RNS Number : 6794M
Fusion Antibodies PLC
19 November 2024

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse (amendment) (EU Exit) Regulations 2019/310 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

19November 2024

Fusion Antibodies plc
("**Fusion**"or the **"Company**")

Half year Report

Fusion Antibodies plc (AIM: FAB), specialists in pre-clinical antibody discovery, engineering and supply for both therapeutic drug and diagnostic applications,announces its unaudited interim results for the six months ended 30 September 2024 ("H1 FY2025").

Financial highlights

- Revenues of £1.2 million (H1 FY2024: £0.5 million)
- Expenditure on R&D maintained at £0.18 million (H1 FY2024: £0.18 million)
- Loss of £0.76 million (H1 FY2024: £1.4 million loss)
- Cash position in the bank at 30 September 2024 was £0.4 million (31 March 2024: £1.2 million) with a further £457k owed by existing debtors

Operational highlights

- First contract to develop a bespoke non-human antibody speciesOptiPhage^{TM} library secured
- Continued progress in development of the OptiMAL® library
- Collaboration Agreement with the National Cancer Institute ("NCI") was expanded to include the humanisation of several of the NCI's existing camelid nanobodies
- Receipt of Further orders from a leading diagnostics company under the master services agreement ("MSA") announced on 14 February 2024

Commenting on the interim results, Adrian Kinkaid, CEO of Fusion Antibodies plc, said:"*These interim figures bear witness to the significant improvements to the business and the more favourable market conditions we have deservedly enjoyed in the period. The Company is now well positioned, generating the financial evidence of a significant recovery and promising growth in the Company's prospects. Of particular note is the increase in margins complementing the more than doubling of revenues, which is testament to the Board's and the team's determination to move toward profitability.We remain focused on meeting our stated goal of achieving cash flow breakeven without needing to raise additional funds."*

Investor presentations
Fusion will host a presentation on the results open to all investors via the Investor Meet Company platform at 11.00am on Thursday,21 November 2024, delivered by Dr Adrian Kinkaid, CEO and

Stephen Smyth, Interim CFO. Adrian will also be presenting at the ShareSoc meeting on 12 December 2024.The Company is committed to providing an opportunity for all existing and potential investors to hear directly from management on these results.

Investors can sign up to Investor Meet Company for free and add to meet Fusion Antibodies plc via the following link: https://www.investormeetcompany.com/fusion-antibodies-plc/register-investor

Further details on how to register for the ShareSoc meeting can be found via the following link: Discovery Company Webinar 12 December 5:00pm - ShareSoc

Enquiries:

Fusion Antibodies plc www.fusionantibodies.com
Adrian Kinkaid, Chief Executive Officer Via Walbrook PR
Stephen Smyth, Chief Financial Officer

Fusion Antibodies interactive investor hub https://investorhub.fusionantibodies.com/

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About Fusion Antibodies plc

Fusion Antibodies plc ("Fusion Antibodies", "Fusion" or the "Company") is a Contract Research Organisation (CRO) located in Northern Ireland that offers a integrated end-to-end range of antibody discovery, engineering and expression services for all stages of human therapeutic, veterinary therapeutic and diagnostic antibody development.

The range of services offered includes antibody discovery/generation, development, characterisation, optimisation, and small-scale production. In addition, the Company also offers antigen design, antigen expression, antibody purification and sequencing, antibody humanisation using Fusion's proprietary CDRx^{TM} platform and cell line development, producing antibody generating stable cell lines optimised for use downstream by the customer to produce material for clinical trials. Since 2012, the Company has successfully sequenced and expressed many thousands of antibodies and successfully completed over 270 humanisation projects for its international customer base, which has included eight of the top 10 global pharmaceutical companies by revenue.

At every stage, our client's vision is central to how we work incombining the latest technological advances with cutting edge science.In this work our world-class humanization and antibody optimization platforms harness the power of natural somatic hypermutation (SHM)toensure the best molecule goes to the clinic.

Fusion Antibodies' growth strategy is based on enabling Pharma and Biotech companies get to the clinic more effectively, using molecules with optimized therapeutic profile and enhanced potential for successful development and approval and, ultimately, on speeding up the drug discovery and development process. OurIntegrated Therapeutic Antibody Services ("ITA") offering enhances the efficiency of this process by providing a continuous service offering from as early as target nomination to as far as stable cell line.Fusion's use of SHM to create a fully human antibody library to capture the human antibody repertoire addresses a continuing market need in antibody discovery.

Fusion Antibodies' emphasis on antibody therapeutics is based on the size and growth rate in the sector, with the market valued at $186 billion in 2021 and forecast to surpass $400 billion by 2028.As of June 2022, there were 150 approved antibody therapies on the market and nearly 600 antibody drugs in clinical trials.

CHAIRMAN'S STATEMENT

Operational Review

Following on from the end of FY2024, the first six months to 30 September 2024 showed a significant improvement over H1 FY2024. The steady recovery is encouraging as we move into the second half of the year and beyond. The Board continues to be optimistic about the prospects for the remainder of the current financial year and for further growth into FY2026. Nevertheless, the Board remains prudently mindful of potential market volatility and the inherent science-based risks in any antibody-based discovery and development, whether human or veterinary, therapeutics or diagnostics.

Our mission is to get better antibodies into the clinic more rapidly. In this way we enable biopharmaceutical, veterinary and diagnostic companies to discover new antibodies and maximise their performance so that highly optimized molecules are available to enter the clinic more efficiently for the benefit of global health and the global healthcare industry. The combination of our current Discovery, Engineering and Supply services aims to enhance the client journey with the development of high performing antibodies to their targets. We continue to develop new improved services and technologies to ensure we are at the cutting edge of the market as the partner of choice.

The Company continues to attract new clients for its established services, such as humanization, as well as for our novel technologies such as OptiPhage^{TM} and Mammalian Display. We secured an initial purchase order for the former which was announced on 14 April 2024 to develop a bespoke OptiPhage^{TM} library for a non-human antibody species with a leading global provider of antibodies for use in research and diagnostics.

The Mammalian Display service is also gaining traction and in particular has enjoyed considerable success with a major client, delivering a level of expression that is more than an order of magnitude higher than that client's existing commercial manufacturing processes. We have also received further orders from a leading diagnostics company under the master services agreement announced on 14 February 2024 and continue to build this important relationship.

We seek to build on these and other technological advantages to help further differentiate Fusion's premium offerings and to command higher margins than are achievable from more routine services. Commercially, we are building on the diagnostic contracts already gained where we can see further opportunities to work with new partners in this sector. Additionally, we are working hard to gain more exposure in the growing veterinary market and building awareness within this specialist client base.

It is particularly pleasing to have achieved considerable improvements in margins in H1 FY2025 and we seek to ensure that this trend continues for the rest of the current year and beyond.

Financial Review

Revenues for the six-month period ending 30 September 2024 were £1.2 million (H1 FY2024: £0.5 million). All revenues were for core services and contained no milestone payments.

The 27% gross profit percentage on underlying revenues was higher than in the same period last year due to the continued realisation of cost savings from restructuring implemented (H1 FY2024: (15)%).

R&D expenditure in H1 FY2025 was £176k, a similar level to the comparable period in FY2024 (H1 FY2024: £182k) reflecting the continuing investment, particularly in the OptiMAL® Library project.

SG&A expenditure of £943k was £210k lower than in H1 FY2024 due primarily to restructuring and cost saving measures which we began implementing in H2 FY2023.

Loss for the period resulting from the above was £758k (H1 FY2024: £1.36 million loss).

Cash used in operations was £752k, compared with £1,213k used in H1 FY2024. The H1 FY2025 operational outflow includes the £176k investment in R&D. The total outflow was £760k and the closing cash balance at 30 September 2024 was £439kwith a further £457k owed from existing debtors.

Key Performance Indicators

The key performance indicators (KPIs) regularly reviewed by the Board are:

KPI	**H1 FY2025**	H1 FY2024
Underlying revenue growth	**123%**	(71)%
EBITDA*	**£(734)k**	(£1.23m)
Cash used in operations	**£(752)k**	(£1.35m)

* Earnings before interest, tax, depreciation and amortisation

The investment in R&D and the impact on EBITDA is set out in Note 12 to these statements. EBITDA for the period was a loss of £734k (H1 FY2024: £1.29 million loss) and adjusting for research and development expenditure shows an EBITDA loss excluding R&D of £558k for the period (H1 FY2024: £1.11 million loss).

Outlook

In Q3, the Company has continued to see an improvement in lead generation and prospective customer engagement. We have seen the positive outcome of diversifying into adjacent markets such as Diagnostics and see potential growth opportunities in all of our services going forward. Continued efficiency improvements are also expected to contribute to further margin improvement. The Board is confident that the sector is recovering and the prospects for the Company remain very encouraging. Whilst challenges remain for our international customer base, we continue to meet these challenges and capitalise on the opportunities presented.

Cash continues to be well controlled, and it remains a key strategic goal to achieve cash flow break even without having to raise additional equity capital.

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules of the of the United Kingdom's Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and

their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and gives a true and fair view of the assets, liabilities, financial positions and profit for the period of the Company; and

- The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being a disclosure of related party transactions and changes therein since the previous annual report.

On behalf of the Board

Dr Simon Douglas
Non-executive Chairman

18 November 2024

Condensed Statement of Comprehensive Income

For the six months ended 30 September 2024

	Notes	**6 months to 30.09.24 Unaudited £'000**	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000
Revenue		**1,207**	541	1,136
Cost of sales		**(882)**	(625)	(1,181)
Gross profit (loss)		**325**	(84)	(45)
Other operating income	10	**-**	-	5
Administrative expenses	3	**(1,119)**	(1,335)	(2,247)
Operating loss		**(794)**	(1,419)	(2,288)
Finance income	4	**4**	2	3
Finance costs	4	**(2)**	(3)	(5)
Loss before tax		**(792)**	(1,420)	(2,289)
Income tax credit	5	**34**	63	63
Loss for the period		**(758)**	(1,357)	(2,226)
Total comprehensive loss for the period		**(758)**	(1,357)	(2,226)
		Pence	Pence	Pence
Basic loss per share	6	**(0.8)**	(2.3)	(3.9)

Condensed Statement of Financial Position

As at 30 September 2024

	Notes	**As at 30.09.24 Unaudited £'000**	As at 30.09.23 Unaudited £'000	As at 31.03.24 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	7	**97**	250	158
		97	250	158
Current assets				
Inventories		**230**	524	460
Trade and other receivables		**762**	471	557
Current tax receivable		**-**	326	46
Cash and cash equivalents		**439**	487	1,199
		1,431	1,808	2,262
Total assets		**1,528**	2,058	2,420
Liabilities				
Current liabilities				
Trade and other payables		**417**	537	564
Borrowings	8	**23**	17	20
		440	554	584
Net current assets		**990**	1,254	1,678
Non-current liabilities				
Borrowings	8	**9**	30	23
Provisions for other liabilities and charges		**20**	20	20
Total liabilities		**469**	604	627
Net assets		**1,059**	1,454	1,793
Equity				
Called up share capital	12	**3,815**	2,378	3,815
Share premium reserve		**7,743**	7,981	7,743
(Accumulated losses)/retained earnings		**(10,499)**	(8,905)	(9,765)
Equity		**1,059**	1,454	1,793

Condensed Statement of Changes in Equity

For the six months ended 30 September 2024

6 months ended 30 September 2024 Unaudited	**Called up share capital £'000**	**Share premium reserve £'000**	**Accumulated losses £'000**	**Total Equity £'000**
At 1 April 2024	3,815	7,743	(9,765)	1,793
Loss for the period	**-**	**-**	**(758)**	**(758)**
Issue of share capital	**-**	**-**	**-**	**-**
Share options - value of employee services	**-**	**-**	**24**	**24**

Total transactions with owners, recognised directly in equity	**-**	**-**	**24**	**24**
At 30 September 2024	**3,815**	**7,743**	**(10,499)**	**1,059**

6 months ended 30 September 2023 Unaudited	Called up share capital £'000	Share premium reserve £'000	Retained earnings £'000	Total Equity £'000
At 1 April 2023	1,040	7,647	(7,564)	1,123
Loss for the period	-	-	(1,357)	(1,357)
Issue of share capital	1,338	334	-	1,672
Share options - value of employee services	-	-	16	16
Total transactions with owners, recognised directly in equity	-	-	16	16
At 30 September 2023	2,378	7,981	(8,905)	1,454

Year ended 30 March 2024 Audited	Called up share capital £'000	Share premium reserve £'000	Accumulated losses £'000	Total Equity £'000
At 1 April 2023	1,040	7,647	(7,564)	1,123
Loss for the year	-	-	(2,226)	(2,228)
Share options - value of employee services	-	-	25	25
Total transactions with owners, recognised directly in equity	2,775	96	25	2,896
At 31 March 2024	3,815	7,743	(9,765)	1,793

Statement of Cash Flows

For the six months ended 30 September 2024

	6 months to 30.09.24 Unaudited £'000	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000
Cash flows from operating activities			
Loss for the period	**(758)**	(1,357)	(2,226)
Adjustments for:			
Share based payment expense	**24**	16	86
Depreciation	**60**	125	220
Finance income	**(4)**	(2)	(3)
Finance costs	**2**	3	5
Income tax credit	**(80)**	(63)	(63)
Decrease/(increase) in inventories	**230**	15	79
Decrease/(increase) in trade and other receivables	**(79)**	219	133
(Decrease)/increase in trade and other payables	**(148)**	(307)	(280)
Cash used in operations	**(752)**	(1,351)	(2,049)

Income tax received	**-**	-	280
Net cash used in operating activities	**(752)**	(1,351)	(1,769)
Cash flows from investing activities			
Purchase of property, plant and equipment	**-**	-	(2)
Finance income - interest received	**4**	2	3
Net cash generated by/(used in) investing activities	**4**	2	1
Cash flows from financing activities			
Proceeds from issue of share capital	**-**	1,672	2,808
Proceeds from new borrowings	**-**	-	-
Repayments of borrowings	**(11)**	(28)	(33)
Finance costs - interest paid	**(2)**	(3)	(5)
Net cash (used in)/generated from financing activities	**(13)**	1,641	2,770
Net increase/(decrease) in cash and cash equivalents	**(761)**	292	1,002
Cash and cash equivalents at the beginning of the period	**1,199**	195	195
Effects of exchange rate changes on cash and cash equivalents	**1**	-	2
Cash and cash equivalents at the end of the period	**439**	487	1,199

Notes to the Interim Results

For the six months ended 30 September 2024

1 Basis of Preparation

The condensed financial statements comprise the unaudited results for the six months to 30 September 2024 and 30 September 2023 and the audited results for the year ended 31 March 2024. The financial information for the year ended 31 March 2024 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2024 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for the year ended 31 March 2024 was unmodified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006. The Auditor's report contained a material uncertainty related to going concern.

The condensed financial statements for the period ended 30 September 2024 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the UK. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

Going concern

At 30 September 2024 the Company had a cash balance of £0.4 million (together with debtor balances of £457k). The Directors have reviewed detailed projections for the Company. These projections are based on estimates of future performance and have been adjusted to reflect various scenarios and outcomes that could potentially impact the forecast outturn. Based on these estimates, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the reporting date without raising additional funds. Accordingly, they have prepared these condensed financial statements on the going concern basis.

The Directors note that there is inherent uncertainty in any cash flow forecast, however this is further exacerbated given the nature of the Company's trade and the industry in which it operates. Due to the risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period, the Directors believe that there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern without raising additional funds and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Accounting policies

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the financial statements for the year ended 31 March 2024 and on the basis of the International Financial Reporting Standards (IFRS) as adopted for use in the UK that the Company expects to be applicable at 31 March 2025. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB).

2 Segmental information

For all the financial periods included in these condensed financial statements, all the revenues and costs relate to the single operating segment of research, development and manufacture of recombinant proteins and antibodies.

3 Administrative expenses

	6 months to 30.09.24 Unaudited £'000	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000
Research & development	**176**	182	254
Selling, general and administration	**943**	1,153	1,993
	1,119	1,335	2,247

4 Finance income and costs

Income	**6 months to 30.09.24 Unaudited £'000**	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000
Bank interest receivable	**4**	2	3

Expense	**6 months to 30.09.24 Unaudited £'000**	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000

Interest expense on other borrowings	**2**	3	5

5 Income tax credit

	6 months to 30.09.24 Unaudited £'000	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000
Current tax	**(34)**	(63)	(63)

6 Loss per share

	6 months to 30.09.24 Unaudited Number	6 months to 30.09.23 Unaudited Number	Year to 31.03.24 Audited Number
Loss for the financial year	**(758)**	(1,357)	(2,190)
Loss per share	**pence**	pence	pence
Basic	**(0.8)**	(2.3)	(3.9)

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of shares in issue during the period.

	6 months to 30.09.24 Unaudited Number	6 months to 30.09.23 Unaudited Number	Year to 31.03.24 Audited Number
Issued ordinary shares at the end of the period	**95,365,564**	59,453,714	95,365,564
Weighted average number of shares in issue during the period	**95,365,564**	46,496,775	55,556,020

7 Property, plant and equipment

	Right of use assets £'000	Leasehold property £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
At 1 April 2024	14	844	2,398	277	3,533
Additions	-	-	-	-	-
Disposals	-	-	(6)	-	(6)
At 30 September 2024	14	844	2,392	277	3,527
Accumulated depreciation					
At 1 April 2024	11	844	2,271	249	3,375
Disposals	-	-	(5)	-	(5)
Depreciation charged in the period	2	-	47	12	61
At 30 September 2024	13	844	2,313	261	3,431
Net book value					
At 30 September 2024	**1**	**-**	**80**	**16**	**97**
At 31 March 2024	3	-	127	28	158

8 Borrowings

	At 30 September 2024 £'000	At 30 September 2023 £'000	At 31 March 2024 £'000

At 1 April 2024	**43**	75	75
Additions in period	**-**	-	-
Interest	**2**	3	5
Repayments	**(13)**	(31)	(37)
At period end	**32**	47	43
Amounts due in less than 1 year	**23**	17	23
Amounts due after more than 1 year	**9**	30	20
	32	47	43

Borrowings are secured by a fixed and floating charge over the whole undertaking of the Company, its property, assets and rights in favour of Northern Bank Ltd trading as Danske Bank.

9 Retirement benefits obligations

The Company operates a defined contribution scheme, the assets of which are managed separately from the Company.

10 Transactions with related parties

The Company had the following transactions with related parties during the period:

Invest Northern Ireland is a shareholder in the Company. The Company received invoices for rent and estate services amounting to £60,000 (6 months ended 30 September 2023: £38,000, year ended 31 March 2024: £79,000). There was a balance of £4,500 payable to Invest NI at the reporting dates presented.

11 Events after the reporting date

There have been no events from the reporting date to the date of approval which need to be reported.

12 Reconciliation of loss to EBITDA and EBITDA excluding R&D expenditure

	6 months to 30.09.24 Unaudited £'000	6 months to 30.09.23 Unaudited £'000	Year to 31.03.24 Audited £'000
Loss before tax	**(792)**	(1,420)	(2,289)
Finance (income)/expense	**(2)**	1	2
Depreciation and amortisation	**60**	125	219
EBITDA	**(734)**	(1,294)	(2,069)
Expenditure on research and development	**176**	182	254
EBITDA excluding research and development	**(558)**	(1,112)	(1,815)

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