

Basilea Pharmaceutica

Pfizer Cresemba deal extended to Asia and China

Basilea has announced an extension to its licence agreement with Pfizer (PFE) for Cresemba (for invasive fungal infections). The original deal granted PFE exclusive commercialisation rights to the product in Europe (ex-Nordics), Russia, Turkey and Israel and the new amendment includes China and 16 countries within Asia Pacific. The extension of Cresemba's global footprint at this stage highlights PFE's commitment to the product in areas outside of Europe. Concomitantly Basilea has updated its guidance for FY17 to a reduced operating loss of CHF1m per month vs CHF2m per month. Our valuation rises slightly to CHF1,222m.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHF)	DPS (CHF)	P/E (x)	Yield (%)
12/15	52.8	(61.3)	(6.07)	0.0	N/A	N/A
12/16	66.0	(50.9)	(5.06)	0.0	N/A	N/A
12/17e	95.1	(19.8)	(1.83)	0.0	N/A	N/A
12/18e	84.4	(28.0)	(2.59)	0.0	N/A	N/A

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

PFE to commercialise Cresemba in China & Asia Pac

Pfizer is to use its extensive footprint in China and Asia Pac to commercialise Cresemba (isavuconazole) contingent on approval in each territory. The revised agreement includes a \$3m upfront payment (deferred) and up to ~\$223m in additional payments dependent upon the achievement of pre-specified regulatory and sales milestones. Basilea will also receive royalties in the mid-teen range on Pfizer's sales in these territories. Importantly, as of November 2017 PFE has launched Cresemba into Spain so it is now available in the top five EU markets. In addition, Swissmedic has granted marketing authorisation for Switzerland.

Revised guidance for 2017: lower operating loss

Basilea has updated its financial guidance for 2017 to a reduced operating loss of CHF1m/month vs CHF2m/month. The reduction in our estimated operating loss to CHF11.9m from CHF23.3m reflects higher anticipated product and contract revenues plus lower operating expenses. Basilea has communicated an acceleration in the transition of operational responsibilities to partners.

Valuation: rNPV of CHF1,222m or CHF113.2/share

Our revised valuation of CHF1,222m (from CHF1,188m) reflects changes to our Cresemba ROW assumptions, as Basilea will benefit from royalties and milestones from this deal. At this point we crudely model the China and Asia Pac opportunity by increasing our ROW penetration rates and trajectory of sales pick up. More visibility upon launch or communication of eligible patient populations in these regions will prompt us to refine our modelling assumptions. Our valuation is based on Cresemba (worldwide) and antibiotic Zevtera (ex-US) plus and net cash. Based on \$0.87bn peak sales, Cresemba is worth CHF944m (previously CHF913.5m). We also include risk-adjusted contributions for Zevtera US (PIII trials in the US are due to start) and the earlier-stage pipeline.

Corporate update

Pharma & biotech

7 December 2017

Price **CHF75.20**

Market cap **CHF887m**

US\$1.03/CHF

Net cash (CHFm) at 30 June 2017 57.3

Shares in issue (including 1m treasury shares) 11.8m

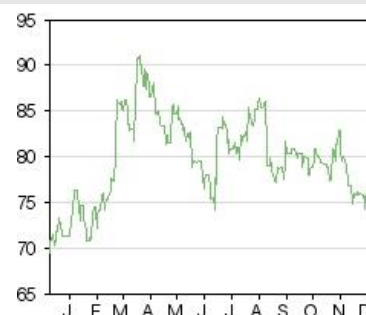
Free float 91.46%

Code BSLN

Primary exchange SIX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (5.3) (6.5) 7.0

Rel (local) (5.6) (11.0) (9.0)

52-week high/low CHF91.0 CHF69.4

Business description

Basilea Pharmaceutica is focused on anti-infectives and oncology. Its lead products are Cresemba (an antifungal), which is approved in the US and Europe, and Zevtera (an anti-MRSA broad-spectrum antibiotic), approved in major European and several non-European countries for pneumonia. R&D pipeline includes two clinical-stage assets for cancer resistance.

Next events

Zevtera initiate Phase III ABSSI US study Q417
Zevtera initiate Phase III SAB US study H118
FY17 results February 2018

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Exhibit 1: Financial summary

	CHF'000s	2015	2016	2017e	2018e
December		US GAAP	US GAAP	US GAAP	US GAAP
PROFIT & LOSS					
Revenue		52,825	65,984	95,119	84,363
Cost of Sales		0	(5,347)	(9,225)	(11,574)
Gross Profit		52,825	60,637	85,895	72,790
Research and development (net)		(60,075)	(48,449)	(46,000)	(64,000)
SG&A		(54,235)	(56,077)	(54,380)	(31,527)
EBITDA		(58,885)	(41,570)	(12,056)	(20,150)
Operating Profit (before amort. and except.)		(61,285)	(43,789)	(14,385)	(22,614)
Intangible Amortisation		(200)	(100)	(100)	(123)
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		(61,485)	(43,889)	(14,485)	(22,737)
Net Interest		(35)	(7,065)	(5,375)	(5,375)
Profit Before Tax (norm)		(61,320)	(50,854)	(19,760)	(27,989)
Profit Before Tax (reported)		(61,520)	(50,954)	(19,860)	(28,112)
Tax		(83)	(333)	(26)	(26)
Profit After Tax (norm)		(61,403)	(51,187)	(19,787)	(28,016)
Profit After Tax (reported)		(61,603)	(51,287)	(19,887)	(28,139)
Average Number of Shares Outstanding (m) excluding treasury shares		10.1	10.1	10.8	10.8
EPS - normalised fully diluted (CHFc)		(607.22)	(505.74)	(183.23)	(259.44)
EPS - (reported) (CHFc)		(609.20)	(506.73)	(184.16)	(260.58)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		100.0	91.9	90.3	86.3
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		13,870	59,264	59,648	59,592
Intangible Assets		346	232	132	9
Tangible Assets		10,724	8,878	9,363	9,430
Investments		2,800	50,154	50,154	50,154
Current Assets		384,865	268,494	266,430	209,010
Stocks		9,579	14,931	10,710	15,854
Debtors		1,545	2,492	2,606	2,311
Cash		364,688	239,030	241,072	178,803
Other		9,053	12,041	12,041	12,041
Current Liabilities		(68,836)	(72,914)	(64,332)	(45,994)
Creditors		(68,836)	(72,914)	(64,332)	(45,994)
Short term borrowings		0	0	0	0
Long Term Liabilities		(315,043)	(289,844)	(311,673)	(287,673)
Long term borrowings		(194,706)	(195,466)	(195,466)	(195,466)
Other long term liabilities		(120,337)	(94,378)	(116,207)	(92,207)
Net Assets		14,856	(35,000)	(49,927)	(65,065)
CASH FLOW					
Operating Cash Flow		(67,780)	(75,003)	10,298	(54,337)
Net Interest		0	0	(5,375)	(5,375)
Tax		0	0	(26)	(26)
Capex		(1,009)	(394)	(2,854)	(2,531)
Acquisitions/disposals		0	0	0	0
Financing		(0)	0	0	0
Other		12,645	(51,021)	0	0
Dividends		0	0	0	0
Net Cash Flow		(56,143)	(126,418)	2,042	(62,269)
Opening net debt/(cash)		(226,125)	(169,982)	(43,564)	(45,606)
HP finance leases initiated		0	0	0	0
Other		0	0	(0)	0
Closing net debt/(cash)		(169,982)	(43,564)	(45,606)	16,663

Source: Edison Investment research, company reports

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