

BioPorto A/S

Copenhagen Stock Exchange: BIOPOR

Date of publication:
September 29, 2009

Closing share price on September 28, 2009:
DKK 6.75

Market Cap
DKK 284 Mill

Bloomberg
BIOPOR DC

12-month price target
DKK - 20

Fasten your seatbelt

Cincinnati Children's Hospital (CCH) has decided to drop its lawsuit against BioPorto's NGAL patent before the Danish Maritime and Commercial Court. This could be the beginning of a quick up turn. Combined with a successful share issue of 14.7 million the operational management is secured to 2011. Hence there is scope for making the use BioPorto's NGAL cut-off patent a success. The reaction in the market was very strong, but to potential new shareholders - do not despair. There is still a lot of potential in the share price. The ride is far from being over.

On the basis of CCHs writ of summons and following standard procedure, the European Patent Office (EPO) suspended grant proceedings for a patent on March 5, 2009. Since CCH has decided to withdraw the lawsuit, the basis for continuing grant proceedings has disappeared. We should therefore expect that grant proceedings will be resumed no later than October 1, 2009 as originally announced by EPO.

In our latest update we highlighted the consequences of two potential outcomes. The first one focused on a scenario where BioPorto lost the patent right to CCH and the second scenario where BioPorto was successful in making the NGAL test a commercial success. With the latest development in mind we now eliminate scenario 1 and will focus further on scenario 2. We have made some small adjustments to our expectations after the share issue. Also we have changed the presentation a little and made it more orderly.

The recommendation is still a buy with a 12 month target of 20 Dkr.

ISIN:	OMX - BIOPOR		
Region Country:	Denmark		
Price (28 Sep. 2009):	DKK 6.76		
Outstanding shares:	42,132,624		
DKK million			
Year	2010	2011	2012
Sales	15.188	515.000	1.013.750
EBIT	-12.229	92.365	195.796
EPS	Neg.	1.64	3.49

Company description

BioPorto develops and markets antibodies and antibody-based products, including tests to diagnose human disease.

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Capital increase will secure running costs into 2011.

Patent is expected to be issued in Europe soon.

World wide coverage

EBITDA is expected to increase to 680 mill in 2015

Share price is simply too cheap

Yield could exceed 14%

Target price 20 Dkr.

The case

The capital increase will secure Bioporto's capital resources for finishing and marketing the Company's new homogeneous NGAL test and secure coverage of running costs into 2011, where sales of the new type of homogeneous NGAL test will be launched in collaboration with one of the world's leading companies within diagnostic analyses (according to BioPorto). By using Bioporto's NGAL test to diagnose acute kidney injury, the treatment of the hospitalized patients will lead to a market improvement compared to existing methods. BioPorto therefore expects to get a considerable market share and become a leading player in the NGAL market.

According to BioPorto the global market for NGAL tests is around 175 mill tests yearly. So far BioPorto's cutoff patents have been issued in Singapore, New Zealand and South Africa. Now that CCH has decided to discontinue its case against BioPorto one could expect that the **patent will be issued in Europe by the end of 2009**. BioPorto's cut-off patent has been applied for in the US, Canada, Australia, Japan, China, India, Israel, South Korea and Hong Kong. We expect the approval in these regions to come during 2010, which means that BioPorto's NGAL test will have 100% worldwide coverage by the end of 2011.

We have made some small adjustments in our forecast results presentation so turnover from homogeneous sale is included 100%. Costs will increase leaving EBITDA at the same level as before. Assuming that the price/test will be 50 Dkr. and the penetration rate will be 7.5% in 2011 increasing to 50 % in 2015 - the NGAL-test sale should go from 15 million. Dkr. in 2010 to 3.341 million. Dkr. in 2015. We expect the margin of total sales within the sale of homogeneous tests to be 20%. A royalty payment from sales within the heterogeneous market is expected to be 4%. That gives an EBITDA level of 680 million Dkr. in 2015. Still one should remember that sales from other products are not included in the figures.

But why do we not include earnings from other products, nor expected financial income, in the years ahead? The numbers are already so high that it makes no sense to add in more. After tax the result is expected to be around 69 million Dkr. in 2011 rising to 510 million Dkr. in 2015. In 2012 BioPorto will have an EPS of 3,49 and a P/E of 1,94!!!! at a share price of 6,75 Dkr.

If you expect a payout ratio of 30% of profit, shareholders should expect a dividend of 1 Dkr. in 2012, which equals a yield of more than 14%

Today BioPorto has a market cap of 284 million Dkr. If our assumptions are just near being true the share price could go much higher than our 12 month target of 20 Dkr.

BioPorto A/S

DKK/000	2008	2009	2010	2011	2012	2013	2014	2015
Sales from other product	9.875	13.000	13.000	16.250	16.250	16.250	16.250	16.250
Homogene NGAL-tests sale total				492.188	984.375	1.640.625	2.296.875	3.281.250
Royalty payments - 4% margin		0	2.188	6.563	13.125	21.875	30.625	43.750
Upfront payment	0		0	0	0	0	0	0
Total Sales		13.000	15.188	515.000	1.013.750	1.678.750	2.343.750	3.341.250
COGS	-4.533	-5.713	-5.713	-5.941	-6.179	-6.426	-6.683	-6.950
Distribution	-5.550	-6.000	-6.000	-6.180	-6.365	-6.556	-6.753	-6.956
Administrative costs	-8.065	-8.500	-8.500	-8.840	-9.194	-9.561	-9.944	-10.342
R&D costs	-7.204	-7.204	-7.204	-7.924	-8.717	-9.589	-10.547	-11.602
Cost (collaborator) 80% includes partner				-393.750	-787.500	-1.312.500	-1.837.500	-2.625.000
Total costs	-25.352	-27.417	-27.417	-422.635	-817.954	-1.344.632	-1.871.427	-2.660.849
EBITDA			-12.229	92.365	195.796	334.118	472.323	680.401
Depreciation	0	0	0	0	0	0	0	0
EBIT			-12.229	92.365	195.796	334.118	472.323	680.401
Financial Income	860	763	1.000	0	0	0	0	0
Financial costs	-125	-982	0	0	0	0	0	0
Profit before Tax			-11.229	92.365	195.796	334.118	472.323	680.401
Tax - 25%			0	23.091	48.949	83.529	118.081	170.100
Profit after Tax			-11.229	69.273	146.847	250.588	354.242	510.300
Assumptions								
Potential number of market tests		175.000	175.000	175.000	175.000	175.000	175.000	175.000
Homogene tests 75% (2 partners)		0	0	131.250	131.250	131.250	131.250	131.250
Heterogene tests 25%		0	43.750	43.750	43.750	43.750	43.750	43.750
EBITDA Margin 4% of licence sale (50 kr)			2.188	6.563	13.125	21.875	30.625	43.750
EBITDA Margin 20% of H.sale (50 kr.)		0	0	98.438	196.875	328.125	459.375	656.250
Sales price/test DKK		50	50	50	50	50	50	50
Royalty payment (RP)		0%	4%	4%	4%	4%	4%	4%
Penetration rate	0%	0%	2,5%	7,50%	15%	25%	35%	50%
Estimated NGAL-tests - Licence sales		0	54.688	164.063	328.125	546.875	765.625	1.093.750
Homogene sale in total				492.188	984.375	1.640.625	2.296.875	3.281.250
Number of market tests			4.375	13.125	26.250	43.750	61.250	87.500
EPS			-0,27	1,64	3,49	5,95	8,41	12,11
P/E			-15,01	4,11	1,15	0,67	0,48	0,33
Dividend 30% of PAT				0,49	1,05	1,78	2,52	3,63

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The principals and employees of Korral Securities are also current investors in BioPorto A/S. The research has been carried out using traditional analysis methods and publicly available information sources.

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