

# Basilea Pharmaceutica

Full Year results

Cresemba sales the focus for future profitability

Basilea continues to build on its key franchises, Cresemba and Zevtera, with FY19 contributions from both increasing 39% to CHF114m, driven mainly by Cresemba. Longer-term value creation is dependent on crystallising mid/late-stage oncology assets, with new trials initiated or expected for both derazantinib (multiple data points expected in 2020) and lisavanbulin (trial initiation by mid-year expected). We forecast break-even at the operating profit level in 2021 and value Basilea at CHF1.10bn.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHF)	DPS (CHF)	P/E (x)	Yield (%)
12/18	132.6	(31.0)	(2.88)	0.0	N/A	N/A
12/19	134.4	(22.2)	(2.07)	0.0	N/A	N/A
12/20e	134.4	(26.7)	(2.48)	0.0	N/A	N/A
12/21e	151.6	(4.4)	(0.41)	0.0	N/A	N/A

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

## Advancing on all fronts

Now available in 40 countries (forecast to reach 60 by end 2021), Cresemba (isavuconazole) sales continue to accelerate, with in-market sales (year ending September 2019) from partners of approximately \$190m (+32% y-o-y). In 2019, Basilea reported positive US Phase III TARGET data on Zevtera which, together with the ERADICATE study, will form the basis of a US NDA submission (potential launch in 2023). Mid-stage asset derazantinib (fibroblast growth factor receptor (FGFR) inhibitor) could be the first of Basilea's oncology assets to market (forecast in 2023 in bile duct cancer based on data from FIDES-01). Two new trials in urothelial (FIDES-02 initiated in Q319) and gastric cancers (FIDES-03 forecast to be initiated in Q320) could further expand derazantinib's utility. Lisavanbulin, a potential novel tumour checkpoint controller, is forecast to enter Phase II development by mid-year.

## Financials: Current product contribution growing

Non-deferred Cresemba and Zevtera (C&Z) revenue grew in FY19 to CHF68.7m (from CHF50.5m) to contribute 60% of C&Z-related revenue (CHF114.3m) from 38% previously. This trend is expected to continue in 2020, with Basilea forecasting that non-deferred revenue represents c 70% of total C&Z-related revenues (company forecasts CHF77–87m in FY20). Revenue growth in FY19 was offset by a reduction in the deferred contract revenue from Tactino to zero (FY18: CHF23.9m). Cost and total operating expenses decreased slightly y-o-y to CHF151.6m from CHF156.6m, aiding a reduction in the net loss to CHF22.4m vs CHF31.4m previously. Basilea has a convertible bond in issue, which is not due for conversion until end 2022. We forecast break-even at the operating profit level in 2021, with subsequent profitability driven by Cresemba and Zevtera revenues.

## Valuation: rNPV of CHF1.10bn or CHF102/share

Our revised valuation is CHF1.10bn or CHF102/share versus CHF1.18bn or CHF109/share previously. The decrease is driven by an increase in near-term costs and reduction in cash (net debt CHF36.7m vs CHF19.5m at end June 2019). Our valuation is based on an NPV analysis for marketed products, a risk-adjusted NPV for the pipeline and net debt of CHF36.7m at 31 December 2019.

Pharma & biotech

20 February 2020

**Price** CHF55.1  
**Market cap** CHF656m

Net debt (CHFm) at 31 December 2019	36.7
Shares in issue (including 1.1m treasury shares)	11.9m
Free float	91%
Code	BSLN
Primary exchange	SIX
Secondary exchange	N/A

## Share price performance



%	1m	3m	12m
Abs	(4.9)	9.2	10.1
Rel (local)	(8.5)	0.5	(9.5)
52-week high/low	CHF60.3	CHF34.1	

## Business description

Basilea is focused on oncology and infectious diseases. Its marketed products are Cresemba (an antifungal) and Zevtera (an anti-MRSA broad-spectrum antibiotic). The oncology R&D pipeline consists of three assets including clinical-stage products lisavanbulin and derazantinib.

## Next events

Derazantinib top-line results from Phase II in iCCA (FGFR2 fusion cohort)	H220
Derazantinib interim data from first cohort in urothelial cancer	H220
Ceftobiprole Phase III ERADICATE top-line data for bacteraemia (SAB)	H221

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**Exhibit 1: Financial summary**

	CHF'000s	2017	2018	2019	2020e	2021e
		US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
<b>PROFIT &amp; LOSS</b>						
December						
Revenue		101,521	132,555	134,381	134,368	151,570
Cost of Sales		(9,025)	(20,299)	(18,868)	(18,412)	(16,499)
Gross Profit		92,496	112,256	115,513	115,956	135,071
Research and development (gross)		(55,055)	(104,942)	(102,662)	(105,000)	(101,000)
SG&A		(54,491)	(31,409)	(30,051)	(32,574)	(33,319)
EBITDA		(15,150)	(22,272)	(15,560)	(19,019)	3,575
Operating Profit (before amort. and except.)		(16,950)	(23,972)	(17,060)	(21,382)	997
Intangible Amortisation		(100)	(123)	(140)	(237)	(245)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		(17,050)	(24,095)	(17,200)	(21,619)	752
Net Interest		(1,976)	(7,065)	(5,182)	(5,417)	(5,417)
Profit Before Tax (norm)		(18,926)	(31,037)	(22,242)	(26,799)	(4,420)
Profit Before Tax (reported)		(19,026)	(31,160)	(22,382)	(27,036)	(4,665)
Tax		(334)	(192)	(40)	(26)	(26)
Profit After Tax (norm)		(19,260)	(31,229)	(22,282)	(26,825)	(4,446)
Profit After Tax (reported)		(19,360)	(31,352)	(22,422)	(27,062)	(4,691)
Average Number of Shares Outstanding (m)		10.8	10.8	10.8	10.8	10.8
EPS - normalised (CHF)		(178.36)	(288.15)	(207.16)	(249.40)	(41.34)
EPS - (reported) (CHF)		(179.28)	(289.28)	(208.47)	(251.60)	(43.62)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		91.1	84.7	86.0	86.3	89.1
EBITDA Margin (%)		N/A	N/A	N/A	N/A	2.4
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	0.7
<b>BALANCE SHEET</b>						
Fixed Assets		58,189	7,013	36,607	38,238	40,162
Intangible Assets		326	372	372	572	772
Tangible Assets		7,768	6,424	5,162	6,593	8,317
Investments		50,095	217	31,073	31,073	31,073
Current Assets		292,976	274,738	184,860	129,351	123,049
Stocks		15,320	14,411	18,569	17,655	13,561
Debtors		4,955	3,757	6,242	6,258	7,059
Cash		260,724	223,908	131,044	76,433	73,423
Other		11,977	32,662	29,005	29,005	29,005
Current Liabilities		(79,491)	(66,684)	(75,494)	(54,161)	(254,832)
Creditors		(79,491)	(66,684)	(75,494)	(54,161)	(59,366)
Short term borrowings		0	0	0	0	(195,466)
Long Term Liabilities		(313,114)	(281,754)	(238,933)	(230,402)	(26,238)
Long term borrowings		(196,224)	(196,982)	(197,740)	(197,740)	(1,516)
Other long term liabilities		(116,890)	(84,772)	(41,193)	(32,662)	(24,722)
Net Assets		(41,440)	(66,687)	(92,960)	(116,974)	(117,859)
<b>CASH FLOW</b>						
Operating Cash Flow		19,014	(79,210)	(63,836)	(44,937)	7,181
Net Interest		0	0	0	(5,417)	(5,417)
Tax		0	0	0	(26)	(26)
Capex		(711)	(419)	(294)	(4,031)	(4,547)
Acquisitions/disposals		0	0	0	0	0
Financing		0	0	0	0	0
Other		3,391	42,813	1,266	(200)	(200)
Dividends		0	0	0	0	0
Net Cash Flow		21,694	(36,816)	(62,864)	(54,611)	(3,010)
Opening net debt/(cash)		(43,564)	(64,500)	(26,926)	36,696	91,307
HP finance leases initiated		0	0	0	0	0
Other		(758)	(758)	(758)	0	758
Closing net debt/(cash)		(64,500)	(26,926)	36,696	91,307	93,559

Source: Company accounts, Edison Investment Research

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