

# Scandion Oncology

Q322 update

## SCO-101 clinical progression continues

Scandion's [Q322 results](#) provided an update on management's continued commitment to execute on SCO-101's clinical development strategy. Q322 operating losses amounted to DKK23.6m, largely driven by R&D expenses of DKK18.9m, with a net cash outflow from operations of DKK34.4m. With the initiation of CORIST part 3 in October, we now expect FY22 operating losses to increase to DKK86.5m (DKK65.2m previously). The net cash balance at end-Q322 stood at DKK91.4m (no debt) which, given current cash burn rates and our projections, should fund operations into Q124, beyond key anticipated clinical readouts in FY23. Based on our revised operating expenses and lower net cash position we value Scandion at SEK241.1m or SEK5.9/share (SEK279.0m or SEK6.9/share previously).

Year end	Revenue (DKKm)	PBT* (DKKm)	EPS* (DKK)	DPS (DKK)	P/E (x)	Yield (%)
12/20	1.0	(21.5)	(0.53)	0.0	N/A	N/A
12/21	0.8	(57.2)	(1.61)	0.0	N/A	N/A
12/22e	0.6	(87.7)	(2.25)	0.0	N/A	N/A
12/23e	0.6	(75.8)	(1.73)	0.0	N/A	N/A

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

## CORIST and PANTAX on track

SCO-101's clinical plans continue to make headway in both the Phase II CORIST (colorectal cancer) and Phase Ib PANTAX (pancreatic cancer) trials. [Part 3 of the CORIST study](#) initiated patient dosing in October 2022 with recruitment of the first cohort (n = 3) now complete. CORIST part 2 demonstrated safety and tolerability of SCO-101 and the company believes that part 3's optimised dosing schedule may better support SCO-101 achieving the primary endpoint, missed in part 2. The [dose-escalation in PANTAX](#) also provides further support for SCO-101's tolerability and encouraging signs for the trial meeting its safety endpoints, in our view.

## Cash runway into FY24

The July 2022 rights issue raised c DKK52m in gross proceeds (DKK42m net) taking Scandion's net cash position to DKK91.4m at end Q322. Given the current clinical plan for the two assets and funds on hand, we have revised our R&D estimates for FY22-24 (raising the FY22 estimate based on the 9M run-rate and reducing the FY23 figure on the expectation that Scandion will defer the Pantex next Phase to 2024 following the H123 readout from the ongoing study). Our revised cash-burn projections see the company past anticipated readouts in FY23.

## Valuation: SEK241.1m or SEK5.9 per share

We revise our valuation down to SEK241.1m or SEK5.9/share (SEK279.0m or SEK6.9/share previously) based on a lower net cash position (SEK132.4m versus SEK167.1m previously) and minor adjustments in our timing forecasts and cost estimates. However, our underlying long-term assumptions are unchanged.

Pharma and biotech

18 November 2022

**Price** **SEK2.08**
**Market cap** **SEK85m**

SEK10.5/US\$; SEK1.45/DKK

Net cash (DKKm) at end-Q322 91.4

Shares in issue 40.7m

Free float 74%

Code SCOL

Primary exchange Nasdaq First North Growth Market

Secondary exchange N/A

### Share price performance



%	1m	3m	12m
Abs	4.2	(70.2)	(84.0)
Rel (local)	(4.0)	(69.3)	(79.0)

52-week high/low	SEK19.0	SEK1.9
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### Business description

Scandion Oncology is a biotechnology company focused on the development of add-on therapies to reverse chemotherapy resistance in oncology. The company's lead asset, SCO-101, is in Phase II trials for mCRC and Phase Ib trials for pancreatic cancer.

### Next events

PANTAX top-line data	Q123
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CORIST part 3 top-line data	Q323
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## Financials

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As a result of Scandion's continued clinical development activities with the ongoing part 2 CORIST study, initiation of CORIST part 3 and dose escalation of PANTAX, it reported research and development (R&D) expenses for Q322 of DKK18.9m, above our expectations, bringing total R&D expenses for the first nine months of the year (9M22) to DKK51.9m. In light of the quarterly update and 9M performance, we have updated our FY22 estimates and now forecast total operating expenses to amount to DKK86.5m (previously DKK65.2m), with R&D expenses totalling DKK69.2m (previously DKK52.5m).

CORIST part 2 completed patient recruitment in FY22 and part 3 of CORIST, initiated in October 2022, will continue to enrol patients in FY23, with top-line data expected in Q323. Due to the timely initiation of CORIST part 3, we expect part of the R&D expenses associated with the study to be brought forward into FY22 (we previously expected initiation and hence a larger portion to be realized in FY23). Additionally, with the expected wind down of the Phase Ib PANTAX trial we anticipate no material costs associated with the study after H123 and that management may wait for results from CORIST before pursuing follow-on Phase II studies in pancreatic cancer in FY24. As a result, we reduce our estimates for FY23 total operating expenses to DKK77m (previously DKK83.2m), with R&D expenses of DKK60m (previously DKK70.5m), reflecting a previously estimated portion now deferred to FY24 in our model.

We estimate free cash outflows of c DKK87.3m in FY22 and DKK70.1m in FY23. On completion of the rights issue, Scandion had raised DKK52m and reported a net cash position of DKK91.4m at end-Q322. Based on our cash burn projections and in line with management's guidance, we expect this to be sufficient to fund operations into Q124. However, we estimate that Scandion will be required to raise a further c DKK200m in FY24–25 to fund operations into FY26, at which point we have assumed in our model that the company will secure a licensing deal.

**Exhibit 1: Financial summary**

Accounts: IFRS, year-end: 31 December, DKK'000s	2020	2021	2022e	2023e
<b>PROFIT &amp; LOSS</b>				
Total revenues	1,003	797	590	600
Cost of sales	0	0	0	0
Gross profit	1,003	797	590	600
Total operating expenses	(24,758)	(56,164)	(86,492)	(76,946)
Research and development expenses	(21,672)	(47,711)	(69,200)	(60,000)
SG&A	(3,086)	(8,453)	(17,292)	(16,946)
EBITDA (normalized)	(23,474)	(54,763)	(85,060)	(76,030)
Operating income (reported)	(23,755)	(55,367)	(85,902)	(76,346)
Operating margin %	N/A	N/A	N/A	N/A
Finance income/(expense)	2,233	(1,846)	(1,778)	532
Exceptionals and adjustments	0	0	0	0
Profit before tax (reported)	(21,522)	(57,213)	(87,680)	(75,814)
Profit before tax (normalised)	(21,522)	(57,213)	(87,680)	(75,814)
Income tax expense (includes exceptionals)	4,384	5,508	5,500	5,500
Net income (reported)	(17,138)	(51,705)	(82,180)	(70,314)
Net income (normalised)	(17,138)	(51,705)	(82,180)	(70,314)
Basic average number of shares, m	32.1	32.1	36.5	40.7
Basic EPS (DKK)	(0.53)	(1.61)	(2.25)	(1.73)
Adjusted EPS (DKK)	(0.53)	(1.61)	(2.25)	(1.73)
Dividend per share (DKK)	0.00	0.00	0.00	0.00
<b>BALANCE SHEET</b>				
Tangible assets	136	386	494	553
Intangible assets	0	0	0	0
Right-of-use assets	312	1,215	499	341
Other non-current assets	148	314	272	256
Non-current tax receivables	0	0	5,500	5,500
Total non-current assets	596	1,915	6,765	6,650
Cash and equivalents	5,814	105,710	71,326	1,270
Current tax receivables	4,384	5,500	5,500	5,500
Trade and other receivables	1,414	2,018	1,815	1,815
Other current assets	174,513	1,076	795	795
Total current assets	186,125	114,304	79,436	9,380
Non-current loans and borrowings	8	0	0	0
Non-current lease liabilities	0	500	249	249
Other non-current liabilities	504	84	905	905
Total non-current liabilities	512	584	1,154	1,154
Accounts payable	26,064	4,580	4,931	4,931
Illustrative debt	0	0	0	0
Current lease obligations	316	723	374	374
Other current liabilities	3,962	5,791	6,810	6,810
Total current liabilities	30,342	11,094	12,115	12,115
Equity attributable to company	155,867	104,541	72,932	2,761
<b>CASH FLOW STATEMENT</b>				
Operating income	(23,755)	(55,367)	(85,902)	(76,346)
Depreciation and amortisation	281	604	842	316
Share based payments	0	0	0	0
Other adjustments	4,223	2,899	(2,158)	152
Movements in working capital	2,024	2,066	133	6,023
Cash from operations (CFO)	(17,227)	(49,798)	(87,085)	(69,854)
Capex	(46)	(318)	(192)	(202)
Acquisitions & disposals net	0	(167)	25	0
Other investing activities	0	0	0	0
Cash used in investing activities (CFIA)	(46)	(485)	(167)	(202)
Capital changes	7,892	150,690	53,486	0
Debt Changes	0	0	0	0
Other financing activities	(226)	(511)	(618)	0
Cash from financing activities (CFF)	7,666	150,179	52,868	0
Cash and equivalents at beginning of period	15,421	5,814	105,710	71,326
Increase/(decrease) in cash and equivalents	(9,607)	99,896	(34,384)	(70,056)
Effect of FX on cash and equivalents	0	0	0	0
Cash and equivalents at end of period	5,814	105,710	71,326	1,270
Net (debt)/cash	5,806	105,710	71,326	1,270

Source: Scandion oncology, Edison Investment Research

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