

Shield Therapeutics

Close but no cigar

US partnering update

Pharma & biotech

11 December 2020

Price **76.0p**

Market cap **£89m**

£0.75/US\$; £0.91/€

Unaudited net cash (£m) at 30 November 2020 3.8

Shares in issue 117.3m

Free float 37%

Code STX

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (40.2) (29.0) (59.6)

Rel (local) (42.9) (35.8) (56.3)

52-week high/low 188p 54p

Business description

Shield Therapeutics is a commercial-stage pharmaceutical company. Its proprietary product, Feraccru, is approved by the EMA and FDA for the treatment of iron deficiency. Feraccru is marketed through partners Norgine, AOP Orphan and Ewopharma.

Next events

Trading update January 2021

Launches in the US and additional EU states as covered by Norgine 2021

Analysts

Dr Susie Jana +44 (0)20 3077 5700

Dr John Priestner +44 (0)20 3077 5700

healthcare@edisongroup.com

[Edison profile page](#)

Shield Therapeutics is a research client of Edison Investment Research Limited

Shield Therapeutics (STX) has announced it is broadening its strategy for commercialising Accrufer in the US (oral therapy for iron deficiency, approved by the FDA in July 2019) and no longer expects to conclude a US partnering deal by year end. As STX's cash runway extends into Q221, an upfront licensing payment from a US deal would have ameliorated the need for further capital. It has also arranged an extension to its cash runway until the end of 2021. STX's revised strategy is now two pronged and it will continue ongoing discussions with potential partners while exploring the benefits of marketing Accrufer itself in the US. However, the uncertainty of which route it will take has weighed on the share price. Access to funding is key for self-marketing, either through debt facilities or equity raises. Our forecasts are under review.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	0.3	(13.4)	(12.7)	0.0	N/A	N/A
12/17	0.6	(18.4)	(15.1)	0.0	N/A	N/A
12/18	11.9	(5.2)	(1.5)	0.0	N/A	N/A
12/19	0.7	(9.1)	(7.5)	0.0	N/A	N/A

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

US commercialisation strategy broadened

STX's focus in 2020 was finding a US commercialisation partner for Accrufer/Feraccru. Management has cited that the length of time taken and late-stage setbacks (unrelated to the asset) combined with STX's now deeper understanding of the US iron replacement market has led the board to review all options for a US launch. Partnering discussions continue, but alongside this the board will review the economics of self-marketing/co-marketing strategies. Longer term, this could lead to improved shareholder returns; however, until we have clarity on the investment required to launch in the US, significant uncertainty remains.

Financials: Cash runway to the end of 2021

STX reported an unaudited cash position of £3.8m at 30 November 2020, implying a cash runway to Q221. This could be extended until the end of 2021 through two loan facilities agreements totalling c £4.4m, with major shareholder AOP Orphan (owns 10.7% of STX) and board member Dr Christian Schweiger (owns 3.5% of STX). STX estimates 'the amount required for the group to reach the point at which it generates cash is \$30-40m', which includes potential US launch costs, expenses related to non-US operations and funding for the ongoing paediatric study. We had forecast that sustainable profitability is achievable from 2022 (assuming US launch in 2020). This could still be possible with either route to market but the impact on profitability is unclear until we have further clarity on the effect on the financials.

Valuation: Our forecasts are under review

Our valuation and forecasts are under review. We will revisit our assumptions post the trading update, expected in January 2021.

Exhibit 1: Financial summary

Accounts: IFRS, Year-end: 31 December	£000s	2016	2017	2018	2019
Revenue		304	637	11,881	719
Cost of sales		(100)	(155)	(311)	(485)
Gross profit		204	482	11,570	234
Gross margin %		67%	76%	97%	33%
SG&A (expenses)		(10,675)	(16,722)	(12,429)	(6,773)
R&D costs		(2,029)	(4,711)	(4,300)	(2,496)
Other income/(expense)		40	0	0	0
EBITDA		(10,524)	(18,514)	(2,469)	(6,414)
Depreciation and amortisation		(1,936)	(2,437)	(2,690)	(2,621)
Reported Operating Income		(12,460)	(20,951)	(5,159)	(9,035)
Exceptionals and adjustments		(2,157)	(2,571)	0	0
Adjusted Operating Income		(10,303)	(18,380)	(5,159)	(9,035)
Finance income/(expense)		(3,143)	(43)	8	(31)
Reported PBT		(15,603)	(20,994)	(5,151)	(9,066)
Profit Before Tax (norm)		(13,446)	(18,423)	(5,151)	(9,066)
Income tax expense		587	1,406	3,359	266
Reported net income		(15,016)	(19,588)	(1,792)	(8,800)
Average Number of Shares Outstanding (m)		101.2	112.4	116.4	117.0
Year-end number of shares, m		101.2	112.4	116.4	117.0
Basic EPS (p)		(14.8)	(17.4)	(2.0)	(7.5)
EPS - normalised (p)		(12.7)	(15.1)	(1.5)	(7.5)
Dividend per share (p)		0.0	0.0	0.0	0.0
Balance sheet					
Property, plant and equipment		19	13	155	26
Goodwill		0	0	0	0
Intangible assets		28,984	29,961	30,957	29,898
Other non-current assets		0	0	0	0
Total non-current assets		29,003	29,974	31,112	29,924
Cash and equivalents		20,978	13,299	9,776	4,141
Inventories		418	125	109	948
Trade and other receivables		1,985	1,572	1,031	356
Other current assets		0	0	1,500	950
Total current assets		23,381	14,996	12,416	6,395
Non-current loans and borrowings		0	0	0	0
Other non-current liabilities		0	0	0	0
Total non-current liabilities		0	0	0	0
Trade and other payables		3,827	3,501	2,548	3,547
Current loans and borrowings		0	0	0	0
Other current liabilities		161	262	403	607
Total current liabilities		3,988	3,763	3,098	4,174
Equity attributable to company		48,396	41,207	40,430	32,145
Cashflow statement					
Reported net income		(15,016)	(19,588)	(1,792)	(8,800)
Depreciation and amortisation		1,936	2,437	2,690	2,621
Share based payments		288	560	1,013	456
Other adjustments		3,382	39	4	33
Movements in working capital		(846)	(186)	(255)	555
Interest paid / received		0	0	0	0
Income taxes paid / received		0	587	(1,500)	1,040
Cash from operations (CFO)		(10,256)	(16,151)	151	(4,066)
Capex		(3,175)	(3,408)	(3,345)	(1,384)
Acquisitions & disposals net		0	0	0	0
Other investing activities		177	0	50	18
Cash used in investing activities (CFIA)		(2,998)	(3,408)	(3,295)	(1,366)
Net proceeds from issue of shares		33,507	11,880	0	0
Movements in debt		0	0	0	0
Other financing activities		0	0	0	0
Cash from financing activities (CFF)		33,507	11,880	(379)	(203)
Cash and equivalents at beginning of period		725	20,978	13,299	9,776
Increase/(decrease) in cash and equivalents		20,253	(7,679)	(3,523)	(5,635)
Cash and equivalents at end of period		20,978	13,299	9,776	4,141
Closing net (debt)/cash		20,978	13,299	9,776	4,141

Source: Company accounts, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Shield Therapeutics and prepared and issued by Edison, in consideration of a fee payable by Shield Therapeutics. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: 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 and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. 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.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, 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 securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. 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, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2020 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

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. 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 (i.e. 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.

United Kingdom

This document is prepared and provided by Edison 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.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison 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. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia