

Nuevolution

Delivering on promises

The Almirall deal announced on 12 December tops a defining year for Nuevolution; it has delivered on two key IPO promises, signing at least one licensing agreement (Almirall) and one risk-sharing collaboration (Amgen) within 12-18 months of IPO. The Almirall deal focuses on the development and commercialisation of RORyt inverse agonist for dermatological diseases and psoriatic arthritis. An upfront of €11.2m (SEK109.4m) contributes to a total potential deal value of €453.2m (SEK4.4bn). Added to a strong cash balance and existing deals with Amgen and Janssen, Nuevolution is well placed to generate significant value.

Almirall: A good deal for all

The strategic collaboration with Almirall gives Nuevolution a strong potential revenue stream, while allowing Almirall access to a differentiated product candidate. Almirall has multiple dermatology products, both on the market and in late-stage development, and is well placed to advance the RORyt inverse agonist platform in dermatology and psoriatic arthritis (Nuevolution retain ownership of other indications). Combined potential future revenue of up to €442m (SEK4.3bn) from development, regulatory and sales milestones in addition to tiered royalties on future sales could generate significant revenue for Nuevolution. Almirall is responsible for both funding and undertaking all research and commercial activities.

2017: Onwards to the clinic

While the development of Nuevolution's lead candidate, the RORyt inverse agonist, will transfer completely to Almirall (potential IND filing in H217), we expect Nuevolution to continue to progress the rest of its pipeline (particularly BRD BD1 and Cytokine X). Nuevolution's second most advanced programme is an inhibitor of Bet Bromodomain 1 (BRD BD1); it recently demonstrated positive preliminary toxicology and efficacy data in an animal mouse model for Systemic Lupus Erythematosus. Additionally, we anticipate the collaboration with Amgen to be of focus in the short to medium term as Nuevolution generates drug candidates which, if successful in preclinical development, will be taken to the clinic by Amgen.

Valuation: Strong deal flow primed to generate value

Major deals formed with Amgen and Almirall in the last six months help validate the technology at Nuevolution. The successful transition of the RORyt inverse agonist to Almirall (in the defined indications) and the development of Amgen's product candidates will be the key focus in 2017, and both will be pivotal in defining near-term value. We anticipate further business developments, with the potential for one additional partnership agreement in 2017.

Consensus estimates

Year end	Revenue (SEKm)	PBT (SEKm)	EPS (SEK)	DPS (SEK)	P/E (x)	Yield (%)
06/15	29.8	(62.1)	(2.26)	0.0	N/A	N/A
06/16	21.3	(151.9)	(3.98)	0.0	N/A	N/A
06/17e	75.2	(56.0)	(1.21)	0.0	N/A	N/A
06/18e	50.8	(83.7)	(1.81)	0.0	N/A	N/A

Source: Nuevolution, Bloomberg

Pharma & biotech

4 January 2017

Price **SEK15.6**
Market cap **SEK669m**

€/SEK9.7667

Share price graph



Share details

Code **NUE.ST**
 Listing **Nasdaq First North Premier**
 Shares in issue **42.9m**

Business description

Nuevolution is a Copenhagen-based (Stockholm-incorporated) biopharmaceutical company. Its patent-protected Chemetics drug discovery platform enables the selection of drugs to an array of tough-to-drug disease targets. To date, it has entered into over 15 agreements with major pharmaceutical companies.

Bull

- Significant partnerships formed to date (recently with Almirall, Amgen and Janssen Biotech).
- Strong cash balance following IPO and Almirall upfront payment.
- Proven history of deal making.

Bear

- Competitive and ever-evolving market for drug discovery.
- Only preclinical data to date.
- Company is dependent on revenue from deals.

Analysts

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