

Oxford Immunotec (OXFD)

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FY18 results focus on TB

FY18 was a transformational year for Oxford Immunotec (OXFD) with the sale of its US diagnostic services business to Quest and announcement in January of the \$100m share buyback programme. FY18 revenues modestly beat analysts' consensus estimates, while the Quest transaction enabled a maiden FY profit. OXFD's FY19 revenue guidance range of \$69m to \$72m is above analysts' previous estimates. Sustained operational profitability is likely to depend on the company's ability to grow its TB franchise.

FY18 results

OXFD's non-GAAP TB product revenues of \$15.6m in Q4 and \$63m in FY18 represent y-o-y growth of 14% and 13%, respectively. Half of OXFD's Q4 revenue came from the US, which saw mid- to high-teens growth. Asian TB revenues grew 13% despite disruption caused by a bad typhoon season, while European/RoW quarterly revenue grew by a record 11%. Operating expenses fell by \$26.6m to \$63.9m in FY18 due to efficiency gains and the divestment to Quest. This resulted in a maiden GAAP FY18 profit of \$121.3m vs a loss of \$32.9m in FY17. Reported cash at end-FY18 was \$192.8m (vs \$90.3m at end-FY17).

Share buyback should provide longer-term support

A c \$100m share buyback programme was announced in early 2019 and is subject to shareholder approval at the AGM on 18 June. The five-year programme is expected to provide support to the share price. In addition, OXFD's healthy balance sheet at end-FY18 is a further tool in generating shareholder value since it (and the company's stock) provides another approach for in-licensing and M&A transactions. Organically, OXFD is expanding its T-SPOT.TB test from a batch kit to an automated test, which may provide additional growth. OXFD's focus on TB brings some challenges, not so much in increasing the penetration of the T-SPOT.TB test globally, but replicating it either in TB typing or sensitivity, or in new non-TB tests.

Valuation: Still lags prospects

Last year's debt pay down and tax loss utilisation from the sale of the US diagnostics business mean that OXFD is starting FY19 in a very different position compared with a year ago. The reinstatement of and increased FY19 revenue guidance are positive moves, but the GAAP treatment of the Quest transaction and the details of the ongoing service contract will partially obscure the investment case in the near term. Once these issues have been resolved, the current enterprise value of only c \$276m should increase.

Consensus estimates

Year end	Revenue (\$m)	PBT (\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	86.1	(26.1)	(1.00)	N/A	N/A	N/A
12/17	103.1	(31.2)	(2.19)	N/A	N/A	N/A
12/18	59.8	13.5	0.59	N/A	N/A	N/A
12/19e	68.9	(7.6)	(0.38)	N/A	N/A	N/A

Source: Company data, Refinitiv

Price **\$17.8**
Market cap **\$470m**

Share price graph



Share details

Code OXFD
 Listing NASDAQ
 Shares in issue 26.4m

Business description

Oxford Immunotec is a global diagnostics company focused on developing and commercialising proprietary tests for the management of underserved immune-regulated conditions. The company's T-SPOT.TB test has been approved for sale in over 50 countries, including the US, where it has received pre-market approval from the FDA, and in Europe, where it is CE marked, as well as Japan and China.

Bull

- Proven diagnostic development and commercialisation capability.
- Divestment of services business brought \$170m in cash and a seven-year T-SPOT.TB supply agreement.
- Once the buyback has completed, organic value-generating options like technology and product acquisitions could be a focus.

Bear

- Suspension of revenue guidance and opacity on the impact of the transaction.
- Slowing penetration in the largest product (T-SPOT.TB).
- US T-SPOT.TB revenue growth now controlled by Quest.

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