

Acacia Pharma

Next catalyst ByFavo PDUFA date

Corporate update

Pharma & biotech

5 June 2020

Price €3.07

Market cap €209m

\$1.11/€

Net cash (\$m) at 31 December 2019 7

Shares in issue 67.9m

Free float 78%

Code ACPH

Primary exchange Euronext

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 25.7 (1.3) 105.3

Rel (local) 7.6 3.0 105.8

52-week high/low €3.6 €1.3

Business description

Acacia Pharma is a hospital pharmaceutical company focused on the development and commercialisation of new products for surgical and cancer patients. It has two assets: BARHEMSYS (approved for the treatment of PONV in the US) and in-licensed asset ByFavo (sedative/ anaesthetic).

Next events

ByFavo US FDA PDUFA date 5 July 2020

BARHEMSYS US launch as PONV 'rescue treatment' H220

ByFavo US launch H220

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Acacia Pharma has announced an amendment to its original deal terms with Cosmo Pharmaceuticals, whereby €10m of the agreed loan facility (up to €35m, of which €25m is contingent on ByFavo approval) will be swapped for a €10m equity stake (through the issue of 3,213,769 shares at €3.112, a 4.1% premium to the previous day's closing price). This will take Cosmos's holding of Acacia's enlarged share capital to ~18.5%. This is a positive signal and, importantly, lowers the interest payments on debt. 2020 is an inflection year – the FDA approved BARHEMSYS (reformulated amisulpride) for the management of PONV on 26 February and the ByFavo PDUFA date for procedural sedation is imminent (5 July). Our forecasts remain unchanged as we anticipate an increase in elective surgical procedures in the second half of the year and drug shortages to affect uptake of these short-acting products designed to reduce hospitalisation times. Timely approval and launch are thus critical. We value Acacia at €992.1m or €14.6/share.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)	Yield (%)
12/18	0.0	(21.6)	(0.45)	0.00	N/A	N/A
12/19	0.0	(23.5)	(0.37)	0.00	N/A	N/A
12/20e	2.1	(34.3)	(0.50)	0.00	N/A	N/A
12/21e	28.8	(40.2)	(0.58)	0.00	N/A	N/A

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

BARHEMSYS and potential ByFavo launches ahead

In February, the FDA granted a broad label for BARHEMSYS for 'rescue treatment' (in patients who are uncontrolled following prophylactic treatment with standard-of-care antiemetics), and prophylaxis of PONV as a monotherapy and in combination with standard-of-care antiemetics. We forecast \$386.7m in peak sales for BARHEMSYS in PONV with launch in H220. In January, Acacia in-licensed ByFavo (remimazolam), an ultra-short-acting and reversible intravenous benzodiazepine sedative/anaesthetic for use during procedural sedation, from Cosmo, in a multi-faceted deal. Given the current short supply of procedural sedatives, we believe the FDA will approve ByFavo by or on its 5 July PDUFA date (forecast peak sales of \$126m based on H220 launch).

Near-term funding secured

With two potential US product launches in H220, management is closely monitoring timing for the recruitment of key commercial personnel. With the Cosmo deal in place, Acacia has funding secured to key inflection points of product launches.

Valuation: €992.1m or €14.6/share

Our revised valuation is €992.1m (vs €963.2m previously). Our forecasts are unchanged, but we have rolled our model forward and updated for FX.

Exhibit 1: Financial summary

US\$m	2018	2019	2020e	2021e
PROFIT & LOSS				
Revenue	0.0	0.0	2.1	28.8
Operating revenues	0.0	0.0	2.1	28.8
Cost of sales	0.0	0.0	(0.2)	(2.6)
Gross profit	0.0	0.0	1.9	26.2
Gross margin %	N/A	N/A	0.9	0.9
SG&A (expenses)	(15.0)	(18.5)	(31.2)	(54.3)
R&D costs	(5.0)	(3.9)	(2.8)	(10.0)
Other income/(expense)	0.0	0.0	0.0	0.0
EBITDA (reported)	(20.0)	(22.4)	(32.1)	(38.0)
Depreciation and amortisation	0.0	0.0	0.0	0.0
Reported Operating Income	(20.0)	(22.4)	(32.1)	(38.0)
Operating Margin %	N/A	N/A	N/A	N/A
Finance income/(expense)	(1.5)	(1.1)	(2.3)	(2.1)
Exceptionals and adjustments	0.0	0.0	0.0	0.0
Reported PBT	(21.6)	(23.5)	(34.3)	(40.2)
Income tax expense (includes exceptionals)	0.9	0.7	0.7	0.7
Reported net income	(20.7)	(22.8)	(33.7)	(39.5)
Basic average number of shares, m	44.1	53.7	67.9	67.9
Year-end number of shares, m	53.3	54.9	67.9	67.9
Basic EPS (\$)	(0.47)	(0.43)	(0.50)	(0.58)
Adjusted EPS (\$)	(0.45)	(0.37)	(0.50)	(0.58)
Dividend per share (\$)	0.00	0.00	0.00	0.00
BALANCE SHEET				
Property, plant and equipment	0.0	0.0	2.1	3.2
Goodwill	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.4	47.4	47.4
Total non-current assets	0.0	0.4	49.5	50.5
Cash and equivalents	37.4	17.0	14.7	12.5
Inventories	0.0	0.0	0.0	0.5
Trade and other receivables	0.4	0.6	0.3	4.7
Other current assets	0.9	0.7	0.7	0.7
Total current assets	38.7	18.3	15.7	18.3
Non-current loans and borrowings	8.9	4.7	47.5	87.5
Other non-current liabilities	0.0	0.0	0.0	0.0
Total non-current liabilities	8.9	4.7	47.5	87.5
Trade and other payables	4.7	4.2	4.3	7.4
Current loans and borrowings	0.5	5.5	0.0	0.0
Other current liabilities	0.0	0.0	0.0	0.0
Total current liabilities	5.2	9.6	4.3	7.4
Equity attributable to company	24.7	4.3	13.4	(26.1)
CASH FLOW STATEMENT				
Operating Profit	(21.6)	(23.5)	(34.3)	(40.2)
Depreciation and amortisation	0.0	0.0	0.0	0.0
Share based payments	0.0	0.0	0.0	0.0
Other adjustments	1.6	1.1	2.3	2.1
Movements in working capital	(3.9)	(0.8)	0.3	(1.6)
Interest paid/received	0.2	0.4	(2.3)	(2.1)
Income taxes paid	0.4	0.8	0.7	0.7
Cash from operations (CFO)	(15.4)	(19.8)	(33.6)	(41.1)
Capex	0.0	0.0	(2.2)	(1.4)
Acquisitions & disposals net	0.0	0.0	0.0	0.0
Other investing activities	0.2	0.4	0.4	0.3
Cash used in investing activities (CFIA)	0.2	0.4	(14.6)	(1.1)
Net proceeds from issue of shares	47.1	0.2	8.5	0.0
Movements in debt	1.8	(1.0)	37.4	40.0
Other financing activities	0.0	(0.1)	0.0	0.0
Cash from financing activities (CFF)	48.9	(0.9)	45.9	40.0
Cash and equivalents at beginning of period	4.1	37.4	17.0	14.7
Increase/(decrease) in cash and equivalents	33.3	(20.4)	(2.3)	(2.2)
Cash and equivalents at end of period	37.4	17.0	14.7	12.5
Net (debt)/cash	28.1	6.9	(32.9)	(75.1)

Source: Acacia Pharma, Edison Investment Research

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