

ADL Bionatur Solutions

€25m debt financing to fund current strategy

Financing update

Pharma & biotech

14 August 2019

Price €2.10

Market cap €83m

US\$1.12:€

Net debt (€m) at 31 December 2018 40.6

Shares in issue 39.4m

Free float 25%

Code ADL

Primary exchange MAB (Spain)

Secondary exchange N/A

ADL Bionatur Solutions (ADL-BS) announced on 12 August 2019 that it has agreed to obtain €25m in debt financing with Kartesia, a private lender, at a rate of Euribor plus 5% per year with a one-time 7% fee on repayment. Gross proceeds will be used to fully fund the company's existing capex plans to modernise ADL-BS's contract manufacturing (CMO) facilities (totalling 2,400m³ in fermentation capacity), to provide the working capital needed to respond to its CMO client demands, and to refinance €5.7m of existing debt. Altogether, ADL-BS expects this debt financing to fully fund the company's business plan for the next four years, mitigating financing uncertainties and allowing the company to focus on executing its business plan.

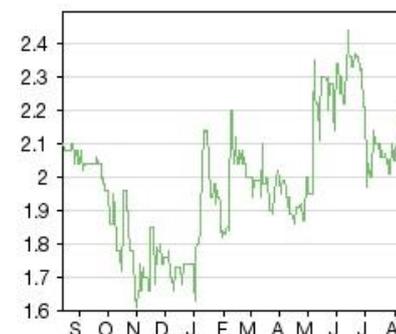
Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	12.8	(12.7)	(2.52)	0.0	N/A	N/A
12/18	25.3	(16.3)	(0.43)	0.0	N/A	N/A
12/19e	60.8	1.8	0.05	0.0	42.0	N/A
12/20e	73.5	6.2	0.16	0.0	13.1	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

ADL-BS has the option of drawing an additional €5m from Kartesia (a second tranche) at similar terms. This option could be exercised if ADL-BS seeks additional flexibility to accelerate its business development or expand its fermentation capacity. Management indicates it will not need to use this additional tranche or raise additional funding if it does not expand its operations beyond its current four-year business plan or if it does not build fermentation capacity beyond the existing 2,400m³ installed base. The company may need to refinance some of its existing debt in the next two to three years, however.

The Kartesia financing agreement compels guarantees from ADL-BS, including a pledge of its subsidiary's shares and a mortgage on its plant in León, Spain. As such, the arrangement requires ADL-BS shareholder approval, and a vote will be held at a 13 September 2019 shareholder meeting. Until then, we keep our forecasts unchanged. However, we believe this vote process to be a formality as Black Toro Capital, which owns 70% of ADL-BS, supports the financing initiative.

Share price performance



Business description

Based in Spain, ADL Bionatur Solutions provides contract manufacturing (CMO) of fermentation-based products and services focused on the health, beauty and wellness sectors. It has established CMO/API business lines and its own proprietary development line of novel or innovative products.

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