



ALIGN
RESEARCH

WideCells Group

 15th June 2018

Stem cell services specialist set for rapid acceleration in revenues in a fast growing medical market

WideCells Group is a Main Market listed healthcare services company focused on growing in the burgeoning market for stem cell services. Over the past few years, management have built up an integrated stem cell services provider, focused on providing products which make stem cell treatments accessible and affordable.

■ Significant progress made in regulatory and commercial developments

Following significant progress made since IPO in July 2016 and the launch of several products, WideCells is now on the cusp of rapid revenue growth. Across three divisions the company can now offer an end-to-end service via the storage and processing of umbilical cord blood and tissue, stem cell insurance, stem cell research work and training and learning for healthcare professionals and the general public.

■ Stem cell markets growing rapidly

A 2017 report from Transparency Market Research suggests that the total global market for stem cells is expected to grow at a CAGR of 13.8% from 2017 to 2025 to become worth \$270.5 billion by 2025.

■ Placing and bookbuild provide funds to accelerate growth

WideCells has finalised a £1.871 million placing, including a £164,951 debt conversion, bringing the aggregate value to the group of the placing to £2.036 million gross. Net proceeds receivable by the group will be approximately £1.641 million. The funds will provide the company with general working capital and the firepower to accelerate product development and roll-out across its three divisions.

■ Indicative forecasts show huge growth potential

WideCells has huge potential for growth over the coming years. Applying a 20% tax charge to our FY2020 forecast operating profits would put the shares on a price/earnings multiple of just 1.1 times. **Recognising the early stage nature of the business, but considering the very low valuation should indicative forecasts be met, we initiate coverage of WideCells with a stance of Conviction Buy and initial price target of 12p representing a conservative 5 times multiple for 2020 reflecting the risks involved.**

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

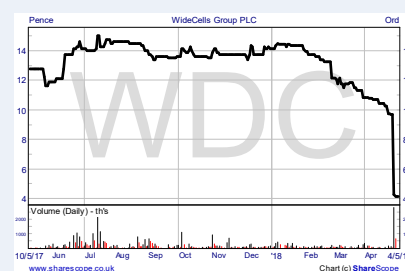
CONVICTION BUY – Price target 12p



Key data

EPIC	WDC
Share price	2.7p
52 week high/low	15p/2.7p
Listing	Main Market
Shares in issue	64,821,010
	*133,519,365 post placing
Market Cap	£1.75m/
	*£3.6m post placing
Sector	Health Care Services

12 month share price chart



Analyst details

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IMPORTANT: WideCells is a research client of Align Research. Align Research & a director of Align own shares in WideCells. For full disclaimer & risk warning information please refer to the last page of this document.

Corporate Background

WideCells was founded in Portugal in 2012 by current CEO João Andrade and Chief Operating Officer Lopes Gil, in order to take advantage of growth in the emerging cord blood industry, initially focusing on umbilical cord blood and tissue services in Portugal. WideCells Portugal was incorporated in 2013 and went on to achieve licences from the Portuguese regulatory agency Direção Geral de Saúde (DGS) to provide collection, cryopreservation and storage services at two cord blood banks in the country. During 2013 and 2014, WideCells Portugal received approximately 140 orders and stored 113 samples.

In January 2014 the group acquired an initial interest in Nacersalud S.L. (now 100% owned WideCells España), a Madrid based stem cell services company, licensed by the local regulatory authority, Servicio Madrileño de Salud (SERMAS) and the national regulatory authority, Organización Nacional de Trasplantes (ONT).

Nonetheless, rather than simply pursuing additional storage sales in Spain and Portugal, having identified first-hand the value potential and limitations of the stem cell market, the company set out to develop a more complete end-to-end stem cell service. Accordingly, the current holding company WideCells Group was incorporated in May 2016, re-registered as a Public Limited Company in June 2016 and in July 2016 listed its shares on the Main Market of the LSE, raising a total of £2 million via a placing of 18,181,819 new shares at a price of 11p each. At the same time 5,443,515 new shares were issued to the holders of certain convertible loan notes.

The funds raised were used to advance the company's growth as an integrated stem cell services company, focused on promoting stem cell treatments by making them accessible and affordable. To achieve this, the company has developed three key divisions: CellPlan, which has created an innovative stem cell insurance product; WideCells Limited, the stem cell storage and research division that is based at the University of Manchester Innovation Centre, and; Wideacademy, which provides teaching and learning services.

Supporting its strategy, a further £648,696 was raised by way of a private placing at a price of 12p per share in April 2017. In August 2017 the company raised another £750,000 at a price of 14p per share by way of a private placing, with seven directors taking part.

In June 2018 Widecells published a prospectus concerning a £1.871 million placing and £164,951 debt conversion, bringing the aggregate value to the Group of the Placing to £2.036 million gross.. Completion of the placing, which will satisfy current working capital requirements, is expected to take place before the end of June, with an AGM on 28th June being held to approve the share issuance (see page 11 for a full discussion).

Reflecting the progress made to date and its future potential, WideCells was ranked 21st in the Global DISRUPT 100 list for 2017 - a list which celebrates the businesses with the most potential to influence, change or create new global markets. **The company is now on the cusp of rapid revenue growth, with its three divisions offering an end-to-end service via the storage and processing of umbilical cord blood and tissue, stem cell insurance, stem cell research work and teaching and learning for healthcare professionals and the general public.**



Stem Cell Market Background

Stem cells are a class of undifferentiated cells that are able to differentiate into specialised cell types such as muscle cells, blood cells, brain cells and so on. It is their ability to differentiate that makes them highly attractive to the medical world. There has been a significant increase in stem cell transplants since the first bone marrow transplant was performed in the 1950s. Given their unique regenerative abilities, over 80 illnesses can currently be treated using cord blood stem cell procedures including leukaemia and lymphoma, with potential treatments for many more diseases and disorders, including cerebral palsy, autism, diabetes and ischaemic stroke, currently in clinical trials.

Stem cells themselves are found in a wide range of adult tissue, developing embryos and **cord blood** - blood taken from the placenta drawn through a newly cut umbilical cord. Cord blood contains haemopoietic stem cells, which can be used to treat adults and children for a variety of illnesses. It provides the most effective source of stem cells for a number of reasons due to it being simple, safe and painless to collect relative to other stem cell sources such as bone marrow.

Cord blood may be collected for either research purposes or for transplantation in the same (autologous) or another (allogeneic) person at a later time, as a form of cellular therapy. Autologous transplants are an exact biological match to the child from which they are sourced, thus eliminating the risk of rejection. Additionally, cord blood stem cells have a 25% probability of being a perfect match and a 50% probability of providing a suitable match for transplant use with a sibling, and may also be a suitable match for other biologically related family members.

Recent years have seen a rise in the number of private companies offering cord blood storage services for clients who may want to use them for medical reasons in the future. The procedure involves cord blood processing in a clean room laboratory to concentrate the stem cells for transplant, and then frozen in liquid nitrogen. Once frozen, stem cells are theoretically stable indefinitely, but are usually retained for approximately 25 years.

According to a 2017 report published in Stem Cells Translational Medicine, there are c.4 million cord blood samples held in storage in 500 cord blood storage facilities across the world, with the figure increasing by c.250,000 samples every year. **In addition, a 2005 report from industry analysts BioInformant suggested that the cord blood banking market was valued at \$2.4 billion in 2015, with a CAGR (compound annual growth rate) of 8.3% expected from 2015 to 2020 to reach a value of \$3.58 billion. A 2017 report from Transparency Market Research suggests that the total global market for stem cells is expected to grow at a CAGR of 13.8% from 2017 to 2025 to become worth \$270.5 billion by 2025.**

Operations

WideCells operates through three divisions:

CellPlan

WideCells' flagship product is **CellPlan**, a stem cell healthcare insurance plan which provides clients with financial cover for cord blood stem cell transplantation, travel and accommodation expenses, and a concierge service to manage the treatment process. The product aims to make stem cell treatment much more affordable for patients, providing a solution to the problem of high costs. While storage costs can be around £2,000 (plus a smaller annual service charge in some cases), the cost of cord blood stem cell transplantation itself can be as high as £300,000 or more, putting treatment outside the budgets of most people who have stored cord blood. In contrast, the average cost under CellPlan is just £170 per annum.

While new competitors are entering the market, CellPlan is claimed to be the world's first global stem cell healthcare insurance plan, giving WideCells first mover advantage in a growing market. CellPlan was launched in the UK market in June 2017, with an e-commerce platform launched for the country in October 2017. The product is offered in conjunction with a leading international medical advisory group which arranges treatment in accordance with the claims procedure. Policies are underwritten with a major reinsurance company, who for commercial reasons has not had its identity revealed.

CellPlan comprises four unique services in one offering:

- **Your Expert Consultation** - comprises a panel of experts in cord blood stem cell transplantation able to review a patient's case regardless of location and provide the right diagnosis and treatment plan.
- **Your Medical Certainty** - provides a comprehensive summary of the patient's case and identifies a selection of treatment centres where the patient can access treatment globally.
- **Your Global Resource** - a medical concierge service, whereby CellPlan handles the full treatment process, including any travel requirements if treatment is not available in the home country, hospital admission and transportation of the cord blood stem cells, allowing patients to concentrate on getting well.
- **Your Family protection** - CellPlan provides cover for up to £/\$/€1 million (depending on the location) of medical, travel and accommodation bills.



CellPlan business model & growth strategy / UK launch

WideCell's strategy for CellPlan sees the company entering agreements with cord blood banks to introduce the product to uninsured clients who have already stored their baby's umbilical cord blood, thus providing a highly attractive and ready target market. To that effect, in January 2017 WideCells signed an initial five year agreement with Biovault Technical, the UK's largest private human tissue storage facility, which stores c.25,000 cord blood samples collected in different countries. Under the deal Biovault exclusively promotes the sale and marketing of CellPlan to its existing and future customers in return for a commission based on gross premiums. Providing further opportunities for expansion, the agreement does not restrict CellPlan from signing additional agreements with further stem cell storage facilities, as evidenced below. WideCells continues to target additional agreements and expects further cord blood banks to join its CellPlan Excel Global Programme, under which banks must meet strict requirements in order to be able to offer CellPlan to its clients.

Under its reseller model, CellPlan generates an average of c.£50 from each sale, after disbursements, commissions and reinsurance costs. **However, with stem cells requiring storage over many decades, the company expects to see high annual renewal rates and thus to build up a stream of long-term recurring revenues.**

Spain

CellPlan is currently being launched to new clients in Spain, with an ecommerce platform expected to launch in the near term. In October last year WideCells signed a definitive agreement to roll-out CellPlan to clients of Stem Cell Banco Celulas Madre, S.A. (Stem Cell), an established provider of stem cell storage services, which has been in operation for over ten years. Stem Cell has leading storage facilities in Spain and is also a member of the Regenera Swiss AG group, which provides exposure to and affiliation with other European facilities, particularly in Germany. Around 22,000 samples are currently stored by Stem Cell, with current customers contacted to purchase CellPlan. New customers that enquire through Stem Cell's website will be targeted through digital mailings that will range from a mix of standard and special campaigns, with a number of other marketing techniques also planned.

Brazil

In H2 2018 CellPlan is being targeted for roll out in the Brazilian market. In the country, WideCells signed a definitive agreement in July 2017 with Hemocord Clinica Medica Ltd, a world-class leader in cord blood storage with facilities in Brazil, which has been operating since 2004. Around 5,000 stem cell samples are currently stored by Hemocord, with both current and new potential clients being targeted via a mix of marketing campaigns. **The launch of the product in Brazil provides exposure to**

the largest cord blood storage market in South America, one which is projected to be worth \$445 million by 2023 by Transparency Market Research.

Asia-Pacific

In March this year WideCells announced a landmark deal with Cryoviva Group, an established cord blood storage facility with operations in Thailand, Singapore and India, to sell CellPlan in Asia. Cryoviva has c.250,000 inspected samples stored to-date which represents almost 9% of all samples stored worldwide, with forecasts to store c.25,000 new samples every year. CellPlan will be launched to Cryoviva customers on a phased basis, commencing in H2 2018, providing staged revenue increases. **This provides WideCells with exposure to another high growth region, with the Asia-Pacific stem cell market expected to grow at a CAGR of 14.6% from 2017 to 2025 by Transparency Market Research.**

WideCells Limited

WideCells Limited is the company's 100% owned stem cell storage and research division. Based at the University of Manchester Innovation Centre, the company has established The Institute of Stem Cell Technology (ISCT) to provide stem cell storage services and to undertake stem cell research. An international cryogenics division specialises in stem cell storage, with the division currently offering umbilical cord blood and tissue storage services to clients in the UK and Europe under the brand name BabyCells. This division has storage potential for over 500,000 stem cell products, with space for future expansion. Alongside this, the company undertakes pioneering research at one of two Grade B clean rooms on site, with the other room used for its cryogenics services.

In September 2016 WideCells Brasil was launched, an umbilical cord blood processing and storage facility in São Paulo, Brazil. The launch followed a 2016 licensing agreement with Biocells Brasil, a company which operates a stem cell laboratory in São Paul which is licensed by the Brazilian regulatory authority, the Agência Nacional de Vigilância Sanitária (ANVISA). Initial stem cell collection is charged at \$1,000, which includes the first year's storage fee, with annual storage charged at \$150 per annum thereafter.

Adding additional upside to the company's storage and research services, WideCells is also a licensed provider of **INDUS**, a porous synthetic bone graft developed by Medbone® - Medical Devices Lda that promotes new bone formation and is primarily used in the dental industry. There are two primary INDUS products, INDUS TCP and INDUS BCP, which are designed for the filling of bone defects. To facilitate the sale and promotion of the INDUS products, which have a retail price of c.£410 - £450, WideCells has recently launched an e-commerce site to support sales. The company is also undertaking research to examine the potential of using stem cells alongside synthetic bone graft treatments to accelerate the new bone formation process.

In the longer term, WideCells intends to add additional stem cell services such as dental pulp processing and storage (TeethCells) and Adipose tissue collection, processing and storage (LipoCells) to increase its stem cell storage product offering.



Developments / Research License

In July 2017 WideCells' Institute of Stem Cell Technology was granted a Research Licence from the UK's Human Tissue Authority, the regulator for human tissue and organs. The granting of the licence was a significant milestone for the company, enabling it to proceed with stem cell research at its Manchester base.

Initial research projects include a one-year study, funded with £100,000 by biotechnology company Qigenix, which has developed a medical laser shown in pilot studies to activate stem cells and enable them to produce better and faster results in recipient patients. The research will attempt to fully understand the laser stem cell activation process which will enable the technology to be used more widely for an increasing number of patients. In addition, in house research will develop new technology using artificial bone product INDUS together with mesenchymal stem cells to enable significantly faster bone formation. This will be a major advantage to both dentists and orthopaedic surgeons who need to restore bones in their patients.

Human Application Licence

In February this year the UK Human Tissue Authority further awarded WideCells Ltd a Human Application Licence. This licence permits the company to import, export, process, store and distribute for treatment, umbilical cord blood and umbilical cord tissue from the UK and Europe in its Manchester facilities. The licence now enables the company, under the BabyCells brand name, to offer umbilical cord blood and tissue storage services to clients in the UK and Europe. BabyCells will be charged at a cost of circa £2,000 to £2,500 per sample for one year's storage (including collection and processing), with recurring storage revenues of £50-£75 per annum thereafter and alternative multi-year pre-paid storage plans. Clients of BabyCells will be offered one year's stem cell insurance cover, provided by CellPlan, reflecting the synergous nature of the two divisions.

To support roll-out, WideCells will actively look for agents, initially focussing on Europe, to promote its stem cell storage services, providing them with services including marketing, training, custom designed collection devices, software maintenance and technical support.

Innovate UK award

In March this year WideCells was awarded a Knowledge Transfer Partnership (KTP) grant by government agency Innovate UK to undertake research on a new form of stem cell technology. The new technology allows specialised adult cells such as skin cells to be genetically reprogrammed to assume a stem cell-like state and be used in stem cell treatment and in the study of disease. These stem cells, known as induced pluripotent stem cells (iPSCs), have the potential to revolutionise the stem cell industry by making stem cells, and subsequently stem cell treatments, much more accessible. Following the research project, WideCells hopes to have advanced clinical grade iPSCs to a point of commercialisation so that the technology can be included in its stem cell service offering. Innovate UK will provide £52,000 per annum in funding for the three-year project, with WideCells providing £26,000 per annum.

Wideacademy

The third division within the group is Wideacademy, providing thought leadership and insights to Stem Cell Innovation, worldwide. Wideacademy also provides a CPD, teaching and learning environment to support and promote awareness of the benefits of stem cell storage across the global general practice community.

Led by the former director of Apple Education, Alan Greenberg, Wideacademy has recently launched the first phase of an educational Software as a Service (SaaS) platform created to provide users with resources such as educational articles and the dissemination of research papers on stem cell innovation, insights and treatments and their role in the future of healthcare and regenerative medicine. Content is populated and verified by reputable medical professionals and key innovators within the stem cell industry and the platform is updated daily.

The platform, as part of a second phase launch due later this year, is set to combine free-to-access educational areas with paid for premium digital tools and resources, including annual membership packages (starting at £120 subscription per annum) for doctors/medical professionals. It will also offer accreditation of educational modular courses that can support Continual Professional Development (CPD). Accreditation will be charged at around £200 per module. Wideacademy is also looking to earn revenues via white labelling the platform to support development in other industries and other areas of medicine.



Financials & Recent Developments

WideCells has announced two sets of annual accounts as a public company. For the year to December 2016 revenues amounted to just £25,000, which came from the research contract with Qigenix. As the company concentrated on the development of its three divisions, and IPO costs of c.£0.26 million were charged, total administrative costs amounted to £1.38 million, with the total loss for the year coming in at £1.27 million.

For 2017 total revenues grew to £50,765, with administrative costs of £2.84 million as the company ramped up its development and investment activities. The total loss for the year was £2.84 million. Major balance sheet items at 31st December 2017 included cash of £615,219, with total borrowings of £1.065 million.

2018 Fundraise

Shares in WideCells were suspended from trading on the Main Market on 3rd May 2018 shortly after the company announced it would be unable to publish its full year results for 2017 within the four month regulatory deadline. This was pending discussions over an equity fundraising, without which the company flagged it would not be able to continue as a going concern. In the meantime, WideCells announced that it accepted loans from certain directors during April 2018 of approximately £115,000 (interest free and repayable on demand after 1st July 2019) in addition to a loan of £100,000 accepted in October 2017. **The 2017 results were eventually published on 5th June, with the shares being restored to trading on 11th June after the company finalised the details of the fundraise.**

Placing

Widecells has conditionally agreed to issue 67,865,022 new shares via a placing at a price of 3p each to raise gross proceeds of £1.871 million. In addition, existing debt of £164,951 will be converted into equity by the issue of 5,498,357 new shares, bringing the aggregate value of the placing to the company of £2.036 million gross (c.£1.64 million net). As part of the placing a Live Market Bookbuild closed with commitments to raise £513,000, with certain directors collectively subscribing for 6,100,001 shares for a total of £183,000. Major shareholder Miton Group has also subscribed for £250,000 worth of shares. **Completion of the placing, which is expected to satisfy current working capital requirements, is expected to take place before the end of June, with an AGM on 28th June being held to approve the share issuance.**

The net funds raised from the placing will be used primarily for general working capital purposes, with £676,660 million earmarked for this. An additional £150,000 will be spent on WideCells product development, £110,000 on the CellPlan platform, product development and roll-out, with £33,000 on the Wideacademy platform courseware and roll-out. Additionally, £656,500 will be used to pay back debt.

Financial position

Regarding the most recent financial position, as at 8th June Widecells had a net bank overdraft, after offsetting positive cash balances, of £614,533 against an overdraft facility of £624,500 which is due to be reviewed on 29th June. To manage its current working capital requirements Widecells has received the above mentioned director loans, negotiated payment terms with existing trade creditors, negotiated terms with its banks to extend its facilities and revised its current growth plans downwards and cut back on all discretionary expenditure to conserve cash.

Management

Peter Presland - Non-Executive Chairman

Peter has a track record of building both large and small companies through the development of corporate strategies to create shareholder value. Over his 45-year career he has held numerous chairmanships and directorships spanning a range of sectors including pharmaceutical, healthcare and insurance. He was CFO then CEO for 17 years at C E Heath PLC, an LSE listed major international insurance group, and has held previous non-executive positions at East Kent Hospitals University Foundation NHS Trust, one of the largest Foundation Trusts in the UK, John Holman & Sons Limited, the (then) oldest independent Lloyd's insurance broker, and Chairman at Link, the UK ATM network.

João Andrade - Chief Executive Officer

João, one of the co-founders of the WideCells business, has a strong background in marketing and international business development, and brings his considerable business experience, strategic thinking and industry specific knowledge. João has over eight years senior experience in the stem cell market, and, prior to founding WideCells, served in key roles at two European cord blood banks and service providers, with operations in several countries. With an extensive contact network and unrivalled knowledge of the stem cell industry, João is committed to creating the world's first end-to-end stem cell service solution, which drives change and development within this growing industry.

David Bridgland - Chief Financial Officer

David studied engineering at Cambridge University and is a Chartered Accountant. He has over 20 years of business experience in a range of companies, from privately owned and venture capital backed companies to major listed companies, including Smiths Group, Autoliv and Honeywell. David's key focus is early stage businesses with innovative technologies, and he has experience in raising funding, organic business growth, acquisitions and has achieved successful trade sale exits for investors.

Lopes Gil - Chief Operating Officer

Lopes Gil is a co-founder of WideCells, and has over 25 years' experience working as an area manager in Merck KGaA and Mylan N.V. in Portugal, creating and establishing complex business operations. In addition, he has extensive business experience in international marketing, strategic planning and studies in the pharmaceutical industry. Lopes was previously Chief Finance Strategist at a European cord blood bank, where he was focused on developing its international cell banking services. He holds a degree in management from Instituto Superior Miguel Torga, and an MBA from Universidad San Pablo-CEU.

Professor Peter Hollands - Chief Scientific Officer

Peter trained at Cambridge University under the supervision of Professor Sir Robert Edwards FRS, the inventor of IVF and Nobel Laureate, gaining a PhD from Cambridge University in stem cell technology. Peter held a post-doctorate position as a Senior Embryologist at the first IVF clinic in the world, Bourn Hall Clinic, and has carried out research in stem cell technology, has written numerous papers and book chapters on stem cell technology, and has been invited to lecture on stem cell technology in the Vatican, House of Lords and the Canadian Parliament. He has also been involved in clinical transplantation as Quality Manager in the Bone Marrow Transplantation Unit at Great Ormond Street Hospital for Children. Most recently, Peter was Chief Scientific Officer of Smart Cells Information Ltd., a UK cord blood bank, and Cells for Life Ltd. in Canada. Peter was awarded a visiting Chair in Regenerative Medicine in November 2017.

Alan Greenberg - Group Chief Business Development Officer and VP Wideacademy

Alan has a wealth of experience nurturing start-up companies predominantly in Education Technologies and Healthcare sectors globally. Alan was previously Head of Higher Education at Apple EMEA, then Apple Education Director, China. His team were responsible for building the technologies behind Podcasting and iTunes U. Though predominantly continuing the growth of Wideacademy, Alan's responsibilities include business development strategies for the Group, designing and implementing processes to support growth.

Malcolm Glaister - Non-Executive Director

Malcolm has extensive capital markets experience having held a number of management roles across a broad spectrum of leading investment and trading business. In 2012, he founded Farm Street LLP of which he is currently CEO, delivering financial advice to UK entrepreneurs and businesses, covering corporate finance, treasury debt, and asset management. Malcolm is also Founding Partner of the Eight Great Technologies Investment Fund LP, a venture capital fund focusing on investing in emerging UK tech companies. Prior to this, Malcolm was Head of Private Banking for Lloyds Bank PLC, and Head of Family Offices and a senior private banker at JP Morgan.

David Henriques - Non-Executive Director

As an experienced corporate financier who is involved with the digitalisation of insurance products, Mr. Henriques brings a unique skill set to support the continued growth of WideCells Group. He is a co-Founder and Director of Cairn Capital Ltd, a full-service credit asset management firm, and was formerly co-Global Head of Structured Credit Products with the Royal Bank of Scotland. Prior to this, he held various senior positions in corporate finance and insurance companies. He is currently a Non-Executive Director of Azur Group Holdings Limited, an Insurance Managing Digital Agency, which partners with carriers and brokers to build, underwrite and distribute digital insurance products.

Dr Marilyn Orcharton - Non-Executive Director

A serial entrepreneur, Marilyn is a qualified dentist with a medal of Honour from the British Dental Association, and her first business was a dental practice. She co-founded Denplan Limited in 1986, which is still the UK's market leader in dental insurance, with a multi-million pound annual turnover. Marilyn sold her stake in Denplan in 1992 and founded Kite Consultants Ltd, which has researched and developed ISOPLAN, a unique business management software package for professional outlets: dentists, doctors, nursing homes and lawyers. She is a founder member of the Entrepreneurial Exchange and has been an honouree of the Leading Women Entrepreneurs. Marilyn was also a visiting surgeon at the University of Glasgow and the first woman to be a dental advisor to the Medical Defence Union and president of the Glasgow Chamber of Commerce. She also has a diploma in marketing and is a member of the Chartered Institute of Marketing.

Major shareholders – expected holdings post fundraise

Shareholder	Number of Ordinary Shares	Share Capital
Miton Group	14,764,502	11.06%
João Andrade	8,388,333	6.28%
Lopes Gil	8,316,667	6.23%
Dominus Investments	4,311,386	3.23%
Joseph Ferreira	3,836,292	2.87%
Luis Gil	3,776,000	2.82%
Graham Hine	3,178,698	2.38%

Note: 133,519,365 shares in issue post fundraise completion

Key Risks

Funding risk

While WideCells has agreed to raise £1.871 million under the agreed placing there is the risk that should the placing not complete in accordance with its terms by 30th June 2018, or alternative funding found, the company would be unable to continue trading as a going concern.

Products at a pre or early revenue stage in a developing market

WideCells has a range of commercial products currently available to the market, with more significant potential revenue earners set to be launched in the coming months. Key commercial risks include the number of cord blood storage clients who take up the CellPlan insurance products, how many renew their policies and the number of clients who store new samples at the company's storage facilities. Until these products begin to become cash flow positive the company faces funding concerns and may be required to raise further capital.

Reliance on third parties

WideCells works with and relies upon a number of third-parties to offer its range of stem cell services. Key agreements include those with stem cell storage facilities such as Biovault in the UK, Stem Cell in Spain and Hemocord in Brazil. The company relies on the underwriter to offer CellPlan and Best Doctors for medical advice and delivery. Any interruption to the supply of the products or services provided by third-parties may have an adverse effect on the business and its financial performance. In addition, The WideCells division is heavily reliant on the lease in relation to its laboratory premises at the University of Manchester Innovation Centre (UMIC).

Regulatory and licensing risks

The regulation of research on and the storage of stem cells differs around the world, with the UK market being overseen by the Human Tissue Authority (HTA), an executive body of the Department of Health. As part of its remit the body registers and records companies operating within the industry, investigates complaints and inspects companies. Similar regulatory oversight exists in WideCell's other areas of operation - the DGS in Portugal, the ONT and SERMAS in Spain and ANVISA in Brazil. While all necessary licences are in place for the current operations WideCells has the challenge of maintaining these licences and obtaining any further licences required to carry out additional activities.

Competition & technology risks

The markets in which WideCells operates are at a relatively early stage of development but seeing rapid commercial and scientific progress. While WideCells has a relatively early mover advantage there is the risk that rivals with more effective or cost efficient products could enter the market and take business away from WideCells. In addition, there is the risk that scientific advancements could reveal alternative, more effective solutions to the issues the company's products seek to address, thus lowering demand.

Forecasts

Using guidance from the company's admission document, corporate presentations and public news releases, we have put together indicative revenue forecasts which could be achieved over the first three years of the company's business plan.

Assumptions

- revenue per new insurance policy of £50.
- revenue per new stored sample of £2,000.
- 90% policy renewal rate.
- annual storage fee per stored sample of £50 beginning in the year after storage.
- we conservatively assume no revenues from WideAcademy, INDUS or research contracts.

Our forecasts are as follows:

Year of business plan	1	2	3
New samples	500	1,500	3,000
New policies	10,000	30,000	60,000
Renewed policies	0	9,000	35,100
Revenue new samples (£)	1,000,000	3,000,000	6,000,000
Revenue new policies (£)	500,000	1,500,000	3,000,000
Revenue renewed policies (£)	0	450,000	1,755,000
Revenue sample storage (£)	0	25,000	100,000
TOTAL REVENUES	1,500,000	4,975,000	10,855,000

Source: Align Research

We then adjust the figures to align the forecasts with the company's December year end, conservatively assuming year one for the CellPlan business begins in Q2 2018 and, following the award of the Human Application Licence in February this year, sample storage sales also begin in Q2 2018. This takes our forecast horizon out to the 2020 financial year. We then assume a consistent gross margin of 80% and operating costs of £2.8 million for FY 2018, rising at 10% per annum.

	Dec 2018	Dec 2019	Dec 2020
New samples	375	1,250	2,625
New policies	7,500	25,000	52,500
Renewed policies	0	6,750	28,575
Revenue new samples (£)	750,000	2,500,000	5,250,000
Revenue new policies (£)	375,000	1,250,000	2,625,000
Revenue renewed policies (£)	0	337,500	1,428,750
Revenue sample storage (£)	0	18,750	81,250
TOTAL REVENUES	1,125,000	4,106,250	9,385,000
COGS (£)	225,000	821,250	1,877,000
GROSS PROFIT (£)	900,000	3,285,000	7,508,000
ADMIN EXPENSES (£)	2,800,000	3,080,000	3,388,000
OPERATING PROFIT (£)	-1,900,000	205,000	4,120,000

Source: Align Research

The table above shows that, should WideCells meet the forecasts set out in its business plan it could make a maiden operating profit in FY2019 of £0.21 million, rising sharply to £4.12 million in 2020 as sales accelerate and operational gearing kicks in. Further upside potential comes from revenues derived from Wideacademy, INDUS and research contracts.

Valuation

While our forecasts above are only indicative we note that they show WideCells has huge potential for growth over the coming years. With 133,519,365 shares expected to be in issue post the planned placing the implied market cap at the current share price of 2.7p is £3.6 million. Operating profits can be seen as a proxy for pre-tax profits as we expect only modest interest charges. **Applying a 20% tax charge to our FY2020 forecast operating profits would put the shares on a price/earnings multiple of just 1.1 times.**

Conclusion

WideCells has performed well since IPO by building up three divisions with attractive commercial propositions. While there have been some delays around the timing of product launches, the company now has numerous revenue streams with huge potential for growth, long-term recurring income and deals with respected partners to advance its scalable global growth strategy. In addition, the current fundraising (assuming completion) positions the company well to fulfill its business plan. We also note that directors' interests are closely aligned with shareholders, with them having a combined 25.8% share holding.

Overall, recognising the early stage nature of the business, but considering the very low valuation should indicative forecasts be met, we initiate coverage of WideCells with a stance of Conviction Buy and price target of 12p, being just under 5 times 2020 modelled profits.

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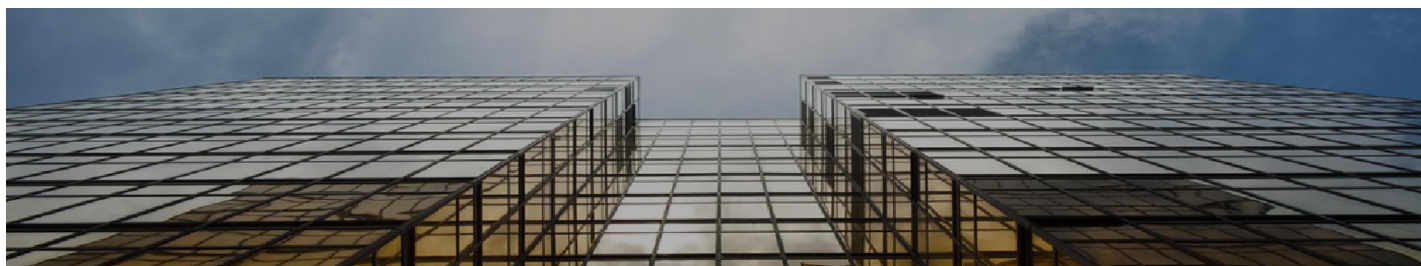
WideCells is a research client of Align Research. Align Research & a Director of Align own shares in WideCells. Full details of our Company & Personal Account Dealing Policy can be found on our website <http://www.alignresearch.co.uk/legal/>

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