

# Selvita

## Profile and fund-raising

A proposed capital increase in Q414 (2.65m shares) and a PLN9.44m (€2.3m) research grant provide Selvita with financial flexibility as it seeks to advance its NME pipeline, internally and/or with partners. The funds will enable Selvita to bring one candidate from its SEL24 (PIM/FLT3 inhibitor) and SEL120 (CDK8 inhibitor) oncology programmes to the clinic (in 2015/16), while providing a solid base to advance partnering discussions. The transfer of Selvita shares from NewConnect to the main Warsaw Stock Exchange in Q414, and the equity offering, should broaden/strengthen the shareholding.

## Long-term value add

The development of Selvita's key NME programmes, internally and/or with partners, is a major strategic goal for the company. This offers significant long-term valuation potential and is complementary to its research services division. The SEL24 (PIM/FLT3 inhibitor) and SEL120 (CDK8 inhibitor) oncology programmes are the most advanced, with recent preclinical [data](#) on SEL24 particularly encouraging.

## Capital efficiency

The proposed equity offering will see up to 2.65m new shares issued (~25% of the current 10.5m shares/~20% of the increased capital). The planned listing transfer in Q414 to the main WSE market will help facilitate this raise. At today's share price, this would raise gross proceeds of ~PLN30m (€7m) and would be Selvita's first capital increase since IPO in 2011 (2.7m shares at PLN5.5 = PLN14.85m). Three years on, the share price has doubled and cash is PLN7.7m, highlighting the value add and the low cash burn model; Q114 revenues PLN7.7m (+95%), FY14 order book PLN29.6m (contract services and grants) and FY14 net profit projected.

## Grant money secured

Selvita was awarded a PLN9.44m (€2.3m) research contract from Poland's National Centre for Research and Development, covering ~50% of the estimated PLN20.91m (€5m) required to complete preclinical studies with SEL24/SEL120 and conduct a Phase I study for one candidate. The preclinical phase is estimated at PLN10.55m (65% or PLN6.86m grant funded) and the Phase I at PLN10.36m (25%/PLN2.59m).

## Valuation: €27m EV based for growth

The capital raise would therefore provide the PLN11.5m that Selvita would need to contribute to the development programme for SEL24 and SEL120. Pharma partners may also be secured for one or both these candidates. Listing on the main market of the Warsaw Stock Exchange signals Selvita's maturity and growth prospects.

### Historic financials

Year end	Revenue (PLNm)	PBT (PLNm)	EPS (PLN)	DPS (PLN)	P/E (x)	Yield (%)
12/11	12.7	(4.61)	(0.44)	0.0	N/A	N/A
12/12	15.9	(6.43)	(0.61)	0.0	N/A	N/A
12/13	21.9	(2.36)	(0.23)	0.0	N/A	N/A

Source: Company accounts, Bloomberg

## Pharma & biotech

16 June 2014

**Price** PLN11.49  
**Market cap** PLN121m

PLN4.12/€

### Share price graph



### Share details

Code SLV  
 Listing WSE NewConnect  
 Shares in issue 10.5m

### Business description

Selvita is an emerging drug discovery services provider based in Poland. It employs 190 staff (62 PhDs) and operates two main business units: Innovative Programs (internal NME pipeline) and Drug Discovery Outsourcing (medicinal chemistry/biology, biochemistry).

### Bull

- SEL24 and SEL120 potentially first-in-class oncology candidates; IND filings planned for 2015.
- Non-dilutive grant funding supports innovative pipeline research.
- Strong contract services growth; targeting profitability in 2014; generated from minimal (c \$10m) investment to date.

### Bear

- Early-stage pipeline limits potential deal values.
- Highly competitive services market; large pharma companies prefer established/recognised partners.
- Cost advantage (vs West EU) likely to be eroded in coming years.

### Analysts

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