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Shield Therapeutics

FY21 results

Operating results eclipsed by financing difficulties

Pharma and biotech

Shield Therapeutics reported FY21 results in line with market expectations, recording revenue of £1.5m, including a maiden £0.1m contribution from the United States after the July 2021 US launch of Accrufer. Early indications from sales outreach efforts are encouraging, with Shield reporting improved payor coverage and 100% quarter-on-quarter growth in US prescription volumes in Q122. The out-licensing agreement signed with KYE Pharmaceuticals in Canada (in Q122) could expand this market opportunity further. The company also announced a $10m convertible shareholder loan intended to extend its cash runway to end FY22 but comes as Shield was unable to complete a planned $30m equity issue, which would have provided access to a larger, non-dilutive debt facility. Shield will continue to examine other financing opportunities, but may reassess how best to allocate its available resources to its ongoing US sales initiatives, creating a possible overhang for its near-term growth prospects. Our estimates and valuation are under review.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/20	10.4	(1.9)	(2.2)	0.0	N/A	N/A
12/21	1.5	(19.6)	(9.0)	0.0	N/A	N/A

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

With coverage received from four US payors (including Cigna, Humana and Highmark) in December 2021, FY22 could be a key inflection period for sales uptake in the US. Management has indicated that current payor coverage across commercial and Medicaid segments captures c 40% of the eligible population (c 100 million) and this amount could potentially increase if pharmacy benefit managers add the drug to their formulary list. Outreach activities from its 30-person US sales team appear to be bearing fruit, with prescription volumes doubling quarter-on-quarter in Q122 to more than 3,900.

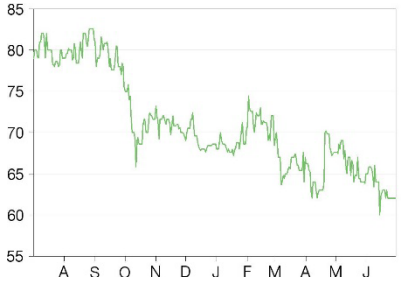
Other contributors to FY21 sales include £0.9m in royalty income from Europe (£0.7m in FY20) from licensing partner Norgine and £0.5m in upfront payment from Korea Pharma on signing the Korean licence agreement in Q421. The 25% FY21 year-on-year growth in Feraccru royalty income in Europe was driven by a 60% increase in sales volumes, although this was partially offset by a lower average sales price due to launches in Scandinavia, Luxembourg and Belgium.

Shield closed FY21 with a cash balance of £12.1m and reported £4.2m in cash at the end of May 2022. This figure has been bolstered by $10m in convertible shareholder debt raised from AOP Orphan International, which owns 13.1% of the shares. At the current monthly cash burn rate of c £1.6m (over 2022 to the end of May), the pro forma cash balance (c £12.4m) at end May should take the company to early FY23. The loan was raised at Libor +7% (payable monthly), is secured by the US intellectual property rights associated with Accrufer and due for repayment by the end of FY23. While this loan provides funding headroom, current challenging capital market conditions may add some uncertainty to Shield's near-term ability to invest fully as planned in its US Accrufer sales growth strategies.

1 July 2022

Price	**7.5p**
Market cap	**£16m**
Net cash (£m) at 31 May 2022	4.2
Shares in issue	216.2m
Free float	X%
Code	STX
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Shield Therapeutics is a commercial-stage pharmaceutical company. Its proprietary product, Feraccru/Accrufer, is approved by the EMA and FDA for iron deficiency. Outside the United States, Feraccru is marketed internationally through Shield and its commercial partners.

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