

Acacia Pharma

Interim results

Two US drug launches in 2020

Operationally, the year to date, has been exceptional in Acacia Pharma's history. It achieved significant milestones with two US FDA approvals: **BARHEMSYS** (amisulpride injection) for the management of post-operative nausea and vomiting (PONV) on 26 February and **BYFAVO** (remimazolam), an intravenous benzodiazepine sedative for use during invasive medical procedures on 6 July. Acacia has evolved into an integrated hospital pharmaceutical company with strong development and commercialisation capabilities. Management's focus is now on executing the successful launch of both assets in H220 and Acacia recently raised €25m gross proceeds in a share placing to fund this; timely launches and the effective sales execution of both products is critical. We value Acacia at \$989m.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)	Yield (%)
12/18	0.0	(21.6)	(0.45)	0.00	N/A	N/A
12/19	0.0	(23.5)	(0.37)	0.00	N/A	N/A
12/20e	2.1	(36.2)	(0.40)	0.00	N/A	N/A
12/21e	28.8	(40.0)	(0.46)	0.00	N/A	N/A

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

BARHEMSYS and BYFAVO – US launches ahead

The near-term focus for Acacia's management is on expanding its marketing capabilities and it is advancing its plans to build an initial hospital sales force and support staff ahead of launch in the H220. In addition, obtaining access to US hospital pharmacy formulary lists will be vital to successful sales execution. In January, Acacia in-licensed BYFAVO from Cosmo, in terms of strategic fit, like lead product BARHEMSYS, BYFAVO is a product where detailing is directed to anaesthesia providers. Our forecast for peak BAREMSYS sales of \$386.7m and BYFAVO sales of \$125.6m is unchanged. We note that BYFAVO cannot be marketed in the US until the Drug Enforcement Agency has determined its scheduling, which is expected to take place within the next few months.

H120 financials highlight changes in opEx

Acacia reported an H120 operating loss of \$12.8m (H119 \$12.8m), lower R&D costs (\$0.6m in H120 vs \$2.5m H119) offset an increase in SG&A (\$4.4m in H120 vs \$2.2m in H119). This highlights Acacia's transformation from R&D driven to a speciality commercial-stage company. SG&A costs will continue to accelerate in H220 as Acacia builds out its US marketing infrastructure. Acacia reported cash and cash equivalents of \$24.6m at 30 June 2020. Post the period end in August, Acacia raised €25m gross through the placing of 12.5m shares at €2.00 (a 24.8% discount to the prior day's closing price). The proceeds will in part be used to fund both product launches, recruit c 30 sales reps and 10 support staff and implement post-approval R&D commitments.

Valuation: €989m or €11.6/share

Our revised valuation is €989m vs €1.03bn previously. Our forecasts are unchanged, but we have rolled our model forward and updated for FX.

Pharma & biotech

21 August 2020

Price €2.10

Market cap €179m

\$1.18:€

Net cash (\$m) at 30 June 2020 21.9

Shares in issue 85.3m

Free float 82%

Code ACPH

Primary exchange Euronext

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (22.9) (12.5) 12.1

Rel (local) (18.6) (21.5) 17.1

52-week high/low €3.62 €1.49

Business description

Acacia Pharma is a commercial-stage biopharmaceutical company focused on developing and commercialising novel products to improve the care of patients undergoing serious medical treatments such as surgery, invasive procedures or chemotherapy. It has two assets: BARHEMSYS (approved for the treatment of PONV in the US) and in-licensed asset BYFAVO (approved for procedural sedation).

Next events

BARHEMSYS US launch as PONV 'rescue treatment' H220

BYFAVO US launch H220

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Exhibit 1: Financial summary

Year end 31 December (US\$m)	2018	2019	2020e	2021e
PROFIT & LOSS				
Revenue	0.0	0.0	2.1	28.8
Operating revenues	0.0	0.0	2.1	28.8
Cost of sales	0.0	0.0	(0.2)	(2.4)
Gross profit	0.0	0.0	1.9	26.4
Gross margin %	N/A	N/A	0.9	0.9
SG&A (expenses)	(15.0)	(18.5)	(31.6)	(54.7)
R&D costs	(5.0)	(3.9)	(2.8)	(10.0)
Other income/(expense)	0.0	0.0	0.0	0.0
EBITDA (reported)	(20.0)	(22.4)	(32.5)	(38.3)
Depreciation and amortisation	0.0	0.0	0.0	0.0
Reported Operating Income	(20.0)	(22.4)	(32.5)	(38.3)
Operating Margin %	N/A	N/A	N/A	N/A
Finance income/(expense)	(1.5)	(1.1)	(3.7)	(1.7)
Exceptionals and adjustments	0.0	0.0	0.0	0.0
Reported PBT	(21.6)	(23.5)	(36.2)	(40.0)
Income tax expense (includes exceptionals)	0.9	0.7	0.7	0.7
Reported net income	(20.7)	(22.8)	(35.5)	(39.4)
Basic average number of shares, m	44.1	53.7	73.0	85.3
Year-end number of shares, m	53.3	54.9	85.3	85.3
Basic EPS (\$)	(0.47)	(0.43)	(0.49)	(0.46)
Adjusted EPS (\$)	(0.45)	(0.37)	(0.40)	(0.46)
Dividend per share (\$)	0.00	0.00	0.00	0.00
BALANCE SHEET				
Property, plant and equipment	0.0	0.0	2.1	3.2
Goodwill	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.4	60.1	60.1
Total non-current assets	0.0	0.4	62.2	63.2
Cash and equivalents	37.4	17.0	30.0	28.0
Inventories	0.0	0.0	0.0	0.4
Trade and other receivables	0.4	0.6	0.3	4.7
Other current assets	0.9	0.7	0.7	0.7
Total current assets	38.7	18.3	31.1	33.8
Non-current loans and borrowings	8.9	4.7	43.2	83.2
Other non-current liabilities	0.0	0.0	0.0	0.0
Total non-current liabilities	8.9	4.7	43.2	83.2
Trade and other payables	4.7	4.2	4.3	7.5
Current loans and borrowings	0.5	5.5	0.0	0.0
Other current liabilities	0.0	0.0	0.0	0.0
Total current liabilities	5.2	9.6	4.3	7.5
Equity attributable to company	24.7	4.3	45.8	6.4
CASH FLOW STATEMENT				
Operating Profit	(21.6)	(23.5)	(36.2)	(40.0)
Depreciation and amortisation	0.0	0.1	0.1	0.3
Share based payments	0.6	2.4	1.4	0.0
Other adjustments	1.6	1.1	3.7	1.7
Movements in working capital	(3.9)	(0.8)	0.4	(1.6)
Interest paid/received	0.2	0.4	(1.9)	(1.7)
Income taxes paid	0.4	0.8	0.7	0.7
Cash from operations (CFO)	(15.4)	(19.8)	(32.6)	(41.4)
Capex	0.0	0.0	(2.2)	(1.4)
Acquisitions & disposals net	0.0	0.0	0.0	0.0
Other investing activities	0.2	0.4	0.8	0.7
Cash used in investing activities (CFIA)	0.2	0.4	(14.3)	(0.7)
Net proceeds from issue of shares	47.1	0.2	28.7	0.0
Movements in debt	1.8	(1.0)	33.0	40.0
Other financing activities	0.0	(0.1)	0.0	0.0
Cash from financing activities (CFF)	48.9	(0.9)	61.7	40.0
Cash and equivalents at beginning of period	4.1	37.4	17.0	30.0
Increase/(decrease) in cash and equivalents	33.3	(20.4)	13.0	(2.0)
Cash and equivalents at end of period	37.4	17.0	30.0	28.0
Net (debt)/cash	28.1	6.9	(13.2)	(55.2)

Source: Acacia Pharma, Edison Investment Research

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