

## Leaving randomness

Bio-Works's net sales for full year 2019 were SEK 5.6 million, down SEK 1 million from 2018. The decrease is due to the fact that the company's largest customer in 2018 did not place an order in 2019. In this update, we have looked beyond Bio-Works's obvious stochastic character of the order inflow as we believe this is symptomatic for all early commercialization stage companies and not a structural problem for Bio-Works as such. Here is our case: the company's largest customer accounted for SEK 3.8 million of the SEK 6.6 million in 2018 revenues. Excluding the orders from the largest customer, Bio-Works's revenues for 2018 were SEK 2.8 million. Net sales of SEK 5.6 million in 2019 thus represents a 100% y/y growth. Assuming 100% y/y growth in 2020, net sales would amount to SEK 11.2 million, or SEK 15 million including orders from the largest customer with the corresponding value from 2018. With this said, we deem our forecast to be realistic. In addition, we expect that the company manages to grow their base of customers in scale-up and production phase sufficiently enough during 2020 to begin to show a steady order flow. We maintain the Outperform rating and the target price at SEK 15.8, equal to an equity value of SEK 482 million non-diluted, based on a mix of DCF valuation and peer analysis.

As communicated previously, this type of uneven order flow is expected for Bio-Works in this early commercialization stage. Once Bio-Works has managed to convert early-stage lab-scale customers to larger scale customers in scale-up and production phase, the stochastic order flow will even out. During 2020, we expect Bio-Works to increasingly focus on high value customers with a high probability of progressing through scale-up and production phase, which consequently will generate a more steady and robust order flow.

Importantly, the company has been successful in growing its customer base during 2019, laying the foundation for a targeted customer development approach- that we stress above - from 2020 and beyond. With a strong customer influx, Bio-Works has exceeded its 2019 target of 400 customers. The number of active customers has increased from 238 to 427 during 2019, with 55 customers in scale-up phase and 11 customers in production phase.

We note that Bio-Works has increased its inventories during 2019, suggesting that it is preparing for a larger order flow in 2020. We therefore anticipate that the company positions itself for a stronger growth trajectory in 2020.

While we recognize that sales are uneven and at an early stage, we still argue that the market at this point in time should base its view and valuation of Bio-Works on the steadily growing base of customers, which will translate into high quality recurring cash flows as the customers progress through up-scaling to production. We look forward to seeing positive news flow in the near term, taking potential quarterly fluctuations into account, and we view Bio-Works as a future growth stock with considerable market share to gain and value to unlock.



### OUTPERFORM

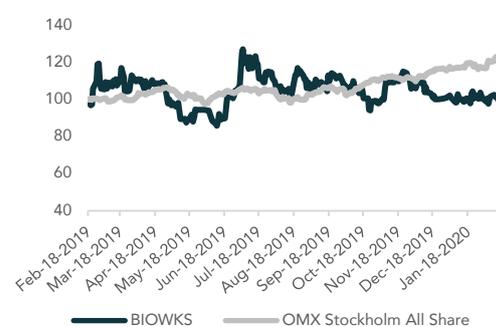
#### Update Report

**Target price: SEK 15.8**  
**Current price: SEK 8.0**  
**Implied upside potential: 97%**

#### Bio-Works at a glance

Bio-Works Technologies AB develops, manufactures and supplies high performing media, serving early-stage lab-scale to full-scale commercial producers, for the separation and purification of biomolecules used in the development and production of pharmaceuticals and diagnostics.

#### Share price development (index= Feb 18, 2019)



#### Key Data

As per Feb 17, 2020

Ticker	BIOOWKS
Share price (close)	SEK 8.0
Free float	88.8%
Market cap	SEK 245m
Website	www.bio-works.com
Average daily volume (Jan 07-Feb 17 2020)	SEK 285 286

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Financials SEKm	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E
Net sales	7	6	12	20	30	45	63	89	124
EBITDA	(31)	(43)	(32)	(31)	(19)	(13)	7	20	54

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