with a growing portfolio of cancer and infectious disease products and services. Through its proprietary technology platform, NOVAPrep®, and molecular platform, genesig®, Novacyt is able to provide an extensive range of oncology and infectious disease diagnostic products across an extensive international distributor network. The Group has diversified sales from diagnostic reagents used in oncology, microbiology, haematology and serology markets, and its global customers and partners include major corporates.

For more information please refer to the website: www.novacyt.com

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