RNS Number : 4909P
OptiBiotix Health PLC
18 February 2021

OptiBiotix Health plc
("OptiBiotix" or the "Company" or "the Group")

Strategic and commercial update

OptiBiotix Health plc (OptiBiotix), a life sciences business developing compounds to tackle obesity, cardiovascular disease and diabetes, provides the following strategic and financial update ahead of the Group's final results for the year ended 31 December 2020.

Strategic Update

OptiBiotix's commercial strategy of securing deals with multiple partners who make up the value chain (manufacturers, formulators and distributors) across multiple territories is producing results with rapid revenue growth against a low and decreasing cost base, demonstrating the scalability of the commercial model. The Company is now at a commercial tipping point with its probiotic and functional fibre divisions achieving profitability, increasing margins, an appreciating asset in its investment in SkinBioTherapeutics plc, and an established network of partners growing sales and expanding both the product range and territories in which they sell products.

Having established the scientific, clinical and commercial viability of its first generation products (LP_{LDL}®, SlimBiome®/WellBiome®) with award winning science and products, the Company has industry credibity and is identified by industry reports as a key player in the microbiome space https://ksusentinel.com/2021/02/08/human-microbiome-market-study-report-and-in-deep-analysis-2021-optibiotix-health-plc-metabiomics-osel-inc-puretech-health-4d-pharma-synlogic-inc/. OptiBiotix products are now increasingly becoming associated with internationally recognised retail, pharmaceutical partners, and established brands, which creates further interest, and demand in other markets. With proven science, human studies and reputable partners for its award-winning products, it is the Directors' belief that it has a reduced investor risk profile and can turn its focus to growing profitability in each of its divisions and commercialising its next generation products. These include its microbiome modulators, drug biotherapeutics, and a growing range of SweetBiotix® products.

The strategy has been designed with the divisions acting as the trading arms of the Company focused on commercialising products and achieving divisional profitability whilst the Company acquires and develops its own technologies to build the product pipeline by providing the scientific and clinical studies, publications and regulatory approvals (GRAS, GMP pharma) for commercialising its next generation products. Having two separate product platforms (Functional Fibres and Probiotics) and an investment in a third (SkinBioTherapeutics plc), whose value has appreciated during the year, gives OptiBiotix shareholders a position in multiple opportunities within the fast emerging microbiome space. Whilst this takes longer than a single technology solution, the strategy is designed to reduce investment risk and create the potential for multiple returns.

Financial update

This update reports on the 12 months of the financial year ending 31 December 2020. These are preliminary and unaudited figures and do not include a small number of royalty payments which will be included in the final audited figures. The figures are provided to give investors an insight into the progress of the Company and may differ from reported full year audited results.

2020 has been a pivotal year for OptiBiotix as its probiotic and functional fibre trading divisions have transitioned from demonstrating the commercial viability of their technologies and products to delivering profitability. This has been achieved by growing sales, renegotiating contracts as volumes increase to reduce the cost of goods, improving margins, and where appropriate, modifying partner terms and conditions so they deliver on sales performance and commit to growth plans to retain exclusivity.

OptiBiotix's Functional Fibres division delivered an EBITDA of £66,271, up from an EBITDA loss of £433,249 in 2019, with total sales of £557,539, (2019: £222,235), an increase in sales of 151% over 2019, despite a challenging global trading environment with COVID-19 limiting our partners' ability to innovate, formulate and launch new products. The division signed a total of 18 commercial agreements in the year to 31 December 2020.

OptiBiotix's wholly owned subsidiary, ProBiotix Health Ltd ("ProBiotix"), delivered an EBITDA of £75,768, up from an EBITDA loss of £474,205 in 2019, with total sales of £818,481 (2019: £397,831), an increase of 106% over 2019, despite a challenging global pandemic with a number of ProBiotix customers' postponing launches or implementing a short-term focus on sales of immune health products. The division signed a total of seven commercial agreements in the year 2020.

The consumer health division contributed £137,024 of sales (2019: £122,220), an increase of 12% on the previous period, but showed a loss of £25,230. This division acts as the shop window for partners to test new products which has led to successful product launches with Holland and Barrett, Alfa Sigma, and other partners.

Total invoiced sales for the Group were £1,513,089 (2019: £744,833), an increase of 103% on the previous year. Administrative expenses (excluding non-cash items such as share based payments and amortisation) were £1,592,320 (2019: £2,204,216), a reduction of £530,350 (27.8%) on the previous year. As the Company scales its sales, it is starting to see an improvement in margins, increasing from 53% in 2019 to 58% in 2020. The Company is now in a strong position with increasing sales and improving margins complemented by a large reduction in costs, demonstrating the scalability of the business model.

As at 31 December 2020, the Company held £865,585 cash in the bank (2019: £455,608). Once R&D tax credits (£195,000) and recoverable VAT (£67,000) repayments are received the balance is £1.13m (2019: £705,388).

The Company received an additional £747,500 during the year from partial disposal of its holding in SkinBioTherapeutics plc ("Skin") which are not included in the revenue figures.

The Company currently has an interest over 24.5% in Skin. The Company's accountants have advised that as a result of the change in the Company's holding in Skin during the financial year that Skin will now be treated as an "investment", and any change in value as at the 31 December each year would be reflected in OptiBiotix's audited accounts.

Subject to the auditors confirmation of this accounting treatment in the financial year to 31 December 2020 OptiBiotix would report an increase in value of its holding in Skin of approximately £7.0 million and a group net profit for the year to the year ended 31 December 2020 of approximately £5.8 million.

Outlook

2020 has been a pivotal year for the Company with both its probiotic and functional fibres trading divisions doubling sales, reducing costs, and reporting profitability. This is a substantive change from divisional losses of £474,205 for ProBiotix and £433,249 for the functional fibre division reported in 2019. The Company has also benefited from an increase in the value of OptiBiotix's holding in Skin which is making strong progress on its path to commercialising products. The Directors believe the Company's holding in Skin will continue to grow in value, whereupon OptiBiotix shareholders will benefit from the appreciation of this asset. The Company is exploring other opportunities in the microbiome space with a view to replicating its successful investment in Skin, where for an investment of circa £700,000 in 2016 it has built an investment asset worth £15 million.

The Company is now focused on the next stage of its development: growing sales and profitability in its divisions, and commercialising its next generation products (e.g. microbiome modulators, SweetBiotix, and drug biotherapeutics). The Group strategy of investing in scientific and human studies are major points of differentiation from other products and important for attracting partners who sell products into the high value hospital and pharmacy markets and corporate partners.

With the two recent publications on SweetBiotix®, and further publications underway demonstrating prebiotic activity and superior taste profile, the Company is well positioned to convert corporate interest in this suite of products into commercial reality. The Company has published six studies on LP_{LDL}® in peer reviewed journals or as abstracts at international scientific conferences. A further study (awaiting peer review and publication), in volunteers taking LP_{LDL}® in a high cholesterol patient group, showed substantive reductions in total cholesterol, LDL cholesterol, and Apolipoprotein B (ApoB), a biomarker increasingly linked to atherogenic risk, when compared to a placebo control.

These studies consistently show comparable efficacy to statins, but with no tolerance or safety issues. Whilst one study attracts interest, multiple studies are often required to convert interest into action with corporate partners who tend to be more risk adverse. The Company's investment in multiple studies, FDA GRAS and pharmaceutical GMP manufacture is now starting to come to fruition with increased interest in LP_{LDL}® from pharmaceutical partners looking to use LP_{LDL}® by itself, or as combination treatment to help lower the dose and potential side effects of statins, in markets outside the USA. This extends the opportunity outside the traditional supplement market into broader therapeutic areas and creates the potential, if the interest develops, to create a biotherapeutic drug division or separate Limited company.

The focus on next generation products is being supported by the continued evolution of the Board and management teams to meet changing needs. This is shown by the Board appointment of Chris Brinsmead and the non-Board appointments of Chris Nother and Dr Taru Jain who bring expertise in territories (e.g. India) and areas (e.g. pharmaceuticals) of strategic interest. The Company now has more opportunities, with an increasing number of larger partners, than it is able to meet within its existing capacity and will continue to evolve the team to fully exploit the opportunity within the window of opportunity. The appointment of Aneta Zlotkowska as Head of Quality & Operations, who joined in January 2021, is part of this process to ensure the Company meets the quality and regulatory requirements of current and future corporate and retail partners both in the UK and internationally.

Whilst COVID-19 has brought many challenges, the rapid development of vaccines and new therapies has increased awareness of the value of science-based healthcare solutions. Consumers have become increasingly educated as to the relationship between health and wellbeing and the risk of serious illness and mortality from infectious diseases in individuals with an unhealthy lifestyle and underlying conditions like obesity, diabetes, and high cholesterol and blood pressure.

Investor and consumer interest in health and wellbeing and the microbiome is a growing trend and, as a result, the Company's market opportunity is large and

expanding. OptiBiotix is ideally positioned to exploit this opportunity with first generation products which impact on major chronic lifestyle diseases, industry recognition as key industry player in the microbiome space, and next generation products of SweetBiotix® and microbiome modulators, and drug biotherapeutics to follow. We look forward to growing sales and profitability as we scale our busines model and strengthen our position in this new and exciting area of science which has the potential to revolutionise the future of healthcare.

Stephen O'Hara, CEO of OptiBiotix, commented: *"This has been another year of progress for OptiBiotix with its probiotic and functional fibre divisions achieving profitability by doubling sales, improving margins, and reducing costs, in a very challenging and uncertain global economic environment. The Company is also pleased to report a significant appreciation in the value of its investment in SkinBioTherapeutics plc which, if confirmed in the final audited accounts, would mean OptiBiotix reporting a group net profit for the year to the end 31 December 2020 of approximately £5.8 million.*

OptiBiotix's strategy of building multiple product platforms (functional fibres, Probiotics, SkinBiotherapeutics), whilst taking longer than a single technology solution, gives OptiBiotix shareholders multiple shots at a goal, reducing investor risk with the potential of significant upside. The Company continues to explore other opportunities in the microbiome space with a view to replicating its successful investment in SkinBioTherapeutics plc and extending the role of LP_{LDL}*® into the drug biotherapeutic market.*

The Company is now in a pivotal position in having a scalable business model with first generation products achieving profitability and second generation products having a solid scientific, clinical, and commercial base with early deals and open innovation projects with major corporates. With interest in the microbiome increasing, the Company is in a strong position for future growth in this exciting area of healthcare."

This announcement contains inside information for the purposes of UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

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About OptiBiotix - www.optibiotix.com

OptiBiotix Health plc (AIM: OPTI), which was formed in March 2012, brings science to the development of compounds which modify the human microbiome - the collective genome of the microbes in the body - in order to prevent and manage human disease and promote wellness.

OptiBiotix has an extensive R&D programme working with leading academics in the development of microbial strains, compounds, and formulations which are used as active ingredients and supplements. More than twenty international food and healthcare supplement companies have signed agreements with OptiBiotix to incorporate their human microbiome modulators into a wide range of food products and drinks.

OptiBiotix is also developing its own range of consumer supplements and health products. The Company's current areas of focus include obesity, cardiovascular health, and diabetes.

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