Twitter Thread by Modelio Equity

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1. A company that has been brewing just outside our Top-5 for some time now is the electroporation (EP) company MaxCyte. Modelio assesses it as one of the best investments to capture the growing gene editing and gene therapy space, especially in allogeneic ex-vivo treatments.

2. We estimate that MaxCyte stands before a huge inflection point that will accelerate both growth and profitability. We have seen signs of the accelerating underlying activity by the fact that they in the last two years have added 9 of their 12 commercial agreements.

3. What makes MaxCyte unique compared to other “pick-and-shovel” businesses is their claim to milestones and royalties, something usually reserved for pharmaceutical companies.

4. As per the January update, MaxCyte has a potential pool of $950m in milestones, and a 2-3% (our estimates) of sales in royalties, that excludes licenses and consumables for the machines.

5. Reviewing the partners' pipelines, we think milestone revenues will unleash themselves in 2021 and beyond as they move further into clinical trials.

6. We do not expect any treatments to be approved in 21' or even 22'. Starting from 2023/2024 there is a good chance of a release every- or every other year for the coming years.

7. Within their partner programs, the CTX001 project by CRISPR Therapeutics looks most exciting. We have seen analysts estimating peak sales of $1,3b as early as 2024. Were it to happen, MaxCyte could likely see royalties of $20-40m/year, excluding consumables and licensing fees.

8. The above shines a light on why we really like MaxCyte: it offers pharmaceutical upside as one approved treatment could increase revenue by 50-100%. And were it to fail, there are still more than 15 treatments that we know of in phase I/II clinical trial.

9. Furthermore, these treatments are not inherited linked with each other as MaxCyte has customers within a broad spectrum of diseases and with different editing techniques.

10. Given the unique business model and its apparent lucrative position, Modelio has spent a lot of research time on the competitive landscape. From our research, we find one serious competitor on the commercial side: Lonza.

11. Lonza's strength lies within research and early pre-clinical work due to favorable transfection volumes and cheaper operations. Thermo Fisher's offering is ill-suited for commercial use. It has gained a market for universities and research labs due to its low costs.

12. Once you commit and move forward to mammalian cells, roughly 80-90% switch to MaxCyte. Out of the approximately ten experts we spoke to, none knew any clinical trial involving EP not using MaxCyte.

13. MaxCyte has a clear advantage in volume and efficiency with around 90% efficiency and low toxicity compared to using other transfection methods. It is also simple to use and reproducible.

14. On the downside, MaxCyte’s EP is expensive and therefore not well suited for research. However, our understanding is that once a customer commits to a platform for clinical studies, a company would never switch due to immense switching costs.

15. While the competitive landscape steers clearly in MaxCyte’s favor in the short- to medium-term, it is likely that competition will be gradually elevated in this arena in the longer-term 3-5+ year horizon.

16. A large moat for MaxCyte is their extensive IP that makes it incredibly difficult for Lonza, Thermo, and others to create a competitive platform. Our assessment is that MaxCyte is a highly likely acquisition target for Thermo/Lonza if EP becomes a strategic focus for them.

17. At the current price, MaxCyte is valued in line with other MedTech companies growing at 20-25%. However, we estimate that milestone growth will be dramatic in the coming years.

18. Our analysis points towards MaxCyte growing the top-line at 30-40% for several years and with substantial margin expansion. On top of that, we have the optionality of +100 clinical licenses that could generate anywhere from $5m-100+ in revenue per year and per program.

19. On top of all these fundamental triggers, a clear valuation trigger is the listing on NASDAQ USA before November this year. Analyzing peers in the US, there is a clear valuation discount for MaxCyte, which we think will close once on the NASDAQ.

20. It is our interpretation that the market is overly pessimistic regarding the high likelihood of major growth in the coming years. Modelio assess revenues at around $100m by the middle of the decade, with operating margins in the 35-50% range.