EDISON

Basilea Pharmaceutica

FY18 results

Cresemba driving top-line growth

Pharma & biotech

Basilea continued to build on its foundations for growth in 2018, reporting FY18 revenues of CHF132.6m (+31%) and an operating loss of CHF24.1m (+41%), beating guidance for the year. Revenues benefit from the multitude of global licensing/distribution deals for launched assets Cresemba and Zevtera. The main revenue driver is Cresemba, whose sales growth has accelerated in the US and EU. R&D investment in the oncology pipeline continues. This represents the next pillar of growth and we anticipate further progress in 2019. We expect further in-licensing opportunities given the strength of the balance sheet (cash and financial investments CHF223m). We value Basilea at CHF1082m or CHF100/share.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHF)	DPS (CHF)	P/E (x)	Yield (%)
12/17	101.5	(18.9)	(1.78)	0.0	N/A	N/A
12/18	132.6	(31.0)	(2.89)	0.0	N/A	N/A
12/19e	134.4	(31.9)	(2.95)	0.0	N/A	N/A
12/20e	149.5	(4.8)	(0.45)	0.0	N/A	N/A

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

Cresemba momentum drives product revenue growth

Cresemba (isavuconazole) sales accelerated in 2018. Total sales reported by partners exceeded $150m, leading to CHF26.4m in royalties and CHF10.0m in sales milestones. The product is available in over 20 countries, including the US and Europe through multiple partners, and sales will benefit from further launches through 2019–21. Zevtera (ceftobiprole) sales remain lacklustre due to antibiotic stewardship. The significant value driver for the product will depend on a US launch (potentially in 2022/23). Two ongoing cross-supportive studies report in 2019/21.

R&D pipeline focus broadened in 2018

In 2018, Basilea strengthened its oncology pipeline through the in-licensing of derazantinib. Positive interim results from a registrational Phase II trial in iCCA (bile duct cancer) were announced in early 2019. Studies in other FGFR-driven tumours could maximise the value of this unique asset. Basilea has announced that it is planning a collaborative multi-cohort Phase I/II study (mid-2019), investigating derazantinib alone and in combination with Roche's Tecentriq (PD-L1 antibody) for the treatment of urothelial carcinoma (UC).

Financials: Sustainable profitability from 2021

Guidance for FY19 operating loss of CHF20–30m reflects an increase in revenue expectations for Cresemba and Zevtera (CHF100–110m) with stable operating and R&D expense. Increasing the revenue contribution from Cresemba translates to break-even in 2020 and sustainable profitability from 2021.

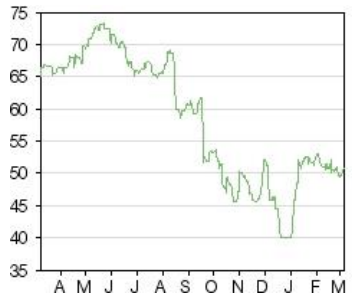
Valuation: rNPV of CHF1082m or CHF100/share

Our revised valuation of CHF1082m (from CHF1,239m) largely reflects changes to the timing and amounts of milestones received on Cresemba US and EU sales from partners (Pfizer milestones based on cumulative sales). Additionally, we roll forward our DCF and update for net cash of CHF26.1m at 31 December 2018.

6 March 2019

Price	**CHF50.7**
Market cap	**CHF598m**
	US$1.00/CHF
Net cash (CHFm) at 31 Dec 2018 (excluding restricted cash)	26.1
Shares in issue (including 1m treasury shares)	11.8m
Free float	91.46%
Code	BSLN
Primary exchange	SIX
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(2.3)	4.0	(23.9)
Rel (local)	(4.9)	(1.1)	(28.7)
52-week high/low	CHF73.3		CHF38.7

Business description

Basilea Pharmaceutica is focused on anti-infectives and oncology. Its marketed products are Cresemba (an antifungal) and Zevtera (an anti-MRSA broad-spectrum antibiotic). The R&D pipeline includes two oncology drug candidates in clinical development.

Next events

Derazantinib + Tecentriq Phase I/II enrolment (urothelial cancer)	H219
BAL101553 Phase IIa data (glioblastoma & ovarian cancer)	H219
Ceftobiprole top-line data (Phase III ABSSSI study)	H219

Analysts

Dr Susie Jana +44 (0)20 3077 5700

Dr Sean Conroy +44 (0)20 3681 2534

healthcare@edisongroup.com

Edison profile page

2018 sales acceleration continues in H2

Basilea reported strong growth in total revenues in FY18, driven largely by strong sales performance of antifungal drug, Cresemba. Total revenues were reported at CHF132.6m for FY18 (+31%) versus revised guidance (given at the interim results in August 2018) for total revenues of CHF120–130m (initial 2018 guidance at the FY17 results was CHF105–115m). Total reported revenues include CHF82.0m (+56%) contributions from Cresemba and Zevtera, which represent a mix of royalties on sales, contract revenues and milestones. Given that Zevtera still accounts for a minority of these combined revenues (we assume ≤9%, CHF7.0m), the product sales performance reflects stronger than anticipated Cresemba revenues (we assume ≥91%, CHF75.0m). Global sales of Cresemba reported by international partners in 2018 exceeded $150m. Exhibit 1 highlights the breakdown of revenues as reported.

Exhibit 1: Basilea FY18 total revenue breakdown

Revenues (CHFm)	FY18	FY17	FY18 notes
Total revenues	**132.6**	**101.5**	
From Cresemba and Zevtera	82.0	52.6	**91% attributed to Cresemba**
Product revenues	26.2	16.3	Cresemba sales to Pfizer CHF21.8m (2017: CHF4.3m) **83% attributed to Cresemba**
Contract revenues	79.7	74.0	
Royalties on sales	26.5	15.0	Cresemba sales royalties from Astellas CHF20.8m (2017: CHF13.3m) Cresemba sales royalties from Pfizer CHF5.6m (2017: CHF1.7m) **100% attributed to Cresemba**
Milestone payments	15.4	7.0	Cresemba sales milestone payment from Astellas CHF10.0m (2017: CHF5.0m) Cresemba APAC upfront milestone from Pfizer CHF2.9m Cresemba regulatory milestone from Grupo Biotoscana CHF2.0m (2017: CHF2.0m) **97% attributed to Cresemba**
Other Cresemba and Zevtera contract revenues	13.9	14.2	Deferred revenue recognition from Astellas of CHF10.7m (2017: CHF11.7m) Deferred revenue recognition from Asahi of CHF1.3m (2017: CHF1.3m) **86% attributed to Cresemba**
Other contract revenues	23.9	37.7	Deferred revenue recognition from Stiefel of CHF23.9m (2017: CHF37.7m) **100% attributed to Toctino**
R&D services revenue	0.2	0.3	
Other revenues	26.5	10.9	CHF25.9m BARDA reimbursements related to expenses for the US Phase III ceftobiprole trials (2017: CHF10.5m)

Source: Edison Investment Research, Basilea reports and presentations

Basilea reported contract revenue (including revenue recognition from upfront and milestone payments that were recorded as deferred revenues) of CHF79.7m (CHF74.0m in FY17), of which CHF23.9m (CHF37.7m in 2017) relates to deferred revenue recognition for the Toctino upfront payment of £145.6m (CHF224.1m) received in 2012, which will reduce to zero in 2019. We expect contributions from Cresemba revenue growth to more than make up the shortfall here.

Contract revenues include royalties of CHF26.5m (CHF15m in FY17) from licence partners, primarily from sales of Cresemba in the US and Europe. Basilea received CHF15.4m in milestone payments in 2018, including: a CHF10m sales milestone from Astellas on US Cresemba sales, a $3m (CHF2.9m) upfront payment from Pfizer for the licence extension of Cresemba into the China and Asia Pacific regions) and a CHF2.0m regulatory milestone from Grupo Biotoscana for regulatory approval in Peru.

Total revenues also include CHF25.9m of Biomedical Advanced Research and Development Authority (BARDA) reimbursements relating to ongoing US Phase III clinical studies for ceftobiprole. This reimbursement payment partly compensates for the increase in R&D spend on ceftobiprole, with Basilea funding approximately 30% of the anticipated costs for the Phase III programme.

Basilea reported an operating loss in FY18 of CHF24.1m (vs CHF17.1m in 2017), with the increased loss mainly due to the significant uplift in total revenues and higher operating expenses

(higher R&D costs offset reductions in SG&A). Net R&D expenses increased to CHF104.9m in 2018 from CHF55.1m in 2017. The higher 2018 R&D figure includes costs associated with the expansion of its oncology portfolio by in-licensing the worldwide (ex-Greater China) rights from ArQule ($10m upfront payment) for derazantinib, an oral tyrosine kinase inhibitor (panFGFR), plus the in-licensing of preclinical kinase inhibitors (undisclosed target). Importantly, we highlight that the reported R&D number does not include the reimbursement payment from BARDA, which contributes to funding the FDA-required, cross-supportive clinical trials for ceftobiprole, as the BARDA payment is booked as other revenue received.

FY19 guidance reflects Cresemba expectations

Basilea has provided financial guidance for FY19 (Exhibit 2) for total revenues of CHF128–138m, with royalty and milestone contributions from Cresemba and Zevtera expected at CHF100–110m. Basilea expects operating loss in the region of approximately CHF20–30m in 2019. Guidance does not include the potential impact of any in-licensing deals.

We have tweaked our forecasts for 2019 following guidance issued with the FY18 results. We forecast total revenues of CHF134.4m in 2019 and CHF149.5m in 2020. Our 2019 top-line forecasts include CHF15m in sales milestones and CHF29.4m in royalties from Astellas, for 2019 sales of Cresemba in the US of $156.8m. We forecast royalties from Pfizer of $13.0m, based on sales in Europe of $92.2m. In February 2019, the first $5m sales milestone was received from Pfizer based on cumulative sales. The impact from receiving milestones based on cumulative sales should lead to smaller but more frequent royalty payments, versus our previous assumption of larger (but more irregular) payments. We now forecast that sales milestones from Pfizer will total $9m in 2019, based on cumulative sales.

We forecast a stable operating cost base in 2019 and 2020, anticipate breakeven to be achievable in 2020 and sustainable profitability from 2021 – the major swing factors to this being timing (and amount) of milestones received, actual R&D expenses for the year and any potential in-licensing deals.

Basilea reported cash and financial instruments of CHF223m at year-end December 2018 (CHF311m at year-end December 2017). The company has a convertible bond in issue, which is not due for conversion until 2022. We calculate net cash at end 2018 of CHF26.1m based on CHF37.4m in cash, CHF185.6m in short-term deposits and CHF197.0m of unsecured convertible bonds. Our financial model suggests that current cash and financial instruments (CHF223m) will be sufficient to fund operations beyond 2020, even in the absence of any milestone payments.

Exhibit 2: Financial guidance FY19

CHFm	FY19 guidance	FY19 Edison forecast	FY18 actual
Total revenue	128–138	134.4	132.6
Operating loss	20–30	26.7	24.1
Net operating cash consumption	55–65	55.1	79.2

Source: Company presentations, Edison Investment Research

Partnerships drive anti-infective portfolio uptake

Basilea has multiple licensing deals in place for its commercially available hospital anti-infective products, Cresemba and Zevtera. More than 100 countries are covered by strong regional and global partnerships. So far, Basilea has received $255m in total upfront and milestone payments. Under the terms of existing agreements, it could receive an additional $1.1bn in regulatory and sales milestones if the assets reach predetermined targets. Exhibit 3 highlights the existing partnerships for both Cresemba and Zevtera, and outlines the associated deal economics. We note that in many instances, partners have chosen to in-license both products given the significant overlap in the physician-prescribing base.

Exhibit 3: Cresemba and Zevtera partners/distribution agreements

Product	Partner/distributor*	Territory	Comments
Cresemba (isavuconazole)	Astellas	US	CHF122m upfront and regulatory milestones received with up to CHF275m of sales milestones outstanding. Tiered royalty starting in the mid-teens and ramping up to mid-20s on sales.
	Pfizer (PFE)	Europe (over 40 countries excluding Nordics), Russia, Turkey, Israel. China and 16 Asia-Pacific countries	CHF73m upfront and up to US$645m in sales and regulatory milestones outstanding plus mid-teen on sales royalties.
	Asahi Kasei Pharma (AKP)	Japan	CHF7m upfront and up to CHF60m in regulatory and commercial milestone payments, plus double-digit tiered royalties.
Cresemba and Zevtera	Unimedic Pharma*	Nordic countries, including Sweden, Denmark, Norway and Finland	Upfront and sales milestone payments. Participate in sales through a transfer price.
	Grupo Biotoscana (GBT)*	19 countries in Latin America, including Brazil, Mexico, Argentina and Colombia	CHF11m upfront, plus milestone payments. Participate in sales through a transfer price.
	Avir Pharma*	Canada	Upfront and sales milestone payments. Participate in sales through a transfer price.
	HIKMA*	MENA region	Upfront and sales milestone payments. Participate in sales through a transfer price. 2018 saw the approval of Cresemba in Jordan, the first country in the MENA region.
Zevtera (ceftobiprole)	Correvio	Europe (excluding Nordics) and Israel	Upfront CHF5m and regulatory and commercial milestone payments. Participate in sales through a transfer price.
	Shenzhen China Resources Gosun Pharmaceutical	China	CHF3m execution payment, plus up to CHF145m in additional payments on achievement of regulatory and commercial milestones, plus double-digit tiered royalties.

Source: Edison Investment Research, Basilea Pharmaceutica. Note: *Distribution agreements where Basilea supplies product at a transfer price.

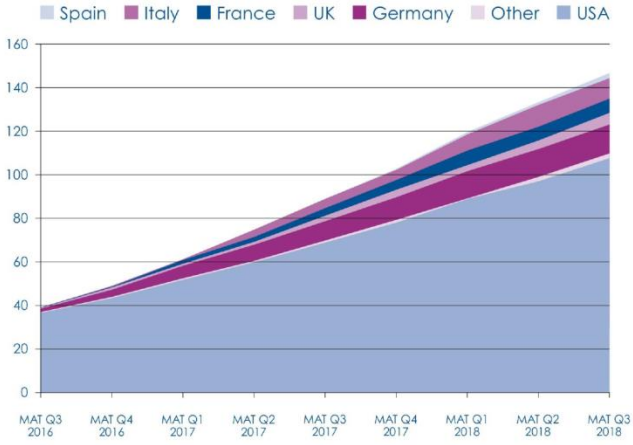
Global sales of Cresemba exceed $150m in FY18

Cresemba (isavuconazole) is a broad-spectrum antifungal for the treatment of severe, life-threatening fungal infections. Basilea reported that global in-market sales for Cresemba were in excess of $150m in 2018. Exhibit 4 highlights the steady growth in US sales and the increasing contribution from the key European markets of Germany, the UK and France and new markets such as Italy and Spain.

In the US, partner Astellas has reported sales of $113m for CY18 (+47%), which triggered a sales milestone payment of $10m to Basilea in 2018. Basilea is entitled to a tiered royalty on Cresemba sales, starting in the mid-teens and ramping up to the mid-20s, with up to CHF275m of sales milestones (CHF5m of which were received in FY17). While the exact structure of the milestone deal with Astellas has not been disclosed, we model that further sales milestones payments will be triggered when Cresemba sales in the US hit $150m, which we forecast to be in 2019. We also anticipate a slight ramp-up in the royalty rate from 2018. We forecast peak sales of Cresemba in the US to reach $250m in 2023 but, if the current growth rate is sustained, this looks conservative.

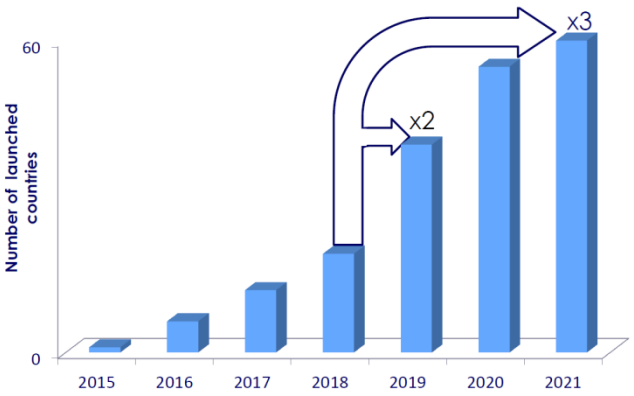
Basilea anticipates growth in existing markets and further launches worldwide to drive top-line growth. Pfizer will roll out the drug in stages across Europe (timing is dependent on individual country pricing and reimbursement discussions as Cresemba received approval through a centralised process in Europe). Launches in 2018 included Switzerland, Greece, Ireland, Portugal and the Netherlands, with further launches in Europe anticipated in 2019/20. Outside Europe and the US, partners are filing or have filed for marketing authorisation, so approvals in additional territories can be expected in the next couple of years. Basilea anticipates that by end-2021, Cresemba will be available in 60 countries worldwide (Exhibit 5). In July 2018, Latin American distribution partner Grupo Biotoscana received the first Cresemba approval in Peru, triggering a CHF2m milestone payment to Basilea.

Exhibit 4: Cresemba sales performance Q316–Q318



Source: Basilea company presentation. Note: MAT = moving annual total, sales in US$m.

Exhibit 5: Cresemba forecast launches



Source: Basilea company presentation

Zevtera's fortunes reside in US Phase III outcome

Zevtera/Mabelio (ceftobiprole) is a broad-spectrum antibiotic for the treatment of Gram-positive infections, including *methicillin-resistant Staphylococcus aureus* (MRSA), which are resistant to a number of existing antibiotics, and Gram-negative bacterial infections, including *Pseudomonas*. The product is available in major European countries and some international markets through multiple partners (Exhibit 3), and further roll-outs are expected (ex US) in 2019 and 2020. Correvio acquired the commercial rights to Zevtera in September 2017 across core European countries and sales have been modest (9M18: $4.2m), as sales of antibiotics take time to build after launch due to the requirement for regional reimbursement across Europe, the need to be added to individual hospital stewardship programmes formularies and microbial, and a tendency to keep new antibiotics in reserve use. We believe the major commercial opportunity for Zevtera resides in the US market.

In terms of value, in 2017 the US accounted for 50% of anti-MRSA antibiotics and 70–90% of the branded hospital antibiotic market. During 2018, Basilea initiated two Phase III cross-supportive ceftobiprole registration trials needed for US marketing approval in accordance with the Special Protocol Assessments agreed with FDA. The TARGET study in acute bacterial skin and skin structure infections (ABSSSI) started enrolment in February 2018 and the ERADICATE study in *Staphylococcus aureus bacteraemia* (SAB) bloodstream infections was initiated in August 2018. The studies are cross-supportive, with both needed to support a US NDA submission. We expect that ABSSSI top-line data to be available in late 2019. SAB is an indication where few antibiotics are approved and that the FDA considers an area of unmet need. Therefore, the SAB study could further differentiate Zevtera from available cephalosporins and potentially be used as a first-line treatment (given the mortality rates). Basilea anticipates that the ERADICATE study will take three years, with top-line data available in H221.

A US launch date of 2022/23 for ceftobiprole could be feasible, with a focus on SAB and ABSSSI. Data from the TARGET study could be used to support a post-marketing label extension outside the US. Critically, the funding for these trials plus the potential trial in community-acquired pneumonia is in place, with up to $128m from BARDA and Basilea funding approximately 30% of the anticipated costs for the Phase III programme. BARDA is a division of the US Department of Health and Human Services Office of the Assistant Secretary for Preparedness and Response. Importantly, the BARDA contract provides a path to create further value by enabling non-dilutive funding for the programme before seeking a commercialisation partner for the US market.

Oncology portfolio update

The year 2018 was pivotal for Basilea, broadening its oncology portfolio focus, with a biomarker-driven approach. In April 2018, Basilea in-licensed the Phase II asset derazantinib (panFGFR kinase inhibitor) from ArQule. An ongoing Phase II registration study for derazantinib in intrahepatic cholangiocarcinoma (iCCA) reported promising interim data in January 2019; full data are expected in mid-2020. In the near term, Basilea will seek to add maximal value to derazantinib through investigating its utility in other FGFR-driven solid tumours.

We anticipate near-term inflection points from its internally developed asset BAL101553; top-line data can be expected in H219 from an ongoing Phase IIa study (IV dose, glioblastoma and ovarian cancer). In 2018, Basilea in-licensed a set of preclinical kinase inhibitors (deal terms and target not disclosed) adding further depth to its oncology portfolio. We anticipate Basilea could progress one of its preclinical oncology assets into candidate nomination (internally developed or in-licensed) in the mid-term. Basilea has highlighted one of its key goals for 2019 is to broaden its oncology portfolio further by in-licensing another asset (clinical or preclinical). We note that with cash and financial instruments of CHF223m at 31 December 2018, Basilea has the firepower to expand its R&D offering through in-licensing.

Derazantinib positioned for immunoncology combo in UC

Basilea has announced plans to start a Phase I/II study in mid-2019 for derazantinib in a second indication, urothelial carcinoma (UC), using both a monotherapy and a combination approach with Roche's PD-L1 targeting antibody atezolizumab (Tecentriq). Fibroblast growth factor receptors (FGFR) are transmembrane receptor tyrosine kinases that mediate cell differentiation, migration and survival; genetic aberrations to FGFRs can lead to a gain-in-function and have been implicated in the progression of a range of cancers, including iCCA. The rationale to utilise an FGFR inhibitor (such as derazantinib) in the treatment of UC stems from the observation that activating FGFR aberrations have been found frequently (32%) in UC, primarily from genetic mutations, rearrangements and amplifications that lead to over-activation of FGFR1/3.

Basilea's decision to pursue UC and adopt an immunoncology combination approach is supported by Bayer taking a similar approach last year. In May 2018, Bayer initiated a biomarker-driven Phase II/III study (FORT-1) investigating its panFGFR inhibitor rogaratinib (BAY1163877) as a monotherapy in the treatment of advanced or metastatic UC, specifically in patients where FGFR1/3 aberrations (biomarkers) have been identified. The onus in oncology is constantly shifting towards immunotherapy, not least in UC where several immune checkpoint inhibitors (ICIs) have been approved since 2016, namely PD-1/PD-L1 targeting antibodies (Tecentriq, Keytruda, Opdivo, Imfinzi and Bavencio). With combination approaches the central focus for improving response rates in cancer patients, in parallel with its monotherapy FORT-1 study, Bayer is also investigating the utility of Tecentriq with rogaratinib, in a similar biomarker-driven Phase I/II study (FORT-2).

Full details of Basilea's study design are yet to be announced, but we anticipate a similar focus as the biomarker-driven studies FORT-1 and FORT-2, targeting UC patients with FGFR1/3 aberrations. Beyond its ability to inhibit FGFRs, derazantinib's ability to inhibit colony-stimulatory factor receptor 1 (CSF1R), which could provide additional synergies in combination with a PD-(L)1 antibody compared to other FGFR inhibitors in the clinic. CSF1R has emerged as an attractive target in immunoncology as it mediates the differentiation of macrophages into a tumour promoting phenotype (M2), as opposed to a tumouricidal phenotype (M1); inhibition of CSF1R is thought to improve immune responses to tumours. We note at least eight trials investigating combinations that target PD-(L)1 and CSF1R are ongoing.

We ascribe value to derazantinib solely for its potential approval in iCCA (2023 launch), as the more details of the UC trial emerge, we will look to incorporate this into our valuation.

BAL101553 Phase IIa data expected in H219

BAL101553 is an internally developed microtubule-targeting tumour checkpoint modulator that is currently in three clinical studies, with a primary focus for treating patients with glioblastoma multiforme (GBM). Top-line data can be expected in H219 from a Phase IIa expansion study (IV dose) in patients with recurrent GBM and platinum-resistant ovarian cancer. Additionally, a Phase I dose-escalation study (oral dose) in recurrent GBM patients is expected to complete enrolment in H119. Finally, an investigator sponsored Phase I study is being conducted in the US, investigating BAL101553 in combination with radiotherapy in patients with newly diagnosed GBM, who have a reduced sensitivity the standard-of-care chemotherapy drug temozolomide (Temodal).

BAL3833 moves back to preclinical reformulation work

In late 2018, Basilea's in-licensed panRAF/SRC inhibitor BAL3833 completed a Phase I dose escalation study in patients with advanced solid tumours; a maximum tolerated dose (MTD) could not be determined with the current formulation, and as such a recommended Phase II dose (RP2D) could not be established. With BAL3833 now requiring reformulation work, moving back to preclinical stage of development, we now ascribe value to Basilea two clinical-stage oncology assets derazantinib and BAL101533. For more details on Basilea's oncology portfolio, please see our note The future looks bright.

Valuation

Our updated Basilea valuation is CHF1,082m (from CHF1,239m previously). The major impact on valuation is a revision of the timing and amounts of milestones received from partners for sales of Cresemba. With two sales-related milestones from Astellas now reported and further disclosure that Pfizer sales milestones are based on cumulative sales, we have revised our milestone assumptions downwards. This has been offset slightly by tweaking our sales trajectory for Cresemba. We forecast peak sales of $853.5m for Cresemba, which is an amalgamation of peak sales in the US and Europe being reached in 2023, and Japan and RoW in 2027. We have removed BAL3833 from our valuation, but would look to add this asset back in once the reformulation work has been completed and we gain better visibility on clinical development timelines. Additionally, we roll forward our DCF and adjust for a higher net cash position at end-December 2018 (CHF26.1m vs CHF51.3m at end-June 2018). Our valuation is based on an NPV analysis, which includes the main portfolio of products and net cash. The breakdown of our valuation is shown in Exhibit 6.

Exhibit 6: Basilea rNPV valuation*

Product	Indication	Launch	Peak sales ($m)	NPV (CHFm)	Probability	rNPV (CHFm)	NPV/share (CHF/share)
Cresemba (isavuconazole)	Severe fungal infections	2015 (US); 2016 (EU); 2018 (ROW); 2022 (Japan)	854	853.8	75–100%**	815.0	75.5
Zevtera/Mabelio (ceftobiprole)	Severe bacterial infections	2015 (EU); 2018 (RoW ex China); 2023 (US); China 2023	550	243.6	75–100%***	198.5	18.4
BAL101553	Tumour resistance	2023	500	156.7	20%	26.3	2.4
Derazantinib	iCCA	2023	59	52.2	30%	15.7	1.5
Net Cash at 31 December 2018				26.1	100%	26.1	2.4
Valuation				1,332.4		1,081.5	100.1

Source: Edison Investment Research. Note: *Per share calculation excludes one million treasury shares and is based on 10.8m shares outstanding. **100% probability for the US and EU, 75% for RoW and Japan. ***100% probability for the EU, 75% probability for China, RoW and the US.

Exhibit 7: Financial summary

CHF'000s	2016	2017	2018	2019e	2020e
December	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
PROFIT & LOSS					
Revenue	65,984	101,521	132,555	134,380	149,543
Cost of Sales	(5,347)	(9,025)	(20,299)	(24,371)	(27,438)
Gross Profit	60,637	92,496	112,256	110,008	122,105
Research and development (gross)	(48,449)	(55,055)	(104,942)	(105,000)	(90,400)
SG&A	(56,077)	(54,491)	(31,409)	(31,679)	(31,319)
EBITDA	(41,570)	(15,150)	(22,272)	(24,094)	3,184
Operating Profit (before amort. and except.)	(43,789)	(16,950)	(23,972)	(26,443)	623
Intangible Amortisation	(100)	(100)	(123)	(228)	(237)
Exceptionals	0	0	0	0	0
Other	0	0	0	0	0
Operating Profit	(43,889)	(17,050)	(24,095)	(26,671)	386
Net Interest	(7,065)	(1,976)	(7,065)	(5,417)	(5,417)
Profit Before Tax (norm)	(50,854)	(18,926)	(31,037)	(31,860)	(4,794)
Profit Before Tax (reported)	(50,954)	(19,026)	(31,160)	(32,088)	(5,031)
Tax	(333)	(334)	(192)	(26)	(26)
Profit After Tax (norm)	(51,187)	(19,260)	(31,229)	(31,886)	(4,821)
Profit After Tax (reported)	(51,287)	(19,360)	(31,352)	(32,114)	(5,057)
Average Number of Shares Outstanding (m)	10.1	10.8	10.8	10.8	10.8
EPS - normalised fully diluted (CHFc)	(505.74)	(178.36)	(289.19)	(295.28)	(44.64)
EPS - (reported) (CHFc)	(506.73)	(179.28)	(290.33)	(297.39)	(46.83)
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	91.9	91.1	84.7	81.9	81.7
EBITDA Margin (%)	N/A	N/A	N/A	N/A	2.1
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	0.4
BALANCE SHEET					
Fixed Assets	59,264	58,189	7,013	8,668	10,556
Intangible Assets	232	326	372	572	772
Tangible Assets	8,878	7,768	6,424	7,879	9,567
Investments	50,154	50,095	217	217	217
Current Assets	268,494	292,976	274,738	230,207	192,503
Stocks	14,931	15,320	14,411	26,708	18,793
Debtors	2,492	4,955	3,757	6,259	6,965
Cash	239,030	260,724	223,908	164,578	134,083
Other	12,041	11,977	32,662	32,662	32,662
Current Liabilities	(72,914)	(79,491)	(66,684)	(81,666)	(58,657)
Creditors	(72,914)	(79,491)	(66,684)	(81,666)	(58,657)
Short term borrowings	0	0	0	0	0
Long Term Liabilities	(289,844)	(313,114)	(281,754)	(249,759)	(235,759)
Long term borrowings	(195,466)	(196,224)	(196,982)	(196,982)	(196,982)
Other long term liabilities	(94,378)	(116,890)	(84,772)	(52,777)	(38,777)
Net Assets	(35,000)	(41,440)	(66,687)	(92,550)	(91,356)
CASH FLOW					
Operating Cash Flow	(75,003)	19,014	(79,210)	(49,655)	(20,365)
Net Interest	0	0	0	(5,417)	(5,417)
Tax	0	0	0	(26)	(26)
Capex	(394)	(711)	(419)	(4,031)	(4,486)
Acquisitions/disposals	0	0	0	0	0
Financing	0	0	0	0	0
Other	(51,021)	3,391	42,813	(200)	(200)
Dividends	0	0	0	0	0
Net Cash Flow	(126,418)	21,694	(36,816)	(59,330)	(30,495)
Opening net debt/(cash)	(169,982)	(43,564)	(64,500)	(26,926)	32,404
HP finance leases initiated	0	0	0	0	0
Other	0	(758)	(758)	0	0
Closing net debt/(cash)	(43,564)	(64,500)	(26,926)	32,404	62,899

Source: Company accounts, Edison Investment Research

EDISON

General disclaimer and copyright

This report has been commissioned by Basilea Pharmaceutica and prepared and issued by Edison, in consideration of a fee payable by Basilea Pharmaceutica. 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 Edison analyst 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 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.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). 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

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

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 (nor will such persons be able to purchase shares in the placing).

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

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. 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