

## 12m Results 2021

**Opinion** <sup>(1)</sup>: In line

**Impact** <sup>(1)</sup>: We will maintain our estimates

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### Business description

**Pangaea Oncology (PANG)** is a small Spanish biotech company (Zaragoza), specialising in differentiated cancer diagnosis and treatment and corporate services (molecular diagnostics and biomarker discovery for the pharmaceutical industry). It is run by a prestigious medical team that includes its founders (c.20% of capital). The Solans family (Hersol) and GPI (Mayoral) are reference shareholders.

### Market Data

Market Cap (Mn EUR and USD)	39.4	41.5
EV (Mn EUR and USD) <sup>(2)</sup>	35.3	37.2
Shares Outstanding (Mn)	22.7	
-12m (Max/Med/Mín EUR)	2.36 / 1.76 / 1.36	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	2.8	
Factset / Bloomberg	PANG-ES / PANG SM	
Close fiscal year	31-Dec	

### Shareholders Structure (%) <sup>(5)</sup>

GPI (Domínguez Family, Mayoral)	18.7
Founders	17.7
Hersol (Solans Family)	14.4
Vidaro Inv. (Villagrà Blanco Fam.)	11.1
Free Float	14.8

### Relative performance (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	4.8	11.6	-24.8	-33.5
vs Ibex 35	5.2	11.9	-22.7	-17.0
vs Ibex Small Cap Index	5.9	5.9	-23.7	-53.8
vs Eurostoxx 50	10.3	21.4	-20.9	-37.8
vs Sector benchmark <sup>(4)</sup>	19.5	23.9	-4.8	-60.9

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Europe Biotechnology.

(5) Others: A.Hidalgo 7.8%, Inv. Orensanas +Inv. Serpis 15.4%, BIOSense (J. Rivala) 5.5%, Top Genetics + Biolifepat + Maectorax 12.2%

(\*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

## 12m Results 2021: Revenues and margins return to normal

**REVENUE GROWTH (+12.3%) DECELERATING DUE TO THE DECLINE IN COVID SERVICES.** Something that was expected: revenue growth of 21.3% in 1H21. By division, growth of 17.2% in Clinical Care (+13.8% 1H21) and of 7.2% in Corporate Services (+30.9% 1H21). The snapshot reflects the impact of the company's return to its core business after the business exception caused by Covid. In other words, replacing Covid revenue with oncological services.

**GROSS MARGIN CONTINUES TO IMPROVE.** The trend seen in 1H21 continues, confirming the increased weighting in the mix (47% vs 31% in 2019) of corporate services (with a bigger margin). In addition, corporate services (ex Covid) grew significantly more than total revenue (20.9% vs 12.3%) due to the price effect (the number of clients grew 3.8%). The Covid impact (more volume, declining margins) has disappeared. The gross margin sequence is explicit: 2019 (66.9%) – 2020 (61.9%) – 2021 (66.6%).

**EBITDA STILL BELOW BREAK EVEN.** Strong increase in structural costs but essentially non-recurrent: personnel costs (+11.1%; increase in the headcount in 1H21 due to Covid services) and other operating costs (+31.4%). EBITDA was EUR -1.7 Mn (vs EUR -0.4 Mn estimated). Rec. EBITDA was c. EUR -1.0 Mn (reasonable vs EUR -0.6 Mn estimated).

**SIGNIFICANT REDUCTION OF DEBT.** In 2021 all the debt with the Pikolin group was capitalised. However, in December 2021 a new convertible loan was issued (EUR 1.0 Mn) with the same group that added to the cash consumed over the year results in net debt of EUR 1.7 Mn (EUR 3.1 Mn in 2020). Three readings: i) a capital structure with low gearing: 0.1x ND/Equity; ii) the recurrent support of a controlling shareholder; and iii) the ability to assume the levels of investment required by the business with reasonable gearing ratios.

**IN CONCLUSION, AFTER COVID THE FOCUS HAS RETURNED TO THE CORE BUSINESS.** The equity story hinges on: i) organic growth in revenue after the pandemic; and ii) the gross margin performance (ability to direct the mix towards profitability). 1H22 results (with zero Covid effect) will be crucial.

In 2022e, organic revenue growth of c. 10-15% (in line with 2021) plus the impact of QTI acquisition (march 2022) would rise revenues to c. EUR 6Mn leading FCF and Rec. EBITDA to break-even already in 2022. The margin improvement seen in 12m 2021 results (and its cause and long-term impact) is the most interesting aspect of these results.

EUR Mn	12m21 Real	12m20	12m21 Real vs 12m20	2021e	12m21 Real vs 2021e
<b>Total Revenues</b>	4.6	4.1	12.3%	5.2	-11.4%
Medical services	2.4	2.1	17.2%	2.7	-7.9%
Corporate Services (DX)	2.2	2.0	7.2%	2.5	-15.0%
<b>EBITDA <sup>(1)</sup></b>	-1.7	-1.6	-6.7%	-0.4	n.a.
EBITDA/Revenues	-36.9%	-38.9%	1.9 p.p.	-8.4%	-3.4 p.p.
<b>EBIT</b>	-0.5	-1.6	66.7%	0.0	n.a.
<b>PBT</b>	-1.1	-1.9	42.4%	-0.2	n.a.
<b>NP</b>	-0.6	-1.8	64.2%	-0.2	n.a.
<b>Ordinary NP</b>	-0.6	-1.8	67.8%	-0.4	-42.2%
Net Debt	1.7	3.1			
ND / Equity	0.1x	0.4x			

(1) Does not include activations or grants.

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## Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	39.4	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	0.3	12m Results 2021
+ Net financial debt	1.7	12m Results 2021
- Financial Investments	0.3	12m Results 2021
+/- Others <sup>(1)</sup>	(5.7)	12m Results 2021
<b>Enterprise Value (EV)</b>	<b>35.3</b>	

(1) Tax loss carry forward.

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02-May-2022	n.a.	1.73	n.a.	n.a.	12m Results 2021	Alfredo Echevarría Otegui
29-Oct-2021	n.a.	1.66	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
02-Sep-2021	n.a.	1.72	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
25-Jun-2021	n.a.	1.88	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
05-May-2021	n.a.	2.20	n.a.	n.a.	12m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
03-Nov-2020	n.a.	1.60	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
16-Oct-2020	n.a.	1.58	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

