

Xbrane Biopharma

Strategic update

Mammalian movement

Pharma & biotech

29 April 2019

Price **SEK45.4**
Market cap **SEK377m**

SEK9.14/US\$

Cash (SEKm) at 31 December 2018 101

Shares in issue (post rights) 8.3m

Free float 69%

Code XBRANE

Primary exchange NASDAQ First North

Secondary exchange N/A

Xbrane, a leading innovative biosimilar development company, is moving into mammalian cell culture with announced plans for Xdivane, a biosimilar of the immunoncology blockbuster Opdivo (nivolumab, BMS). The company plans to launch Xdivane from 2026. Xbrane has issued guidance that its share of revenues from Xlucane, partnered with STADA and due for launch by Q122, could reach €100m. The XPLORE Phase III trial has enrolled its first patient, with its primary endpoint due in mid-2020. Our valuation remains SEK581m pending further information on Xdivane.

Year end	Revenue* (SEKm)	PBT** (SEKm)	EPS** (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/17	20.77	(44.16)	(8.14)	0.0	N/A	N/A
12/18	20.49	(13.12)	(2.13)	0.0	N/A	N/A
12/19e	20.00	(146.95)	(19.27)	0.0	N/A	N/A
12/20e	20.00	(240.41)	(28.96)	0.0	N/A	N/A

Note: *Revenue includes other income. **PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Ambition to become a leading biosimilar company

Xbrane has moved decisively away from the previous focus on delivery systems (Spherotide) towards becoming a leading biosimilar company. The lead product, Xlucane, a monthly biosimilar of Lucentis (ranibizumab, Roche (US), Novartis (Eur); 2018 sales: \$3.6bn) treats wet age-related macular degeneration. Xlucane is produced (by a contract manufacturer) using Xbrane's proprietary high yield bacterial fermentation system. Xbrane is now adding a high-yield mammalian fermentation technology; no details are available. Most bio-pharmaceuticals, like monoclonal antibodies, need mammalian cell production so this new technology vastly expands the range of potential biosimilars and partners. Xbrane's initial mammalian product, Xdivane, is a biosimilar of the immunoncology blockbuster Opdivo (nivolumab, BMS; 2018 sales: \$2.9bn). The company plans to launch Xdivane from 2026.

Xlucane revenues guided to start in Q122

Xlucane is partnered with STADA, a private, €2.3bn sales German company. Costs and profits are split 50:50. Xbrane has guided to a revenue share target of €100m based on global sales of €300m by STADA; STADA had no US salesforce in 2018. The global Phase III ([NCT03805100](#), XPLORE) aims to recruit 580 patients and enrolled its first patient on 19 April. Primary endpoint data are due in May 2020 with the first profit share expected by management in Q122. There are two advanced competitors: [bioeq](#) – Formycon and Samsung Bioepis; Roche is adding products.

Valuation: Adjusted value per share of SEK68

We maintain our indicative valuation of SEK581m until further details of the proposed mammalian technology and on Xdivane are disclosed; these could add substantially to the value but immunoncology is very competitive. The March rights issue raised SEK59.3m gross at SEK30/share before expenses and a loan repayment of SEK8.1m. Our new post-rights value per share is SEK68/share (formerly SEK92/share). We expect that further funds will be needed in 2020.

Share price performance



%	1m	3m	12m
Abs	25.9	2.5	(21.7)
Rel (local)	18.2	(8.5)	(27.5)

52-week high/low SEK62.4 SEK33.5

Business description

Xbrane Biopharma is a Swedish developer of biosimilars using more efficient manufacturing systems in bacteria and in mammalian cells. The lead product is Xlucane, a Lucentis biosimilar, partnered with STADA. A further biosimilar, Xdivane for immunoncology could be launched from 2026. Xbrane sells a triptorelin generic, Spherotide, in Iran.

Next events

Phase III data May 2020

Q119 results 14 May 2019

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Exhibit 1: Financial summary

	SEK 000s	2017	2018	2019e	2020e
Year end 31 December		GAAP	GAAP	GAAP	GAAP
PROFIT & LOSS					
Revenue		20,771	20,485	20,000	20,000
Cost of Sales		(15,829)	(15,907)	(15,800)	(15,800)
Gross Profit		4,942	4,578	4,200	4,200
Other income		2,515	99,742	0	0
EBITDA		(40,871)	(7,993)	(140,527)	(233,986)
Operating Profit (before amort. and except.)		(43,939)	(11,415)	(143,949)	(237,408)
Intangible Amortisation		(779)	(525)	(525)	(525)
Other		0	0	0	0
Operating Profit		(44,718)	(11,940)	(144,474)	(237,933)
Net Interest		(217)	(1,700)	(3,000)	(3,000)
Exceptionals		0	0	0	0
Profit Before Tax (norm)		(44,156)	(13,115)	(146,949)	(240,408)
Profit Before Tax (FRS 3)		(44,935)	(13,115)	(147,474)	(240,933)
Tax		0	(121)	0	0
Profit After Tax (norm)		(44,156)	(13,236)	(146,949)	(240,408)
Profit After Tax (FRS 3)		(44,935)	(13,236)	(147,474)	(240,933)
Average Number of Shares Outstanding (m)		5.4	6.2	7.6	8.3
EPS - normalised (öre)		(814)	(213)	(1,927)	(2,896)
EPS - normalised fully diluted (öre)		(814)	(213)	(1,927)	(2,896)
EPS - FRS 3 (öre)		(828)	(213)	(1,934)	(2,903)
Dividend per share (öre)		0	0	0	0
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		82,861	91,227	83,532	81,610
Intangible Assets		63,657	65,611	59,838	59,838
Tangible Assets		18,569	16,745	14,823	12,901
Investments		635	8,871	8,871	8,871
Current Assets		28,101	161,658	63,370	44,885
Stocks		3,065	5,525	5,525	5,525
Debtors		8,072	10,489	10,494	10,494
Cash		7,903	100,972	2,684	8,439
Other current assets		9,061	44,672	44,667	20,427
Current Liabilities		(17,029)	(160,439)	(152,339)	(152,339)
Creditors		(17,029)	(114,878)	(114,878)	(114,878)
Short term borrowings		0	(45,561)	(37,461)	(37,461)
Long Term Liabilities		(4,664)	(8,434)	(19,171)	(259,578)
Long term borrowings		(1,119)	(4,118)	(4,159)	(224,159)
Other long term liabilities		(3,545)	(4,316)	(4,316)	(4,316)
Net Assets		89,269	84,012	(24,607)	(285,423)
CASH FLOW					
Operating Cash Flow		(36,848)	46,707	(143,016)	(212,238)
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(3,347)	(1,598)	(1,500)	(1,500)
Acquisitions/disposals		0	0	0	0
Financing		20,004	48,238	46,737	220,000
Dividends		0	0	0	0
Other		(2,637)	(278)	(508)	(508)
Net Cash Flow		(22,828)	93,069	(98,288)	5,754
Opening net debt/(cash)		(29,612)	(6,784)	(51,293)	38,936
HP finance leases initiated		0	0	0	0
Other		0	(48,560)	8,059	(220,000)
Closing net debt/(cash)		(6,784)	(51,293)	38,936	253,181

Source: Edison Investment Research, Xbrane Biopharma 2018 annual report

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