

Nuevolution

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Amgen deal: A significant step forward

The strategic collaboration with Amgen provides further validation of Nuevolution's Chemetics drug discovery platform. With up to \$410m per development programme and a tiered royalty rate, the deal could generate significant value in the coming years. Cash of c SEK176m (\$19.4m) at 30 September 2016, along with revenue from collaborations and licensing agreements, will enable Nuevolution to continue to expand its internal pipeline. We anticipate its lead internal candidate RORyt and possibly another internal candidate to be out-licensed in the next six months, while one further Amgen-style partnership could be formed by the end of 2017.

Amgen deal holds significant value

In October (2016) Nuevolution announced a risk-sharing collaboration with Amgen focused on oncology and neuroscience. Per target, the company can receive up to \$410m; specific targets and diseases were undisclosed. Under the terms of the deal, Nuevolution will carry out the initial research work before working collaboratively with Amgen in the later-stage research. Amgen is responsible for all preclinical and clinical development, in addition to worldwide commercialisation.

Capital to deliver on goals

On 17 December 2015, Nuevolution completed its initial public offering and raised net proceeds of SEK230.1m (\$25.5m). Funds are being used to mature its pipeline through application of its Chemetics platform. Since Nuevolution's inception in 2001, it has generated SEK395m (\$43.5m) in revenues through collaborations with global pharmaceutical companies. Cash as of 30 September 2016 was SEK176m.

Internal lead candidates progressing

Nuevolution has five internal lead programmes, the most advanced of which is an inhibitor for RORyt, a potentially key target in inflammatory conditions. It has completed lead optimisation and identified two preclinical candidates (a lead and back-up). Both compounds have been validated in multiple mouse disease models and the chosen lead candidate is in API upscaling. The company expects the programme to be out-licensed in the next six months, with an IND filing in H217.

Valuation: Pipeline positioned to provide growth

Building on current partnerships, Nuevolution plans to have three to four of its internal pipeline products out-licensed in the next two years alongside one additional risk-sharing collaboration. Additional partnerships will continue to build value to the company, as would future development of its internal programmes.

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

Price **SEK10.15**
Market cap **SEK435m**

SEK/US\$0.11

Share price graph



Share details

Code	NUE
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 Amgen and Janssen Biotech).
- Strong cash balance following IPO.
- Proven history of revenues from deals.

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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