

SIGA Technologies

Financial update

Additional international deal possible in Q2

SIGA recently reported Q121 results, which featured \$3.4m of revenue for the delivery of oral TPOXX to the Public Health Agency of Canada (PHAC). The company also announced that in April it delivered an additional \$6.9m worth of product to the agency. Importantly, during the Q121 earnings call, SIGA announced it is working towards sales to one or more new jurisdictions in 2021, with the next sale estimated to occur by the end of June of this year. Precise details on this upcoming contract are unknown.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)	Yield (%)
12/19	26.7	(15.3)	(0.15)	0.0	N/A	N/A
12/20	125.0	82.0	0.82	0.0	8.9	N/A
12/21e	119.2	75.2	0.75	0.0	9.7	N/A
12/22e	124.5	79.4	0.79	0.0	9.2	N/A

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

International sales are a key growth driver

SIGA is partnered with Meridian Medical Technologies, a Pfizer subsidiary focused on health security, for the international marketing of TPOXX. So far two separate contracts with the Canadian government for the delivery of up to \$47m worth (combined) of TPOXX have been signed and the companies are working on other markets. SIGA estimates that another contract may be signed in a new jurisdiction in Q221. Uptake from Europe, Japan, South Korea and Australia could potentially lead to a meaningful market opportunity.

Cipla agreement provides upside

In March, SIGA announced a strategic partnership with Cipla Therapeutics in which SIGA will leverage its expertise in biodefense for the purpose of a US Biomedical Advanced Research and Development Authority (BARDA) contract for Cipla's novel antibiotic ZEMDRI, currently approved for complicated urinary tract infections (cUTI). As a frame of reference, Paratek received a contract award from BARDA worth up to \$285m in 2019 for the development of Nuzyra for pulmonary anthrax.

IV TPOXX NDA filed with the FDA

In April, SIGA announced it had filed an NDA with the FDA for the intravenous (IV) formulation of TPOXX. The IV version of TPOXX would be used to treat those who are either too sick or unable to swallow oral TPOXX capsules. A total of \$85m of the 2018 BARDA contract is allocated for the procurement of 212,000 doses of an IV version of TPOXX.

Valuation: \$957m or \$12.58 per share

We adjusted our SIGA valuation to \$957m or \$12.58 per share, from \$968m or \$12.61 per share. The decline is due to lower net cash, mainly attributable to the stock buyback, while a lower number of outstanding shares mitigated the per-share decrease. SIGA has a \$50m stock repurchase program in place (announced in Q120) and had bought \$35m in total by the end of Q121 (\$6.5m in Q121 alone).

Pharma & biotech

10 May 2021

Price **US\$7.3**
Market cap **US\$558m**

Net cash (\$m) at 31 March 2021	106.5
Shares in issue	76.1m
Free float	56.0%
Code	SIGA
Primary exchange	Nasdaq
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	5.2	7.8	28.4
Rel (local)	1.4	(1.0)	(12.6)
52-week high/low	US\$7.8	US\$5.4	

Business description

SIGA Technologies is a commercial-stage health security company focused on the treatment of smallpox and other orthopoxviruses. It has contracts with both the US and Canadian governments for TPOXX, its treatment for smallpox, and is looking to expand internationally.

Next events

Additional international deal	Q221
Canadian regulatory approval	Late 2021/early 2022
EMA regulatory approval	Late 2021/early 2022

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Q1 update

SIGA recently reported Q121 results, which featured \$3.4m of international revenue for the delivery of oral TPOXX to PHAC. This is a significant improvement over 2020 when the company reported approximately \$2m in international sales. In April, the company delivered an additional \$6.9m worth of oral TPOXX to the agency. Total revenues were \$4.8m compared to \$2.6m in the same quarter last year. We reiterate the timing of TPOXX deliveries can fluctuate significantly, which has created volatility and lumpiness with SIGA's revenues in the past. The company continues to expect that US deliveries will be concentrated in the second half of the year due to government procurement and budget schedules as well as due to a new administration, with many appointees yet to be confirmed.

Exhibit 1: SIGA pipeline

Program	Region	Formulation	Indication	Status
TPOXX	US	Oral	Treatment of smallpox in those weighing >13kg	FDA approved 2018. \$461m BARDA procurement contract (part of 2018 BARDA re-supply contract)
	Canada	Oral	Treatment of all human pathogenic orthopoxviruses (smallpox, monkeypox, cowpox, vaccinia) in those weighing >13kg	\$33m contract with Public Health Agency of Canada and a \$14m contract with the Canadian Department of National Defence. Regulatory approval expected in late 2021/early 2022
	US	IV	Treatment of smallpox in those too sick or unable to swallow capsules	\$85m worth of procurement in 2018 BARDA contract. NDA filed in April 2021
	US	Liquid (powder for re-constitution)	Treatment of smallpox in people weighing <13kg (children)	Currently being formulated. Development fully funded by BARDA
	US	Oral	Post-exposure prophylaxis (PEP)	Up to \$26m contract with the US Department of Defense signed in 2019 (expanded in 2020) for research in PEP. Two human studies planned, one to evaluate if there is interference with the Jynneos smallpox vaccine and an expanded safety study
	EU	Oral	Treatment of all human pathogenic orthopoxviruses (smallpox, monkeypox, cowpox, vaccinia) in those weighing >13kg	MAA submission July 2020
ST-357	All	Oral	Treatment of smallpox	Distinct mechanism of action from TPOXX and may be more broadly active. Target conserved in all chordopox viruses (orthopox, molluscum contagiosum, cervidpox). In preclinical testing
ZEMDRI	US	IV	Biodefense	Partnership with ZEMDRI's manufacturer Cipla was announced in March 2021. SIGA will help Cipla obtain a BARDA contract for a biodefense indication

Source: SIGA Technologies

Importantly the company announced on the Q121 earnings conference call that the company continues to work towards sales in one or more new jurisdictions, with the next sale estimated to occur by the end of June of this year. SIGA is partnered with Meridian Medical Technologies, a Pfizer subsidiary focused on health security with a 50-year history of selling medical countermeasures globally, for the marketing of TPOXX outside the US. Other products marketed by Meridian include an antidote treatment for organophosphorus nerve agents such as Sarin and VX, and a treatment for cyanide poisoning, among others.

So far two separate contracts with the Canadian government for the delivery of up to \$47m (both contracts combined) worth of TPOXX have been signed and the companies are working on other markets. We believe SIGA and Meridian will focus on key US allies, such as Europe, Australia, Japan and South Korea, and that SIGA will seek partnerships for other territories.

Also, in March, SIGA announced a strategic partnership with Cipla Therapeutics in which SIGA will leverage its expertise in biodefense for the purpose of a BARDA contract for Cipla's novel antibiotic ZEMDRI, currently approved for complicated urinary tract infections (cUTI) caused by *E. coli*, *K. pneumoniae*, *P. mirabilis* and *E. cloacae* and generally reserved as a last line of defense. The product was launched in 2018 and had approximately \$38m in 2020 sales according to Evaluate Pharma. Financial terms of the agreement have not been disclosed nor the precise market

opportunity. As a frame of reference, Paratek received a contract award from BARDA worth up to **\$285m** in 2019 for the development of its novel antibiotic Nuzyra for pulmonary anthrax. Initial funding was approximately \$59m for the development of Nuzyra and the purchase of 2,500 treatment courses to add to the strategic national stockpile (SNS). An additional \$77m may be provided for FDA post-marketing requirements, \$20m for manufacturing related requirements, \$13m for the development of Nuzyra for prophylaxis and up to \$115m for the additional purchase of 7,500 courses for the SNS. In over 10 years of partnerships with industry, BARDA has invested over **\$1.5bn** in antibiotics.

Valuation

We have adjusted our valuation for SIGA to \$957m or \$12.58 per share, from \$968m or \$12.61 per share. The total valuation decline is due to lower net cash, mainly attributable to the stock buyback, while a lower number of outstanding shares mitigated the decline in the per-share value. Our valuation for SIGA may change in the future as additional international deals are announced and when we receive greater clarity on the Cipla partnership (such as timing and economic terms), which is not currently included in our valuation.

Exhibit 2: SIGA valuation

Product/program	Main indication	Status	Probability of success	Approval/launch/ first contract year	Peak sales (\$m)	rNPV (\$m)
TPOXX (US base – oral)	Treatment of smallpox	On market	100%	2018	113	442
TPOXX Canada	Treatment of smallpox	On market	100%	2020	11	35
TPOXX US IV and pediatric formulations	Treatment of smallpox	IV (to be filed 2021), pediatric (being formulated)	60–90%	2022–25	30	36
TPOXX US PEP	Post-exposure prophylaxis following exposure to smallpox	Development	40%	2025	225	264
TPOXX EU, Japan, Korea, Australia	Treatment of smallpox	Registration	50%	2023	97	74
Total						850
Net cash (Q121) (\$m)						106.5
Total firm value (\$m)						957
Total basic shares (m)						76.1
Value per basic share (\$)						\$12.58

Source: Edison Investment Research

Financials

Following Q121 results, we have kept our forecasts for SIGA largely the same, though we did increase our SG&A estimate by \$1.9m in 2021 and \$2.0m in 2022, mainly due to a higher run rate. SIGA reported \$106.5m in cash at the end of March and is profitable (although profitability for any specific period will depend on the timing of government orders and payments). SIGA also has a \$50m stock-repurchase program in place (announced March 2020) and bought \$35m of stock from March 2020 through the end of March 2021, including \$6.5m in Q121.

Exhibit 3: Financial summary

	\$000s	2019	2020	2021e	2022e
Year-end 31 December		US GAAP	US GAAP	US GAAP	US GAAP
PROFIT & LOSS					
Revenue		26,742	124,959	119,172	124,465
Cost of Sales		(1,783)	(14,797)	(15,696)	(15,956)
Gross Profit		24,959	110,162	103,476	108,508
Research & Development		(13,303)	(10,939)	(11,048)	(11,158)
General & Administrative		(13,978)	(14,722)	(17,255)	(17,945)
EBITDA		(27)	84,503	75,069	78,875
Operating Profit (before amort. and except.)		500	85,033	75,199	79,405
Intangible Amortization		0	0	0	0
Other		2,822	532	26	0
Exceptionals		5,091	(8,507)	919	0
Operating Profit		5,591	76,525	76,118	79,405
Net Interest		(15,770)	(3,017)	0	0
Other		0	0	0	0
Profit Before Tax (norm)		(15,270)	82,016	75,199	79,405
Profit Before Tax (reported)		(10,178)	73,509	76,118	79,405
Tax		2,937	(17,167)	(18,286)	(19,057)
Deferred tax		0	0	0	0
Profit After Tax (norm)		(12,332)	64,849	56,913	60,348
Profit After Tax (reported)		(7,241)	56,342	57,832	60,348
Average Number of Shares Outstanding (m)		81.0	79.3	76.2	76.1
EPS - norm (\$)		(0.15)	0.82	0.75	0.79
EPS - reported (\$)		(0.09)	0.71	0.76	0.79
Dividend per share (c)		0.00	0.00	0.00	0.00
Gross Margin (%)		93.3	88.2	86.8	87.2
EBITDA Margin (%)		-0.1	67.6	63.0	63.4
Operating Margin (before GW and except.) (%)		1.9	68.0	63.1	63.8
BALANCE SHEET					
Fixed Assets		18,524	6,223	5,917	5,967
Intangible Assets		898	898	898	898
Tangible Assets		2,618	2,104	2,027	2,077
Other		15,008	3,221	2,992	2,992
Current Assets		180,042	143,608	192,625	254,431
Stocks		0	0	0	0
Debtors		4,168	3,340	4,001	4,001
Cash		160,987	117,890	166,263	228,070
Other		14,887	22,378	22,361	22,361
Current Liabilities		(91,736)	(10,484)	(7,512)	(7,512)
Creditors		(3,054)	(1,278)	(447)	(447)
Short term borrowings		(80,045)	0	0	0
Other		(8,637)	(9,205)	(7,065)	(7,065)
Long Term Liabilities		(9,047)	(9,555)	(9,555)	(8,570)
Long term borrowings		0	0	0	0
Other long term liabilities		(9,047)	(9,555)	(9,555)	(8,570)
Net Assets		97,784	129,793	181,476	244,317
Minority Interests		0	0	0	0
Shareholder equity		97,784	129,793	181,476	244,317
CASH FLOW					
Operating Cash Flow		(18,204)	71,519	54,969	61,857
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(29)	(16)	(53)	(50)
Acquisitions/disposals		0	0	0	0
Financing		0	0	0	0
Dividends		0	0	0	0
Other		(5,674)	(28,687)	(6,543)	0
Net Cash Flow		(23,907)	42,817	48,373	61,807
Opening net debt/(cash)		(104,849)	(80,942)	(117,891)	(166,263)
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		0	(5,868)	(0)	0
Closing net debt/(cash)		(80,942)	(117,891)	(166,263)	(228,070)

Source: company reports, Edison Investment Research

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