

NeuroVive Pharmaceutical

Rights issue to reach several R&D events

NeuroVive's planned rights issue (subject to approval at the EGM) is expected to bring in a minimum guaranteed amount of at least SEK55m (gross), which would extend the cash reach to 2019 and past several R&D events. Namely, the company will be able to initiate two new clinical trials with both leading assets KL1333 (Phase I) for genetic mitochondrial diseases and NeuroSTAT (Phase II) for traumatic brain injury (TBI). In addition, the company will advance its broad preclinical portfolio, aiming to out-license one of the assets, NV556, for NASH. Our updated valuation is SEK1.44bn or SEK18.0/share compared to SEK1.38bn or SEK26.3/share previously.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/16	0.0	(70.7)	(1.72)	0.0	N/A	N/A
12/17	0.6	(70.1)	(1.49)	0.0	N/A	N/A
12/18e	0.6	(83.5)	(1.32)	0.0	N/A	N/A
12/19e	0.6	(124.4)	(1.61)	0.0	N/A	N/A

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

New funds could finance operations into 2019

On 15 February 2018, NeuroVive announced a rights issue, which could raise up to SEK78.5m gross in total. 70% of the issue is guaranteed by several existing investors. We have included the guaranteed amount of SEK55.0m in our model which, if added to end-FY17 cash, results in SEK84m. According to our model this is sufficient for FY18, while potential funds from the remaining part of the rights issue and attached warrants (see below) could extend the cash reach well into 2019.

Several R&D events within cash reach post-issue

With the new funds, NeuroVive aims to initiate a Phase I trial with KL1333 in genetic mitochondrial diseases. Meanwhile, the company's Korean partner Yungjin Pharm should report results from its own Phase I trial with KL1333 in 2018. Even though the trial is run by Yungjin, the data also represent a direct catalyst for NeuroVive's shares, in our view, because of the overlap with NeuroVive's R&D plans. NeuroVive also plans to initiate a Phase II efficacy trial with its second clinical asset NeuroSTAT (TBI) following the successful results from a Phase IIa study in May 2017. Another achievable catalyst in the next 12 months is the out-licensing of the preclinical asset NV556 (NASH), as reiterated in the latest management update. See our [previous reports](#) for a detailed, up-to-date analysis of these assets.

Valuation: Updated to SEK1.44bn or SEK18.0/share

Our updated valuation of NeuroVive is SEK1.44bn or SEK18.0/share compared to SEK1.38bn or SEK26.3/share previously. While the absolute value is slightly higher, the decrease in valuation per share reflects the higher number of shares outstanding (we include 70% of the total offered in the planned rights issue). We maintain the R&D assumptions described in our [initiation report](#).

Q417 company results

Pharma & biotech

5 March 2018

Price **SEK2.50**

Market cap **SEK131m**

SEK8.197/US\$

Net cash (SEKm) at end-2017 29.0

Shares in issue 52.3m

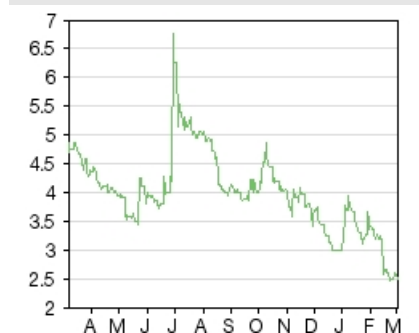
Free float 80%

Code NVP

Primary exchange Nasdaq Stockholm

Secondary exchange OTCQX

Share price performance



% 1m 3m 12m

Abs (25.6) (32.1) (49.9)

Rel (local) (22.9) (30.1) (49.3)

52-week high/low SEK6.8 SEK2.5

Business description

NeuroVive Pharmaceutical is a Swedish biopharmaceutical company with deep expertise in mitochondrial medicine. It 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 (mitochondrial diseases) are the most advanced assets.

Next events

Start of NeuroVive's Phase Ib with KL1333 2018

NeuroVive initiation of NeuroSTAT Phase IIb H218

Out-licensing deal for NV556 H218

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NeuroVive Pharmaceutical is a research client of Edison Investment Research Limited

Q4/FY17 financials and rights issue update

Rights issue subscription period 10-24 April 2018

In the process of the announced rights issue, investors will be able to receive the rights to a certain number of tradable units, which will effectively allow them to subscribe for a total of 39.3m new shares (52.3m before the issue), at SEK2.00/share vs the closing price of SEK3.02 on 14 February 2018, the day before the announcement. The existing shareholders have the preferential right of subscription. The attached warrants could raise an additional SEK37.3m gross if exercised in full at a price of SEK3.80 during the period 1-30 November 2018. The rights issue is subject to approval at an extraordinary general meeting scheduled for 22 March 2018 (the ex-rights date is 5 April 2018).

Financial results and estimates

NeuroVive's Q417 and full FY17 results came in slightly better than our expectations. R&D-related expenses in 2017 were SEK27.9m vs our estimate of SEK31.4m and up from SEK12.0m in FY16. The y-o-y increase was mainly due to a change in accounting of costs related to clinical development, which were capitalised previously, but are being expensed from 1 April 2017. Total operating costs were SEK71.7m, compared to our estimate of SEK75.1m, R&D costs being the main deviation. FY17 personnel expenses decreased to SEK12.4m from SEK15.3m in FY16 owing to a lower number of employees. A significant one-off, non-cash item of SEK11.0m was booked in Q117 related to administrative expenses associated with the [disposal of a subsidiary](#).

We now estimate total opex of SEK92.8m for FY18 and SEK134.6m for FY19, which is slightly lower than our previous forecast, mainly due to personnel costs and some FX fluctuations. The expected y-o-y increase is mainly due to progress of the clinical and preclinical R&D. NeuroVive's cash was SEK29.0m at end-2017 (no debt). As discussed above, we have included the guaranteed part of the planned rights issue in our model. According to our estimates, this should be sufficient to fund operations to 2019. If the rights issue is fully subscribed and all warrants are exercised (out-of-the money currently), NeuroVive will raise SEK61m gross in addition to the guaranteed amount of SEK55m. We do not take into account revenues from the potential out-licensing of NV556.

Exhibit 1: Key changes to our financial forecasts

SEKm	FY17			FY18e			FY19e
	Estimate	Actual	Change (%)	Old	New	Change (%)	New
Revenue	0.576	0.585	+2%	0.576	0.585	+2%	0.585
R&D expenses	(31.442)	(27.926)	-11%	(58.585)	(57.045)	-3%	(96.630)
Operating profit/(loss) (reported)	(75.142)	(71.087)	-5%	(92.185)	(83.498)	-9%	(124.435)
Profit/(loss) before tax (reported)	(75.742)	(71.602)	-5%	(92.185)	(83.498)	-9%	(124.435)
Profit/(loss) after tax (reported)	(68.742)	(66.727)	-3%	(88.185)	(79.498)	-10%	(120.435)
EPS (reported), SEK	(1.34)	(1.33)	-0%	(1.65)	(1.20)	-27%	(1.51)

Source: NeuroVive accounts, Edison Investment Research

Valuation

Our updated valuation of NeuroVive is SEK1.44bn or SEK18.0/share compared to SEK1.38bn or SEK26.3/share previously. While the absolute value is higher (due to rolling our model forward and a higher cash position), the decrease in valuation per share reflects the higher number of shares outstanding as a result of the placement (we currently include the guaranteed amount only). We maintain the R&D assumptions described in our [initiation report](#). As previously, in our valuation we include clinical-stage NeuroSTAT (TBI) and KL1333 (genetic mitochondrial disorders) and the

advanced preclinical products. We continue to exclude NVP025 (mitochondrial myopathy) and NVP022 (NASH) for the time being as both are at an early stage.

Exhibit 2: NeuroVive sum-of-the parts valuation

Product	Launch	Peak sales* (\$m)	NPV (\$m)	NPV/share (\$)	Probability	rNPV (\$m)	rNPV/share (\$)
NeuroSTAT	2024	454	311.0	3.9	15%	37.1	0.5
KL1333	2023	574	601.2	7.5	10%	55.7	0.7
NVP015	2024	875	754.7	9.5	5%	30.4	0.4
NV556	2026	1,716	180.3	2.3	8%	36.1	0.5
NVP024	2029	702	30.8	0.4	3%	6.3	0.1
Net cash at end-2017 + 70% of the planned rights issue			10.2	0.1	100%	10.2	0.1
Valuation			1,888.3	23.7		175.8	2.2
			SEKm	SEK		SEKm	SEK
NeuroSTAT			2,547.0	31.9	15%	304.1	3.8
KL1333			4,924.0	61.7	10%	456.1	5.7
NVP015			6,181.4	77.5	5%	248.9	3.1
NV556			1,476.6	18.5	8%	295.5	3.7
NVP024			252.4	3.2	3%	51.5	0.6
Net cash at end-2017 + 70% of the planned rights issue			83.9	1.1	100%	83.9	1.1
Valuation			15,465.4	193.8		1,440.0	18.0

Source: Edison Investment Research. Note: *Peak sales reached six years after launch. WACC = 12.5% for product valuations.

Exhibit 3: Financial summary

	SEK'000s	2015	2016	2017	2018e	2019e
December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		2,502	14	585	585	585
Cost of Sales		0	0	0	0	0
Gross Profit		2,502	14	585	585	585
Research and development		(12,200)	(12,000)	(27,926)	(57,045)	(96,630)
EBITDA		(89,066)	(69,868)	(67,897)	(83,356)	(124,281)
Operating Profit (before amort. and except.)		(90,266)	(70,989)	(69,492)	(83,498)	(124,435)
Intangible Amortisation		0	0	0	0	0
Exceptionals		(1,200)	(1,121)	(1,595)	0	0
Other		0	0	56	0	0
Operating Profit		(91,466)	(72,110)	(71,031)	(83,498)	(124,435)
Net Interest		665	265	(571)	0	0
Profit Before Tax (norm)		(89,601)	(70,724)	(70,063)	(83,498)	(124,435)
Profit Before Tax (reported)		(90,801)	(71,845)	(71,602)	(83,498)	(124,435)
Tax		0	0	0	0	0
Profit After Tax (norm)		(89,601)	(70,724)	(70,007)	(83,498)	(124,435)
Profit After Tax (reported)		(90,119)	(70,240)	(66,727)	(79,498)	(120,435)
Average Number of Shares Outstanding (m)		30.1	42.0	50.2	66.1	79.8
EPS - normalised (SEK)		(3.00)	(1.72)	(1.49)	(1.32)	(1.61)
EPS - normalised & fully diluted (SEK)		(3.00)	(1.72)	(1.49)	(1.32)	(1.61)
EPS - reported (SEK)		(3.00)	(1.67)	(1.33)	(1.20)	(1.51)
Dividend per share (SEK)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0
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		75,369	84,645	87,579	87,579	87,579
Intangible Assets		74,904	71,151	74,315	74,315	74,315
Tangible Assets		316	274	162	162	162
Investments		149	13,220	13,102	13,102	13,102
Current Assets		99,558	94,901	30,560	2,013	1,568
Stocks		0	0	0	0	0
Debtors		528	0	0	0	0
Cash		96,662	93,251	28,992	445	0
Other		2,368	1,650	1,568	1,568	1,568
Current Liabilities		(20,148)	(12,413)	(14,259)	(14,259)	(14,259)
Creditors		(20,148)	(12,413)	(14,259)	(14,259)	(14,259)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		0	0	0	0	(123,943)
Long term borrowings		0	0	0	0	(123,943)
Other long term liabilities		0	0	0	0	0
Net Assets		154,779	167,133	103,880	75,333	(49,055)
CASH FLOW						
Operating Cash Flow		(67,885)	(57,614)	(58,039)	(83,356)	(124,281)
Net Interest		665	237	(84)	0	0
Tax		0	0	0	0	0
Capex		(245)	(139)	(40)	(141)	(107)
Acquisitions/disposals*		0	0	(11,035)	0	0
Financing		138,406	77,332	9,031	54,950	0
Other		(23,977)	(23,227)	(4,092)	0	0
Dividends		0	0	0	0	0
Net Cash Flow		46,964	(3,411)	(64,259)	(28,547)	(124,388)
Opening net debt/(cash)		(49,698)	(96,662)	(93,251)	(28,992)	(445)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(96,662)	(93,251)	(28,992)	(445)	123,943

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

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