

Futura Medical

Eroxon continues to build, further new launches expected

6 February 2024

- Futura Medical expects to report FY23 revenues of c £3.1m (FY22: nil), which together with >£0.5m of orders delivered in January that had been planned for December, exceed our £3.4m forecast. Recall that we have previously highlighted the challenges in forecasting near-term revenues. This is owing to unpredictable launch dynamics including stocking effects, timing of batch release, limited disclosure from partners, and differing and unknown precise deal terms in various regions. We expect revenues to become more predictable as additional launches are executed in various countries, and once there is visibility on repeat orders as launches are more advanced.
- The FY23 gross margin of 58%, surpassing our 53%, suggests an improvement in H223 to >63% (from 53% in H123). Cash at end-December 2023 of £7.7m, above our forecast £6.5m, should be more than sufficient to fund current operations given well controlled operating costs.
- Eroxon has successfully taken a >20% share of approved ED (erectile dysfunction) treatments since launches by partner Cooper Consumer Healthcare in the UK and Belgium in March 2023. Full launches into retailers in France, Italy, and Spain (where Eroxon is currently available through on-line channels) are expected to take place before April 2024. The original five-year agreement with Cooper, executed in May 2022, was recently extended until January 2029, which we believe is a signal of Cooper's commitment to and enthusiasm around Eroxon's potential.
- Across other partnerships, Eroxon was launched in the UAE in October. The partnership with M8 Pharmaceuticals (recently acquired by Acino) was expanded beyond existing rights in Brazil and Mexico to include an additional 14 countries in Central and South America. Importantly, preparations for US launch continue with partner Haleon, although visibility on US launch timing remains limited; note that we do not currently forecast US launch until 2025e. We continue to view the US opportunity as the most significant.

Price	27.70p
Market Cap	£83.5m
Primary exchange	AIM
Sector	Healthcare
Company Code	FUM
Corporate client	Yes

Company description:

Futura Medical is the developer of innovative sexual health products; its core strength is in its research, development, and commercialisation of topically delivered gel formulations. Lead product Eroxon (MED3000) is approved as an OTC product for ED (erectile dysfunction) in Europe and the US.

Trinity Delta view: Revenues appear to be broadly tracking just ahead of our expectations, even with the challenges of forecasting first launches. Re-ordering patterns will be a key determinant of longer-term success, and whilst visibility is not unexpectedly limited given the early stage of launch, we believe the commitment shown by Cooper through extension of the existing agreement is an encouraging sign and likely reflects initial in-market success and trends, in our view. We continue to believe Futura is uniquely placed within UK healthcare, with a better-than-expected cash position and a clear pathway to profitability and sustainable cash generation from 2025. Our valuation of £363m, equivalent to 121p per share, suggests that the Eroxon opportunity is not reflected in the current share price. Our model includes peak US sales of \$350m with partner Haleon and \$100-130m in each of Europe and in Other Regions, with the key valuation driver being the peak overall opportunity rather than precise launch timings. Preliminary FY23 results will be released in April.

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