

The GCI Digest

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SILENCE THERAPEUTICS Ticker SLN Sector Biotechnology Market cap £419m Share price 490p
HOLD

Silence enjoyed a banner year in 2019 which saw the stock rise ten-fold in the wake of its first commercial partnership deal with Mallinckrodt which covers three targets.

The company's RNA interference technology 'silences' the production of disease-causing proteins by inhibiting specific genes in targeted cells. The deal with Mallinckrodt validated the technology, bringing an upfront \$20m cash payment.

This has been followed up with a smaller research funding deal with Takeda of Japan for a single target and a significant deal with AstraZeneca signed in March. This brought in \$60m cash and a \$20m equity investment, meaning Silence has around \$90m cash on a pro-forma

basis. The Astra deal allows it to bring up to 10 targets to Silence who can choose whether to progress them. Each project is worth up to \$400m to Silence in developmental and commercial milestones. Silence does the research work with Astra coming back in at the pre-clinical development stage.

These deals fund the company's own targets: SLN360 for cardiovascular disease and SLN 124 for iron overload disorders. Both are expected to enter clinical trials this year and are estimated to be products with \$1bn sales potential. We are still several years away from getting a drug into the market which makes valuation tricky, but Silence has multiple shots on goal and endorsement from three separate partners. Its broker has a 620p target. ■

SMARTSPACE SOFTWARE Ticker SMRT Sector Software Market cap £22m Share price 78p
SPECULATIVE

As we try to figure out the future of office working, SmartSpace should offer some helpful solutions for property managers. Its software manages desk occupancy, site visitors, and meeting room bookings. Covid-19 functionality such as visitor contact information, room cleaning requests, and distanced desk positioning has been quickly added.

The company is now concentrated on its smaller and mid-market subscription SaaS offerings aimed at clients with up to 1,500 employees, having recently disposed of its enterprise software division. As well as raising a useful £5m cash to add to a £1.7m net balance, this disposal removes the distraction of a long sales-cycle business with lower margins.

Softcat has been signed up as a distributor which is an endorsement of the product and sales are already being made. There will be further benefit when the new generation of Evoko meeting room panels which incorporate the company's software starts to ship.

Sensibly for a company of this size the sales focus is on partners and resellers rather than going direct, though the entry-level SwipedOn can be adopted via online self-service. The key will be in managing these relationships and making the distribution channel work.

The enterprise disposal has been well received and brings clarity to the business model. The market cap looks about right for now in the absence of up-to-date financials. ■

SOSANDAR Ticker SOS Sector General Retailers Market cap £32m Share price 16.8p
HOLD

Sosandar is an online women's apparel retailer focused on what management believes is an underserved demographic of over 30s who have moved on from ASOS and TopShop but still want smart, fashionable and affordable clothes.

So far sales growth has been broadly on target with £9m achieved in the year to March. However the marketing spend required to get there has been much higher than originally hoped with a pre-tax loss of £7.8m being double what was forecast towards the end of last year. The trick is to get a large enough customer database to sustain profitable trading, rather than having to keep upping the marketing spend.

Gross margins also fell meaningfully to 48% from 55%,

reflecting increased promotional activity in acquiring new customers.

Active customers grew to 131,000 last year, up from 62,000 and repeat order rates improved, which is encouraging and necessary in getting to a sustainable scale.

Sosandar's low overheads meant that cash was held flat between April and July at £4.3m as marketing spend was cut back during a seasonally quieter period. This will be increased again 'in a cautious and measured way' to acquire new customers as we go into the Autumn.

Management are 'cautiously optimistic' about what looks like being a crucial season for the company if it is to make the breakthrough. ■