

Shield Therapeutics

Strategic year-end pivot sets tone for robust FY23

FY22 trading update

Pharma and biotech

10 February 2023

Price **6.97p**

Market cap **£41m**

£0.83/US\$; £0.93/€

Pro forma net cash (£m) at 10 February 2023 17.3

Shares in issue 585.7m

Free float 55%

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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Shield Therapeutics' FY22 trading update reported FY22 revenues of £8.5m, a material improvement on the £1.5m recorded in FY21 and broadly in line with our estimate of £8.8m. Sharp growth in prescription volumes (25,200 in FY22) continued to drive Accrufer sales in the US (£2.8m), although we note that the number of prescriptions in Q422 (9,324) was slightly lower than previous guidance of 9,700. However, this was offset by better-than-expected European royalty revenues of £1.3m (£0.9m in FY21), translating to a solid £0.5m in Q422 (from £0.14m in Q322). A key highlight of the year was the strategic co-commercialisation of Accrufer in the US with Viatriis (previously Mylan), a leading global generic pharmaceutical manufacturer, in **December 2022**, allowing for broader market coverage and faster ramp-up. We expect benefits from the enlarged salesforce (c 100 from 22 at end FY22) to start showing from Q223. Based on our projections, Shield remains funded to profitability following receipt of a \$5m upfront payment from Viatriis, and subsequent \$10m in incremental funding from AOP Health, and \$21.7m from an equity raise.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/20	10.4	0.8	0.1	0.0	N/A	N/A
12/21	1.5	(17.5)	(8.4)	0.0	N/A	N/A
12/22e	8.5**	(15.7)	(6.5)	0.0	N/A	N/A
12/23e	24.4	(21.3)	(4.2)	0.0	N/A	N/A

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

FY22 was marked by strong period-on-period growth in prescription volumes for Accrufer in the US (9,324 in Q422, accounting for 37% of FY22 prescription volumes and 26% q-o-q growth) and capped by the co-commercialisation deal with Viatriis announced in December 2022. US revenues included £2.8m from product sales, bolstered by the £4.2m (\$5m) upfront payment from Viatriis. With salesforce recruitment going to plan (16 of the target 50 already hired and trained, with a further 17 expected to hit the field by late March), we expect these increased outreach efforts to be reflected in prescription volumes and revenue inflows from Q223. We also expect Shield to benefit from Viatriis's established relationships with insurers to expand payor coverage (beyond the current 40% of the eligible patient population) and negotiate better net-to-gross discounts, translating to a potentially faster sales ramp-up.

Excluding the US, the FY22 sales figures stood at £1.5m, including the £0.2m upfront payment from KYE Pharmaceuticals for commercialisation in Canada (potential regulatory approval in H223) and £1.3m in royalty payments from European distribution partner Norgine (Germany 72% and UK 18%). However, China, a key potential market, continued to be affected by COVID-19-related restrictions and we currently expect commercialisation timelines will likely be pushed back to 2025.

With total external funding of \$31.7m (c £26m excluding the £4.2m payment from Viatriis) in place, we estimate that Shield is well capitalised to profitability, which we project in Q125 (vs management's estimate of Q424), provided that planned prescription and sales targets are achieved within the expected timelines.

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