

Selvita

SEL24 moves to clinic; Nodthera established

Selvita announced last week that the FDA has accepted the initial new drug application (IND) for its lead R&D project SEL24, which can now proceed to Phase I/II in acute myeloid leukaemia (AML) patients. This is the first of Selvita's R&D assets to be tested in the clinical study that the company intends to begin in Q416, in line with our expectations (H216), while the design of the trial has not yet been disclosed. Upcoming H116 report to be released on 30 August will provide an update on the company's operational performance. Our valuation is under review.

Year end	Revenue (PLNm)	PBT* (PLNm)	EPS* (PLN)	DPS (PLN)	P/E (x)	Yield (%)
12/14	41.6	5.4	0.56	0.0	43.9	N/A
12/15	56.1	7.6	0.84	0.0	29.3	N/A
12/16e	66.9	5.8	0.44	0.0	55.9	N/A
12/17e	76.5	8.7	0.63	0.0	39.0	N/A

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

First-in-class, most advanced, dual PIM/FLT3 inhibitor

SEL24 is a first-in-class compound with a dual mechanism of action to target two kinases, namely PIM (1, 2 and 3 isoforms) and FLT3 mutants, which have been shown to be important in the development of AML and other haematological malignancies. With its mechanism of action, SEL24 is the first compound to progress to Phase I/II. Selvita said previously that the FDA asked for supplemental preclinical information, which now has been delivered and shows a good working relationship between the company and the regulatory agency, in our view.

Innovative asset financing with Nodthera

In July 2016, Selvita, together with Epidarex Capital announced the formation of a new company, Nodthera, headquartered in Edinburgh, Scotland. Nodthera centres on NLRP3 inflammasome inhibitors, a first-in-class technology developed internally by Selvita. While it is still at an early preclinical stage with few details released, inflammasome's role in immune system response and its modulation is an emerging field that has potential across several indications with high unmet need, such as cancers and non-malignant diseases like diabetes, rheumatoid arthritis and Alzheimer's disease. Epidarex is a specialist, early-stage life sciences investor and we find the solution to carve out the asset and fund the research together with specialist investors as innovative with the potential to speed up the preclinical development in Selvita's portfolio.

Valuation: PLN363m or PLN27.0/share under review

Our previous valuation of Selvita was PLN363m or PLN27.0/share and assigned a probability of success of 7.5% for SEL24 to reach the market, which is now under review. We look forward to H116 results due shortly and will revise our forecasts and valuation subsequently.

R&D pipeline news

Pharma & biotech

22 August 2016

Price **PLN24.60**
Market cap **PLN330m**

Net cash (PLNm) at end Q116	29.6
Shares in issue	13.4m
Free float	45%
Code	SLV
Primary exchange	WSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	12.3	9.9	36.3
Rel (local)	11.9	9.9	45.7
52-week high/low	25.8	66.0	

Business description

Selvita is a drug discovery services provider based in Poland. It employs c 352 staff (30% with PhDs) and operates two main business units: the Innovations Platform (internal NME pipeline) and Research Services (medicinal chemistry/biology, biochemistry).

Next events

H116 results	30 August 2016
SEL24 Phase I start	Q416

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Exhibit 1: Financial summary

	PLN'000s	2013	2014	2015	2016e	2017e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		21,914	41,557	56,077	66,862	76,456
of which: Services (research outsourcing)		9,812	16,121	25,612	33,279	41,598
Innovation pipeline funding		3,241	12,744	15,416	17,817	18,320
Subsidies		8,688	12,430	14,700	15,424	16,195
EBITDA		(146)	7,626	10,235	9,262	12,792
Operating Profit (before GW and except.)		(2,228)	5,272	6,802	5,823	8,729
Intangible Amortisation		0	0	0	0	0
Exceptionals/Other		0	0	(4,729)	(5,860)	(583)
Operating Profit		(2,228)	5,272	2,073	(37)	8,146
Net Interest		(198)	155	748	14	10
Exceptionals/Other		0	0	0	0	0
Profit Before Tax (norm)		(2,427)	5,427	7,550	5,838	8,739
Profit Before Tax (reported)		(2,427)	5,427	2,821	(22)	8,156
Tax		(19)	(45)	(5)	0	(245)
Deferred tax		0	468	3,417	0	0
Profit After Tax (norm)		(2,445)	5,850	10,962	5,838	8,495
Profit After Tax (reported)		(2,445)	5,850	6,233	(22)	7,912
Average Number of Shares Outstanding (m)		10.5	10.5	13.1	13.3	13.4
EPS - normalised (PLN)		(0.23)	0.56	0.84	0.44	0.63
EPS - reported (PLN)		(0.23)	0.56	0.48	(0.00)	0.59
Dividend per share (PLN)		0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed Assets		7,067	9,494	16,718	18,279	17,716
Intangible Assets		282	331	2,274	2,274	2,274
Tangible Assets		4,932	6,845	8,597	10,158	9,595
Other		1,854	2,318	5,847	5,847	5,847
Current Assets		11,191	17,310	48,524	40,639	48,332
Stocks		391	706	1,174	1,158	1,142
Debtors		5,161	10,314	17,961	17,961	17,961
Cash		5,418	4,878	28,807	20,937	28,646
Other		221	1,411	582	582	582
Current Liabilities		(11,401)	(15,271)	(16,319)	(16,315)	(16,560)
Creditors		(3,481)	(6,055)	(3,927)	(3,927)	(3,927)
Provisions		(2,104)	(2,801)	(3,327)	(3,327)	(3,327)
Deferred revenues		(5,455)	(4,617)	(7,384)	(7,384)	(7,384)
Short term borrowings		(161)	(91)	(33)	(33)	(33)
Other		(200)	(1,708)	(1,648)	(1,643)	(1,888)
Long Term Liabilities		(3,454)	(2,278)	(2,043)	(2,043)	(2,043)
Long term borrowings		0	0	0	0	0
Deferred revenues		(3,222)	(2,010)	(1,513)	(1,513)	(1,513)
Other long term liabilities		(232)	(268)	(529)	(529)	(529)
Net Assets		3,403	9,254	46,880	40,561	47,445
CASH FLOW						
Operating Cash Flow		(7,198)	(4,902)	(16,430)	(18,288)	(4,987)
Net Interest		0	0	0	0	0
Tax		0	0	0	(4)	0
Capex		(2,167)	(3,610)	(5,190)	(5,000)	(3,500)
Acquisitions/disposals		0	0	0	0	0
Financing		0	0	27,314	0	0
Dividends		0	0	0	0	0
Other (incl. subsidies)		9,567	7,972	18,354	15,424	16,195
Net Cash Flow		202	(540)	24,049	(7,868)	7,708
Opening net debt/(cash)		(5,192)	(5,257)	(4,787)	(28,773)	(20,904)
HP finance leases initiated		0	0	0	0	0
Exchange rate movements		0	0	0	0	0
Other		(137)	71	(63)	(1)	0
Closing net debt/(cash)		(5,257)	(4,787)	(28,773)	(20,904)	(28,612)

Source: Edison Investment Research, Selvita

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