

# Nuevolution

Amgen offer

Amgen offers SEK32.50/share in cash

Amgen has announced a recommended cash offer for Nuevolution's shares of SEK32.50/share, valuing the company at approximately SEK1,610m (US\$167m). The offer represents a 169% premium to the closing price (SEK12.10) on 21 May (the day before the announcement) and a 69% premium to the highest trading price (SEK19.26) over the 52-week period (before 21 May 2019). Nuevolution's board has unanimously recommended that shareholders accept the offer. The offer is not subject to any financing conditions and is funded by cash on hand. The settlement of the offer is expected to take place on or around 15 July. We note the offer represents a 57% premium to our previously published valuation of SEK20.7/share.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/17**	12.2	(123.8)	(2.7)	0.0	N/A	N/A
12/18**	11.0	(107.3)	(2.2)	0.0	N/A	N/A
12/19e	202.4	87.2	1.1	0.0	29.5	N/A
12/20e	336.6	220.9	2.9	0.0	11.2	N/A

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

## Board of directors recommends acceptance of offer

Nuevolution's board has unanimously recommended that shareholders accept the offer based on Nuevolution's 'present strategic and financial position and the Company's expected potential future development and thereto related opportunities and risks'. Nuevolution's three largest shareholders (Sunstone LSV Fund I, Skandinaviska Enskilda Banken and Stiftelsen Industrifonden), representing 71% of shares, have agreed to accept the offer subject to certain conditions. The completion of the offer is subject to the acceptance of it by shareholders such that Amgen becomes the owner of 90% of the total number of shares. The offer is conditional on factors that include but are not limited to clearance of all regulatory and governmental requirements.

## Valued partnership turns to acquisition

Since 2016, both companies have been involved in a multi-target small molecule drug discovery collaboration valued at \$410m per programme. Recently in 2018, Amgen opted in on two separate oncology programmes highlighting its confidence in Nuevolution's technology. Amgen now aims to deepen this relationship by bringing the business in house to enable closer integration of Nuevolution's technology and drug discovery expertise. Amgen does not intend to change how the business is operated including the composition of the management team (and key employees) or the business's location.

## Valuation: Offer at 57% premium to Edison valuation

Amgen has offered SEK32.50/share in cash for all of Nuevolution's outstanding shares. The offer constitutes a 57% premium to our last published valuation of SEK20.7/share ([Small molecules, big ambitions](#)) on 19 March 2019.

Pharma &amp; biotech

29 May 2019

**Price** **SEK32.4**
**Market cap** **SEK1604m**

SEK9.33/US\$; US\$1.13/€; SEK10.56/€

Net cash (SEKm) at 31 March 2019 86.2

Shares in issue 49.5m

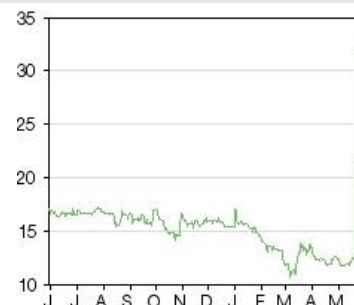
Free float 55%

Code NUE

Primary exchange Nasdaq Stockholm

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 156.1 176.9 88.2

Rel (local) 170.5 174.1 84.8

52-week high/low SEK32.4 SEK10.7

### Business description

Nuevolution is a Copenhagen-based biopharmaceutical company. Its patent-protected Chemetics drug discovery platform enables the selection of drugs to an array of tough-to-drug disease targets. To date it has entered into 17 agreements with major pharmaceutical companies.

### Next events

Estimated date for announcement of offer document 12 June 2019

Estimated acceptance period for Amgen offer 13 June – 4 July 2019

Estimated date for settlement of offer 15 July 2019

### Analysts

Dr Daniel Wilkinson +44 (0)20 3077 5734

Dr Susie Jana +44 (0)20 3077 5700

Dr Sean Conroy +44 (0)20 3077 5700

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)
[Edison profile page](#)

**Nuevolution is a research client of Edison Investment Research Limited**

**Exhibit 1: Financial summary**

Accounts: IFRS; year-end 31 December; SEK000s	2017*	2018*	2019e	2020e
<b>Income statement</b>				
Total revenues	12,222	10,973	202,369	336,646
Reported gross profit	12,222	10,973	202,369	336,646
SG&A (expenses)	(28,258)	(28,489)	(24,216)	(24,458)
R&D costs	(107,331)	(90,958)	(91,868)	(92,786)
Adjusted EBIT	(123,059)	(106,108)	86,286	219,402
Reported EBIT	(123,059)	(106,108)	86,286	219,402
Finance income/ (expense)	(778)	(1,183)	958	1,513
Adjusted PBT	(123,837)	(107,291)	87,244	220,915
Reported PBT	(123,837)	(107,291)	87,244	220,915
Income tax expense	6,278	7,568	(30,535)	(77,320)
Adjusted net income	(117,559)	(99,723)	56,709	143,595
Reported net income	(117,559)	(99,723)	56,709	143,595
<b>Earnings per share</b>				
Basic EPS (SEK)	(2.7)	(2.2)	1.1	2.9
Diluted EPS (SEK)	(2.7)	(2.1)	1.1	2.7
Adjusted basic EPS (SEK)	(2.7)	(2.2)	1.1	2.9
Adjusted diluted EPS (SEK)	(2.7)	(2.1)	1.1	2.7
Average number of shares - basic (m)	42.9	45.9	49.5	49.5
Average number of shares - diluted (m)	43.7	46.8	52.8	52.8
Number of shares outstanding - end period (m)	42.9	49.5	49.5	49.5
<b>Balance sheet</b>				
Property, plant and equipment	6,340	5,178	5,419	5,648
Other non-current assets	0	0	0	0
Total non-current assets	11,674	10,759	11,000	11,229
Cash and equivalents	114,758	111,101	166,568	308,934
Trade and other receivables	0	0	0	0
Other current assets	0	0	0	0
Total current assets	125,084	123,527	178,994	321,360
Non-current loans and borrowings	2,810	1,813	1,813	1,813
Total non-current liabilities	2,810	1,813	1,813	1,813
Trade and other payables	0	0	0	0
Current loans and borrowings	1,375	1,243	1,243	1,243
Other current liabilities	3,032	0	0	0
Total current liabilities	22,857	16,696	15,696	14,696
Equity attributable to company	111,091	115,777	172,486	316,080
<b>Cash flow statement</b>				
Profit before tax	(123,837)	(107,291)	87,244	220,915
Depreciation of tangible assets	1,770	1,860	259	271
Share based payments	186	(118)	0	0
Other adjustments	778	1,183	(958)	(1,513)
Movements in working capital	101,967	(5,385)	0	0
Net cash from operating activities (pre-tax)	(19,136)	(109,751)	86,545	219,673
Interest paid / received	(788)	(1,240)	958	1,513
Income taxes paid	(12,984)	5,046	(30,535)	(77,320)
Cash from operations (CFO)	(32,908)	(105,945)	56,967	143,866
Capex (includes acquisitions)	(1,234)	(266)	(500)	(500)
Other investing activities	(9)	(28)	0	0
Cash used in investing activities (CFIA)	(1,243)	(294)	(500)	(500)
Net proceeds from issue of shares	0	104,201	0	0
Other financing activities	(1,412)	(1,345)	(1,000)	(1,000)
Cash from financing activities (CFF)	(1,412)	102,856	(1,000)	(1,000)
Increase/(decrease) in cash and equivalents	(35,563)	(3,383)	55,467	142,366
Cash and equivalents at beginning of period	147,682	114,758	111,101	166,568
Cash and equivalents at end of period	114,758	111,101	166,568	308,934

Source: Edison Investment Research, Nuevolution accounts. Note: \*Restated following change of year end.

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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