

# Nuevolution

On the road to becoming a clinical company

July to September 2017  
results

Pharma & biotech

July to September 2017 results highlight the continued progression of Nuevolution into a clinical company. Ongoing partnerships with Ammirall, Amgen and Janssen continue to advance as we expect and we anticipate that Ammirall's RORyt inhibitor programme will be the first Nuevolution asset to enter the clinic (in dermatology and psoriatic arthritis), which we forecast for H218/H119. Lead assets in the internal pipeline are nearing clinical readiness and Nuevolution anticipates a new partnership in the next three to 12 months. In the near term, up-listing to Nasdaq Stockholm's Main Market and expansion of the investor base will position the company for future development. We value Nuevolution at SEK917m.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
06/16	21.3	(151.9)	(4.0)	0.0	N/A	N/A
06/17	120.3	(9.4)	(0.6)	0.0	N/A	N/A
06/18e**	182.8	45.9	0.7	0.0	N/A	N/A
06/19e**	133.9	(7.0)	(0.1)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*Nuevolution has announced a change in year end to December, which we will take into account once reported.

## Collaborations continue to provide validation

Nuevolution's core collaborations continue to progress as expected. In vivo proof of concept is expected in two cancer programmes in the Amgen collaboration within the next three to six months. In the Ammirall collaboration we expect Nuevolution to give a detailed update on the programme in H118; we forecast that it will enter the clinic in H218/H119. Nuevolution's unpartnered assets are progressing well to clinical readiness, the RORyt inhibitor (outside Ammirall-licensed indications) is in ongoing API production and the company expects to select the optimal indication for clinical development by year end. The BET BD1 programme is following closely behind with API production expected to start in H118. Nuevolution expects to announce a new collaboration/licensing deal in the next 3-12 months.

## Financials: Financed into 2019

For the three-month period covering July to September 2017 operating expenses increased to 31.9m from SEK29.5m in 2016. This resulted in an increased net loss of SEK28.6m (2016: SEK25.6m). Net cash as of 30 September of SEK142.3m gives a cash runway into CY19. We have adjusted our SG&A costs upwards in FY18 and beyond to reflect the one-off and ongoing costs of the Main Market Nasdaq up-listing. We have increased our revenue forecasts as a result of updating exchange rates for the Ammirall and Amgen deals.

## Valuation: rNPV of SEK917m (SEK21.4/share)

We value Nuevolution at SEK917m (\$109m) vs SEK902m previously. It is exclusively based on a risk-adjusted model of the future milestone payments we expect from the Ammirall, Amgen and Janssen deals plus net cash. We have rolled forward our valuation, updated it for net cash and adjusted it for current exchange rates. For a full breakdown of our valuation please see our previously published note [Defining year as partnerships progress on track](#).

24 November 2017

Price **SEK18.5**

Market cap **SEK794m**

SEK8.43/US\$

Net cash (SEKm) at 30 September 2017 142.3

Shares in issue 42.9m

Free float 56%

Code NUEV

Primary exchange Nasdaq First North Premier

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (0.5) 20.1 87.8

Rel (local) 2.2 15.8 69.4

52-week high/low SEK22.6 SEK9.7

### Business description

Nuevolution is a Copenhagen-based 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 17 agreements with major pharmaceutical companies.

### Next events

Up-list to Nasdaq Stockholm Main Market FY18

Sign new out-licence/risk-sharing collaboration FY18

Move one programme into the clinic 2018

### Analysts

Dr Daniel Wilkinson +44 (0)20 3077 5734

Dr Susie Jana +44 (0)20 3077 5700

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)

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**Nuevolution is a research client of Edison Investment Research Limited**

**Exhibit 1: Financial summary**

Accounts: IFRS, Year-end: June, SEK000s	2016	2017	2018e	2019e
<b>Income Statement</b>				
Total revenues	21,314	120,318	182,833	133,932
Reported gross profit	21,314	120,318	182,833	133,932
SG&A (expenses)	(57,493)	(23,216)	(25,538)	(24,261)
R&D costs	(115,707)	(107,587)	(112,966)	(118,615)
Adjusted EBIT	(151,886)	(10,485)	44,329	(8,944)
Reported EBIT	(151,886)	(10,485)	44,329	(8,944)
Finance income/ (expense)	(22)	1,045	1,575	1,980
Adjusted PBT	(151,908)	(9,440)	45,904	(6,964)
Reported PBT	(151,908)	(9,440)	45,904	(6,964)
Income tax expense	6,911	(16,046)	(16,066)	2,437
Adjusted net income	(144,997)	(25,486)	29,838	(4,527)
Reported net income	(144,997)	(25,486)	29,838	(4,527)
<b>Earnings per share</b>				
Basic EPS (SEK)	(4.0)	(0.6)	0.7	(0.1)
Diluted EPS (SEK)	(4.0)	(0.6)	0.7	(0.1)
Adjusted basic EPS (SEK)	(4.0)	(0.6)	0.7	(0.1)
Adjusted diluted EPS (SEK)	(4.0)	(0.6)	0.7	(0.1)
Average number of shares - basic	36.5	42.9	42.9	42.9
Average number of shares - diluted	36.5	43.6	43.6	43.6
<b>Balance sheet</b>				
Property, plant and equipment	5,494	5,538	5,761	5,973
Other non-current assets	8,585	6,397	1,665	4,102
Total non-current assets	14,079	11,935	7,426	10,075
Cash and equivalents	205,955	179,595	220,072	211,896
Trade and other receivables	367	93	93	93
Other current assets	14,564	10,032	2,902	2,902
Total current assets	220,886	189,720	223,067	214,891
Non-current loans and borrowings	3,482	2,939	2,939	2,939
Total non-current liabilities	3,482	2,939	2,939	2,939
Trade and other payables	12,162	10,986	10,986	10,986
Current loans and borrowings	1,222	1,482	1,482	1,482
Other current liabilities	20,044	16,286	15,286	14,286
Total current liabilities	33,428	28,754	27,754	26,754
Equity attributable to company	198,055	169,962	199,800	195,273
<b>Cash flow statement</b>				
Profit before tax	(151,908)	(9,440)	45,904	(6,964)
Depreciation of tangible assets	1,328	1,703	277	288
Share based payments	48,528	(153)	0	0
Other adjustments	22	(1,045)	(1,575)	(1,980)
Movements in working capital	19,594	(962)	0	0
Net cash from operating activities (pre-tax)	(82,436)	(9,897)	44,606	(8,656)
Interest paid / received	(224)	(798)	1,575	1,980
Income taxes paid	1,210	(12,520)	(4,204)	0
Cash from operations (CFO)	(81,450)	(23,215)	41,977	(6,676)
Capex (includes acquisitions)	(504)	(715)	(500)	(500)
Other investing activities	(51)	(9)	0	0
Cash used in investing activities (CFIA)	(555)	(724)	(500)	(500)
Net proceeds from issue of shares	242,061	0	0	0
Other financing activities	(1,119)	(1,253)	(1,000)	(1,000)
Cash from financing activities (CFF)	240,942	(1,253)	(1,000)	(1,000)
Increase/(decrease) in cash and equivalents	158,937	(25,192)	40,477	(8,176)
Cash and equivalents at beginning of period	46,250	205,955	179,595	220,072
Cash and equivalents at end of period	205,955	179,595	220,072	211,896

Source: Edison Investment Research, Nuevolution accounts

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