

Shield Therapeutics

Business update

Next step a US partnering deal

Pharma & biotech

4 May 2020

Price **116.5p**
Market cap **£137m**

£0.80/US\$; £0.88/€

Estimated net cash (£m) at 31 March 2020 11.3

Shares in issue 117.2m

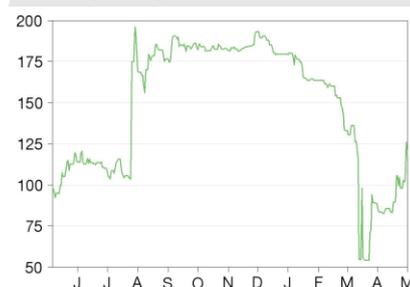
Free float 32%

Code STX

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 35.5 (28.8) 16.5

Rel (local) 27.0 (8.9) 48.0

52-week high/low 196.0p 54.0p

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

FY19 results and AGM Late May 2020

Out-licensing US rights to Feraccru 2020

Launches in the US and additional EU states as covered by Norgine 2020/21

Analysts

Dr Susie Jana +44 (0)20 3077 5700

John Priestner +44 (0)20 3077 5700

healthcare@edisongroup.com
[Edison profile page](#)

Shield Therapeutics (STX) has provided an updated trading statement ahead of FY19 results, expected at the end of May. In its January trading update, STX had guided to FY19 revenues of £2.9m. However, this has been revised down to £0.7m with repayment of the €2.5m Norgine milestone. In Europe, Feraccru has continued to grow during Q120 in its launched countries (the UK and Germany), and STX has reported minimal COVID-19 disruption to its commercial progress and manufacturing supply chain to date. The company reported an unaudited cash balance of £11.3m at 31 March. The next key inflection point is a US partnering deal, and STX has been able to advance discussions with potential commercial partners in recent weeks. We expect Accrufer launch later this year once a partner has been found.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/17	0.64	(18.42)	(15.2)	0.0	N/A	N/A
12/18	11.88	(5.15)	(1.5)	0.0	N/A	N/A
12/19e	0.68	(10.06)	(7.1)	0.0	N/A	N/A
12/20e	12.35	0.84	1.7	0.0	N/A	N/A

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

Feraccru/Accrufer a highly tolerable ID treatment

FY19 revenues have been revised down to £0.7m as STX will repay the €2.5m milestone paid out by Norgine during the year, related to the clarification that the [AEGIS-H2H study](#) did not achieve its primary endpoint. AEGIS-H2H was not required for regulatory approval and it is still likely that the 52 week data will prove valuable for health economics purposes and in pricing and reimbursement discussions. Feraccru/Accrufer's profile as a highly tolerable oral iron product will still enable it to garner market share given treatment discontinuation rates are high (30–60%), with first-line treatment utilising salt-based oral iron products (which have intolerable side effects). We anticipate use in iron deficiency (ID)/iron deficiency anaemia in patients whose iron level does not warrant intravenous iron infusions. We maintain our peak penetration assumptions.

Financials: Cash runway to Q121

Shield reported an unaudited cash balance of £11.3m at 31 March 2020, which implies a cash runway into Q121. We expect a US partnering deal by year end 2020 and associated upfront licensing payment to strengthen the balance sheet, further reducing the requirement for a capital increase.

Valuation: £369.2m or 315p/share

Our revised valuation is £369.2m or 315p/share vs £344.7m or 294p/share (derived from an rNPV model). Our base assumptions for Shield remain unchanged. Our valuation reflects an end-2020 net cash forecast of £6.6m, and we have updated for FX and rolling forward our model. Our NPV calculation is based on Feraccru achieving peak sales of €130m in Europe, \$410m in the US and \$126m in China.

Shield Therapeutics is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

December	£000s	2017	2018	2019e	2020e	2021e
PROFIT & LOSS						
Revenue		637	11,881	684	12,346	8,760
Cost of sales		(155)	(311)	(420)	(1,750)	(4,159)
Gross profit		482	11,570	264	10,596	4,601
Gross margin %		76%	97%	39%	86%	53%
SG&A (expenses)		(16,722)	(12,438)	(7,324)	(6,758)	(6,107)
R&D costs		(4,711)	(4,300)	(3,000)	(3,000)	(3,000)
Other income/(expense)		0	0	0	0	0
EBITDA		(18,514)	(2,814)	(7,736)	3,096	(2,399)
Depreciation and amortisation		(2,437)	(2,354)	(2,324)	(2,258)	(2,107)
Reported Operating Income		(20,951)	(5,168)	(10,061)	838	(4,506)
Exceptionals and adjustments		(2,571)	0	0	0	0
Adjusted Operating Income		(18,380)	(5,168)	(10,061)	838	(4,506)
Finance income/(expense)		(43)	15	0	0	0
Reported PBT		(20,994)	(5,153)	(10,061)	838	(4,506)
Profit Before Tax (norm)		(18,423)	(5,153)	(10,061)	838	(4,506)
Income tax expense		1,406	3,359	1,800	1,200	600
Reported net income		(19,588)	(1,794)	(8,261)	2,038	(3,906)
Average Number of Shares Outstanding (m)		112.4	116.4	116.4	117.2	117.2
Year-end number of shares, m		112.4	116.4	116.4	117.2	117.2
Basic EPS (p)		(17.43)	(2.00)	(7.10)	1.74	(3.33)
EPS - normalised (p)		(15.2)	(1.5)	(7.1)	1.7	(3.3)
Dividend per share (p)		0.00	0.00	0.00	0.00	0.00
BALANCE SHEET						
Property, plant and equipment		13	8	6	4	3
Goodwill		0	0	0	0	0
Intangible assets		29,961	30,957	30,085	28,079	26,223
Other non-current assets		0	0	0	0	0
Total non-current assets		29,974	30,965	30,091	28,083	26,226
Cash and equivalents		13,299	9,776	1,826	6,630	1,768
Inventories		125	109	462	1,923	2,285
Trade and other receivables		1,572	1,031	1,503	7,091	12,994
Other current assets		0	1,500	1,500	1,500	1,500
Total current assets		14,996	12,416	5,291	17,144	18,546
Non-current loans and borrowings		0	0	0	0	0
Other non-current liabilities		0	0	0	0	0
Total non-current liabilities		0	0	0	0	0
Trade and other payables		3,501	2,548	2,309	9,617	12,568
Current loans and borrowings		0	0	0	0	0
Other current liabilities		262	403	403	403	403
Total current liabilities		3,763	2,951	2,712	10,020	12,971
Equity attributable to company		41,207	40,430	32,669	35,207	31,801
CASH FLOW STATEMENT						
Reported net income		(19,588)	(1,794)	(8,261)	2,038	(3,906)
Depreciation and amortisation		2,437	2,354	2,324	2,258	2,107
Share based payments		560	1,013	500	500	500
Other adjustments		39	4	0	0	0
Movements in working capital		(186)	(255)	(1,064)	259	(3,314)
Interest paid/received		0	0	0	0	0
Income taxes paid/received		587	(1,500)	0	0	0
Cash from operations (CFO)		(16,151)	(178)	(6,500)	5,055	(4,613)
Capex		(3,408)	(3,345)	(1,450)	(250)	(250)
Acquisitions & disposals net		0	0	0	0	0
Other investing activities		0	0	0	0	0
Cash used in investing activities (CFIA)		(3,408)	(3,345)	(1,450)	(250)	(250)
Net proceeds from issue of shares		11,880	0	0	0	0
Movements in debt		0	0	0	0	0
Other financing activities		0	0	0	0	0
Cash from financing activities (CFF)		11,880	0	0	0	0
Cash and equivalents at beginning of period		20,978	13,299	9,776	1,826	6,630
Increase/(decrease) in cash and equivalents		(7,679)	(3,523)	(7,950)	4,805	(4,863)
Cash and equivalents at end of period		13,299	9,776	1,826	6,630	1,768
Net (debt)/cash		13,299	9,776	1,826	6,630	1,768

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
1,185 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