

Leadership team strengthened to underpin commercialisation plans

Achiko AG (SWX: ACHI) has recently partnered with the Udayana University, Indonesia for testing the feasibility of mass deployment of its products. The company currently has two products in its portfolio – Teman Sehat and Gumnuts. Teman Sehat is a mobile app through which users can manage their COVID-19 testing experience and also use the results as a digital health passport. Gumnuts, on the other hand, is low-cost, saliva-based rapid diagnostic test for detection of bacteria and viruses, including COVID-19.

Trial results expected by 1Q21

While the Teman Sehat app was launched in July 2020, the Gumnuts product is undergoing clinical validations, with trial results expected to be released sometime in 1Q21. If the trial results are favourable, we believe they will accelerate the deployment of Achiko's products into global markets.

Dr Morris Berrie to join Achiko's executive team

Dr Morris Berrie has in January 2021 joined Achiko as its new President. He is a biotechnology research scientist and entrepreneur and brings over 20 years of experience in the life science industry. We see this as an opportunity for Achiko to leverage on Morris's expertise and industry connections to drive the production and commercialisation of its products into global markets.

Moving funding to support growth plans

Achiko has entered into two convertible loan agreements that provide it substantial financing for executing its growth plans. It obtained a CHF 2m facility from Negma Group and a US\$2.5m facility, with an extension option of up to US\$9.5m, from the Yorkville Advisors Global LP.

Revised valuation of CHF 1.38 – 2.94 per share

We value Achiko at CHF 1.38 base case and CHF 2.94 bull case using a probability weighted DCF methodology. Notably, this takes into account the issuance of new shares of ~16 million and this is the primary difference when compared with the previous valuation range CHF 1.63 – 3.48 (October 2020). We see Achiko being re-rated once it receives positive clinical trial results for its Gumnuts technology. Key risks we see include: 1) delayed clinical trial results and 2) regulatory hurdles.

Share Price: CHF 0.37

SWX: ACHI

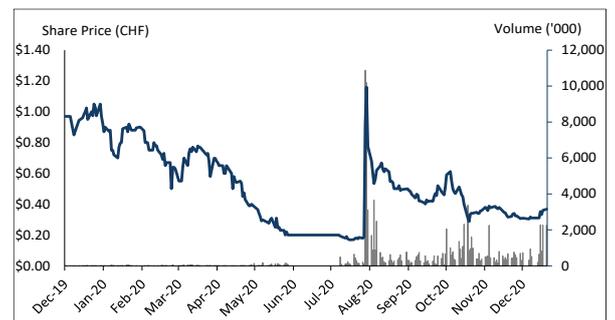
Sector: Technology

12 January 2020

Market Cap. (CHF m)	38.9
# shares outstanding (m)	105.8
# shares fully diluted (m)	128.2
Market Cap Ful. Dil. (CHF m)	47.2
Free Float	65.5%
52-week high/low (CHF)	1.16 / 0.17
Avg. 12M daily volume ('1000)	350.6
Website	www.achiko.com

Source: Company, Pitt Street Research

Share price (CHF)¹ and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

Valuation metrics	
DCF fair valuation range (CHF)	1.38 – 2.94
Discount rate	16%
Assumed terminal growth rate	None

Source: Pitt Street Research

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¹ AUD/CHF: 1.49



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Leadership team strengthened with new President and SVP Commercialisation appointments

In order to drive the production and commercialisation of its products, Achiko in January 2021 made the following new appointments to its leadership team:

Dr Morris Berrie has joined Achiko as the new President, and in our view, will help drive the production and commercialisation of Gumnuts into end markets across the world

- **Dr Morris S. Berrie** as the new President of the company. Morris is a biotechnology research scientist and entrepreneur and has over 20 years of scientific, business and financial experience in the biotechnology, healthcare industries. He has worked at Schering AG, is a Chartered Chemist (CChem), a Member of the Royal Society of Chemistry (MRSC) and was the recipient of a European DG Post-Doctoral Fellowship upon completing his PhD in Organic Chemistry at Imperial College, London. He has previously held the following positions:
 - Co-Founder/Chairman of TTS Global Initiative which globally facilitates deal flow in the early stage/SME biotech sector and was a partner of several EU Horizon 2020 multi-million Euro projects aiding the European SME sector;
 - CEO and Editor-in-Chief of the Biotechnology Investment Today Group where he worked with numerous prestigious clients from both the healthcare and the financial industries, including the US National Institutes of Health (NIH), Pfizer, GSK, Needham & Co, Orbimed, TVM, JPMorgan and many more; and
 - Head of Global Intelligence and Business Development for the Nature Publishing Group and before that he was the Director, Compound Registry, Patent Database for the Investigational Drug database (IDdb3) of Current Drugs, which was subsequently acquired by Thomson Reuters.
- **Richard Lingard** as the SVP of Commercialisation. Richard brings over 25 years of experience in the life science industry. Before joining Achiko, Richard was the CEO at Adroit-DI where he developed a software platform to unify research. Before that, he was Head of Europe, Middle East, India and Russia for Taconic Biosciences, creating a partner ecosystem and structuring his division to assist with the sale of Taconic to H.I.G. Capital. He holds a BSc. in Management and Chemical Sciences from the University of Manchester Institute of Science and Technology.

Both Morris and Richard will be responsible for the diagnostics and life science division of Achiko. Based on their strong industry background and connections, we believe their appointments will add significant value to Achiko and help drive the production and commercialisation of Gumnuts into global markets.

New VP of commercialisation has a proven track record of taking innovative medtech products to market

Additional to the above appointments, Achiko appointed Pierre Nathie as its Vice President, Commercialisation. Pierre Nathie brings 25 years of experience in the healthcare technology industry with specialisation in launching innovative medtech and biotech products in the US, Europe and China. Prior to joining Achiko, Pierre served as the Managing Director at Med2Mark, a consulting firm specialising in commercialisation of innovative medtech products. Mr. Nathie has an MBA from HEC Paris, a MSc. in Econometrics, a post graduate certificate in Health Economics and a MSc. in Biotechnology. In our view, Mr. Nathie's substantial experience and global networking will help Achiko in its journey of launching its products in global markets.



In addition, the company has strengthened its advisory board, with the appointments of five experts on medtech and biotech:

- **Glenn Cross** has over 40 years of experience in the life sciences sector, having served in various executive roles, and has deep laboratory knowledge. Currently the CEO of Red Bluff Capital, an investment and advisory firm, he also serves as a non-executive director on the board of various companies including Horizon 3 Biotech Fund, Captix Biomedical and Grey Innovation. He previously served as the COO and CEO of AusBiotech for over 13 years.
- **Dr. Jittaporn Wattanaseree** is a lecturer and trainer in the field of biopharmaceuticals, and has over 30 years of experience in all stages of drug development. She also serves on the board of ISPE Thailand Affiliate and is a part of the technical committee of Biosafety of Genetically Modified Microorganism of BIOTEC, NSTDA. She pursued her Ph.D. in Molecular Biochemistry and Biophysics at Yale University.
- **Carol Aebi** is a researcher and strategist, currently working as the Head of Business Analysis at AdNovum, a Swiss software engineering firm. She is an expert in digital ecosystem and was also the Head of Business Analytics at Pintail Ventures AG, a Swiss fintech start-up venture.
- **Paul Field** has over 30 years of experience in the field of biotech, including in vitro diagnostics and infectious diseases. He is a member of the investment committee at the Horizon 3 Biotech Fund, and serves as the Strategic Advisor to Alsonex, Marinova and other Australian biotech companies. Previously, he worked as the Senior Investment Specialist at Austrade, the Australian Government's trade and investment promotion agency. He is also the Australian representative to the Global Antibiotic R&D Partnership (GARDP) which is focused on the development of new treatments for drug-resistant infections.
- **Charles Pan** is a corporate development executive, with over 25 years of experience in M&A, strategic partnership, start-up management and ecosystem building across East Asia and Silicon Valley. Currently, he serves as the Strategic Advisor to Sigknow Biomedical, a diagnostic medical device start-up. His previous roles included CEO at Orange Capital, Chief Investment Director and Special Assistant to Chairman, Handset Business Group at Foxconn, and CIO at Eastern Media Group.

We believe that leveraging the significant expertise of these board members will support Achiko with the development and the subsequent commercialisation of its products. Moreover, the international exposure of these members will underpin Achiko's expansion into other geographies.

Inked research agreement with Udayana University

Achiko entered into a research partnership with Udayana University in Bali, Indonesia in December 2020 to study the feasibility of conducting mass testing for COVID-19 with Teman Sehat and Gumnuts products. The research will also focus on the impact of these tests on various target markets such as healthcare and consumers, as well as on business confidence.

The plan is for the partners to collaborate on deploying testing infrastructure for COVID-19 across three islands in the province of Bali — Nusa Penida, Nusa Lembongan and Nusa Ceningan. The study will include the integration of the Teman Sehat application with Gumnuts, Achiko's saliva-based pathogens testing kit, when it becomes available.

Research collaboration with Udayana University to provide validation of Achiko's products



The objective of the partnership is to create an ecosystem in the three islands that will provide better into incident rates of COVID-19 infections in the nearby locales. Through the Teman Sehat app, residents as well as visitors of these islands will be able to manage their COVID-19 testing experience. Moreover, since the test results will be available on the app, it will act as a digital passport for boarding flights and provide information on accessing nearby locations based on a traffic light system.

Achiko expects the findings of the research to be available in the next 3-4 months. If the study outcomes are favourable, it will open the path for Achiko to roll out its products across rest of Indonesia as well as nearby countries.

The Teman Sehat app has been well received by the end markets so far, and Achiko is planning for its expansion beyond Indonesia. The mobile app was launched in July 2020, in Pekanbaru, Indonesia and as of September it had over 40,000 registered users in 800 locations across the city. Further, Achiko has recently signed a contract with UltraVouchers, an Indonesian provider of mobile apps for sales and gifting of voucher products. Through this partnership, Achiko plans to aid shopping malls, hospitals, schools and parks monetise check-ins through micro-transactions and coupons. We believe this partnership will drive wider adoption of the Teman Sehat app.

Achiko signs partners to fast-track Gumnuts to the market

Partnership with Toolbox Medical Innovations and NDA Group to fast-track the commercialisation of Gumnuts product

In November 2020, Achiko entered into a partnership with Toolbox Medical Innovations and NDA Group in order to fast-track the commercialisation of its Gumnuts product. The partnerships were led by encouraging results from field-level validation trials of the Gumnuts testing kit.

Leveraging on its partnership with Toolbox Medical Innovations, Achiko plans to design the commercial version of its Gumnuts test kit. Notably, Toolbox Medical Innovations is an ISO 13485-certified consumables development firm specialising in the development of in vitro diagnostic products. We believe the partnership can provide Achiko the support required to successfully take its Gumnuts offering to the market.

The NDA Group partnership, on the other hand, is expected to provide technical support for improving Achiko's quality management system. It will also help progress towards attaining CE Marking, an important certification required for the commercialisation of medical devices. Obtaining the CE Marking will allow Achiko to sell its Gumnuts product in 32 European nations. Notably, NDA Group is a regulatory, drug development and medical device consultant, with focus on US and European markets.

Further, the initial clinical trials for Gumnuts have generated positive in-vitro results. Currently, the company is continuing with field-level clinical validation trials for its product and is simultaneously applying for approvals in the US and Asia. Achiko has also noted increased interest in Gumnuts from countries in Central America and Africa.



Funds in place to support growth plans

Achiko has recently secured substantial funding to support its growth plans. On 30 November 2020, it entered into a CHF 2m (US\$2.21m) convertible loan transaction with Negma Group, with a conversion period of three years. The new facility replaces the legacy Negma Group facility. Prior to this, on 26 November 2020, the company had secured a convertible loan facility with Yorkville Advisors Global LP, a US-based fund manager. This facility includes a committed capital of US\$2.5m with an extension option of up to US\$9.5m. Achiko estimates issuance of 7.8 million shares for serving this loan facility.

The company plans to deploy these funds towards the production of Gumnuts testing kits. The funds will also be used in further development of the Teman Sehat app. In our view, the combined availability of funds of approximately US\$14m will provide significant support to the company in its commercialisation journey. Further, given that both the loan facilities provide lenders an option to acquire equity in Achiko indicates the financier's confidence in its products. Moreover, it exhibits management's execution capabilities to secure the required funding.

Achiko secured two convertible loan facilities to underpin its development plans

Valuation

We remain convinced about the prospects of Achiko, especially in light of the recent developments including signing key partnerships and arranging significant funding. However, there has been a downward revision to the valuation range as compared with the initiation note published in October 2020, solely driven by the increase in outstanding shares. Since 1 October 2020, Achiko has issued shares twice:

- On 30 October, 13.2 million shares were issued to settle previous commitments.
- Additional 3 million shares were issued on 11 December in relation to convertible notes.

As a result of these share issuances, the revised valuation (Figure 1) stands at CHF 1.38 per share base case and CHF 2.94 per share bull case (vs. CHF 1.63–3.48 in October 2020).

Figure 1: DCF valuation summary

Gumnuts & Teman Sehat Valuation	Base Case	Bull Case
NPV (US\$M)	322	685
Risk Factor	50%	50%
rNPV (US\$M)	161	342
CHF/USD	0.91	0.91
rNPV (CHF M)	146	311
Shares outstanding (M)	105.8	105.8
Implied Price (CHF)	1.38	2.94
Current Price (CHF)	0.37	0.37
Upside (%)	276%	700%

Source: Pitt Street Research

Please see <https://www.pittstreetresearch.com/> for our initiating coverage report on Achiko.



Analyst Qualifications

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Cheng Ge is an equities research analyst at Pitt Street Research.

- Cheng obtained a B.Com in Finance and LL.B from University of New South Wales, in 2013, and has passed all three levels of the CFA Program.
- Prior to joining Pitt Street Research, he has worked for several financial services firms in Sydney, where his focus was on financial advice.
- He joined Pitt Street Research in January 2020.

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