AIM Advisers, Inc.
Maximizing Present & Future Value

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MaxCyte Raises $14 Million in AIM IPO

Overview

Gaithersburg, Maryland-based MaxCyte, Inc. raised $14.4 million in its recent IPO on the London Stock Exchange's AIM and commanded an opening market capitalization of $43.8 million.

MaxCyte is a developer and supplier of electroporation technology and instrumentation to biotechnology and pharmaceutical firms engaged in cell therapy, drug discovery and development, biomanufacturing, gene editing and immuno-oncology, markets that exceed, in aggregate, $35 billion. The Company was founded in 1998 and generated $9.3 million of revenue during 2015, an increase of 29% over 2014.

Electroporation is a transfection process that uses highly controlled electrical fields to temporarily permeabilize cell membranes, allowing the transfer of molecules into cells. MaxCyte's technology allows transfection with any molecule or multiple molecules and is compatible with nearly all cell types, including hard-to-transfect human primary cells. The technology also provides a high degree of consistency and minimal cell disturbance, thereby facilitating rapid, large scale, commercial and clinical grade cell engineering in a non-viral system and with low toxicity concerns. Importantly, the Company's technology is CE-marked and FDA-accredited, providing MaxCyte's customers with an established regulatory path. Key aspects are protected by 20 U.S. and international patents and 18 patent applications.

MaxCyte has developed a diverse and international customer base which consists of over 50 leading pharmaceutical and biotechnology companies, comprising nine of the top 10 global pharmaceutical companies by revenue, including, Novartis, Roche, Pfizer, Sanofi and AstraZeneca. The Company's technology and instruments are sold in the drug discovery and development and biomanufacturing markets and are leased in the cell therapy development and commercialization markets to enable the development of novel, cell-based therapeutics in partnered programs. MaxCyte generates additional recurring revenue from the sale of its proprietary, single use, disposable processing assemblies.

The Company believes that significant future revenue will be generated from commercial agreements for its cell therapy partnered programs. MaxCyte is currently engaged in over 30 such programs covering a diverse range of fields, including, immuno-oncology, gene editing and regenerative medicine. Ten of these are currently in clinical development. As these programs progress towards therapeutic product approval and commercialization, the Company believes it will earn license fees, milestone payments and royalties.

MaxCyte is also developing its own therapeutic platform, CARMA, and a related pipeline of next-generation cell therapies. The Company believes that its platform could allow mRNA CAR product manufacturing (artificial T cell receptors) in a matter of hours rather than weeks, which would represent a paradigm shift in the development of robust, cost-effective, toxicity-controlled therapeutic products for rapid delivery of mRNA CAR therapies for treating a broad range of solid and hematological cancers. MaxCyte is collaborating with the Immuno-Oncology group at Johns Hopkins Kimmel Cancer Center in Baltimore, Maryland to conduct research for pre-clinical studies to treat ovarian cancer that may lead to an Investigational New Drug filing, manufacturing certification and human proof-of-concept studies.

MaxCyte has 25 employees, 20 based at the headquarters in Maryland and five at various locations across the U.S. and Europe. The Company has a 7,500 square foot laboratory and instrumentation development and production facility in Maryland and a sales and marketing office in Alderly Park, U.K.

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Key Financial Metrics

(in USD millions)	Y/E 12/31/13	Y/E 12/31/14	Y/E 12/31/15	Δ '13 - '14	Δ '14 - '15
Revenue	$6.8	$7.2	$9.3	+6%	+29%
COGS	0.8	0.9	1.0	+13%	+11%
Operating Expenses	6.8	7.5	9.0	+10%	+20%
Interest Expense	0.2	0.6	0.7	+200%	+17%
Net Loss	1.0	1.8	1.4	+80%	-22%
LBITDA	0.7	1.2	0.7	+71%	-42%
Total Assets	2.5	6.3	6.4	+152%	+2%
Cash	0.8	3.4	2.4	+325%	-29%

The vast majority of the Company's revenue was generated from the U.S. The two largest customers in each of the last three years accounted for approximately 25% of revenue. The Company's accumulated deficit amounted to $48.4 million as of December 31, 2015.

Key Listing Metrics

- $14.4 million gross was raised, $11.3 million net of offering costs, intended to be used for:
  - Further development of the Company's CARMA platform via pre-clinical and clinical trials
  - Expansion of the Company's direct sales teams in the U.S. and Europe
  - Expansion of the Company's network of distributors in Asia and globally

- Offering costs amounted to 21.5% of the gross capital raised
  - The offering was undertaken on a 'best efforts' basis, as opposed to being underwritten
    - Broking commission of 5%
    - Corporate finance fee of £350,000 ($500,000)

- Opening market capitalization of $43.8 million
- Dilution to existing shareholders of 32.9%
- Free float of 33.0%

- Trailing pre-money revenue multiple of 3.2

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Shareholder Base

The Company had 29.2 million shares outstanding prior to the AIM IPO and issued 14.3 million new shares for cash in the IPO, leaving the Company with 43.5 million shares outstanding. The table below details those who held 3% or more of the Company prior to and after the IPO, along with the aggregate holdings of other historic investors and other new U.K. investors.

Shareholder	Pre-IPO %	Post-IPO %
U.S.-based VC	27.37	18.95[1]
U.S.-based VC	15.93	10.70[1]
U.S.-based Investment Management Firm with global reach	12.65	8.49[1]
U.S.-based VC (Japanese and Korean Investors)	6.35	4.26[1]
Directors	4.22	3.12[1]
Strategic Investor (Japan)	3.67	2.47[1]
Other Historic Investors	29.81	20.04[2]
London-based Institution (Pension Funds)	-	8.05
Global Institution (Various Funds)	-	4.93
London-based Institution (Pension and Insurance Funds)	-	4.93
London-based AIM Venture Capital Trust	-	4.93
Other New U.K. Investors	-	9.13
Totals	100.00	100.00

As a result of the AIM IPO, the Company now has an adequate amount of capital to further develop its CARMA platform and expand its sales teams in the U.S. and Europe and network of distributors in Asia. The new, U.K.-based, blue-chip, institutional investors have broadened the shareholder base and can provide additional capital to fund future growth plans. MaxCyte's AIM IPO will enhance its profile and product awareness amongst current and prospective customers, partners, suppliers and academic institutions. The Company's listing on AIM also provides a platform for acquisitions of companies, products and/or intellectual property. Finally, the Company benefits from the adoption of an additional Share Option Plan amounting to a pool of up to 10% of the shares outstanding so as to enhance its ability to attract, retain and incentivize high quality employees with equity-based incentives.

[1] Subject to a 12-month lock-in and customary orderly market provisions for a further 12 months.
[2] Subject to the same lock-in if an individual investor owned more than 0.5% of the Company prior to the IPO.

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Board of Directors and Corporate Governance

The Board consists of two Executive Directors (one of whom is a founder and is now the CEO), an independent Non-Executive Chairman (NEC) and four independent Non-Executive Directors (NEDs); all with solid resumes and a good blend of complementary experiences and skill sets. The Board is divided into three classes.

The Company will not be fully compliant with the principals and provisions of the U.K. Corporate Governance Code published by the Financial Reporting Council, which is mandatory for companies listed on the Main Market of the London Stock Exchange. The Company, however, intends to become compliant, as far as appropriate for a company located in the U.S. and of its size and stage-of-development, as soon as reasonable possible. Companies listed on AIM typically don't aspire to achieve the level of corporate governance required on the Main Market but rather comply with the main provisions of the Quoted Companies Alliance's Corporate Governance Guidelines for Smaller Quoted Companies.

The Company has established Audit, Compensation and Nomination Committees. The Audit Committee consists of three NEDs and will formally meet at least twice a year and otherwise as required. The Compensation Committee is chaired by the NEC with two of the NEDs serving as the other members. The Compensation Committee will meet at least twice a year and at such other times as required by the chairman. The Nomination Committee is chaired by one of the NEDs with the other members being the President & CEO and one of the other NEDs. The Nomination Committee will meet at least once a year and at such other times as required by the chairman.

Accounting Considerations

Since the Company is incorporated in Delaware, and did not re-domicile into a European Economic Area country, which includes the U.K., they chose to report using U.S. GAAP. Since the vast majority of the Company's revenue and expenses are in U.S. Dollars, the U.S. Dollar is the functional currency and was also chosen as the reporting currency.

The U.S. and U.K. Member Firms of an international accountancy network acted as Auditor and Reporting Accountant, respectively. An unaudited pro forma statement of net assets is never required in connection with an AIM IPO, however, one was provided in this instance, although the effect of the net proceeds from the IPO on the net assets of the Company is quite obvious.

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Legal Considerations

Since the Company is not incorporated in the U.K. or one of its Crown Dependencies, the Channel Islands and the Isle of Man, but rather in Delaware, and its 'place of central management and control' is also outside these jurisdictions, the three most important elements of English corporate law do not automatically apply. As is customary, the Company amended its constitutional documents for these three main differences as outlined below.

1. Pre-emption rights (i.e. anti-dilution) – Shareholders may participate in, or the Company has to obtain approval from at least 75% of them for, the issuance of shares for cash of more than 10% of the then outstanding shares during any 12-month period.[3]

2. Notifiable Interests – Shareholders are required to notify the Company of, and the Company is required to publicly announce, holdings at or above the 3% level and whenever a full percentage point is breached in either direction.

3. Takeovers (i.e. mandatory offer) – If any party, or parties acting in concert, accumulates a holding of 30% or more, they must make a written cash offer to the other shareholders at the highest price they paid for the Company's shares during the last 12 months.

The Company relied on the safe harbor afforded by Regulation S of the U.S. Securities Act of 1933 (Reg. S) so as to not have to file a registration statement with the U.S. SEC. As a consequence, the IPO shares could only be offered and sold to non-U.S. persons outside the U.S. or to U.S. persons under other registration statement filing exemptions, such as Qualified Institutional Buyers (QIBs) and Accredited Investors (AIs) under Rule 144A and Regulation D, respectively.

Reg. S also imposes post-IPO trading restrictions such that shares issued in the IPO, shares issued within one year prior to the IPO and shares held by affiliates cannot be offered and sold to U.S. persons or inside the U.S. for one year after the IPO (technically, the Distribution Compliance Period). Shares issued more than one year prior to the IPO and not held by affiliates can be traded freely.

Separately, since the Company did not re-domicile into the U.K. or one of its Crown Dependencies, the Channel Islands and the Isle of Man, its shares are not eligible for direct trading within CREST; the most common electronic system for the holding and transfer of shares in the U.K. As is typical in this situation, the Company appointed a Depository and created Depository Interests (DIs), which represent an entitlement to shares, that are electronically tradable within CREST.

The Company took a conservative position with respect to the post-IPO trading of its shares by only establishing one line of DIs. As a consequence, all of the Company's outstanding shares are subject to Reg. S., therefore, all sellers must electronically certify that, to the best of their knowledge and belief, they are selling to a non-U.S. person outside the U.S. and all buyers must confirm the same. It is anticipated that once the one-year Distribution Compliance Period has expired, the Reg. S restrictions for the DIs will be lifted and the shares will trade freely. The Company imposed another trading compliance firewall in that IPO shares issued to QIBs and AIs and all shares held by affiliates were issued in certificated (paper) form with the trading restrictions printed on them. As above, once the Reg. S restrictions are lifted, these shares can be dematerialized (evidenced electronically) and trade as DIs within CREST.

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[3] This is the typical level at which AIM-listed companies seek an annual standing authorization from their shareholders for the issuance of additional shares for cash. This flexibility increases the certainty and speed of small capital raises during the year and reduces transaction costs, since further communications with, and approvals from, shareholders are not required.