

LipoCoat

Revolutionising Device Coatings

- LipoCoat has developed a new kind of thin coating for a wide range of medical devices that significantly improves performance.** Its family of formulations mimic biological cell membranes, and offer superior wetting, anti-fouling, anti-clotting, self-healing and non-toxic properties. These have the potential materially to reduce incidence of Healthcare-Associated Infections, which are a major issue in clinical settings. It offers a platform technology, for which the principal medical applications are anticipated to be in eye care, catheters, implants, laboratory, and antibody purification. The CEO and founder developed the technology during his PhD in Supramolecular Chemistry, and the first patent was filed in 2014.
- Competitor products are less effective, and the market size is large.** Competitor products in our view, are less effective, less stable, less comfortable, and can involve undesirable antibiotic use. The overall medical device coating market is estimated to be circa \$8bn in 2016.
- Potential exit value of €306m.** A 20-year Discounted Cash Flow valuation, using peak market shares of 8.0% in Europe, 5.0% in the US, and 3.0% in the Rest of the World and a 20.0% WACC produces a €306m estimated equity value in 2022, subject to risks.
- Risks.** The key risks to the achievement of our estimates and valuation, including the risk that the company fails and is worthless, are penetration of key medical device suppliers in a timely fashion (particularly in eye care), cost and cash management in the initial years, competition (particularly from substitute products or from large medical devices incumbents with strong distribution), and pricing pressure from competitors or customers.

Medical Devices Sector

Specialty Coatings

Index

The Company.....	2
Management & Board	4
Product Description	5
Targeted Indications.....	8
Market Size.....	11
Competition.....	12
Sales Estimates	14
Financial Position & Estimates.....	15
DCF Valuation Approach.....	18
Potential Exit Valuations.....	18
Factual Description of IP.....	19
Regulatory Requirements.....	22
Overview of Development Plans ..	22
Appendix I:P&L Estimates	24
About Quantum R&V	26
Disclaimer	26

	2020E	2022E	2027E	2038E
Revenue (€m)	1.0	10.6	657.5	1,127.1
Operating margin (%)	-161.8%	15.7%	25.7%	25.7%
Net profit (€m)	-1.4	0.8	127.6	230.5
Free cashflow to the firm (€m)	-1.8	0.1	90.9	182.6

Source: Quantum Research & Valuation Ltd.

See the final written page of this document (p.26) for important disclaimers and disclosures. This Valuation Opinion is prepared solely for the use of Arterial Europe Limited, who are paying a fee for its preparation. No reliance should be placed upon it in arriving at an investment decision. Quantum Research & Valuation does and seeks to do business with companies that are covered or referred to in or are in any way related to those covered in its Valuation Opinions or reports. As a result, all readers should be aware that the firm may have conflicts of interest that could affect the objectivity of this or other reports. This Valuation Opinion is copyright 2018 and 2019 Quantum Research and Valuation. No unauthorised distribution or reproduction, in whole or in part, is permitted.