

**EQUITY - SPAIN**  
 Sector: Biotechnology

 Closing price: EUR 2.00 (9 May 2023)  
 Report date: 10 May 2023 (11:45)

**Important news**  
 Independent Equity Research

**Important news**
**Opinion** <sup>(1)</sup>: Positive

**Impact** <sup>(1)</sup>: We will have to raise our estimates

**Luis Esteban Arribas** – luis.esteban@lighthouse-ieaf.com  
 +34 915 904 226

**Business description**

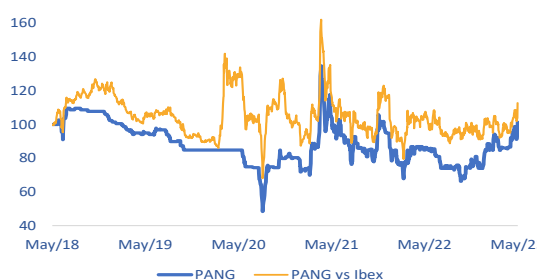
**Pangaea Oncology (PANG)** is a small Spanish biotech company (Zaragoza), specialising in differentiated cancer diagnosis and treatment and corporate services (molecular diagnostics and biomarker discovery for the pharmaceutical industry). It is run by a prestigious medical team that includes its founders (c.13% of capital). The Villagrà family (Villagrà) and GPI (Mayoral) are reference shareholders.

**Market Data**

|                                    |                    |      |
|------------------------------------|--------------------|------|
| Market Cap (Mn EUR and USD)        | 61.0               | 66.8 |
| EV (Mn EUR and USD) <sup>(2)</sup> | 60.6               | 66.4 |
| Shares Outstanding (Mn)            | 30.5               |      |
| -12m (Max/Med/Min EUR)             | 2.00 / 1.60 / 1.31 |      |
| Daily Avg volume (-12m Mn EUR)     | 0.03               |      |
| Rotation <sup>(3)</sup>            | 10.8               |      |
| Factset / Bloomberg                | PANG-ES / PANG SM  |      |
| Close fiscal year                  | 31-Dec             |      |

**Shareholders Structure (%) <sup>(5)</sup>**

|                                    |      |
|------------------------------------|------|
| GPI (Domínguez Family, Mayoral)    | 13.8 |
| Vidaro Inv. (Villagrà Blanco Fam.) | 8.2  |
| Mirling Europe                     | 6.6  |
| Hersol XXI (Solans Family)         | 4.4  |
| Free Float                         | 12.4 |

**Relative performance (Base 100)**

**Stock performance (%)**

|                                    | -1m  | -3m  | -12m | -5Y   |
|------------------------------------|------|------|------|-------|
| Absolute                           | 17.0 | 8.1  | 19.4 | 1.3   |
| vs Ibex 35                         | 18.6 | 8.8  | 5.8  | 12.8  |
| vs Ibex Small Cap Index            | 22.0 | 20.1 | 26.7 | -0.4  |
| vs Eurostoxx 50                    | 16.6 | 6.3  | -2.6 | -16.3 |
| vs Sector benchmark <sup>(4)</sup> | 14.0 | 17.7 | 47.2 | 2.6   |

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Europe Biotechnology.

(5) Others: Founders 13.2%, Irigen 6.6%, Eléctrica del Oeste 6.3%, Areyhold S.L.U. 6.2% Inv. Industriales Serpis 5.9%, Ideas de Bombero 5.8%, Inv. Orensanas 5.5%, Proyecto Asfodel 5.1%

(\*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

## PANG acquires IOB and is now “twice” as big

### PANG CEMENTS ITS LEADERSHIP POSITION IN THE CATALONIAN ONCOLOGY MARKET AND STARTS UP OPERATIONS IN MADRID...

PANG has announced the acquisition of 100% of the share capital of International Oncology Bureau (IOB). IOB is a leader in cancer treatment, specialising in oncology and haematology. It operates through a network of five hospitals, of which four would be new to PANG's network, two in Barcelona and two in Madrid. It doubles PANG's capacity (four hospitals at year-end 2022) in Spain and bolsters its position as a leading provider of oncological services in Catalonia.

...ADDING INTERNATIONALLY RENOWNED PROFESSIONALS AND BROADENING ITS CANCER TREATMENT OFFERING. The deal includes an agreement whereby one of the founders (Dr Josep Taberner, specialist in gastro-intestinal cancer) and several leading oncologists, Dr Enriqueta Felip (thoracic tumours), Dr Aleix Prat (breast cancer), Dr Teresa Macarulla (hepatocarcinoma, biliary and pancreatic cancer) and Dr Jordi Martí, will stay on for a period of five years. Partnering with this team of experienced and well-known specialists expands PANG's cancer treatment service offering.

A NON-DILUTIVE ACQUISITION. The transaction price has not been disclosed, but we are estimating payment of c. EUR 4Mn. Taking IOB's 2022 revenue (EUR 7.3Mn), this would imply an EV/sales ratio of c. 0.5x (estimated by LH based on the latest acquisition, of QTI: EV/sales 1x, EBITDA 2021 margin of 15% vs c. 7% for IOB in 2021). Consideration for the acquisition entails delivery of treasury shares (EUR 1Mn) and a combination of cash and earn-out based on profit or loss over the next two financial years. Considering the deal size and the company's net cash position at year-end 2022 (EUR 4.8Mn), there will be no dilution for shareholders.

A LOGICAL, STRATEGIC MOVE. In our opinion, the acquisition achieves three key (qualitative/essential) objectives as it enables PANG: i) to tap into revenue synergies from cross selling its services (analysis, clinical trials, surgery) to a larger patient base, ii) to become the leader in Catalonia and iii) to command wider margins through a more profitable revenue mix.

DESPITE (STILL) DIM VISIBILITY, THE TRANSACTION CLEARLY IMPLIES A JUMP IN SIZE AND IS A BIG ACHIEVEMENT FOR THE COMPANY. We think PANG made a great move; in 2022, IOB obtained revenue of around EUR 7.3Mn (1.6x PANG's 2022 revenue). Our baseline scenario shows a sharp jump in size, which is 'already' visible in 2023e: revenue 2023e c.EUR 10Mn (+135% vs 2022; PANG will consolidate six months of IOB's operations; +56.3% of our previous estimate) and EBITDA 2023e of c. EUR -1Mn. Meanwhile, in 2024e, with IOB fully integrated, PANG could see revenue of EUR 14.6Mn and exceed break-even already in EBITDA.

IOB'S ACQUISITION COMPLETELY CHANGES THE COMPANY. The acquisition changes PANG for four reasons: i) the evident increase in size, with a focus on clinical care (1,600 new patients in 2022, to a total of 5,000 with IOB), ii) the strategic shift towards a more profitable revenue mix, iii) positive EBITDA as early as in 2024e and iv) PANG's ability to maintain its net cash position and options for more organic growth despite the size of the acquisition. PANG enjoys favourable momentum.

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## Pangaea Oncology (PANG) is a BME Growth company

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## Appendix 1. EV breakdown at the date of this report

|                                      | EUR Mn      | Source           |
|--------------------------------------|-------------|------------------|
| Market Cap                           | 61.0        |                  |
| + Minority Interests                 | 0.2         | 12m Results 2022 |
| + Provisions & Other L/T Liabilities | 0.3         | 12m Results 2022 |
| + Net financial debt                 | (4.8)       | 12m Results 2022 |
| - Financial Investments              | 0.3         | 12m Results 2022 |
| +/- Others <sup>(1)</sup>            | 4.2         | 12m Results 2022 |
| <b>Enterprise Value (EV)</b>         | <b>60.6</b> |                  |

(1) Tax loss carry forward

## LIGHTHOUSE

Calle Basílica, 17, 1ª Planta, Oficinas  
28020 Madrid  
T: +34 915 904 226  
[institodeanalistas.com/lighthouse](https://institodeanalistas.com/lighthouse)

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### Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

### David López Sánchez

Equity research

david.lopez@lighthouse-ieaf.com

### Luis Esteban Arribas

Equity research

luis.esteban@lighthouse-ieaf.com

### Enrique Andrés Abad

Equity research

enrique.andres@lighthouse-ieaf.com

### Jesús López Gómez

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

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#### Notes and Reports History

| Date of report | Recommendation | Price (EUR) | Target price (EUR) | Period of validity | Reason for report                      | Analyst                          |
|----------------|----------------|-------------|--------------------|--------------------|--|----------------------------------|
| 10-May-2023    | n.a.           | 2.00        | n.a.               | n.a.               | Important news                         | Luis Esteban Arribas             |
| 04-May-2023    | n.a.           | 1.84        | n.a.               | n.a.               | 12m Results 2022                       | Luis Esteban Arribas             |
| 31-Oct-2022    | n.a.           | 1.47        | n.a.               | n.a.               | 6m Results 2022 - Estimates downgrade  | Luis Esteban Arribas             |
| 14-Jul-2022    | n.a.           | 1.46        | n.a.               | n.a.               | Important news                         | Alfredo Echevarría Otegui        |
| 02-May-2022    | n.a.           | 1.70        | n.a.               | n.a.               | 12m Results 2021                       | Alfredo Echevarría Otegui        |
| 29-Oct-2021    | n.a.           | 1.64        | n.a.               | n.a.               | 6m Results 2021                        | Alfredo Echevarría Otegui        |
| 02-Sep-2021    | n.a.           | 1.70        | n.a.               | n.a.               | Important news                         | Ana Isabel González García, CIIA |
| 25-Jun-2021    | n.a.           | 1.85        | n.a.               | n.a.               | Important news                         | Ana Isabel González García, CIIA |
| 05-May-2021    | n.a.           | 2.17        | n.a.               | n.a.               | 12m Results 2020 - Estimates downgrade | Ana Isabel González García, CIIA |
| 03-Nov-2020    | n.a.           | 1.58        | n.a.               | n.a.               | 6m Results 2020                        | Ana Isabel González García, CIIA |
| 16-Oct-2020    | n.a.           | 1.56        | n.a.               | n.a.               | Initiation of Coverage                 | Ana Isabel González García, CIIA |

