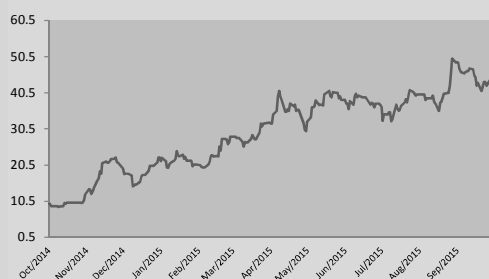


Key Statistics

Code	: OPTI
Listing	: AIM
Sector	: Biotechnology
Market Cap	: £29.2m
Share in issue	: 73.7m
Current Price	: 48p
12 mnth High/Low	: 50p/8.875p

Stock Performance



Source: Fidessa

Financials (y/e Dec)

Cash balance as at May 2015: £2.5m

Source: H1 results

Company description

OptiBiotix was formed in March 2012 to develop compounds which modify the human microbiome –the collective genome of the microbes in the body – to prevent and manage human disease. OptiBiotix has established a pipeline of microbiome modulators that can impact on lipid and cholesterol management, energy harvest and appetite suppression. The development pipeline is fuelled by its proprietary OptiScreen® and OptiBiotic® platform technologies designed to identify metabolic pathways and compounds that impact on human physiology and bring potential health benefits. These platforms are applicable across a wider range of other human diseases.

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IP asset base continues to strengthen

The life sciences business developing compounds to tackle obesity, high cholesterol and diabetes has this week announced that it has registered an additional five proprietary microbial strains (now a total of eight) under the Budapest treaty. The five strains have been identified as having the potential to generate novel oligosaccharides (carbohydrates that consist of a small number of sugars). As OptiBiotix advances its programmes towards commercialisation it is vital that its know-how, microbial strains and processes are protected, thereby strengthening the negotiating position with partners. The oligosaccharides programme is being progressed in conjunction with the Spanish National Research Council and is moving towards the commencement of human studies in 2016.

Strain registration protects ownership and allows OptiBiotix to build application patents around specific strains creating valuable assets. In any commercial deal ownership of a strain linked to its registration and deposit in an international repository is critical.

- Comes soon after the completion of human studies on the cholesterol product which is now undergoing pilot manufacturing studies.
- Adds to IP portfolio. Since IPO the company has expanded the number of patents filed from five to nine.
- Share price performance has been strong up 26.6% over the quarter reflecting ongoing commercial and scientific progress.
- Our risked valuation at initiation in February applied a 75% risk discount generating a theoretical valuation of 48.9p. The company is now arguably significantly closer to commercialisation. On an illustrative basis a reduction of the risk discount to 70% generates an indicative value of 56.4p per share which rises to 65.4p at 65%.
- Of course the financial terms of future any commercial partnerships will be the true value drivers, but strong IP and scientific advances will strengthen OptiBiotix's position at the bargaining table with well-resourced companies who may be keen to exploit this novel approach to human health.

Last month OptiBiotix announced that the human studies for its cholesterol targeting microbial based supplement were complete. However under the terms of an option agreement with a multinational consumer goods company the results of the study were embargoed under strict confidentiality clauses which is common practice by blue chip organisations in order to protect their competitive position.

Nonetheless we can take comfort in that OptiBiotix has commenced pilot manufacturing studies to define the scale up requirements to take the strain from laboratory to pilot scale manufacture, an indication of its confidence of the product's commercial viability. Importantly this strain is one of the three that were already registered.

As well as strain registrations OptiBiotix has been increasing its patent portfolio (as per the 28 May announcement) and has now filed a total of nine patents surrounding its platforms' abilities to identify metabolic pathways and compounds that impact on human physiology. The registration of additional microbial strains increases the likelihood of further patent filings.

The OptiBiotix share price has continued to perform well up 26.6% in the last quarter. Indeed since our initiation the company has made significant strides in terms of scientific progress, accumulation of intellectual property, a strategic alliance, a completed human study and an option agreement with a multinational company over its rapidly advancing cholesterol programme. Data thus far suggests safety and tolerance and manufacturing studies are underway. At the time of our initiation in February we prepared an indicative valuation of the company whereby we applied a 75% risk discount reflecting the relative early stage of the company's programmes generating an indicative value per share of 48.9p. Given the progress the company has made we argue that the risks associated with commercialising OptiBiotix's multiple programmes (and in due course developing additional programmes) has reduced.

Adjusting for dilutive shares in issue even a modest five percentage point reduction to 70% in the risk discount has the effect of increasing the indicative value per share (per our model) to 56.4p. At a still relatively conservative 65% risk weighting our model suggests a value of 65.4p per share. Investors will naturally be focusing on the monetary value of potential deals, in terms of up-front payments, milestones and royalties, which are of course the tangible outcome of value crystallisation. However as the science, innovation and IP progresses in the background, this continually strengthens OptiBiotix's position at the bargaining table with well-resourced companies who may be keen to exploit this novel approach to human health.

Income Statement

	6 months to 31 May 2015 Unaudited £	6 months to 31 May 2014 Unaudited £	Year to 30 November 2014 Audited £
Continuing operations			
Administrative expenses	(514,431)	(57,643)	(489,015)
Operating loss	(514,431)	(57,643)	(489,015)
Non-Operating Items			
Admission expenses	-	-	(365,038)
Finance income / (costs)	7	-	93
Loss before Income tax	(514,424)	(57,643)	(853,960)
Income tax	-	-	43,254
Loss for the period	(514,424)	(57,643)	(810,706)
Total comprehensive income for the period	(514,424)	(57,643)	(810,706)
Total comprehensive income attributable to the owners of the company	(514,424)	(57,643)	(810,706)
Loss per share			
Basic & Diluted loss per share - pence	0.708p	1.144p	3.03p

Source: OptiBiotix Health PLC Half Year Report

Cashflow Statement

	6 months to 31 May 2015 Unaudited £	6 months to 31 May 2014 Unaudited £	Year to 30 November 2014 Audited £
Reconciliation of loss before income tax to cash outflow from operations			
Operating loss	(565,284)	(57,643)	(854,053)
(Increase)/decrease in trade and other receivables	(23,944)	291,233	296,616
Decrease in trade and other payables	(24,507)	(201,548)	(212,913)
Share Option expense	127,728	-	63,770
Depreciation	347	-	244
Net cash outflow from operations	(485,660)	32,042	(706,336)
Interest paid	-	-	-
Interest received	7	-	93
Net cash outflow from operating activities	(485,653)	32,042	(706,243)
Cash flows from investing activities			
Purchases of property, plant and equipment	(1,965)	-	(1,099)
Net cash from acquisition of subsidiary	-	-	251,834
Net cash (outflow)/inflow from investing activities	(1,965)	-	250,735
Cash flows from financing activities			
Share issues	87,753	73,029	3,300,068
Net cash inflow from financing activities	87,753	73,029	3,300,068
Taxation	-	-	25,732
Increase/(decrease) in cash and equivalents	(399,865)	105,071	2,870,292
Cash and cash equivalents at beginning of year	2,870,442	150	150
Cash and cash equivalents at end of year	2,470,577	105,221	2,870,442

Source: OptiBiotix Health PLC Half Year Report

Balance Sheet

	As at 31 May 2015 Unaudited	As at 31 May 2014 Unaudited	As at 30 November 2014 Audited
	£	£	£
ASSETS			
Non-current assets			
Intangibles	2,259,369	-	2,259,369
Property, plant & equipment	2,473	-	855
	<u>2,261,842</u>	<u>-</u>	<u>2,260,224</u>
CURRENT ASSETS			
Trade and other receivables	28,595	10,034	4,651
Current tax asset	94,107	-	43,254
Cash and cash equivalents	2,470,577	105,221	2,870,442
	<u>2,593,279</u>	<u>115,255</u>	<u>2,918,347</u>
TOTAL ASSETS	<u>4,855,121</u>	<u>115,255</u>	<u>5,178,571</u>
EQUITY			
Shareholders' Equity			
Called up share capital	7,100,284	5,742,586	7,078,346
Share premium	3,812,596	1,355,502	3,746,781
Share based payment reserve	218,698	27,200	90,970
Merger relief reserve	1,500,000		1,500,000
Accumulated deficit	(8,281,437)	(7,013,950)	(7,767,013)
Total Equity	<u>4,350,141</u>	<u>111,338</u>	<u>4,649,084</u>
LIABILITIES			
Current liabilities			
Trade and other payables	53,106	3,917	77,613
	<u>53,106</u>	<u>3,917</u>	<u>77,613</u>
Non - current liabilities			
Deferred tax	451,874	-	451,874
	<u>451,874</u>	<u>-</u>	<u>451,874</u>
TOTAL LIABILITITES	<u>504,980</u>	<u>3,917</u>	<u>529,487</u>
TOTAL EQUITY AND LIABILITIES	<u>4,855,121</u>	<u>115,255</u>	<u>5,178,571</u>

Source:

OptiBiotix Health PLC Half Year Report

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