

Human Infertility – Targetting a Highly Motivated Consumer Group

Speculative Buy

Price: 11.9p
Price Target: 22.0p
Sector: Health Care
 Equipment & Services

Key Data

Market: London (AIM)
 TIDM: [CPT.L](#)
 1 Year Hi/Lo: 22.7p – 9.5p
 Existing Shares: 109.6m
 Market Cap: £13.0m
 ISIN: GB00BYZ2R301
 SEDOL: BYZ2R30
 Co. Website: conceptapl.com

Share Price Performance



Source: London Stock Exchange

Concepta Plc is a UK-based Women's Healthcare company which was founded to help women with unexplained infertility to improve their chances of conception.

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Of course any slippage in the commencement of projected sales is a disappointment. But the delays experienced in its scheduled hospital trials have largely been beyond Concepta's control, while both the viability and need for its innovative product offering remains wholly intact. Of course, the exact pace at which traction might be gained in such a highly sensitive area of personal health will always be uncertain. Personal recommendation based on familiarity, from both medics and individual patients, is what drives buying confidence when dealing with new innovative concepts in wholly unpenetrated markets. Indeed, it can be expected to power significant interest from the large population of women suffering unexplained infertility in the country once the trials have satisfactorily completed. As such, yesterday's announcement marks an important milestone resulting from close co-operation with Concepta's Chinese partners, who have assisted in refining its market entry strategies into China. Through its Shanghai offices, the Company continues to actively manage the profile and development of its myLotus brand; this first order allows it to test its three identified routes to market (IVF clinics, direct to consumer and hospitals) and the Board expects to make further announcements as it looks to expand its distribution network. It is now also in a position to activate its supply chain and leveraging core UK elements configured to provide a scalability. This is the result of a significant investment in regulatory processes and physical assets enabling its modular systems to expand capacity in line with demand. With ISO13485 accreditation in place, management also continues to prepare for commercial launch in the UK and Europe towards the end of the year. To put the scale of these opportunities into perspective, the Chinese market potential has been estimates to be worth around £250m, while the larger European opportunity is around £350m. Indeed, the total global opportunity addressed by Concepta's current product offering is estimated to be worth as much as US\$2 billion. Further out, its technology platform is expected to be developed into a much wider opportunity for personalised monitoring and self-diagnosis. Beaufort has reset its projections as a result of the Trading Update, moving its 2017E and 2018E Revenue estimates to £1.3m (from £2.7m previously) and £6.0m (from £8.25m) respectively, with revised earning of 0.71p and 2.10p. Recognising the value already created and the scale of the opportunity, however, Beaufort retains its Speculative Buy rating on the shares, while trimming its price target from 26p to 22p/share.

First Sales Order in China and Trading Update – 13 June 2017

- The Company has received its first sales order of RMB 1.95million (approx. £225,000) for myLotus Fertility Products from HuanZhong Biotech Co. Ltd, its partner in China.
- The Board confirmed its anticipation of further sales orders in line with its partner agreement.
- Given the Company originally expected commencement of sales during the Q1'2017, the Board has re-appraised its sales forecast for 2017, and now believes turnover for year ending 2017 will be below market expectations. In response, it has delayed spending and initiated tight cost control, this will result in the losses for the year being broadly in line with current market expectations.

Year to December (£m)	Revenue	EBITDA	EBITA	Net Profit (Loss)	EPS (p)	P/E ¹ (x)
2016A ²	-	(2.56)	(2.56)	(2.42)	-	-
2017E	1.30	(1.85)	(1.93)	(2.05)	(1.98)	-
2018E	6.00	1.20	1.02	0.84	0.71	17.3
2019E	14.25	3.43	2.99	2.29	2.10	5.8

¹Based on share price of 12.25p ²Period of 11 months 1 GBP = US\$1.27

Source: Beaufort

Company Overview



Concepta was founded in 2013 by Michael Catt and Zhang Zhi Gang, each of whom has a background in women's health diagnostics. The founders, along with several other of Concepta's employees, had previously worked for Unipath Limited (subsequently part of Alere, Inc.), a company operating in the pregnancy and ovulation testing market segment. Concepta was established to address initially the specific needs of women with fertility issues, with target customers being women who are classified as having 'unexplained infertility'. These are women who have no clinically identified cause of infertility but have not conceived after 1 year of trying.

The Concepta team has developed a proprietary platform for self-testing with application in the home as well as in a point-of-care environment. The platform allows Concepta to participate in the exciting emerging mobile health and connected health sectors, where the use of technology is looking at improved health outcomes through self-diagnosis and without burdening national healthcare systems. An increased ability to track and monitor wellbeing is expected to lead to higher opportunity or improved avoidance of symptoms.

[CLICK HERE](#) to see our initiation note on Concepta plc published on 6 October 2016

Investment Strengths and Weaknesses

Strengths and Weaknesses

Strengths

- ✓ Significant unaddressed market opportunity
- ✓ Highly motivated target user group
- ✓ Unique IP protected technology
- ✓ Product is market ready and creates wider platform opportunity
- ✓ Highly experienced management team

Weaknesses

- Target user group needs educating regarding the complexities of unexplained infertility
- Markets may take extended period to gain reasonable traction
- Chinese distribution costs may be higher than expected
- EU regulatory approval may take longer than expected to secure
- Additional equity funding may be required to maintain ongoing expansion

Recommendations

During the three months to end-May 2017, the number of stocks on which Beaufort Securities has published recommendations was 196, and the recommendations were as follows: Buy - 77; Speculative Buy - 100; Hold - 17; Sell - 2.

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Company Name	Disclosure
Concepta Plc	1,7

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