

# Basilea Pharmaceutica

Q322 update

## Oncology asset sales continue

Basilea Pharmaceutica continues its positive wave of Q322 activity with the **successful** asset purchase and sub-licence agreement of its tyrosine kinase/polo-like kinase 1 (TTK/PLK1) inhibitor, BAL0891, to SillaJen (a privately held South Korean biotech). The deal will see Basilea receive up to US\$14m (CHF13.5m) in upfront and near-term milestones, with potential future milestone payments of up to c US\$320m (c CHF310m). The company is also entitled to tiered royalties on net sales, which will range from single- to double-digit percentages. We see this latest development as a positive indicator of management delivering on its intention to separate the oncology business by end-FY22. We have updated our financials to align with company guidance and value Basilea at CHF903.5m or CHF76.3/share.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHFc)	DPS (CHFc)	P/E (x)	Yield (%)
12/20	127.6	(29.6)	(288.5)	0.0	N/A	N/A
12/21	148.1	(6.6)	(56.9)	0.0	N/A	N/A
12/22e	121.0	(15.3)	(129.4)	0.0	N/A	N/A
12/23e	128.8	6.4	47.0	0.0	82.3	N/A

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

## BAL0891 a strategic fit

Basilea has progressed BAL0891 through preclinical studies and is poised to enter clinical development, receiving FDA **approval** to initiate trials at end-FY21. SillaJen has a wide-ranging clinical and preclinical oncology pipeline, primarily focused on the development of its lead oncolytic viral cancer vaccine candidate, Pexa-Vec (JX-594). We believe SillaJen's focus on oncology provides a strategic rationale for the acquisition of BAL0891. Additionally, the company is exploring Pexa-Vec in multiple combination drug studies, an important **differentiator** in the oncology treatment market, which may offer future opportunity for BAL0891, in our view.

## Updated guidance for FY22

As a result of the recent transactions, management has increased FY22 revenue guidance to CHF116–122m (previously CHF106–112m), the operating loss to CHF10–15m (previously CHF20–25m) and operating cash outflow to CHF0–5m (previously CHF10–15m). We have included upfront payments of c CHF11m for FY22 from the poly (ADP-ribose) glycohydrolase discovery programme and BAL0891 sales into our model. We have also included interest expenses (c 6.7% per year) associated with the **senior secured loan** of CHF75m, which will be used to **repay** the convertible bonds (c CHF117m) due in December 2022.

## Valuation: CHF903.5m or CHF76.4/share

We have updated our model to reflect the change in guidance and value Basilea at CHF903.5m or CHF76.4/share (CHF893.8m or CHF75.5/share previously). While our underlying assumptions remain unchanged, value uplift has been realised by rolling our model forward.

## Pharma and biotech

23 September 2022

**Price** CHF38.8

**Market cap** CHF458m

\$1.04/CHF

Net debt (CHFm) at 30 June 2022 71.2

Shares in issue (excluding 1.15m treasury shares) 11.85m

Free float 90%

Code BSLN

Primary exchange SIX

Secondary exchange N/A

## Share price performance



%	1m	3m	12m
Abs	(1.3)	6.2	(14.8)
Rel (local)	6.3	8.6	(2.1)

52-week high/low	CHF46.5	CHF30
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## Business description

Basilea Pharmaceutica is focused on treating infectious diseases. Its marketed products are Cresemba (an antifungal) and Zevtera (an anti-MRSA broad-spectrum antibiotic). The company plans to file for US approval for Zevtera.

## Next events

Zevtera NDA filing	End-2022
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Cresemba approval decision in Japan	H222
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**Exhibit 1: Financial summary**

Accounts: US GAAP, Yr end: December 31, CHF:000s	2019	2020	2021	2022e	2023e
<b>PROFIT &amp; LOSS</b>					
Total revenues	134,381	127,629	148,122	120,021	128,820
Product revenues (Cresemba and Zevtera)	114,461	112,032	131,382	102,859	124,673
Cost of sales	(18,868)	(24,054)	(24,072)	(25,722)	(26,135)
Gross profit	115,513	103,575	124,050	94,300	102,685
Research and development expenses (net)	(102,662)	(97,410)	(93,157)	(73,111)	(63,751)
SG&A costs	(30,051)	(29,422)	(29,721)	(32,258)	(25,995)
Other income/(expense)	0	0	0	0	0
Exceptionals and adjustments	0	15,035	15	0	0
EBITDA (reported)	(15,561)	(7,032)	1,941	(10,356)	13,689
Reported operating income	(17,200)	(8,222)	1,187	(11,069)	12,939
Operating margin %	n/a	n/a	n/a	n/a	n/a
Finance income/(expense)	(5,182)	(6,445)	(7,982)	(4,451)	(6,777)
Exceptionals and adjustments	0	0	0	0	0
Profit before tax (reported)	(22,382)	(14,667)	(6,795)	(15,520)	6,162
Profit before tax (normalised)	(22,282)	(29,602)	(6,610)	(15,320)	6,369
Income tax expense (includes exceptionals)	(40)	(55)	(37)	0	(801)
Net income (reported)	(22,422)	(14,722)	(6,832)	(15,520)	5,361
Net income (normalised)	(22,322)	(29,657)	(6,647)	(15,320)	5,568
Basic average number of shares, m	10.76	10.28	11.68	11.84	11.84
Basic EPS (CHF c)	(208.5)	(143.2)	(58.5)	(131.1)	45.3
Adjusted EPS (CHF c)	(207.5)	(288.5)	(56.9)	(129.4)	47.0
Dividend per share (CHF c)	0	0	0	0	0
<b>BALANCE SHEET</b>					
Tangible assets	5,162	2,627	2,018	3,129	3,586
Intangible assets	372	672	632	1,137	1,130
Long-term investments	30,000	0	2,390	2,390	2,390
Other non-current assets	1,073	2,967	1,161	19,405	19,405
Total non-current assets	36,607	6,266	6,201	26,061	26,511
Cash and equivalents	109,024	60,749	53,700	790	3,333
Short-term investments	20,000	101,023	95,000	94,990	94,990
Inventories	18,569	21,192	22,783	24,344	24,735
Trade and other receivables	6,242	8,710	24,947	20,214	21,696
Other current assets	31,025	31,854	44,636	40,136	40,136
Total current assets	184,860	223,528	241,066	180,475	184,890
Convertible senior unsecured bonds (long-term)	197,740	239,668	94,544	94,544	94,544
Senior secured loan	0	0	0	75,000	70,000
Deferred revenue	16,471	13,158	11,926	11,926	11,926
Non-current operating lease liabilities	548	896	10	18,254	18,254
Other non-current liabilities	24,174	27,957	24,986	24,986	24,986
Total non-current liabilities	238,933	281,679	131,466	224,710	219,710
Convertible senior unsecured bonds (short-term)	0	0	123,505	0	0
Accounts payable	6,765	13,151	10,617	11,345	11,527
Deferred revenue	32,873	2,556	1,233	1,233	1,233
Current operating lease liabilities	352	1,752	896	896	896
Other current liabilities	35,504	32,702	38,157	38,157	38,157
Total current liabilities	75,494	50,161	174,408	51,631	51,813
Net assets	(92,960)	(102,046)	(58,607)	(69,805)	(60,122)
<b>CASH FLOW STATEMENT</b>					
Reported net income	(22,422)	(14,722)	(6,831)	(15,520)	5,361
Depreciation and amortisation	1,639	1,190	754	713	750
Share based payments	3,048	3,525	4,322	4,322	4,322
Other adjustments	758	(13,365)	1,522	0	0
Movements in working capital	(46,859)	(30,762)	(31,787)	8,399	(1,691)
Cash from operations (CFO)	(63,836)	(54,134)	(32,020)	(2,086)	8,743
Capex	(294)	(1,823)	(581)	(1,624)	(1,000)
Short-term investments	30,000	(51,023)	6,023	10	0
Long-term investments	(30,000)	0	0	0	0
Other investing activities	(110)	17,883	(1,867)	(705)	(200)
Cash used in investing activities (CFIA)	(404)	(34,963)	3,575	(2,319)	(1,200)
Net proceeds from issue of shares	0	0	42,240	0	0
Movements in debt	0	43,451	(23,212)	(48,505)	(5,000)
Other financing activities	1,309	1,616	(2,388)	0	0
Cash from financing activities (CFF)	1,309	45,067	16,640	(48,505)	(5,000)
Cash and equivalents at beginning of period	173,908	111,044	66,256	54,953	2,043
Increase/(decrease) in cash and equivalents	(62,931)	(44,030)	(11,805)	(52,910)	2,543
Effect of FX on cash and equivalents	67	(758)	501	0	0
Cash and equivalents at end of period	111,044	66,256	54,952	2,043	4,586
Net (debt)/cash	(68,716)	(77,896)	(69,349)	(73,764)	(66,221)

Source: Basilea Pharmaceutica company accounts, Edison Investment Research

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