

Creo Medical

Results update

Solid FY21 followed by robotics deal with Intuitive

Creo Medical reported 168% y-o-y growth in its FY21 revenue (to £25.2m), broadly in line with Edison (£25.9m) and consensus estimates (£25.1m). While the increase was largely driven by the full-year contribution from Albyn Medical (acquired in July 2020), we are encouraged by the improved momentum in the core asset Speedboat Inject in H221, as COVID-19 headwinds subside. Management also announced a multi-year robotics collaboration with market leader Intuitive Surgical to optimise certain Creo products to be compatible with Intuitive's robotic technology. The terms of the agreement include joint clinical studies and the potential for royalty and milestone payments to be received by Creo. We believe this agreement strengthens the company's differentiated positioning in a rapidly evolving subsegment. While we wait for more details to incorporate the announcement into our valuation, we believe there may be upside potential on successful commercialisation of the covered products.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/20	9.4	(23.0)	(12.7)	0.0	N/A	N/A
12/21	25.2	(30.3)	(15.0)	0.0	N/A	N/A

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

Creo reported its FY21 results broadly in line with management guidance and consensus expectations. Revenue grew 168% (year-on-year) to £25.2m, reflecting the full-year contribution from the acquisitions of Albyn Medical and Boucart Medical in 2020. FY21 revenue also marked a ramp-up in initial sales from the flagship Speedboat Inject asset (£0.3m vs £32k in 2020), which saw volumes double year-on-year on the back of subsiding COVID-19 headwinds. However, the loss before tax of £30.3m was higher than our estimate (£22.7m), which we attribute to higher R&D expenses than expected and an increased investment in workforce. Other key developments included acquisition of Aber Electronics (November 2021), launch of a regional hub in Singapore (to support commercial roll-out in Asia-Pacific) and the announcement of the non-binding heads of terms agreements (January 2022) with a number of parties, to provide third-party access via potential licensing deals to its advanced energy technologies (ie SpydrBlade, Cool Plasma and MicroBlate). The company ended the year with net cash of £33.0m (supported by the £34.3m equity raise in September 2021), which may offer a cash runway into early FY23 at the current free cash flow burn rate (£32.1m).

Separately, in a positive development, Creo announced signing a long-term robotics collaboration with market leader Intuitive Surgical (a US-based medical robotics developer for minimally invasive surgeries). The agreement will entail limited co-development for an undisclosed Creo product(s) for compatibility and for FDA regulatory studies, which we understand will likely require c 18 months. While the deal terms have not been disclosed, we believe this agreement solidifies the company's differentiated offering and Creo could be entitled to potential royalties and milestones. Our valuation remains unchanged at £434m, and we plan to revisit the valuation and estimates once we have better visibility of the deal terms.

Healthcare equipment & services

25 May 2022

Price **98.5p**
Market cap **£178m**

Net cash (£m) at 31 December 2021 33.0

Shares in issue 181m

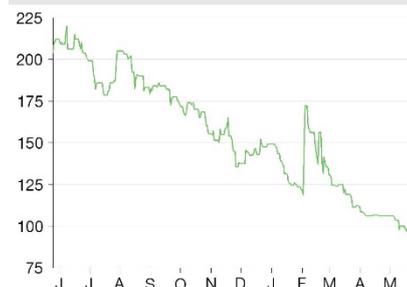
Free float 75.9%

Code CREO

Primary exchange AIM

Secondary exchange N/A

Share price performance



Business description

Creo Medical is a UK-based healthcare company focusing on the development and commercialisation of minimally invasive electrosurgical devices. It has six products in the flagship CROMA platform, all of which have been CE marked and four of which have been cleared by the FDA. In 2020 Creo acquired Albyn Medical, which provides it with profitable products and a direct salesforce in Europe.

Analysts

Jyoti Prakash +44 (0) 20 3077 5700

Soo Romanoff +44 (0) 20 3077 5700

Nidhi Singh +44 (0) 20 3077 5700

healthcare@edisongroup.com
[Edison profile page](#)

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia