

SIGA Technologies

Q221 results

Financial update

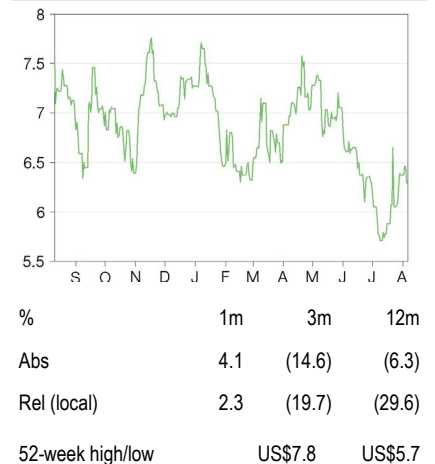
Pharma & biotech

10 August 2021

Price **US\$6.3**
Market cap **US\$473m**

Net cash (\$m) at 30 June 2021	98.5
Shares in issue	75.1m
Free float	55.3%
Code	SIGA
Primary exchange	Nasdaq
Secondary exchange	N/A

Share price performance



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	2021
Canadian regulatory approval	Late 2021/early 2022
EMA regulatory approval	Late 2021/early 2022

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SIGA recently reported Q221 results, which featured \$6.9m of revenue for the delivery of oral TPOXX to the Public Health Agency of Canada (PHAC). SIGA continues to work towards finalizing an order from an additional jurisdiction though timing is unknown due to the COVID-19 pandemic. The company has indicated that the size of this order would be similar to the initial orders received from Canada in 2020 and early 2021 (approximately \$2.3m in 2020 and \$3.4m in Q121).

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	74.2	0.74	0.0	9.7	N/A
12/22e	124.4	78.9	0.80	0.0	9.2	N/A

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

Additional international sales order in the works

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 is currently working on an order from an additional jurisdiction though precise timing is unknown due to COVID-19.

Monkeypox outbreak highlights the need for TPOXX

Three members of one family were diagnosed with monkeypox in the United Kingdom in May and June. Subsequently, a case was diagnosed in the United States in July and made headlines as 200 people were subsequently being monitored for monkeypox (no additional infections have been identified). The source of both outbreaks was Nigeria. SIGA has indicated that the monkeypox outbreak has highlighted the need for national stockpiles among various governments for treatments for orthopoxviruses.

Additional \$50m stock repurchase plan

The company has announced an additional \$50m stock repurchase plan, which will come into effect once the current \$50m stock repurchase plan either expires (as it is scheduled to at the end of 2021) or is exhausted (approximately \$42m has been repurchased to date). The new plan would expire at the end of 2023.

Valuation: \$949m or \$12.65 per share

We have adjusted our SIGA valuation from \$957m or \$12.58 per share to \$949m or \$12.65 per share. The decline in the total valuation is due to lower net cash, mainly attributable to the stock buyback, while a lower number of outstanding shares has increased the per-share valuation.

Waiting on US deliveries

SIGA recently reported Q221 results, which featured \$6.9m of international revenue for the delivery of oral TPOXX to Canada to PHAC. Total revenues were \$8.7m for the quarter. 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, as new political appointments take time to appoint and confirm. On a positive note, the key role of assistant secretary of preparedness and response (ASPR) has been filled with the swearing in of [Dawn O'Connell](#) at the end of June following her [Senate confirmation](#) on 24 June. With this position now filled the company expects to see some movement on US deliveries.

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. Approval expected end of 2021 or early 2022.
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

The company is continuing to work towards sales in additional jurisdictions with an order currently being finalized, though precise timing is uncertain. 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 are focusing on key US allies, such as Europe, Australia, Japan and South Korea, and that SIGA will seek partnerships for other territories. The company has stated that once EMA approval is obtained (currently expected at the end of 2021 or in early 2022), sales discussions to European jurisdictions may accelerate.

SIGA has stated that the recent monkeypox cases in the US and UK have highlighted the need for national stockpiles to treat orthopoxviruses. Three members of one family were diagnosed with monkeypox in the United Kingdom in May and June. Subsequently, a case was diagnosed in the United States in July (the first in the United States since 2003) and made headlines as 200 people

were subsequently being monitored for monkeypox (no additional infections have been identified). The source of both outbreaks was Nigeria where the most recent outbreak started in 2017. According to the [World Health Organization](#), nine other central and west African nations have reported outbreaks since 1970. In 2020, 6,200 suspected cases were reported in the Democratic Republic of Congo. As a reminder, TPOXX is approved for the treatment of smallpox in the United States but does not show efficacy against other orthopoxviruses like monkeypox. Three of the pivotal trials used for TPOXX approval investigated the treatment of monkeypox in cynomolgus macaques. Also, TPOXX was recently used on a compassionate use basis to treat one of the patients with monkeypox in the UK. Additionally, in July, the company announced a collaboration with Oxford University to treat monkeypox in the Central African Republic.

Exhibit 2: TPOXX animal study data – treatment at day four

Cynomolgus macaques study	Survival TPOXX	Survival placebo	P value
Study 1	80%	0%	0.0038
Study 2	100%	0%	0.0002
Study 3	83%	0%	0.0151

Source: TPOXX FDA label

Valuation

We have adjusted our SIGA valuation from \$957m or \$12.58 per share to \$949m or \$12.65 per share. The decline in the total valuation is due to lower net cash, mainly attributable to the stock buyback, while a lower number of outstanding shares has increased the per-share valuation.

Exhibit 3: SIGA valuation table

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%	2022-2025	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						851
Net cash (Q221) (\$m)						98.49
Total firm value (\$m)						949
Total basic shares (m)						75.1
Value per basic share (\$)						\$12.65

Source: Edison Investment Research

Financials

Following Q221 results, we have kept our forecasts for SIGA largely the same, though we did increase our SG&A estimate by \$1.1m in 2021 and \$1.2m in 2022, mainly due to a higher run rate. SIGA reported \$98.5m in cash at the end of June and is profitable (although profitability for any specific period will depend on the timing of government orders and payments).

SIGA is currently working through a \$50m stock repurchase program, which was announced in March 2020 and runs through the end of 2021. So far, 6.5m shares have been repurchased for approximately \$42m, including \$6.5m in Q221. The company has announced an additional \$50m share repurchase program, which will run through the end of 2023. Shares under the new plan can

be repurchased once the current plan either expires or once the maximum amount has been utilized.

Exhibit 4: 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	124,411
Cost of Sales		(1,783)	(14,797)	(15,696)	(15,956)
Gross Profit		24,959	110,162	103,476	108,455
Research & Development		(13,303)	(10,939)	(10,985)	(11,095)
General & Administrative		(13,978)	(14,722)	(18,312)	(18,496)
EBITDA		(27)	84,503	74,098	78,334
Operating Profit (before amort. and except.)		500	85,033	74,228	78,864
Intangible Amortisation		0	0	0	0
Other		2,822	532	50	0
Exceptionals		5,091	(8,507)	1,361	0
Operating Profit		5,591	76,525	75,589	78,864
Net Interest		(15,770)	(3,017)	0	0
Other		0	0	0	0
Profit Before Tax (norm)		(15,270)	82,016	74,228	78,864
Profit Before Tax (reported)		(10,178)	73,509	75,589	78,864
Tax		2,937	(17,167)	(18,345)	(18,927)
Deferred tax		0	0	0	0
Profit After Tax (norm)		(12,332)	64,849	55,883	59,937
Profit After Tax (reported)		(7,241)	56,342	57,244	59,937
Average Number of Shares Outstanding (m)		81.0	79.3	75.7	75.1
EPS - normalised (\$)		(0.15)	0.82	0.74	0.80
EPS - reported (\$)		(0.09)	0.71	0.76	0.80
Dividend per share (\$)		0.00	0.00	0.00	0.00
Gross Margin (%)		93.3	88.2	86.8	87.2
EBITDA Margin (%)		-0.1	67.6	62.2	63.0
Operating Margin (before GW and except.) (%)		1.9	68.0	62.3	63.4
BALANCE SHEET					
Fixed Assets		18,524	6,223	6,642	6,692
Intangible Assets		898	898	898	898
Tangible Assets		2,618	2,104	2,619	2,669
Other		15,008	3,221	3,124	3,124
Current Assets		180,042	143,608	183,915	245,984
Stocks		0	0	0	0
Debtors		4,168	3,340	4,001	4,001
Cash		160,987	117,890	157,553	219,622
Other		14,887	22,378	22,361	22,361
Current Liabilities		(91,736)	(10,484)	(7,970)	(7,970)
Creditors		(3,054)	(1,278)	(675)	(675)
Short term borrowings		(80,045)	0	0	0
Other		(8,637)	(9,205)	(7,295)	(7,295)
Long Term Liabilities		(9,047)	(9,555)	(9,555)	(8,128)
Long term borrowings		0	0	0	0
Other long-term liabilities		(9,047)	(9,555)	(9,555)	(8,128)
Net Assets		97,784	129,793	173,032	236,577
Minority Interests		0	0	0	0
Shareholder equity		97,784	129,793	173,032	236,577
CASH FLOW					
Operating Cash Flow		(18,204)	71,519	52,853	62,118
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(29)	(16)	(47)	(50)
Acquisitions/disposals		0	0	0	0
Financing		0	0	0	0
Dividends		0	0	0	0
Other		(5,674)	(28,687)	(13,143)	0
Net Cash Flow		(23,907)	42,817	39,663	62,068
Opening net debt/(cash)		(104,849)	(80,942)	(117,891)	(157,554)
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)	(157,554)	(219,622)

Source: Company reports, Edison Investment Research

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