

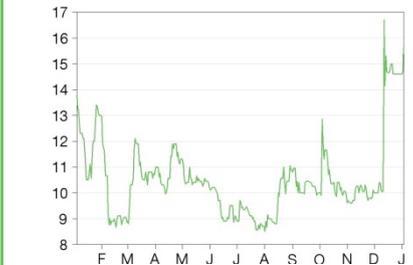
Nuevolution

Pharma & biotech
4 January 2017

Delivering on promises

Price **SEK15.6**
Market cap **SEK669m**

€(SEK)9.7667

Share price graph

Share details

Code	NUE.ST
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 Almirall, Amgen and Janssen Biotech).
- Strong cash balance following IPO and Almirall upfront payment.
- Proven history of deal making.

Bear

- Competitive and ever-evolving market for drug discovery.
- Only preclinical data to date.
- Company is dependent on revenue from deals.

Analysts

Dr Susie Jana	+44 (0)20 3077 5700
Dr Daniel Wilkinson	+44 (0)20 3077 5734

healthcare@edisongroup.com

Nuevolution is a research client of Edison Investment Research Limited

The Almirall deal announced on 12 December tops a defining year for Nuevolution; it has delivered on two key IPO promises, signing at least one licensing agreement (Almirall) and one risk-sharing collaboration (Amgen) within 12-18 months of IPO. The Almirall deal focuses on the development and commercialisation of RORyt inverse agonist for dermatological diseases and psoriatic arthritis. An upfront of €11.2m (SEK109.4m) contributes to a total potential deal value of €453.2m (SEK4.4bn). Added to a strong cash balance and existing deals with Amgen and Janssen, Nuevolution is well placed to generate significant value.

Almirall: A good deal for all

The strategic collaboration with Almirall gives Nuevolution a strong potential revenue stream, while allowing Almirall access to a differentiated product candidate. Almirall has multiple dermatology products, both on the market and in late-stage development, and is well placed to advance the RORyt inverse agonist platform in dermatology and psoriatic arthritis (Nuevolution retain ownership of other indications). Combined potential future revenue of up to €442m (SEK4.3bn) from development, regulatory and sales milestones in addition to tiered royalties on future sales could generate significant revenue for Nuevolution. Almirall is responsible for both funding and undertaking all research and commercial activities.

2017: Onwards to the clinic

While the development of Nuevolution's lead candidate, the RORyt inverse agonist, will transfer completely to Almirall (potential IND filing in H217), we expect Nuevolution to continue to progress the rest of its pipeline (particularly BRD BD1 and Cytokine X). Nuevolution's second most advanced programme is an inhibitor of Bet Bromodomain 1 (BRD BD1); it recently demonstrated positive preliminary toxicology and efficacy data in an animal mouse model for Systemic Lupus Erythematosus. Additionally, we anticipate the collaboration with Amgen to be of focus in the short to medium term as Nuevolution generates drug candidates which, if successful in preclinical development, will be taken to the clinic by Amgen.

Valuation: Strong deal flow primed to generate value

Major deals formed with Amgen and Almirall in the last six months help validate the technology at Nuevolution. The successful transition of the RORyt inverse agonist to Almirall (in the defined indications) and the development of Amgen's product candidates will be the key focus in 2017, and both will be pivotal in defining near-term value. We anticipate further business developments, with the potential for one additional partnership agreement in 2017.

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

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt and Sydney. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Nuevolution and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2017]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.