

NeuroVive Pharmaceutical

Q217 results

R&D progress on track; new investor on board

NeuroVive's recent Q217 report described R&D activities progressing according to plan. The company is preparing for the next clinical studies with the two most advanced assets – NeuroSTAT for traumatic brain injury and KL1333 for genetic mitochondrial disorders. With regard to the portfolio for out-licensing, NeuroVive indicated that discussions with potential partners for NV556 (NASH and liver tumours) will be initiated in the autumn, although partnering is usually a rather lengthy process. We value NeuroVive at SEK1.4bn (SEK27.0/share) vs SEK1.5bn previously.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/15	2.5	(89.6)	(3.00)	0.0	N/A	N/A
12/16	0.0	(70.7)	(1.72)	0.0	N/A	N/A
12/17e	0.0	(80.0)	(1.72)	0.0	N/A	N/A
12/18e	0.0	(95.9)	(1.94)	0.0	N/A	N/A

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

New institutional investor

On 18 July 2017, NeuroVive announced a private placement with Esousa Holdings, which is expected to raise SEK9m in total in two equal tranches, with the first tranche already completed. The first transaction involved the issue of c 1.1m units (2.2% of the total outstanding number of shares before the placement) at SEK4.17 (20% discount to the previous day's closing price) consisting of one NeuroVive share and one warrant (exercisable over five years to acquire one share at a 20% discount). NeuroVive indicated that the second tranche should be completed by the end of 2017 on the same terms. We therefore add the total investment to our model. While the placement was small overall, more important, in our view, is that Esousa, a US-based institutional, life-sciences-focused investor, may be able to provide support to the company in the future.

R&D progress on track

Following the positive initial results announcement from the Phase II trial and an additional experimental study with NeuroSTAT (a novel ciclosporin A formulation), NeuroVive continues preparations to initiate a Phase IIb proof-of-concept trial. The second most advanced product, KL1333 (NAD+ modulator), was in-licensed in May 2017 from Yungjin Pharm, which is currently running a Phase I trial, while NeuroVive will initiate its own Phase I study. We provided a detailed assessment of NeuroVive's R&D portfolio in our recent [initiation report](#).

Valuation: rNPV SEK1.4bn or SEK27.0/share

We value NeuroVive at SEK1.4bn or SEK27.0/share versus SEK1.5bn or SEK30.0/share previously, mainly due to a lower cash position and SEK depreciation versus the US\$, while our valuation in dollar terms is slightly up at US\$172.1m (US\$169.5m previously). NeuroVive's initiation of the proof-of-concept Phase IIb trial with NeuroSTAT in TBI and initiation of its own Phase I study with KL1333 (Yungjin is already recruiting to its own Phase I) are the near-term R&D-related events. Meanwhile, potential out-licensing of NV556 could be a substantial trigger for the share price.

Pharma & biotech

25 August 2017

Price **SEK4.03**
Market cap **SEK204m**

SEK8.09/US\$

Net cash (SEKm) at end Q217 + first tranche of SEK4.5m of funding (second tranche expected to add 1.1m shares with SEK4.5m gross by end 2017). 55.5

Shares in issue 50.6m

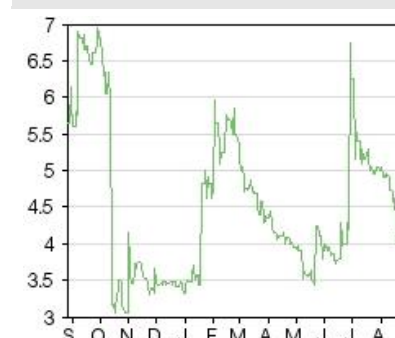
Free float 80%

Code NVP

Primary exchange Nasdaq Stockholm

Secondary exchange OTCQX

Share price performance



% 1m 3m 12m

Abs (18.6) (5.2) (26.7)

Rel (local) (16.8) 0.8 (32.7)

52-week high/low SEK7.0 SEK3.0

Business description

NeuroVive Pharmaceutical is a Swedish biopharmaceutical company with deep expertise in mitochondrial medicine. It has a diversified portfolio in terms of indications and employs a dual strategy: it develops a core portfolio of assets for orphan diseases and seeks to out-license proprietary products for non-orphan indications. NeuroSTAT (neurotrauma, Phase IIb ready) and KL1333 (genetic mitochondrial diseases) are the most advanced assets.

Next events

R&D day 19 September 2017

NeuroVive initiation of KL1333 Phase I H118

NeuroVive initiation of NeuroSTAT Phase IIb 2018

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Financials

NeuroVive's Q217 results were largely in line with our expectations. The company has changed its assessment of the timing for the capitalisation of development costs and will expend all R&D costs until the related product gains market approval. We have adjusted our model accordingly and our estimated total operating expenses booked in the P&L in 2017 and 2018 are now higher at SEK80.3m and SEK95.9m versus SEK62.3m and SEK51.4m previously. That includes our R&D cost estimates of SEK31.1m in 2017 and SEK56.5m in 2018. We have not made any changes to our underlying assumptions and therefore there are no substantial revisions to our estimated cash reach besides the fact that the fund-raise announced in July 2017 should bring in SEK9m gross (we include SEK8.6m net). NeuroVive had cash and cash equivalents of SEK47.0m at the end of Q217 and was debt free. We expect a cash position of SEK18.6m by end-2017. NeuroVive does not provide guidance but, according to our model and based on current R&D plans, the cash reach is into Q118. We estimate that the company's need for additional funds in 2018 is around SEK77m, which we include as illustrative long-term debt in our financial forecasts. Notably, we do not take into account revenues from any potential licensing-related income in our financial forecasts.

Valuation

Our updated valuation of NeuroVive is SEK1.4bn or SEK27.0/share compared to SEK1.5bn or SEK30.0/share previously. A lower cash position and the rather sharp depreciation of SEK vs the US\$ were the main reasons for the slight decrease in our valuation, which was partially mitigated by rolling our model forward. Our valuation in US\$ terms is slightly higher at \$172.1m vs \$169.5m previously (on a per-share basis it is slightly lower at \$3.3/share vs \$3.4/share, reflecting the share issue). We maintain all our R&D assumptions, as described in our [initiation report](#). As previously, in our valuation we include the clinical-stage NeuroSTAT (traumatic brain injury) and KL1333 (genetic mitochondrial disorders) and the advanced preclinical products. We exclude NVP025 (mitochondrial myopathy) and NVP022 (NASH) for the time being as both are at an early stage.

Exhibit 1: NeuroVive sum-of-the parts valuation

Product	Launch	Peak sales* (\$m)	NPV (\$m)	NPV/share (\$)	Probability	rNPV (\$m)	rNPV/share (\$)
NeuroSTAT	2024	454	293.3	5.7	15%	35.0	0.7
KL1333	2023	574	566.2	11.0	10%	51.6	1.0
NVP015	2023	875	931.4	18.0	5%	39.4	0.8
NV556	2026	1,716	172.9	3.3	8%	33.8	0.7
NVP024	2029	702	29.3	0.6	3%	5.5	0.1
Net cash			6.9	0.1	100%	6.9	0.1
Valuation			1,999.9	38.7		172.1	3.3
			SEKm	SEK		SEKm	SEK
NeuroSTAT			2,372.9	45.9	15%	283.3	5.5
KL1333			4,579.6	88.7	10%	417.1	8.1
NVP015			7,534.0	145.9	5%	318.7	6.2
NV556			1,398.2	27.1	8%	273.5	5.3
NVP024			237.1	4.6	3%	44.3	0.9
Net cash			55.5	1.1	100%	55.5	1.1
Valuation			16,177.4	313.2		1,392.5	27.0

Source: Edison Investment Research. Note: WACC = 12.5% for product valuations. Peak sales reached six years after launch. SEK8.09/US\$ vs SEK8.72/US\$ previously.

Exhibit 2: Financial summary

	SEK'000s	2014	2015	2016	2017e	2018e
December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		7,152	2,502	14	0	0
Cost of Sales		0	0	0	0	0
Gross Profit		7,152	2,502	14	0	0
Research and development		(13,738)	(12,200)	(12,000)	(31,061)	(56,490)
EBITDA		(44,372)	(89,066)	(69,868)	(80,196)	(95,758)
Operating Profit (before amort. and except.)		(44,813)	(90,266)	(44,813)	(90,266)	(70,989)
Intangible Amortisation		0	0	0	0	0
Exceptionals		(441)	(1,200)	(1,121)	0	0
Other		(1)	0	0	0	0
Operating Profit		(45,255)	(91,466)	(72,110)	(80,337)	(95,916)
Net Interest		580	665	265	314	0
Profit Before Tax (norm)		(44,233)	(89,601)	(70,724)	(80,023)	(95,916)
Profit Before Tax (reported)		(44,675)	(90,801)	(71,845)	(80,023)	(95,916)
Tax		0	0	0	0	0
Profit After Tax (norm)		(44,234)	(89,601)	(70,724)	(80,023)	(95,916)
Profit After Tax (reported)		(44,675)	(90,801)	(71,845)	(80,023)	(95,916)
Average Number of Shares Outstanding (m)		27.3	27.3	30.1	42.0	50.5
EPS - normalised (SEK)		(1.70)	(3.00)	(1.72)	(1.72)	(1.94)
EPS - normalised and fully diluted (SEK)		(1.70)	(1.70)	(3.00)	(1.72)	(1.72)
EPS - (reported) (SEK)		(1.72)	(3.04)	(1.75)	(1.72)	(1.94)
Dividend per share (SEK)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		100.0	100.0	100.0	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		79,945	75,369	84,645	86,774	86,807
Intangible Assets		79,601	74,904	71,151	73,233	73,233
Tangible Assets		344	316	274	321	354
Investments		0	149	13,220	13,220	13,220
Current Assets		51,323	99,558	94,901	19,570	1,000
Stocks		0	0	0	0	0
Debtors		502	528	0	0	0
Cash		49,698	96,662	93,251	18,570	0
Other		1,123	2,368	1,650	1,000	1,000
Current Liabilities		(23,427)	(20,148)	(12,413)	(10,170)	(10,170)
Creditors		(23,427)	(20,148)	(12,413)	(10,170)	(10,170)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		0	0	0	0	(77,379)
Long term borrowings		0	0	0	0	(77,379)
Other long term liabilities		0	0	0	0	0
Net Assets		107,841	154,779	167,133	96,174	258
CASH FLOW						
Operating Cash Flow		(44,171)	(67,885)	(57,614)	(70,303)	(95,758)
Net Interest		539	665	237	314	0
Tax		0	0	0	0	0
Capex		(178)	(245)	(139)	(187)	(190)
Acquisitions/disposals*		0	0	0	(11,035)	0
Financing		76,599	138,406	77,332	8,559	0
Other		10,421	(23,977)	(23,227)	(2,028)	0
Dividends		0	0	0	0	0
Net Cash Flow		43,210	46,964	(3,411)	(74,681)	(95,948)
Opening net debt/(cash)		(6,488)	(49,698)	(96,662)	(93,251)	(18,570)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(49,698)	(96,662)	(93,251)	(18,570)	77,379

Source: Edison Investment Research, NeuroVive Pharmaceutical accounts. Note: *Related to the disposal of a subsidiary in 2017, the net effect of which was neutral on cash flows.

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