

RhoVac

FY20 results

COVID-19 vaccines versus RV001

Pharma & biotech

26 April 2021

Price **SEK18.6**
Market cap **SEK354m**

Net cash (SEKm) at end-2020	77.5
Shares in issue	19.0m
Free float	84%
Code	RHOV
Primary exchange	Spotlight Stockholm
Secondary exchange	N/A

Share price performance



Business description

RhoVac is an immunotherapy company listed on the Spotlight stock market in Sweden, with a 100%-owned subsidiary in Denmark. It is developing a peptide-based immunotherapy, RV001, which aims to train the immune system to specifically target cancer cells with metastatic potential. This is a novel approach that could have utility across a range of cancer settings.

Next events

Phase IIb BRaVac study fully enrolled	Q321
Phase IIb BRaVac interim results	2022
Updates on partnering process	2021/22

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While returning clinical practice to normality is unequivocally desired by all stakeholders, the somewhat paradoxical consequence of the global roll-out of COVID-19 vaccines has been an unavoidable disruption to the routine administration of other vaccines. RhoVac reported in [March 2021](#) that as the COVID-19 vaccine was being rolled out in the age brackets of the ongoing Phase II BRaVac trial, the treatment with RV001 had to be delayed, albeit only by one quarter. The trial readout is still achievable within the existing budget and management has reported no other disruptions to the trial. Our valuation is slightly higher at SEK68.5/share (versus SEK64.2/share).

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/19	6.0	(36.1)	(2.33)	0.0	N/A	N/A
12/20	6.0	(46.9)	(2.06)	0.0	N/A	N/A
12/21e	7.9	(41.7)	(1.79)	0.0	N/A	N/A
12/22e	5.9	(38.9)	(1.64)	0.0	N/A	N/A

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

COVID-19 vaccine rollout effect on BRaVac enrolment

Current [guidance](#) on COVID-19 vaccines from the US CDC's Advisory Committee on Immunization Practices is to allow for a minimum of 14 days before or after the administration of any other vaccine. As a result, full recruitment into RhoVac's Phase IIb BRaVac trial has now been pushed back to Q321 (from Q221), so a minor delay. This should be mitigated to some extent by the opening of new trial centres with the latest addition being Mount Sinai Hospital, New York, which [started](#) enrolling patients this month. Sites in six other European nations are also up and running.

Funding in place for key readout poised for mid-2022

According to RhoVac, and in line with our modelling, current funding should still be sufficient to complete the Phase IIb BRaVac trial. The primary endpoint is time to PSA progression, defined as the time from randomisation to the doubling of PSA from the baseline value. Key interim results are expected around mid-2022, while 12-month follow-up data in patients without further RV001 treatment should be ready a year later. Our detailed description of the investment case can be found in our latest [outlook report](#).

Valuation: SEK1.30bn or SEK68.5/share

Our RhoVac valuation is higher at SEK1.30bn or SEK68.5/share due to rolling the model forward offset by a lower cash position (SEK77.5m at end-2020). The slight delay in the interim data readout from the Phase IIb trial does not affect our valuation as the company expects the readout is still achievable with existing funds.

Financials and valuation

With its FY20 results RhoVac reported income of SEK6.0m, which was the allocated portion of the EU Horizon 2020 grant (a total of €2.5m or c SEK27m, of which SEK12m had been received by the end of 2020). Operating costs in FY20 were SEK53.5m versus SEK42.5m a year ago reflecting the continued R&D uplift as new patients are enrolled into the BRaVac study, despite the COVID-19 headwinds outlined above. In 2021 and 2022 we forecast spending will continue at a similar level at c SEK45–50m, partly offset by the remaining instalments expected from the EU Horizon 2020 grant.

The reported end-2020 cash position was SEK77.5m and with no interest-bearing debt. RhoVac will still receive the remaining part of the grant (c SEK15m) and expects around SEK18m in tax credits during the duration of the BRaVac trial. These expected amounts plus pre-paid expenses of SEK15m (current asset on the balance sheet) mean that the total expected funding is around SEK125m, which is sufficient to complete the ongoing Phase IIb study.

Our RhoVac valuation (Exhibit 1) is higher at SEK1.30bn or SEK68.5/share, versus SEK1.22bn or SEK64.2/share, due to rolling the model forward, which offset the lower cash position. Detailed assumptions for our risk-adjusted net present value (rNPV) model can be found in our most recent Outlook note.

Exhibit 1: Sum-of-the-parts RhoVac valuation

Product	Launch	Peak sales (US\$m)	Unrisked NPV (SEKm)	Technology probability (%)	rNPV (SEKm)	rNPV/share (SEK)
RV001 – prostate cancer	2027	1,775	5,415.0	15%	1,227.0	64.4
Net cash, last reported			77.5	100%	77.5	4.1
Valuation			5,492.6		1,304.6	68.5

Source: Edison Investment Research. Note: WACC = 12.5% for product valuations.

In Exhibit 2 below we provide a sensitivity analysis that looks at the potential effect on our valuation of a successful Phase IIb outcome, by rolling forward our model to several future dates during 2022 when the BRaVac data might become available. Assuming the data are positive, we would expect to increase the technological success probability to 40% from our current base case of 15%. Because a successful Phase IIb outcome would also be the first clinical proof-of-concept, we believe this would increase RV001's potential in other indications. This would allow us to reflect a larger portion of comparable deal economics (currently adjusted at a conservative 40%, as explained in our last published outlook report). There are no historical comparators as to how much this portion should increase, so we will review the totality of data (RhoVac may also conduct preclinical studies in other indications in parallel to the Phase IIb trial).

Exhibit 2: Phase IIa BRaVac trial read-out sensitivity analysis on RV001's rNPV (SEK/share)

	rNPV	Discount to licensing deal economics				
		10%	20%	40%	80%	100%
Readout timing	May 2022	101.5	117.1	148.2	210.5	241.6
	June 2022	102.5	118.3	149.7	212.6	244.0
	July 2022	103.5	119.4	151.2	214.7	246.4
	August 2022	104.6	120.6	152.7	216.8	248.9

Source: Edison Investment Research

Exhibit 3: Financial summary

	SEK'000s	2018	2019	2020	2021e	2022e
		Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP
PROFIT & LOSS						
December						
Revenue		0	5,979	6,012	7,926	5,945
Cost of Sales		0	0	0	0	0
Gross Profit		0	5,979	6,012	7,926	5,945
Research and development		(19,154)	(38,743)	(45,974)	(50,000)	(45,000)
EBITDA		(20,148)	(36,498)	(47,468)	(42,074)	(39,055)
Operating Profit (before amort. and except.)		(20,148)	(36,498)	(47,468)	(42,074)	(39,055)
Intangible Amortisation		0	0	0	0	0
Exceptionals		0	0	0	0	0
Other		0	0	0	0	1
Operating Profit		(20,148)	(36,498)	(47,468)	(42,074)	(39,054)
Net Interest		(64)	382	577	363	148
Profit Before Tax (norm)		(20,212)	(36,116)	(46,891)	(41,711)	(38,907)
Profit Before Tax (reported)		(20,212)	(36,116)	(46,891)	(41,711)	(38,906)
Tax		2,936	3,837	7,744	7,700	7,700
Profit After Tax (norm)		(17,276)	(32,279)	(39,147)	(34,011)	(31,206)
Profit After Tax (reported)		(17,276)	(32,279)	(39,147)	(34,011)	(31,206)
Average Number of Shares Outstanding (m)		8.9	13.9	19.0	19.0	19.0
EPS - normalised (SEK)		(1.95)	(2.33)	(2.06)	(1.79)	(1.64)
EPS - normalised and fully diluted (SEK)		(1.95)	(2.33)	(2.06)	(1.79)	(1.64)
EPS - (reported) (SEK)		(1.95)	(2.33)	(2.06)	(1.79)	(1.64)
Dividend per share (SEK)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	100.0	100.0	100.0	100.0
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		2,848	0	0	0	0
Intangible Assets		2,848	0	0	0	0
Tangible Assets		0	0	0	0	0
Investments		0	0	0	0	0
Current Assets		20,372	149,928	101,947	69,742	37,363
Stocks		0	0	0	0	0
Debtors		240	14,391	14,619	15,201	11,401
Cash		16,060	129,543	77,524	44,737	16,158
Other		4,071	5,994	9,804	9,804	9,804
Current Liabilities		(4,380)	(12,574)	(7,147)	(9,116)	(7,942)
Creditors		(4,380)	(12,574)	(7,147)	(9,116)	(7,942)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		(596)	0	0	0	0
Long term borrowings		0	0	0	0	0
Other long term liabilities		(596)	0	0	0	0
Net Assets		18,245	137,354	94,800	60,627	29,421
CASH FLOW						
Operating Cash Flow		(17,097)	(43,482)	(53,838)	(40,687)	(36,428)
Net Interest		(64)	(1,834)	(468)	200	148
Tax		2,229	2,986	3,808	7,700	7,700
Capex		0	0	0	0	0
Acquisitions/disposals		0	0	0	0	0
Financing		21,756	154,715	0	0	0
Other		(191)	1,098	(1,521)	0	0
Dividends		0	0	0	0	0
Net Cash Flow		6,632	113,483	(52,019)	(32,787)	(28,579)
Opening net debt/(cash)		(9,428)	(16,060)	(129,543)	(77,524)	(44,737)
HP finance leases initiated		0	0	0	0	0
Other		(0)	0	0	0	0
Closing net debt/(cash)		(16,060)	(129,543)	(77,524)	(44,737)	(16,158)

Source: RhoVac accounts, Edison Investment Research

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