

Ion Beam Applications (IBAB BB) FY17 Challenging as Flagged; Focus on 2018 Rebound

Key Takeaway

FY17 sales -13% driven by -17% decline in PT and Others, while Dosimetry performed solidly with +12% growth. As expected, the impact of customer/project delays and soft PT market was clearly evident in today's print. The focus on the call today will be the shift of revenue recognition into 2018 and 19. Backlog of €1bn and 3 PT room orders in early-18 provide some reassurance. Call 2pm.

FY17 Results Summary:

- **Group Revenue €287.4m**
- Revenue growth -12.6% vs. guidance of "below 5-10% revenue growth"
- Proton Therapy €193.4m (-14.6%)
- Other Accelerators €40.2m (-25.8%)
- Dosimetry €53.8m (+11.9%)
- Backlog €972m, of which: Equipment €283m; Service €689m (+21%)
- **REBIT €-11.6m (vs. guidance of "negative REBIT")**
- REBIT margin -4.0%

Core business significantly impacted by customer delays as expected. PT and Other Accelerators (c.80% of Group) declined -16.8%, significantly impacted by delayed revenue recognition for up to half of the company's 26 ongoing projects. This was well flagged through the year although the extent of decline is slightly surprising. The backlog of c.€1bn provides some reassurance and the delay in revenue recognition should now shift into 2018 and 2019. Net cash position fell to -€15.5m driven by higher working capital requirements, although the company has sufficient credit lines to finance its cash flow requirements.

Five rooms sold through 2017 vs. 17 in 2016; inopportune time for a (much) slower market. PT orders are customarily lumpy but the PT market was significantly softer in 2017 than recent years (JEFe 12 rooms vs. 32 in FY16 and 47 in FY15), although IBA retained its market leading share at c.60%. Although not unprecedented, a slower market adds salt to the wound as the company works through execution issues in the near term.

Scale of market opportunity and leading position intact. Regardless of these current issues, PT remains a long-term conversion play (JEFe: 15-20% of conventional radiation, from 1% today, further supported by new ASTRO and NCCN guidelines) and lumpiness is customary. IBA remains the clear leader in a grossly under-penetrated space (JEFe 42% of 2017 orders) and has a service/equipment backlog of almost €1bn.

All eyes on orders in 2018. 2017 represents the slowest year since 2009 for IBA with 5 rooms sold vs. the 3-year average of 13. IBA believes 50 of its qualified target list of 150 can feasibly be signed in the next 24 months. If the company could execute on these leads we would expect upgrades to guidance.

2018 Guidance: As flagged in Jan-18, IBAB has withdrawn its quantitative guidance for 2018 and the MT. It now expects positive REBIT and net profit after tax in 2018 and beyond, and will only provide financials at 1H and FY results.

Analyst call. 14:00 GMT. UK +442071943759. Code 74532914#.

BUY

Bloomberg BRU: IBAB BB
Price target €31.40
Price €20.18^

^Prior trading day's closing price unless otherwise noted.

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Company Description

IBA is a high-technology medical company which concentrates its activities on proton therapy, radiopharmacy, particle accelerators for the industry and dosimetry.

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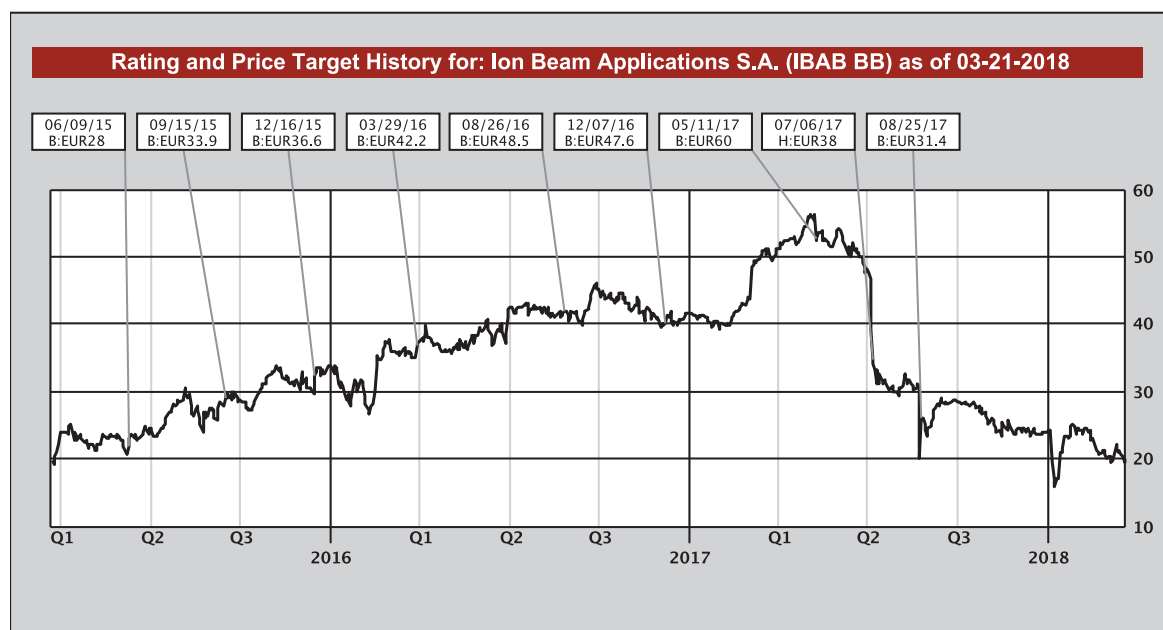
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