Acacia Pharma has announced a deal with Cosmo Pharmaceuticals to acquire the US rights to registrational phase asset ByFavo (remimazolam). The deal strengthens Acacia’s product offering beyond key asset BARHEMSYS for post-operative nausea and vomiting (PONV), as it looks to build its US sales and marketing infrastructure in 2020. Both assets are under FDA review, with imminent PDUFA dates (BARHEMSYS 26 February, ByFavo 5 April) and potential US launch of both in H220. The terms of the deal are complex and we place our forecasts and valuation under review. However, the €10m equity investment and access of up to $35m in loan facilities from Cosmos is important in extending Acacia’s cash reach into 2020, enabling it to expand its much-needed US commercial infrastructure ahead of product launches.

ByFavo (remimazolam) is an ultra-short-acting and reversible IV benzodiazepine sedative/anaesthetic designed for use during endoscopic procedures. Cosmo licensed the product from Paion in 2016. Under the terms of the deal, Cosmo will receive a €10m upfront payment from Acacia Pharma (through equity issuance) and make a strategic equity investment of €10m in Acacia. In total, Cosmo will hold 14.08% of Acacia’s enlarged share capital. Cosmo will make up to $35m available in a loan facility that is contingent on approval milestones (€10m on US approval of BARHEMSYS and €20m on US approval of ByFavo). Under the terms of the licence deal, Cosmo will receive a €10m upfront payment (through ACPH equity issuance), €30m payment on US ByFavo approval, up to €105m in sales-related milestones and tiered double-digit royalties on US sales. In a separate statement, Acacia has announced CFO Christine Soden will be retiring in February 2020 and the board has appointed Gary Gemignani as successor. Our forecasts and valuation are under review.

<table>
<thead>
<tr>
<th>Year end</th>
<th>Revenue (£m)</th>
<th>PBT* (£m)</th>
<th>EPS* (p)</th>
<th>DPS (p)</th>
<th>P/E (x)</th>
<th>Yield (%)</th>
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<tbody>
<tr>
<td>12/17</td>
<td>0.0</td>
<td>(6.5)</td>
<td>(2.32)</td>
<td>0.00</td>
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<td>N/A</td>
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<td>(16.2)</td>
<td>(0.35)</td>
<td>0.00</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

Acacia Pharma is a hospital pharmaceutical company focused on the development and commercialisation of new nausea and vomiting treatments for surgical and cancer patients. Its main product, BARHEMSYS, is used for the treatment of PONV and could be approved by the FDA in 2020.

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