Equity Research | QLUCORE: At the vanguard of both oncology research and life science M&A

With a strong trend in oncology and life science R&D in favour of precision medicine, data analysis and AI, Qlucore is uniquely positioned at the forefront with its +200 research customers around the globe. This is also evidenced by the M&A activity we've seen internationally in 2023. With Net Cash of 80 MSEK above the current market cap of 75 MSEK, the low point in valuation (SEK 15 in Sept '22) should be behind them. We maintain our fair value of 34-46 SEK in 12-24 months, leaving plenty of upside from today's level, with progress on the CE application process, new license deals, and first Diagnostics sales as the primary triggers.

Qlucore at the vanguard of oncology

Today about 20 cancer treatments approved by FDA and EMA are directed towards specific gene fusions, and the increasing importance of gene fusions in oncology is driving demand from diagnostic laboratories for scalable analytical solutions. RNA can be used to analyze gene fusions and gives a more accurate view of the state cells in comparison to DNA. Sequencing is the most informative approach for analyzing RNA.

Qlucore provides two software packages for clinical RNA-seq data analyses to facilitate classification of cancer patients as well as detailed gene fusion analysis. Those are Qlucore Insights that is already available and used at several customer sites, but for research use only, and Qlucore Diagnostics which is under development and targeted for CE-IVDR compliance.

M&A activity in international healthcare data niche

In January 2023, Swedish impact fund Summa Equity led the merger of three global healthcare and life science companies, Pierian, Seven Bridges, and UgenTec, to form new company Velsera. The aim is to combine these companies' respective partial solutions to unlock the insights waiting to be revealed inside health data and deliver on the "promise of precision medicine", according to the release. Also in January, UK based Huma Therapeutics (5.5 MGBP of revenue in 2021), a platform providing intelligent software solutions and uses real-time health data for more efficient delivery of clinical care and research, acquired Clinical Research Institute Alcedis, a data-driven clinical research and digital services institute.

Share trading below cash

Qlucore continues to invest heavily in the development of cancer diagnostics tool Qlucore Insights /Diagnostics. With the Q4'22 report expected on 28th Feb, we maintain our base case of a CE approval for the Qlucore Diagnostics platform and ALL in 2024, with a subsequent increase in the number of labs to 70-100 labs by 2027/28. With an estimate of the number of tests per lab at 2,500-4,000 per year, and an estimated price per test of 1,000 SEK, we find support for the company's sales target of SEK 300m in 2027/28 and a 40% EBIT margin.

The stock however continues to trade below net cash and based on a combined DCF and multiple valuation we find support for a fair value of 34-46 SEK in 12-24 months, leaving plenty of upside from today's level. We continue to see a) progress and visibility on the CE application process, b) new license sales, and c) the first Diagnostics sales as the most important catalysts for the share.

For the full report, see https://www.emergers.se/qlucore_i/

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