

# Basilea Pharmaceutica

H122 results

On track for operating profitability in FY23

Basilea's H122 revenues of CHF58.7m were roughly in-line with our annualised estimates (FY22e: CHF110m) and company guidance, including CHF28.9m in royalty payments from sales of Cresemba (H121: CHF23.6m, a 22.5% increase). We see this as a positive sign for the company as we expect Cresemba royalties to provide important support for the top-line. Following [positive results from the Phase III ERADICATE study](#) in June 2022 and winding down of oncology activities in H122, R&D expenses fell to CHF37.1m (from CHF41.7m in H121) resulting in a reduction in the operating loss to CHF9.0m, 42% lower than H121 (CHF15.4m). We see this as encouraging support for management's goal of reaching operating profitability in FY23. Basilea reduced its December 2022-maturing convertible bond position by CHF6.6m in H122 and we expect further information on the company's debt strategy in H222. Our financial estimates are affected only by our updated FX rate assumptions. We value Basilea at CHF893.8 or CHF75.5/share (previously CHF886.7m or CHF74.9/share).

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHFc)	DPS (CHFc)	P/E (x)	Yield (%)
12/20	127.6	(29.6)	(288.5)	0.0	N/A	N/A
12/21	148.1	(6.61)	(56.9)	0.0	N/A	N/A
12/22e	110.0	(29.5)	(249.5)	0.0	N/A	N/A
12/23e	128.8	14.5	164.6	0.0	N/A	N/A

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

## Cresemba royalty growth supports revenues

Continued growth in Cresemba royalties should support the company's top line going into FY23. We expect future revenue growth to be driven by global Cresemba sales (the approval for Chinese state reimbursement will be an important catalyst) and the [potential approval of Zevtera in the US](#) (expected NDA submission in H222), following positive Phase III results in bloodstream infections in June 2022.

## Targeting sustainable profitability in FY23

Management has confirmed that it expects a c 30% reduction in R&D expenses in FY23, due largely to the expected strategic exit from the oncology portfolio by end-FY22. R&D expenses for H122 were CHF37.1m; 11% lower than H121. We anticipate FY22 R&D figures will be roughly in-line with this as oncology activities cease and we have adjusted our forecast expense distribution accordingly. We continue to expect the company to reach operating profitability in FY23.

## Valuation: CHF893.8 or CHF75.5/share

We have updated our model to reflect the H122 results and value Basilea at CHF893.8 or CHF75.5/share (CHF886.7m or CHF74.9/share previously). We include a net debt position of CHF71.2m at end-June 2022. Over H122, Basilea reduced its December 2022-maturing convertible bond position by CHF6.6m, we expect management to provide more information on its debt strategy in H222.

Pharma and biotech

17 August 2022

**Price** **CHF43.4**
**Market cap** **CHF564m**

\$1.05/CHF

Net debt (CHFm) at 30 June 2022 71.2

Shares in issue (excluding 1.15m treasury shares) 11.85m

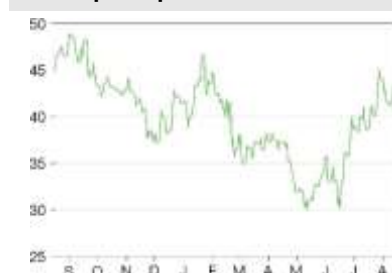
Free float 90%

Code BSLN

Primary exchange SIX

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 4.0 29.8 (12.3)

Rel (local) 2.6 36.2 (2.2)

52-week high/low CHF49 CHF30

### Business description

Basilea Pharmaceutica is focused on treating infectious diseases. Its marketed products are Cresemba (an antifungal) and Zevtera (an anti-MRSA broad-spectrum antibiotic). The company plans to file for US approval for Zevtera.

### Next events

Zevtera NDA filing End 2022

Cresemba approval decision in Japan H222

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**Exhibit 1: Financial summary**

Accounts: US GAAP, Yr end: December 31, CHF:000s	2019	2020	2021	2022e	2023e
<b>PROFIT &amp; LOSS</b>					
Total revenues	134,381	127,629	148,122	110,021	128,820
Product revenues (Cresemba and Zevtera)	114,461	112,032	131,382	102,859	124,673
Cost of sales	(18,868)	(24,054)	(24,072)	(21,722)	(26,135)
Gross profit	115,513	103,575	124,050	88,300	102,685
Research and development expenses (net)	(102,662)	(97,410)	(93,157)	(73,111)	(63,751)
SG&A costs	(30,051)	(29,422)	(29,721)	(36,894)	(16,607)
Other income/(expense)	0	0	0	0	0
Exceptionals and adjustments	0	15,035	15	0	0
EBITDA (reported)	(15,561)	(7,032)	1,941	(20,992)	23,077
Reported operating income	(17,200)	(8,222)	1,187	(21,705)	22,327
Operating margin %	n/a	n/a	n/a	n/a	n/a
Finance income/(expense)	(5,182)	(6,445)	(7,982)	(8,037)	(8,014)
Exceptionals and adjustments	0	0	0	0	0
Profit before tax (reported)	(22,382)	(14,667)	(6,795)	(29,742)	14,313
Profit before tax (normalised)	(22,282)	(29,602)	(6,610)	(29,542)	14,520
Income tax expense (includes exceptionals)	(40)	(55)	(37)	0	4,968
Net income (reported)	(22,422)	(14,722)	(6,832)	(29,742)	19,281
Net income (normalised)	(22,322)	(29,657)	(6,647)	(29,542)	19,488
Basic average number of shares, m	10.8	10.3	11.7	11.8	11.8
Basic EPS (CHF c)	(208.5)	(143.2)	(58.5)	(251.2)	162.8
Adjusted EPS (CHF c)	(207.5)	(288.5)	(56.9)	(249.5)	164.6
Dividend per share (CHF c)	0	0	0	0	0
<b>BALANCE SHEET</b>					
Tangible assets	5,162	2,627	2,018	3,129	3,586
Intangible assets	372	672	632	1,137	1,130
Long-term investments	30,000	0	2,390	2,390	2,390
Other non-current assets	1,073	2,967	1,161	19,405	19,405
Total non-current assets	36,607	6,266	6,201	26,061	26,511
Cash and equivalents	109,024	60,749	53,700	38,642	50,919
Short-term investments	20,000	101,023	95,000	94,990	94,980
Inventories	18,569	21,192	22,783	20,559	24,735
Trade and other receivables	6,242	8,710	24,947	18,530	21,696
Other current assets	31,025	31,854	44,636	40,136	40,136
Total current assets	184,860	223,528	241,066	212,856	232,466
Convertible senior unsecured bonds (long-term)	197,740	239,668	94,544	219,145	219,145
Deferred revenue	16,471	13,158	11,926	6,436	946
Non-current operating lease liabilities	548	896	10	18,254	18,254
Other non-current liabilities	24,174	27,957	24,986	24,986	24,986
Total non-current liabilities	238,933	281,679	131,466	268,821	263,331
Convertible senior unsecured bonds (short-term)	0	0	123,505	0	0
Accounts payable	6,765	13,151	10,617	9,580	11,527
Deferred revenue	32,873	2,556	1,233	5,490	5,490
Current operating lease liabilities	352	1,752	896	896	896
Other current liabilities	35,504	32,702	38,157	38,157	38,157
Total current liabilities	75,494	50,161	174,408	54,123	56,070
Net assets	(92,960)	(102,046)	(58,607)	(84,027)	(60,424)
<b>CASH FLOW STATEMENT</b>					
Reported net income	(22,422)	(14,722)	(6,831)	(29,742)	19,281
Depreciation and amortisation	1,639	1,190	754	713	750
Share based payments	3,048	3,525	4,322	4,322	4,322
Other adjustments	758	(13,365)	1,522	1,096	0
Movements in working capital	(46,859)	(30,762)	(31,787)	10,872	(10,886)
Cash from operations (CFO)	(63,836)	(54,134)	(32,020)	(12,739)	13,467
Capex	(294)	(1,823)	(581)	(1,624)	(1,000)
Short-term investments	30,000	(51,023)	6,023	10	10
Long-term investments	(30,000)	0	0	0	0
Other investing activities	(110)	17,883	(1,867)	(705)	(200)
Cash used in investing activities (CFIA)	(404)	(34,963)	3,575	(2,319)	(1,190)
Net proceeds from issue of shares	0	0	42,240	0	0
Movements in debt	0	43,451	(23,212)	0	0
Other financing activities	1,309	1,616	(2,388)	0	0
Cash from financing activities (CFF)	1,309	45,067	16,640	0	0
Cash and equivalents at beginning of period	173,908	111,044	66,256	54,953	39,895
Increase/(decrease) in cash and equivalents	(62,931)	(44,030)	(11,805)	(15,058)	12,277
Effect of FX on cash and equivalents	67	(758)	501	0	0
Cash and equivalents at end of period	111,044	66,256	54,952	39,895	52,172
Net (debt)/cash	(68,716)	(77,896)	(69,349)	(85,513)	(73,246)

Source: Basilea Pharmaceutica company accounts, Edison Investment Research

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