

# IRLAB Therapeutics

Q421 update

## Pirepemat and platform potential come into focus

IRLAB successfully out-licensed its lead asset, mesdopetam, to Ipsen in FY21 and has shifted its operational focus on the upcoming initiation of the Phase IIb trial for pirepemat and progressing the rest of its preclinical pipeline. Mesdopetam will remain a key near-term value driver in our view and we now expect data from the Phase IIb/III PD-LIDs trial in H222, based on [guidance](#) from Ipsen. The balance sheet looks strong following the Ipsen deal and we forecast a cash runway until at least 2024. We value IRLAB at SEK5.4bn or SEK105/share.

Year end	Revenue (SEKm)	PBT** (SEKm)	EPS** (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/19	0.4	(95.1)	(2.34)	0.0	N/A	N/A
12/20	0.4	(91.4)	(1.92)	0.0	N/A	N/A
12/21e*	207.9	91.1	1.76	0.0	N/A	N/A
12/22e	42.9	(95.7)	(1.85)	0.0	N/A	N/A

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

## Initiation of pirepemat Phase IIb trial is imminent

Pirepemat is a first-in-class drug being developed for the treatment of postural dysfunction and falls in Parkinson's disease (PD). These are untapped markets that represent a significant burden on healthcare systems. A Phase IIb study has been cleared by regulators and is expected to start by end-Q122. The trial, which will enrol c 150 patients, will investigate pirepemat as an add-on therapy. Management has guided enrolment will take 18 months, so we now expect top-line data in H223.

## CMD to outline IRLAB's long-term strategy

IRLAB will host a [capital markets day](#) on 22 March where management will outline the long-term strategy of the business. We expect the day to focus on IRLAB's core R&D competences utilising its proprietary discovery engine [ISP](#), which helped deliver mesdopetam and pirepemat into the clinic and has generated several preclinical candidates. We also expect management to provide an update on the progress of IRLAB's preclinical projects, which we believe could expand the company's therapeutic scope beyond PD into other neurological disorders.

## Financials: Cash runway until at least 2024

The SEK240m upfront payment from Ipsen was the highlight of FY21 and demonstrated IRLAB's ability to crystallise value from its platform. SEK197m of this upfront was booked as revenue in FY21; the remaining SEK43m will be recognised in FY22, as reflected in our updated forecasts. Cash at end-2021 was SEK402m and based on current R&D plans we forecast a runway until at least 2024. We note that additional milestones from Ipsen (up to \$335m due) could extend this further.

## Valuation: SEK5.4bn or SEK105/share

Our valuation is virtually unchanged, but we have updated it for net cash and rolled forward our model in time. Mesdopetam remains the largest value contributor at c SEK64/share (PD-LIDs and PD-Psychosis) with pirepemat c SEK33/share (PD-Falls). We do not currently include the early stage, preclinical portfolio or the ISP platform in our valuation, but highlight these could provide additional upside.

## Pharma & biotech

22 November 2021

**Price** **SEK32.7**
**Market cap** **SEK1,688m**

SEK8.47/US\$

Net cash (SEKm) at 31 December 2021 401.9

Shares in issue 51.7m

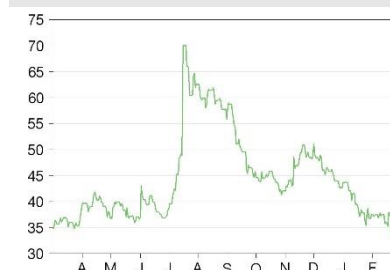
Free float 59%

Code IRLABA

Primary exchange Nasdaq Stockholm

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (7.5) (34.0) (9.1)

Rel (local) (2.6) (22.5) (14.0)

52-week high/low SEK70.0 SEK32.7

## Business description

IRLAB Therapeutics is a Scandinavia-based biotechnology company focused on developing novel drugs for the treatment of neurodegenerative diseases utilising its ISP technology platform. Its two lead assets are in late-stage clinical trials for the symptomatic treatment of Parkinson's disease: mesdopetam (D3 antagonist), which has been out-licensed to Ipsen; and pirepemat (PFC enhancer).

## Next events

Pirepemat Phase IIb trial initiation Q121

Mesdopetam Phase IIb/III top-line data H222

Progression of preclinical programmes 2022

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**Exhibit 2: Financial summary**

Accounts: IFRS; year-end 31 December; SEK'000s	2018	2019	2020	2021e*	2022e
<b>PROFIT &amp; LOSS</b>					
Total revenues	196	448	404	207,906	42,893
Cost of sales	0	0	0	0	0
Gross profit	196	448	404	207,906	42,893
Total operating expenses	(74,093)	(96,296)	(91,862)	(155,330)	(138,078)
Research and development expenses	(58,927)	(79,381)	(75,989)	(89,746)	(114,746)
EBITDA (reported)	(72,565)	(92,916)	(89,202)	56,050	(91,445)
Operating income (reported)	(73,897)	(95,848)	(91,458)	52,576	(95,185)
Operating margin %	N/A	N/A	N/A	N/A	N/A
Finance income/(expense)	(202)	(272)	(195)	(796)	(796)
Exceptionals and adjustments	0	0	0	0	0
Profit before tax (reported)	(74,099)	(96,120)	(91,653)	51,780	(95,980)
Profit before tax (normalised)	(73,359)	(95,121)	(91,394)	91,130	(95,721)
Income tax expense (includes exceptionals)	0	0	0	0	0
Net income (reported)	(74,099)	(96,120)	(91,653)	51,780	(95,980)
Net income (normalised)	(73,359)	(95,121)	(91,394)	91,130	(95,721)
Basic average number of shares, m	38.2	40.6	47.7	51.7	51.7
Basic EPS (SEK)	(1.94)	(2.37)	(1.92)	1.00	(1.85)
Adjusted EPS (SEK)	(1.92)	(2.34)	(1.92)	1.76	(1.85)
Dividend per share (SEK)	0.00	0.00	0.00	0.00	0.00
<b>BALANCE SHEET</b>					
Tangible assets	1,197	5,919	4,317	8,348	8,582
Intangible assets	83,269	82,270	82,011	42,661	42,402
Other non-current assets	0	0	0	0	0
Total non-current assets	84,466	88,189	86,328	51,009	50,984
Cash and equivalents	134,442	110,527	277,009	401,897	264,252
Inventories	0	0	0	0	0
Trade and other receivables	6,028	9,351	6,732	19,542	19,542
Other current assets	0	0	0	1	0
Total current assets	140,470	119,878	283,741	421,440	283,794
Non-current loans and borrowings	0	0	0	0	0
Non-current lease liabilities	0	2,900	1,270	3,566	3,566
Other non-current liabilities	0	0	0	0	0
Total non-current liabilities	0	2,900	1,270	3,566	3,566
Accounts payable	5,997	8,438	3,683	4,634	5,521
Non-current loans and borrowings	0	0	0	0	0
Current lease liabilities	0	1,643	1,657	3,034	3,034
Other current liabilities	6,463	13,259	15,578	19,158	19,158
Total current liabilities	12,460	23,340	20,918	26,826	27,713
Equity attributable to company	212,476	181,826	347,879	399,480	303,500
<b>CASH FLOW STATEMENT</b>					
Operating income	(73,897)	(95,848)	(91,458)	52,576	(95,185)
Depreciation and amortisation	1,332	2,932	2,256	3,474	3,740
Share based payments	0	0	0	0	0
Other adjustments	(202)	(244)	(195)	38,295	(796)
Movements in working capital	1,977	1,959	183	34,296	(41,689)
Cash from operations (CFO)	(70,790)	(91,201)	(89,214)	128,641	(133,930)
Capex	(1,052)	(137)	(394)	(708)	(551)
Acquisitions & disposals net	0	0	0	0	0
Other investing activities	0	0	0	0	0
Cash used in investing activities (CFIA)	(1,052)	(137)	(394)	(708)	(551)
Net proceeds from issue of shares	131,575	68,970	257,706	(180)	0
Movements in debt	0	(1,547)	(1,616)	(2,865)	0
Other financing activities	0	0	0	0	(3,164)
Cash from financing activities (CFF)	131,575	67,423	256,090	(3,045)	(3,164)
Cash and equivalents at beginning of period	74,709	134,442	110,527	277,009	401,897
Increase/(decrease) in cash and equivalents	59,733	(23,915)	166,482	124,888	(137,645)
Effect of FX on cash and equivalents	0	0	0	0	0
Cash and equivalents at end of period	134,442	110,527	277,009	401,897	264,252
Net (debt)/cash	134,442	110,527	277,009	401,897	264,252

Source: Company accounts, Edison Investment Research. Note: \*Based on unaudited numbers.

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