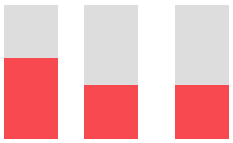
AroCell AROC

Company page
https://www.redeye.se/company/arocell

Publication date
May 31 2021

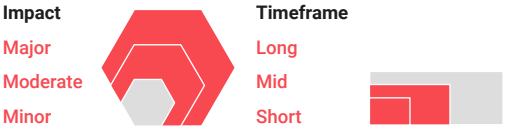
Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Michael Brobjer
Chairman	Claes Post

Share information

Share price (SEK)	4.7
Number of shares (M)	75.7
Market cap (MSEK)	353
Net debt (MSEK)	0

Analyst

Oscar Bergman
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Conflict of interests

Oscar Bergman owns shares in AroCell: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2019	2020E	Redeye Estimates 2021E	2022E	2023E
Revenue, MSEK	0	0	9	49	91
Growth	*-43.4%*	*-77.4%*	*>100%*	*>100%*	*85.7%*
EBITDA	-20	-24	-28	-11	9
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*10.0%*
EBIT	-20	-24	-33	-16	3
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*4.1%*
Pre-tax earnings	-20	-24	-33	-16	3
Net earnings	-20	-24	-33	-16	3
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*4.1%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.53	-0.33	-0.45	-0.21	0.05
P/E adj.	N/A	N/A	N/A	N/A	N/A
EV/S	10,743.0	N/A	N/A	N/A	N/A
EV/EBITDA	-229.4	N/A	N/A	N/A	N/A

Last updated: 2021-05-28

Owner	Equity	Votes
Avanza Pension	10.1%	10.1%
Nordnet Pensionsförsäkring	4.7%	4.7%
Olle Stenfors	4.2%	4.2%
Jon Eiken	3.4%	3.4%
Bernhard Tribukait	3.3%	3.3%
Gunvald Berger	2.5%	2.5%
Mikael Jacobsson	1.8%	1.8%
Lena Lindqvist Design AB	1.7%	1.7%
Staffan Eriksson	1.1%	1.1%
BNP Paribas Sec Services Jersey	0.8%	0.8%

Company description

AroCell is an Uppsala-based diagnostics company that focuses on the research, development and sales of an in vitro diagnostics product for cancer, called TK 210 ELISA, and the licensing of the technology behind this. We believe the greatest potential for the product and technology lies in breast and prostate cancer. AroCell was initially founded under the name Xi Bao Research AB in 2003 but changed this in 2006. The company was listed on the Spotlight Stock Market in 2011 and relisted on Nasdaq First North in 2015.

Its CE-approved TK 210 ELISA measures the concentration of a protein called thymidine kinase 1 in blood samples, which can determine the efficiency of cancer therapy. It provides this information quickly and with high sensitivity.

Investment case

- We see two catalysts for AroCell in the mid- to long-term; continued clinical validation and FDA approval in 2021.
- We believe a management change, a weak ownership structure, lacking sales and a capital need, to have put weight on the stock in 2019 and parts of 2020. Now, we see that management has proven itself, ownership has somewhat strengthened and capital has been raised.
- The company has an exciting partnership with Roche, related to AroCell's TK1 technology. This could heavily impact its market potential.

TK1 concentration

AroCell's unique technology enables measurement of the protein thymidine kinase 1 (TK1) concentration in blood. As the protein increases as cells repair and divide, analysing it can provide insights in cancer therapy response.

There are several commercially available activity-based methods of measuring TK1. However, measuring the concentration of the protein in the blood provides better results more efficiently than measuring the activity. Measuring the TK1 concentration can give important insights to therapy response of cancer treatments. The low concentration of TK1 in blood, its rapid half-life, enzyme structure, and aggregation of other molecules makes concentration determination a challenge. AroCell's unique technology has overcome this and makes it the only company with a CE marked product to measure the concentration of TK1. This gives AroCell a unique position to sell and license out a technology of a superior analysis method.

Roche Diagnostics

The company's non-exclusive licensing deal with Roche, which involves a fully financed clinical validation of TK1 concentration analysis, could have a decisive impact on AroCell. A positive outcome would primarily represent a stamp of approval, opening the way to establishing the biomarker. In addition, royalties from the technology would help AroCell fund sales of the product.

TK 210 ELISA

We estimate the US and EU-5 markets for therapy response analysis in breast and prostate cancer at 4.5 and 2.1 million tests, respectively. We base these figures on data from Datamonitor.

Establishing the biomarker

We argue that AroCell is now better positioned than before to make TK1 concentration an established analysis for therapy response. The potential to capitalize on the Roche deal and show the advantages of TK1 concentration with additional studies and increased marketing efforts is significant. However, the technology will require further testing and evaluation even after Roche's potential implementation in 2022 to establish it clinically.

Catalyst types

TK 210 ELISA sales growth
Increased sales of TK 210 ELISA in research and development

FDA approval
FDA approval of TK 210 ELISA for the US market

Roche Diagnostics
Further news from the Roche deal and its clinical validation of TK1 concentration

Clinical validation
Widening its clinical validation to other indications

Personal notes