EDISON

Basilea Pharmaceutica

Innovation meets execution in anti-infectives

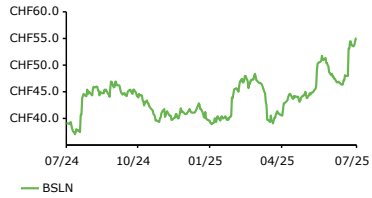
Company outlook

Healthcare

25 July 2025

Price	**CHF55.10**
Market cap	**CHF726m**
	CHF0.8/$
Net cash at 31 December 2024	CHF28.6m
Shares in issue	13.3m
Code	BSLN
Primary exchange	SWX
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	12.8	29.5	38.9
52-week high/low		CHF55.2	CHF36.8

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). In late 2023, it expanded its clinical pipeline to include two antifungals, the Phase III novel broad-spectrum antifungal treatment fosmanogepix (first Phase III trial commenced in September 2024) and Phase II asset BAL2062. In January 2024, Basilea acquired the preclinical LptA inhibitor antibiotics programme from Spexis and BAL2420 has recently been selected as the clinical candidate.

Next events

Fosmanogepix second Phase III trial initiation	Mid-2025
H125 results	August 2025

Analysts

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Basilea Pharmaceutica is a research client of Edison Investment Research Limited

We revisit our investment case for Basilea Pharmaceutica as it is navigating a period of heightened business activity, with the US launch of Zevtera and the anticipated second Phase III trial for lead drug designate fosmanogepix. We believe that Basilea's anti-infectives-focused business model remains resilient amid increased macroeconomic uncertainty, with the building blocks in place for sustained growth. Following a rewarding 2024 (revenues up c 32% y-o-y to CHF208.5m), we continue to expect Cresemba to spearhead growth but see further upside from Zevtera sales in the US. A strong cash balance (CHF124.6m) and R&D backing from BARDA (another $39m committed in July) de-risks development plans in the medium term. Trading at an FY25e P/E ratio of 11x (vs the c 20x industry average), the stock is priced attractively, in our view. We raise our valuation to CHF1,291.4m or CHF105.2 per share (from CHF1,155.5m or CHF95.3/share).

Year end	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHF)	DPS (CHF)	EV/EBITDA (x)	P/E (x)
12/23	157.6	20.8	10.8	0.90	0.00	33.5	61.5
12/24	208.5	62.9	60.6	6.44	0.00	11.1	8.6
12/25e	219.4	63.4	63.1	4.70	0.00	11.0	11.7
12/26e	260.0	75.7	76.4	5.69	0.00	9.2	9.7

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

Zevtera US launch: Another material win

We view the US launch of Zevtera in May 2025 by partner Innoviva Specialty Therapeutics (IST) as a key milestone for Basilea, offering long-term sales visibility and partially offsetting Cresemba as it nears maturity. The US is an important market for Zevtera, representing c 85% of the drug's commercial opportunity, and we expect this launch to boost top-line performance in the coming years (albeit with a modest 2025 contribution as distribution ramps up). Zevtera holds 10-year market exclusivity in the US, and we project peak sales potential of c $370m for the approved indications, led by *Staphylococcus aureus* bacteraemia (SAB).

Upside optionality from a broad clinical pipeline

While Cresemba continues to spearhead growth for Basilea (c 90% of the FY24 revenue of CHF208.5m; 24.8% y-o-y growth in in-market sales of $612m for the 12-month period ended March 2025) and is likely to remain the flag bearer until loss of exclusivity in late 2027, we expect the long-term sales momentum to be secured by the company's broad clinical pipeline. We are particularly encouraged by fosmanogepix, the novel Phase III antifungal, which commenced its first Phase III trial in September 2024 and could potentially match and beat Cresemba's top-line performance. The R&D commitment from BARDA (up to $268m over 12 years; $68m confirmed thus far) further de-risks development plans in the medium term.

Valuation: CHF1,291.4m or CHF105.2 per share

We upgrade Basilea to CHF105.2 (CHF95.3 previously), reflecting Cresemba's strong operating performance, Zevtera's US launch and fosmanogepix's Phase III programme initiation. However, this excludes early-stage assets (BAL2062 and BAL2420), indicating further upside potential on inclusion.

Investment summary

Company description: Leading the anti-infectives charge

Basilea is a Swiss biopharmaceutical company, spun out of Roche in 2000 and listed on the SIX Swiss Exchange since 2004. A strategic reassessment in 2022 saw it exit oncology and transition into a pure-play anti-infectives business. This was a successful move as Basilea became profitable in 2022, with momentum carried into FY25. While its market-leading antifungal, Cresemba, has spearheaded growth thus far, the US launch of the antibiotic Zevtera in May 2025 and a growing pipeline (led by Phase III antifungal fosmanogepix; first Phase III trial initiated in September 2024) provide early signals of a de-risked portfolio and long-term revenue visibility. Bottom-line support also comes from Basilea's lean, partnership-driven operating model (in-licensing assets between late preclinical and end-of Phase II development and out-licensing advanced-stage assets for commercialisation to regional and global partners), allowing it to alleviate capital requirements related to drug discovery and a commercial infrastructure, while still partaking in the upside with royalties and milestones. Additionally, Basilea's R&D efforts have been backed by substantial non-dilutive funding in the form of R&D reimbursement from organisations such as the Biomedical Advanced Research and Development Authority (BARDA) and the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator (CARB-X), lowering its financial risk and freeing up capital, without equity dilution. With its established business model and strong portfolio, Basilea has the building blocks to deliver sustained growth.

Financials: A strengthening balance sheet

Basilea has been free cash flow positive since FY22, allowing the company to materially reduce its indebtedness (by CHF124m since 2022). The company currently has CHF97.1m of convertible senior unsecured bonds outstanding, although debt maturity is not until July 2027. In FY24, Basilea reported revenues of CHF208.5m (up 32.2% y-o-y) and operating profit of CHF61.2m (up 3.2x from CHF19.2m in FY23), bolstering its balance sheet with end-FY24 cash reserves of CHF124.6m (including restricted cash). With the management guiding to FY25 revenues of CHF220m (+5.5% y-o-y) and operating profit of CHF62m, we expect the cash position to continue to improve with Basilea sufficiently funded to support ongoing operations (BARDA will reimburse c 60% of the R&D expenses over the term of the agreement) and service the outstanding debt as it matures.

Valuation: Upgrades to CHF1,291.4m or CHF105.2 per share

We value Basilea at CHF1,291.4m or CHF105.2/share (CHF1,155.5m or CHF95.3/share previously) using a risk-adjusted NPV (rNPV) approach derived from its two marketed products, Cresemba and Zevtera, and the Phase III asset, fosmanogepix. Earlier-stage assets, BAL2062 and BAL2420, have been excluded, and we note the potential upside from inclusion. Following the US launch of Zevtera, we adjust our model to reflect the commercial potential across the three approved indications: SAB, acute bacterial skin and skin structure infections (ABSSSI) and community-acquired bacterial pneumonia (CABP). We estimate peak US sales potential of $370m for Zevtera to be achieved in 2033. For Cresemba, we raise our peak sales estimate to $830m (from $747m) to reflect the stronger-than-expected run-rate recorded for the 12-month period ending March 2025. For fosmanogepix, we raise our probability of success from 60% to 70%, following the initiation of the first Phase III trial and now estimate peak sales of $822m ($801m previously). Cresemba, Zevtera and fosmanogepix account for 53%, 27% and 20% of our implied enterprise value for Basilea, respectively.

Sensitivities

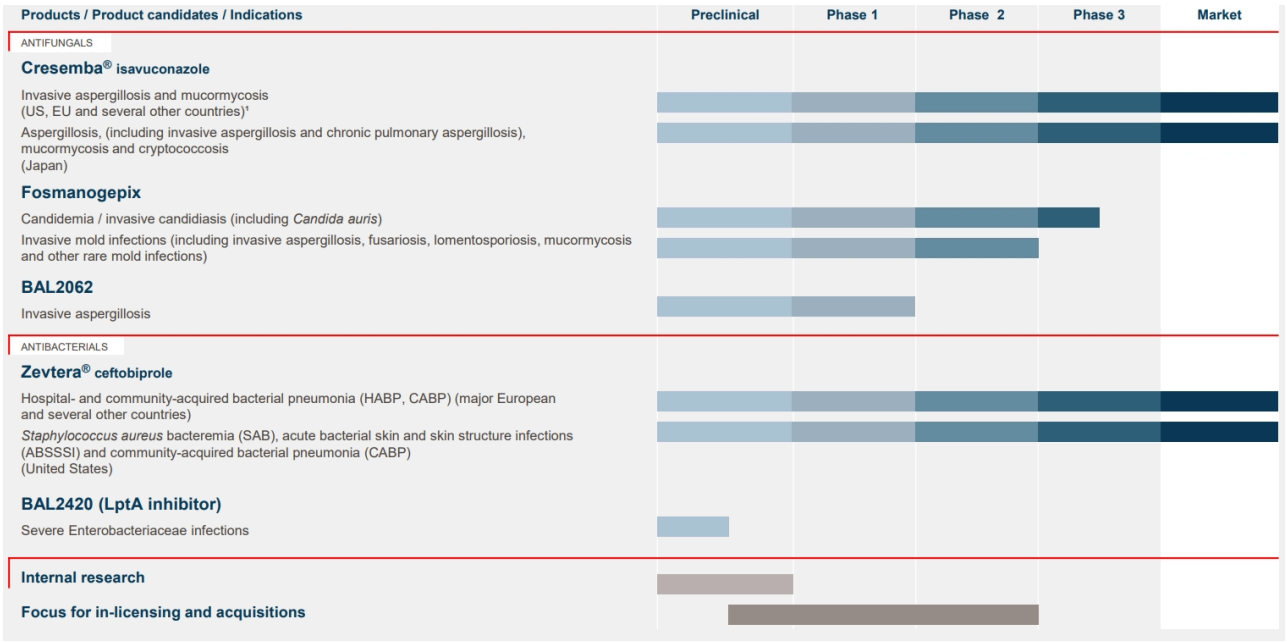
While we believe that Basilea's business model is fairly de-risked in the short term, the key long-term sensitivity relates to Cresemba's upcoming loss of exclusivity in the US and European markets (in Q427). Although sales in China and Japan (c 18% of market potential) and Zevtera's US revenues provide partial offsets, they may not fully compensate for Cresemba's potential sales erosion. A positive outcome for fosmanogepix (touted as Cresemba's successor) in Phase III trials will, therefore, be crucial to reinforce sales momentum and investor confidence. Clinical setbacks or regulatory delays for fosmanogepix could materially affect growth expectations. Commercial risks also persist, especially for Zevtera, which may face pricing or reimbursement pressures from generic versions of competing drugs, such as daptomycin and vancomycin. We believe, however, that our conservative peak sales estimate for Zevtera (daptomycin had peak sales of $1.2bn) largely factors in this sensitivity. In addition, Basilea is exposed to currency volatility, partner execution risk and varying international regulatory landscapes. Any setbacks in licensing, manufacturing or

commercialisation partnerships could constrain both revenues and long-term strategic flexibility.

Advancing the frontlines in anti-infectives

The rising burden of antimicrobial resistance (AMR) has created a public health imperative for novel antibiotics and antifungals. Basilea, with its pure-play focus on anti-infectives, plays a pivotal role in filling this gap with its portfolio of novel treatments. The company has a broad asset portfolio, led by its two commercial-stage products, the antifungal Cresemba and antibacterial Zevtera. The strategic push to expand its anti-infective franchise (following the oncology exit in late 2022) has allowed Basilea to build an impressive clinical pipeline, led by fosmanogepix, a next-generation antifungal with a new mechanism of action, targeting both yeast and mould infections. The earlier-stage pipeline is equally promising and includes the Phase II-ready BAL2062, a novel category of antifungal targeting resistant *Aspergillus* moulds, and BAL2420, an LptA inhibitor active against multi-drug-resistant, gram-negative bacteria (a category that has not seen any single-agent novel class approvals in the past few decades, although several combination treatments have been launched). Both the Phase II trial for BAL2062 and the Phase I trial for BAL2420 are expected to commence in 2026. Basilea also holds an evaluation licence for tonabacase, an antibacterial therapy of the endolysin class (as part of a licence and option agreement with iNtRON Biotechnology signed in October 2023), which it has decided not to pursue following extensive preclinical profiling. Exhibit 1 presents an overview of Basilea's asset portfolio.

Exhibit 1: Basilea's anti-infectives portfolio



Source: Basilea corporate presentation, July 2025. Note: The registration status and approved indications may vary from country to country.

Asset-light, scalable business model…

Basilea employs a capital-efficient, partnership-led operating model that is well-aligned with the economics of the hospital anti-infectives market. The company focuses on in-licensing high-potential anti-infective assets at the late preclinical to late Phase II stage, advancing them through clinical development, with the support of non-dilutive funding sources, such as BARDA and CARB-X. On reaching key development milestones (such as the completion of clinical development or receipt of regulatory approval), Basilea out-licenses regional or global commercial rights to established pharmaceutical partners in exchange for a blend of upfront payments, regulatory and sales-related milestones, and tiered royalties on net sales.

In our view, this model enables Basilea to minimise the financial and operational risks associated with building and running a proprietary commercial infrastructure, while capturing substantial economic upside through global market access and partner-led execution. This approach is particularly effective in the hospital-based anti-infectives segment, where market entry, reimbursement and formulary access are often complex and subject to regulatory and procurement-

driven barriers. We believe the company's business model positions it well to scale its pipeline efficiently and sustain long-term value creation.

As part of this strategy, Basilea has secured multiple regional licensing deals for both Cresemba and Zevtera, covering over 100 countries globally. With Cresemba being the key growth driver in recent years, the most important partnerships for Basilea to date have been with Astellas Pharma (for US commercial rights) and Pfizer (for commercial rights in Europe ex-Nordics, Russia, Turkey, Israel, China and another 16 countries in the Asia-Pacific, APAC, region). Exhibit 2 highlights key existing partnerships for the company. In certain instances, partners have chosen to in-license both products given the significant overlap in the physician prescribing base.

Exhibit 2: Cresemba and Zevtera partners and distribution agreements

Product	Partner/distributor	Territory	Agreement date	Comments
Cresemba	Astellas	US	2010	CHF75m upfront and up to CHF332m in regulatory and sales milestones plus tiered royalties starting in the mid-teens and ramping up to mid-20s on sales. CHF50m in sales milestones received to date.
	Pfizer	Europe (over 40 countries excluding Nordics), Russia, Turkey, Israel, China and 16 Asia-Pacific countries	2017	CHF70m and US$3m upfront and up to US$650m in regulatory and sales milestones plus mid-teens on sales royalties. CHF90m in milestone payments received to date.
	Asahi Kasei Pharma	Japan	2016	CHF7m upfront and up to CHF60m in regulatory and commercial milestone payments, plus double-digit tiered royalties. CHF14m in milestone payments received to date.
Cresemba and Zevtera	Unimedic Pharma*	Nordic countries	2016/17	Upfront and sales milestone payments. Participates in sales through a transfer price.
	Knight Therapeutics*	19 countries in Latin and South America, including Brazil, Mexico, Argentina and Colombia	2016/17	CHF11m upfront, plus milestone payments. Participates in sales through a transfer price.
	Avir Pharma*	Canada	2016/17	Upfront and sales milestone payments. Participates in sales through a transfer price.
	Hikma Pharmaceuticals*	MENA region	2015,2016, 2022 (Egypt)	Upfront and sales milestone payments. Participates in sales through a transfer price. 2018 saw the approval of Cresemba in Jordan, the first country in the MENA region.
Zevtera	Innoviva Specialty Therapeutics	US	2024	US$4m upfront and up to US$223m in sales milestones plus tiered royalties starting in the high-teens and ramping up to mid-20s on sales. Innoviva will also purchase the product for commercialisation from Basilea at transfer price.
	Advanz*	Europe (excluding Nordics) and Israel	2017	Upfront CHF5m and regulatory and commercial milestone payments. Participates in sales through a transfer price.
	Shenzhen China Resources Gosun Pharmaceutical	China	2017	CHF3m execution payment, plus up to CHF145m in additional payments on achievement of regulatory and commercial milestones, plus double-digit tiered royalties.
	JSC Lancet*	Russia and Eurasian Economic Union	2021	Upfront payment of €0.2m and sales milestones. Participates in sales through a transfer price.

Source: Edison Investment Research, Basilea Pharmaceutica. Note: *Distribution agreements where Basilea supplies product at a transfer price.

…further de-risked by R&D backing from government and non-profit organisations

Basilea's R&D efforts have received strong government backing in the form of non-dilutive funding from organisations such as BARDA (as part of project BioShield, which focuses on advancing development of medical countermeasures for public health emergencies, including antibiotic-resistant infections) and CARB-X, which funds the development of antibacterial treatments for drug-resistant pathogens.

BARDA provided c $111m in funding for Zevtera's Phase III clinical studies (c 75% of the costs) and, in September 2024, signed a multi-year other transaction agreement (OTA) with Basilea potentially worth $268m to advance its anti-infectives franchise. The agreement will last up to 12 years and management expects it to cover 60% of development costs related to the covered programmes over the period. As part of the agreement, Basilea received an initial commitment of $29m earmarked for fosmanogepix and BAL2062 and, on 8 July 2025, the company secured a second tranche worth $39m. Management expects this latest funding tranche to support the ongoing and upcoming Phase III studies for fosmanogepix and preparations for the initiation of the Phase II study for BAL2062. Currently, it is unclear whether a portion of the second tranche will be received within FY25; we believe FY26 is a more likely scenario. Of the first tranche of $29m, $7m was realised in FY24, with the remaining $22m expected to be received in FY25. For our model, we assume that the $39m will be fully recognised in FY26, aligning with our previous estimates. In addition to BARDA, Basilea has also received funding support from CARB-X for its preclinical antibacterial agent, BAL2420 (a novel LptA inhibitor). In April 2024, the company received a commitment of $0.9m (to support early preclinical activities) and another $7.3m in December 2024, after nominating BAL2420 as the clinical candidate.

Unlike other pharmaceutical categories, development of anti-infectives faces unique economic and regulatory challenges, including shorter treatment durations (compared to chronic diseases), antimicrobial stewardship (discouraging overuse), complex trials and high clinical development costs. Government R&D funding for promising programmes is therefore essential to ensure the continued development of new-generation and novel treatments. For

Basilea, we believe this long-term funding commitment not only de-risks the company's clinical plans but also provides external validation of its efforts to tackle the threat from drug-resistant infections.

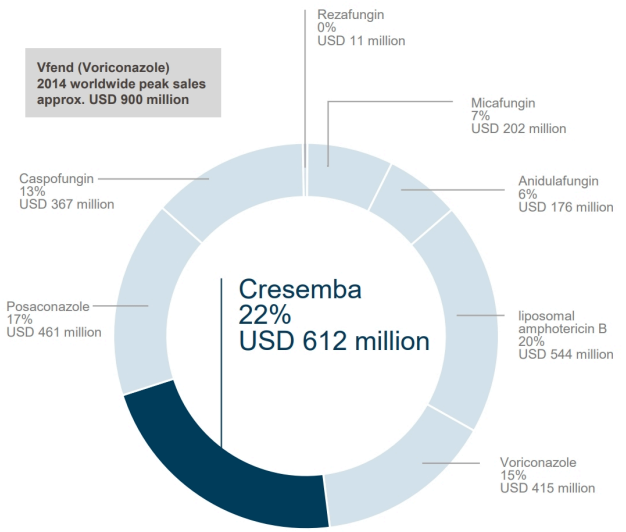
Cresemba: Going from strength to strength

A market-leading antifungal

Cresemba (isavuconazole) is a broad-spectrum antifungal for the treatment of severe, life-threatening, invasive mould infections, such as aspergillosis and mucormycosis in adults (and children in the US), and for cryptococcosis in Japan. It belongs to the azole class of antifungals and is a second-generation triazole, designed to treat serious invasive fungal infections with improved pharmacologic and safety profiles. It is currently marketed in 75 countries including the US, most EU member states, China, Japan and countries in Latin America. Mortality rates for invasive fungal infections remain high, ranging from 40–90% for aspergillosis and 40–80% for mucormycosis, with immunocompromised patients being the most affected. While voriconazole (a triazole marketed under the brand name VFEND by Pfizer; $825m in sales in 2010 prior to loss of exclusivity in 2011) is considered to be the first-line treatment for invasive aspergillosis, Cresemba has demonstrated a similar efficacy profile, a broader spectrum of activity and a superior toxicity profile with fewer drug-related adverse events and discontinuations. The first-line treatment for invasive mucormycosis is liposomal Amphotericin B (a polyene antifungal marketed under the brand name AmBisome by Gilead Sciences; $540m in global sales in 2021) but is characterised by significant renal toxicity, positioning Cresemba as an effective salvage treatment, with a relatively benign safety profile. It is also available in both intravenous (IV) and oral formulations, allowing for more flexibility in treatment.

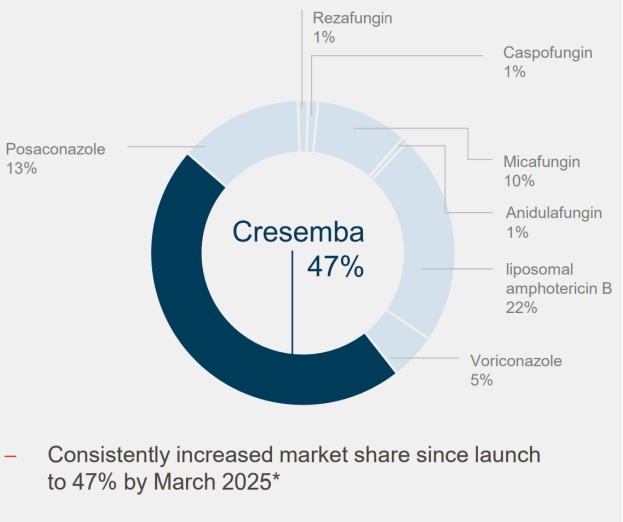
Since its launch in the US and Europe in 2015, Cresemba's strong efficacy and safety profile has allowed it to rapidly gain market share, and it is currently the market-leading branded antifungal globally (among best-in-class antifungals that include posaconazole, voriconazole, liposomal Amp B, anidulafungin, caspofungin, micafungin and rezafungin), with a 22% market share in value terms (Exhibit 3). In the US, Cresemba holds a massive 47% market share (Exhibit 4). According to the latest available data, Cresemba recorded total global in-market sales of $612m in the 12-month period between April 2024 and March 2025 (+24.8% y-o-y) and we believe that, at this run-rate, it is well-placed to pass $800m in peak sales in 2027, before losing market exclusivity in the US and Europe. Based on reported sales figures from partner Astellas Pharma ($310m in the 12 months to March 2025), we calculate that the US market accounted for c 50% of Cresemba's in-market sales, although we have seen increasing contributions from other regions, particularly China and Japan, which together represent 18% of the global market opportunity for the treatment.

Exhibit 3: Cresemba global market share in value terms



Source: Basilea corporate presentation, July 2025. Note: Rounding consistently applied.

Exhibit 4: Cresemba US market share by value



Source: Basilea corporate presentation, July 2025. Note: *Market share based on Q125 moving annual total (MAT) and in-market sales reported as MAT in $. Rounding consistently applied.

Spearheading Basilea's growth efforts

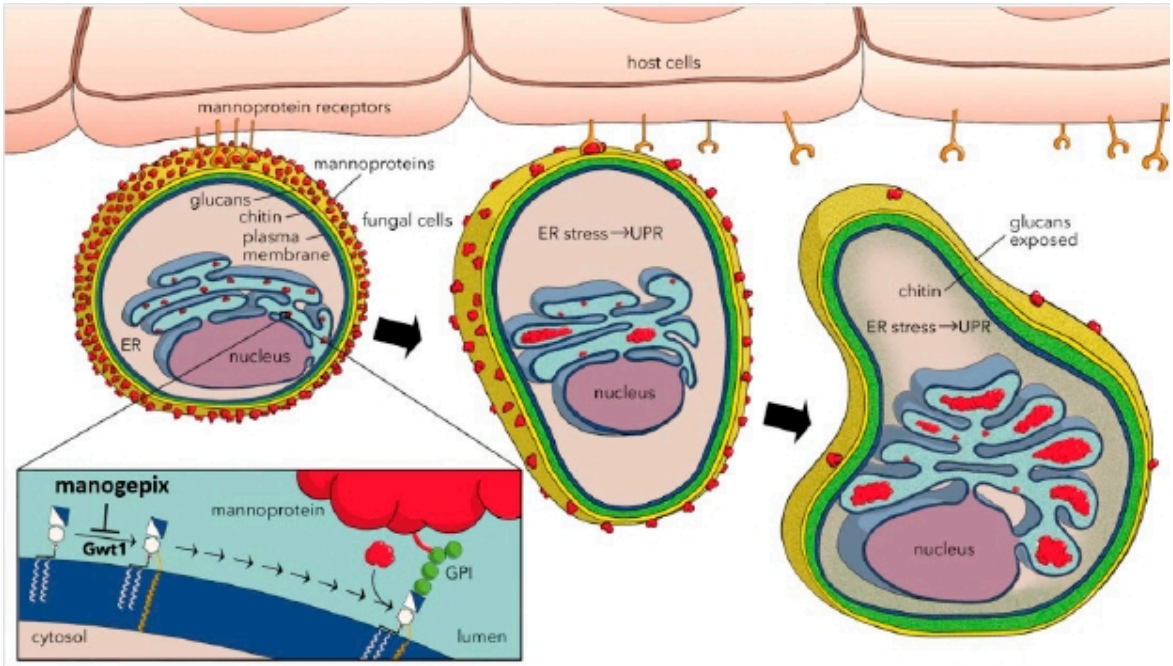
Cresemba continues to be the primary growth driver for Basilea, accounting for c 90% of the FY24 revenues of

CHF208.5m. In FY24, the company recognised CHF96.7m in Cresemba-related royalties, a 22.6% y-o-y growth, which we believe is significant for a mature product and reflects the drug's increasing market share. Strong sales also resulted in CHF38.7m in Cresemba milestone payments, of which over 92% (CHF35.7m) was contributed by Pfizer. This included $25m triggered by achieving a pre-set sales milestone in Europe, CHF10m for the paediatric label expansion in Europe (received in August 2024, extending market exclusivity in Europe by two years to October 2027) and another $5m related to the strong sales performance in the APAC region and China in FY24 (four payments of $1.25m each, received in March, May, August and October 2024). We expect this momentum to be sustained through 2025 and beyond, reflecting management's guidance of double-digit growth in Cresemba royalties in FY25. Basilea has recorded another $5m in milestone payments from Pfizer thus far in 2025 (two separate payments of $2.5m in March and June 2025, related to sales performance in the APAC region and China) and a second sales milestone of CHF1.7m from Asahi Kasei Pharma for Japan (the first sales milestone of CHF1.2m was received in February 2025 but recognised in the FY24 results). Given the guidance of CHF33m in upfront and milestone payments in FY25, we expect performance to be H2-weighted, with the largest contribution to come potentially from Pfizer in Europe or Astellas Pharma in the US. In Europe, sales milestones are triggered on achieving cumulative sales targets rather than standalone annual sales targets under the agreement with Astellas Pharma. We are also encouraged by the growing momentum from China and Japan; the average milestone payment from the APAC region and China has doubled from $1.25m in FY24 and two sales milestones have been received from Japan in quick succession, indicating that sales in these regions may have crossed a material sales benchmark. Looking ahead, we see Cresemba maintaining its sales momentum to maturity in the US and Europe, with future life cycle support to come from China and Japan.

Fosmanogepix: A worthy successor to Cresemba?

Fosmanogepix, the most clinically advanced asset in Basilea's pipeline, is a first-in-class, novel antifungal drug candidate, with the potential to alleviate the rising threat of antifungal resistance. It is a prodrug of manogepix and has a novel mechanism of action, working by blocking the function of the fungal enzyme Glycosylphosphatidylinositol-anchored wall protein transfer 1 (GWT1) leading to cell wall disruption and fungal cell death (Exhibit 5).

Exhibit 5: Fosmanogepix's novel mechanism of action

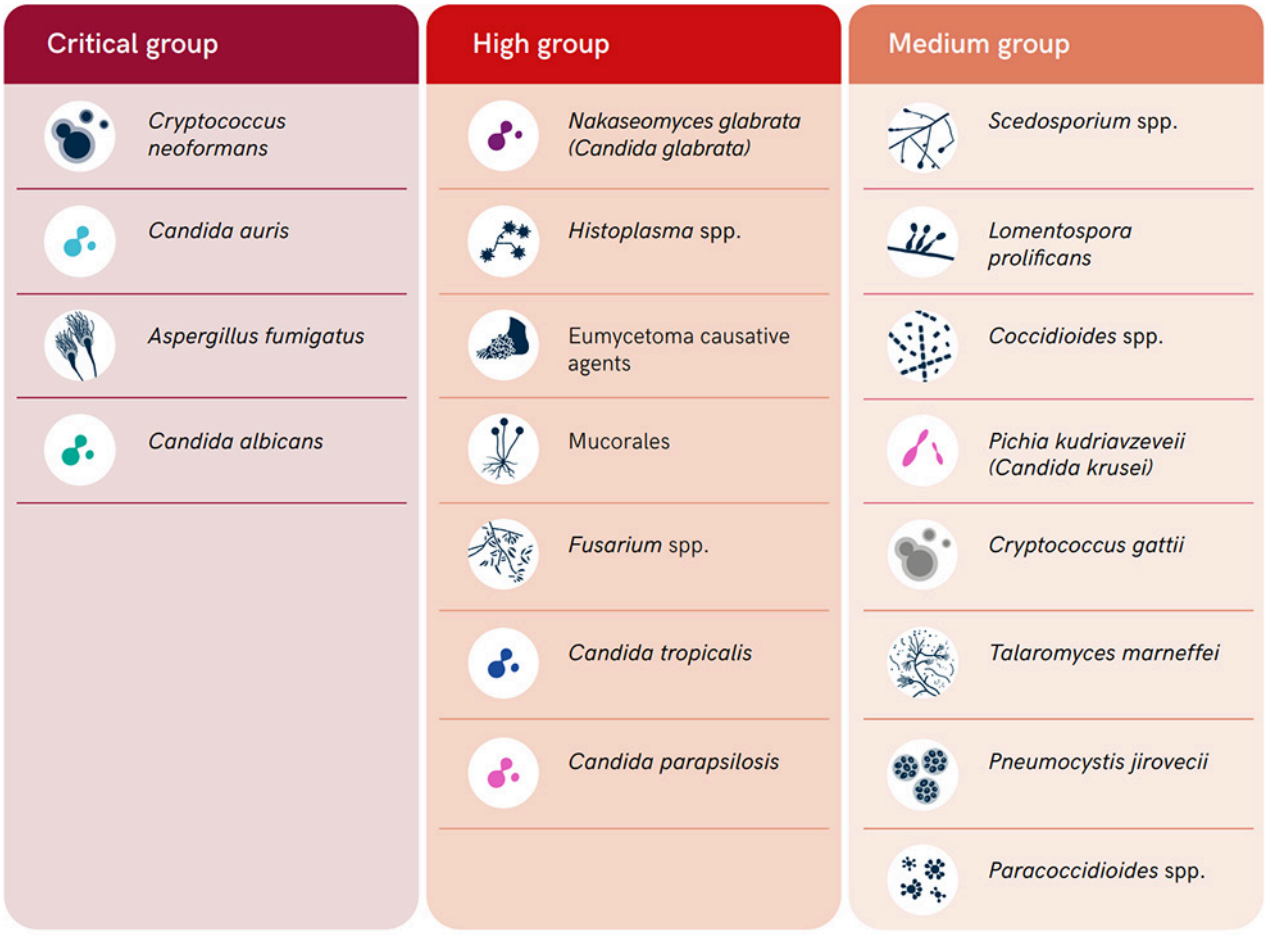


Source: Basilea corporate presentation, July 2025

The drug is being developed in both oral and IV formulations, allowing for treatment in both inpatient and outpatient settings. It also holds fast track and orphan drug designations from the FDA for seven separate indications (invasive candidiasis, invasive aspergillosis, scedosporiosis, fusariosis, mucormycosis, cryptococcosis and coccidioidomycosis), as well as a qualified infectious disease product (QIDP) tag, which should provide 12 years of market exclusivity post launch in the US (seven years due to the orphan drug designation and another five courtesy of the QIDP). To date, fosmanogepix has demonstrated early clinical evidence of potent broad-spectrum activity against a range of pathogens

such as yeasts, moulds and dimorphic fungi, including azole-resistant phenotypes. It is also active against all the critical priority pathogens noted in the World Health Organisation's (WHO's) fungal priority pathogen list (Exhibit 6), such as *Cryptococcus neoformans, Candida auris, Aspergillus fumigatus, Candida albicans*, as well as several others in the high- and medium-priority lists.

Exhibit 6: WHO fungal priority pathogen list



Source: WHO fungal priority pathogens report, 2022

Despite the high mortality rates associated with invasive conditions (ranging from 40–90% as noted above), fungal infections continue to be under-recognised as serious microbial conditions when compared to multi-drug-resistant bacterial infections. This is reflected by the fact that there are currently only four major classes of antifungals approved as treatments (vs 15–20 for antibiotics). These include:

- **Azoles:** the most commonly used antifungals. They are designed to prevent fungi from growing by targeting an enzyme required to create the fungal cell membrane, which leads to eventual cell death. Azoles can be subcategorised as either triazoles or imidazoles. Cresemba is an example of a triazole antifungal therapy. Other key drugs in this category include voriconazole (standard of care for invasive aspergillosis; brand name Vfend, Pfizer), posaconazole (brand name Noxafil, Merck) and fluconazole. Except for Cresemba, all the other drugs noted above are off-patent with generics available.
- **Allylamines:** similar to azoles. They work by interfering with an enzyme implicated in the formation of the fungal cell membrane. However, allylamines are not used as frequently as azoles due to their narrower spectrum of activity and limited systemic use. Major allylamines include terbinafine (Lamisil) and naftifine (Naftin).
- **Polyenes:** natural product-derived treatments that work by making fungal cell walls more porous, rendering the cells more susceptible to bursting. Key drugs in this category include amphotericin B deoxycholate, liposomal amphotericin B (current standard of care for invasive mucormycosis but associated with significant nephrotoxicity; brand name AmBisome; now off-patent) and amphotericin B lipid complex.
- **Echinocandins:** the latest class of antifungals to be approved (with the regulatory nod to caspofungin in January 2001; branded as Cancidas). Current standard of care for invasive candidiasis. The latest generation echinocandin,

rezafungin (brand name Rezzayo), was approved in March 2023. Other drugs in this category include micafungin and anidulafungin.

The unmet need in the space can be gauged from the fact that no new class of antifungal drugs for the treatment of invasive fungal infections has been approved in more than 20 years (after echinocandins). This highlights the urgent need for new antifungal treatments with novel and varied mechanisms of action. According to a report by Research and Markets, the invasive fungal infection treatment market was valued at $7.55bn in 2024 and is expected to reach $9.44bn by 2030, a 3.75% CAGR. We therefore believe that fosmanogepix holds the potential to fill this void, provided efficacy is established in the Phase III clinical studies. This could translate into a significant commercial opportunity for Basilea.

Fosmanogepix's Phase III programme

Fosmanogepix rights were acquired by Basilea in November 2023 from Amplyx Pharmaceuticals, an affiliate of Pfizer. Deal considerations for this late clinical stage, broad-spectrum antifungal include an upfront payment of $37m and potential milestone payments of up to $506m ($110m to Pfizer and $396m from previous agreements), the majority of which relate to regulatory and commercial milestones, as well as tiered single-digit royalties. Pfizer holds the right of first negotiation for commercial rights to fosmanogepix (should the Phase III trials be successful), which we believe it will exercise, should clinical data be favourable.

Given its broad-spectrum activity against both yeast and mould infections, fosmanogepix's global Phase III clinical programme comprises two clinical trials, with the first (in invasive yeast infections, candidemia and invasive candidiasis) commencing in September 2024 and the second study (in invasive mould infections) expected to start in mid-2025. We provide a quick recap of the two studies below:

- For the treatment of candidemia and invasive candidiasis, the Phase III trial (FAST-IC) is a randomised, double-blind, non-inferiority study, aiming to recruit c 450 participants. The trial will compare fosmanogepix (starting with IV administration, with step-down to the oral formulation) with caspofungin (starting with IV administration with step-down to fluconazole). The primary endpoints will be survival at 30 days for the FDA (covering the US region) and overall response at end-of-study treatment (day 42) for the European Medicines Agency (EMA; covering the EU region).
- For the treatment of invasive mould infections, the Phase III trial (FORWARD-IM) is planned to be a randomised, open-label study including a non-controlled salvage treatment arm, aiming to recruit c 220 participants. The trial will compare fosmanogepix (IV or oral formulations) with the best available therapies for invasive mould diseased caused by A*spergillus spp., Fusarium spp., Scedosporium spp., Lomentospora prolificans, Mucorales* fungi or other multidrug-resistant moulds. Planned endpoints include survival and overall response. While we note the slight delay in the commencement of this study (initially planned for end-FY24 and subsequently mid-2025), we believe this to have been driven by the timing of regulatory approvals for the study being more protracted than expected, which is not entirely uncommon in drug development.

We also believe the plans for the second Phase III trial have been partially de-risked by the recent data presented from an expanded access programme (EAP) for fosmanogepix (NCT06433128) at ESCMID Global 2025. As part of the EAP, 250 patients (across 11 countries) with serious fungal infections and who were either refractory or intolerant (had treatment-limiting toxicities) to standard of care were treated with fosmanogepix. Management reported a robust response rate of over 70% for patients with serious infections, such as invasive fusariosis and mucormycosis. Importantly, the drug was well tolerated for extended dosing durations, indicating a strong safety profile. This provides crucial clinical evidence for the fosmanogepix's Phase III plans and should support regulatory dialogue ahead of the second Phase III study.

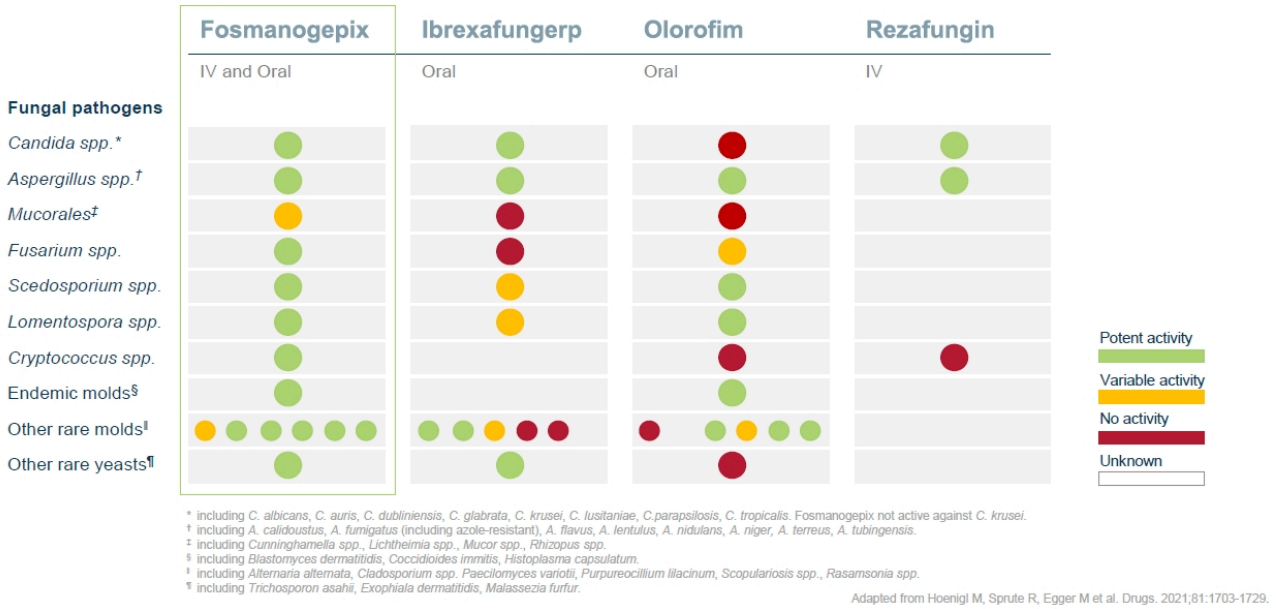
We expect this Phase III programme to run for approximately three to four years. While we had previously estimated peak sales of $800m (to be achieved by 2040), we now raise it to $820m given the growing demand for effective antifungals as reflected by Cresemba's sales growth. Should the trials be successful, we expect fosmanogepix to gradually offset the loss from Cresemba's maturity in late 2027, although the full benefit will likely be realised in the longer term. We therefore anticipate some retraction in revenues and profitability beginning in 2028 but expect this to be only temporary.

Differentiated from competition

While fosmanogepix faces growing competition from the newer crop of antifungals being developed, its broad spectrum of activity, safety profile and convenient dosing allows for a differentiated positioning to both available and emerging

candidates. Exhibit 7 compares the drug's activity against different fungal strains with other promising new treatments in the antifungal space.

Exhibit 7: Fosmanogepix's broad spectrum activity versus peers



Source: Basilea corporate presentation, July 2025

Looking at the competitive landscape, rezafungin was approved by the FDA in March 2023 and is the latest generation echinocandin to be approved for candidemia and invasive candidiasis in adults. The drug offers the advantage of once-weekly dosing (other approved drugs typically require once-daily dosing) although its narrow scope of activity, lack of an oral option and possible vulnerability to resistance mechanisms associated with previous generation echinocandins present downside risks. Olorofim, a Phase III candidate, represents a novel class of antifungals (a dihydroorotate dehydrogenase inhibitor from the orotomide class) targeting invasive mould infections (particularly azole resistant *Aspergillus)* but lacks activity against yeast infections, limiting its utility. Moreover, it is only available in an oral format (it is not offered in an IV formulation), which is another limitation, given patients who are either too sick to take oral medication or have swallowing difficulties. Ibrexafungerp (approved for vulvovaginal candidiasis) is a first-in-class triterpenoid antifungal therapy, currently in Phase III trials in invasive fungal infections. It is distinguished by its oral bioavailability, favourable safety profile and activity against multidrug-resistant pathogens. However, it has a narrower pipeline of target indications compared with fosmanogepix, currently lacks an IV formulation and operates by a similar mechanism to that of echinocandins, sharing the same glucan synthase target, which raises resistance concerns.

While each of the above antifungal drugs come with their own advantages (novel mechanisms or administration advantages), fosmanogepix appears best positioned for broad clinical utility due to its spectrum, stage of development and dosing options.

Zevtera's US launch unlocks upside opportunities

Zevtera (ceftobiprole) is the lead antibacterial asset in Basilea's portfolio, and we view the US commercial launch in May as one of the key developments for Basilea thus far in 2025. This not only broadens the company's operations but also unlocks the full commercial potential for the treatment (the US accounts for c 85% of the drug's commercial opportunity), which we expect will materially boost top-line performance over the coming years. Further upside optionality comes from China where the drug was included in the national reimbursement drug list (NRDL) in December 2024, making it eligible for reimbursement under the Chinese national basic medical insurance programme from 2025. Basilea out-licensed the Chinese (as well as Hong Kong and Macau) marketing rights to Shenzhen China Resources Gosun Pharmaceuticals in 2017 and regulatory approval from the National Medical Products Administration was received in 2022. According to management, China represents c 10% of Zevtera's commercial opportunity.

Zevtera is a broad-spectrum antibiotic with rapid activity against both gram-positive and gram-negative bacteria, including multiresistant strains, such as Methicillin-resistant *Staphylococcus aureus* (MRSA; a serious gram-positive

bacteria, resistant to a number of existing antibiotics). We believe this provides the drug with a differentiated positioning and commensurate commercial opportunity, particularly in light of the growing concerns around AMR.

Zevtera was approved by the FDA in April 2024, although we note that the path to approval was not without challenges. Basilea's initial effort to win the FDA nod for Zevtera to treat complicated skin and soft tissue infections (in 2009) with then partner Johnson & Johnson hit regulatory roadblocks despite strong efficacy data (due to concerns around compliance with good clinical practice at certain trial sites). The rights returned to Basilea in 2010 and the company undertook subsequent development work independently. Zevtera was then launched in Germany in 2014 and, prior to the US approval, has been marketed in China, selected countries in Europe, the Middle East and North Africa region and Canada. While the approval outside the US is restricted to hospital- and community-acquired bacterial pneumonia, the US approval comes with a broader label, covering SAB (including right-sided infective endocarditis in adult patients); ABSSSI and CABP in adult and paediatric patients. Zevtera holds QIDP designation from the FDA, providing it with a 10-year market exclusivity in the US following approval (until April 2034).

Potential backed by solid clinical data…

Zevtera's FDA approval was based on positive clinical efficacy and safety data from three separate Phase III studies:

- ERADICATE (for SAB) – a double-blind, randomised trial investigating the treatment of 390 adult patients with SAB caused by MRSA or methicillin-susceptible *Staphylococcus aureus* (MSSA), including those with infective endocarditis. The comparator arm was daptomycin with or without aztreonam for gram-negative infections. The primary endpoint was the demonstration of non-inferiority (15% non-inferiority margin) versus the comparator arm in the modified intent-to-treat population. Top-line data (released in June 2022) demonstrated an overall success rate of 69.8% in the ceftobiprole arm versus 68.7% in the daptomycin (±aztreonam) arm, indicating non-inferiority. In addition, Basilea reported that initial subgroup analysis showed no significant differences between the two treatment groups.
- TARGET (for ABSSSI) – a 679-patient, randomised, double-blind, active-controlled study evaluating ceftobiprole in the treatment of patients with ABSSSI. The drug met the primary efficacy objective of non-inferiority (within the pre-specified margin of 10%) to vancomycin plus aztreonam in the intent-to-treat population (top-line results reported in August 2019). The primary endpoint (early clinical response) was based on a 20% or more reduction from baseline in lesion size at 48 to 72 hours after start of study drug administration.
- CABP – a randomised, double-blind study comparing ceftobiprole to ceftriaxone, with or without linezolid, in 638 patients with CABP. The trial met its primary endpoint (clinical cure rates at the test-of-cure visit 7–14 days after the end of treatment). Of the patients who received ceftobiprole, 76.4% achieved clinical cure compared with 79.3% of those who received the comparator, demonstrating non-inferiority.

Note that Phase III programme for Zevtera was majority funded by BARDA, with the agency providing c $111m in funding to the SAB and ABSSSI clinical studies (c 75% of the costs), alongside related regulatory activities and non-clinical work.

…and optimised by a synergistic partnership in the US

While the US approval was announced in April 2024, the finalisation of a US licensing partner only came in December 2024, indicating perhaps the intense partnering discussion, given the interest in Zevtera. We therefore see the selection of IST as the US partner as strategic, given the company's established hospital sales force and core capabilities in the commercialisation of advanced anti-infective products. Other anti-infectives in IST's portfolio include Xerava (for treatment of complicated intra-abdominal infections) and Xacduro (for treatment of hospital-acquired and ventilator-associated bacterial pneumonia).

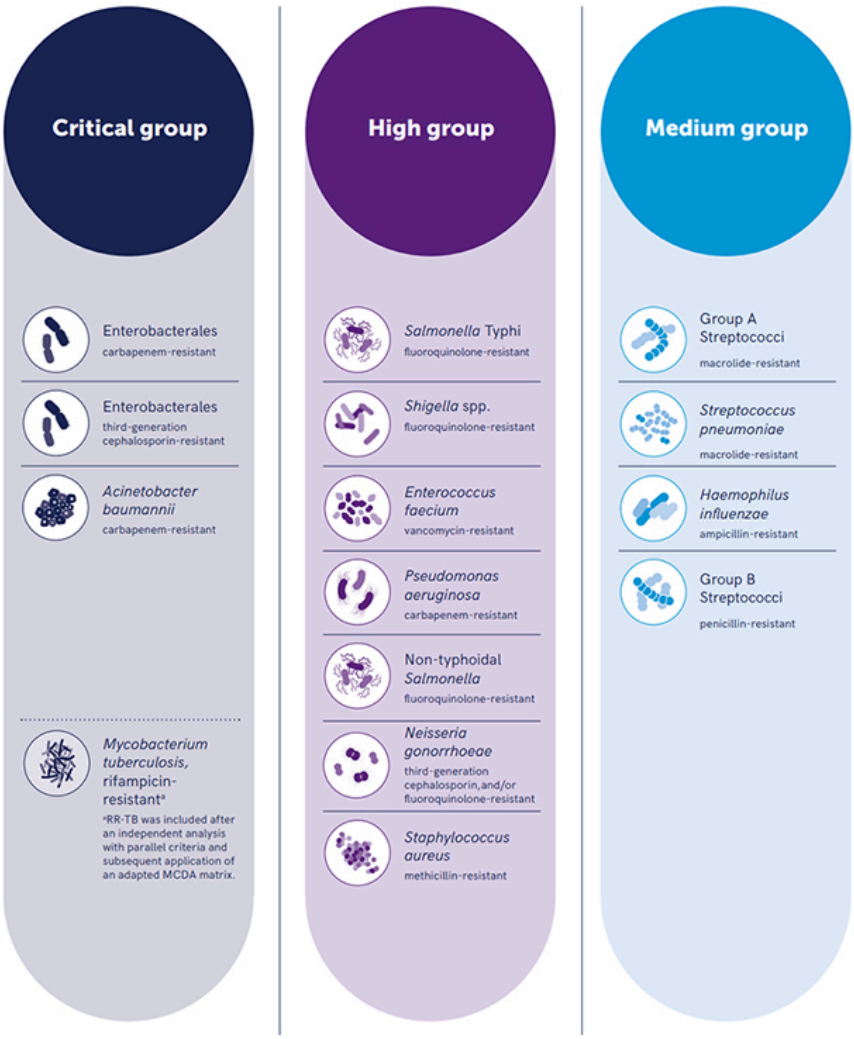
We also view the deal economics (an upfront payment of $4m, up to $223m in sales-related milestone payments and tiered royalties ranging from high-teen to mid-20 percent of sales) as attractive and in line with Basilea's business strategy, which focuses on generating long-term value through high royalty rates, allowing it to partake in the commercial upside from the licensed assets. Given that Basilea is profitable and cash flow positive, we believe that a front-end-loaded deal is not as central to the company's strategy. The company traditionally records any upfront payments from partners as deferred revenue on its balance sheet, which is then gradually recognised as contract revenue over a defined period (until April 2034 in the case of Zevtera). In addition to the above, IST will also purchase its demand of Zevtera drug product from Basilea at transfer pricing (to be recognised as product revenue). This, we believe, is likely to be a higher contributor to Basilea's revenues in the initial years (vs contract revenues, which include royalties and milestone payments).

Antimicrobial resistance, a global healthcare concern

While the discovery of antibiotics in the 1920s (with penicillin) has had a profound impact on the healthcare landscape, antibiotic overuse, rapid evolution of bacterial strains with resistance to existing antibiotics and a limited number of new antibiotics introduced in the past few decades have led to the current situation of emerging superbugs (such as MRSA, carbapenem-resistant *Enterobacteriaceae*, multidrug-resistant *Pseudomonas aeruginosa*). This has resulted in increasing mortality (from life-threatening situations, such as sepsis and organ failure) from previously treatable infections, making invasive infections a significant clinical and public health challenge.

According to the Centers for Disease Control and Prevention's (CDC's) 2019 antibiotic resistance threats report, AMR was directly responsible for 1.27 million deaths globally in 2019, with over 2.8 million antimicrobial-resistant infections occurring in the US alone per year (with 35,000 deaths). AMR also contributed to a further 5 million deaths in 2019, a figure projected to rise to 8.2 million by 2050. MRSA on its own was responsible for 130,000 deaths in 2021, rising over two-fold from 57,000 in 1990. The WHO's 2024 bacterial priority pathogens list covers 24 pathogens that pose the greatest threat to public health due to AMR, spanning 15 families of antibiotic-resistant bacterial pathogens. Similar to antifungals, these are also categorised as critical, high and medium priority (see Exhibit 8). MRSA (the key target for Zevtera) is listed in the high priority category due to its resistance to many common antibiotics and its potential to cause severe, life-threatening infections, a significant global heath burden. According to the 2019 global burden of disease study, in high-income countries c 50% of the fatal burden attributed to AMR is linked to two pathogens, *Staphylococcus aureus* and *Escherichia coli*, highlighting the need for new, more potent antibiotics.

Exhibit 8: WHO priority pathogens list



Source: WHO bacterial priority pathogens list, 2024

Effective antibacterials needed to break the resistance wall

Antibacterial agents can be classified in several ways, including by their chemical structure, their spectrum of activity (broad vs narrow), the type of bacteria they target (eg gram-positive, gram-negative, atypical) and their mechanism of action (bactericidal, destroying bacteria by targeting the cell wall or membrane; or bacteriostatic, impeding the growth or reproduction of bacteria through the inhibition of protein synthesis, nucleic acid synthesis or other crucial metabolic pathways).

Despite the availability of several antibiotic classes, the vast number of pathogenic bacteria and the continued challenge of AMR has necessitated the ongoing development of more effective antibacterial treatments. To our knowledge, there are currently 15–20 broad and distinct classes of antibiotics available (based on their chemical structure), although only a limited number of novel classes have been approved in the past two decades. These are oxazolidinones (2000), lipopeptides (2003), pleuromutilins (2007), diarylquinolines (2007), lipiarmycins (2011) and triazaacenaphthylene (2025). Notably, none of these new classes target gram-negative bacteria (such as *Escherichia coli, Pseudomonas aeruginosa)*, where no novel antibiotics have been introduced in over 50 years. Gram-negative bacteria are more challenging to target than gram-positive due to their cell structure, particularly the outer membrane, which hinders entry of many antibiotics and allows bacteria to actively expel them, making them inherently resistant to a wide range of treatments. Note that nine of 15 antibiotic-resistant families listed in the WHO's 2024 priority pathogens list are gram-negative, including three of the four names in the critical list.

With new treatment classes few and far between, there has been increasing focus on introducing combination treatments and optimised variants of existing classes with expanded spectrum, which target treatment resistant strains (such as Zevtera). While developing narrow-spectrum or pathogen-specific antibacterial agents has been recognised as a potent countermeasure to tackle AMR, this narrower focus also gives rise to challenges around building associated companion diagnostics and high associated costs, highlighting the continued utility of broad-spectrum options.

Zevtera: Addressing unmet needs

Zevtera, a fifth-generation cephalosporin, is part of the beta-lactam class of antibiotics (subclasses include penicillins, cephalosporins, carbapenems and monobactams), which are the most widely used bactericidal antibacterials and have a broad spectrum. While traditional cephalosporins have not shown activity against MRSA, Zevtera has been optimised to target resistant organisms, in particular MRSA. The other fifth-generation cephalosporin is ceftaroline, which was approved for MRSA infections in ABSSSI and CABP in 2010 (the first beta-lactam to be approved for these indications). It is marketed under the brand names Teflaro (US) and Zinforo (EU) by AbbVie (following the acquisition of Allergan in 2020). However, we note that it is not as active against gram-negative bacteria (compared to Zevtera) and does not hold FDA approval in SAB, which we believe will be the primary target indication for Zevtera.

SAB occurs when *Staphylococcus aureus* enters the bloodstream, either from a localised infection (eg, skin, surgical site, catheter) or directly from a primary focus like the lungs or bones. MRSA and MSSA are both types of *Staphylococcus aureus* bacteria that can cause SAB. MRSA accounts for c 50% of all SAB cases (c 120,000 cases in the US annually) and represents an ongoing medical challenge with a mortality rate of up to 50%, materially higher than that for MSSA SAB. MRSA-related deaths result from acute complications, such as septic shock, coagulation issues or lung injury, as well as complications of endocarditis or underlying disease. While traditional IV beta-lactams (penicillin and first-generation cephalosporin) are the first-line treatment for MSSA-related SAB, these are ineffective in the case of MRSA infections. We expect this latter category to be the subset of interest for Zevtera and one that holds the most significant commercial potential for the company.

The current first-line standards of care for MRSA SAB are vancomycin (a glycopeptide class antibacterial, first approved in 1958 with widespread usage in MRSA SAB from the 1980s) and daptomycin (lipopeptide class, first approved for MRSA SAB in 2006). In case of failure, intolerance or acquired resistance (vancomycin- and daptomycin-resistant MRSA strains, while still relatively rare, are becoming a growing concern), ceftaroline and dalbavancin (a second-generation lipoglycopeptide antibiotic approved in 2014 for ABSSSI) may be used off-label as salvage or step-down treatments. Daptomycin, marketed as Cubicin (originally sold by Cubist in the US, which was acquired by Merck in early 2015), recorded global sales of $1.1bn in 2015, before losing market exclusivity in the US in 2016 (2017 in Europe). Note that Cubicin is approved only for SAB and complicated skin and skin-structure infections (after unsuccessful clinical trials in pneumonia). Dalbavancin, sold under the brand name Dalvance by AbbVie, recorded global sales of $450m in 2023. We believe these provide an indicative representation of the market potential for Zevtera.

US market estimates peaking at c $370m

Basilea estimates that, in terms of value, the US represents about 85% of its total global market opportunity for Zevtera. This is based on sales statistics for Cubicin, with the US accounting for 89% of its 2015 revenue (prior to US loss of exclusivity in 2016). We also believe that Cubicin's success in the US (despite availability of generic vancomycin) demonstrates the willingness of US hospitals and physicians to adopt new antibiotics and bodes well for Zevtera's prospects. Note that Zevtera is only the third antibacterial treatment and the first cephalosporin to be approved for MRSA SAB, after showing similar efficacy to vancomycin and daptomycin in Phase III studies. It is also the first MRSA antibiotic to be approved in SAB in almost two decades (since daptomycin's approval in 2006). We therefore expect SAB (in particular MRSA SAB) to be the primary focus indication for Zevtera in the US and conservatively project peak sales of c $275m for this indication. The competitive landscape for MRSA SAB, when looking at novel candidates, is fairly limited with no advanced-stage clinical assets in active development. Exebacase, a novel agent from a new class of antimicrobials called lysins, was being investigated as a potential combination treatment with standard antibiotics in SAB, but clinical development was terminated in 2024 due to futility (the drug did not demonstrate improved clinical outcomes compared to antibiotics alone).

For ABSSSI and CABP, given the lower treatment duration (five to 14 days versus up to four to six weeks for complicated SAB cases) and a more competitive landscape (several approved treatments with more in clinical development), we estimate combined peak sales of c $97m, contributing to an overall US peak sale estimate of c $370m. With the drug's recent inclusion in the NRDL in China, we project global peak sales of $420m for Zevtera. Further details on our assumptions are presented in the valuation section below.

Earlier-stage pipeline provides upside optionality

While we expect fosmanogepix and Zevtera to shoulder Basilea's growth efforts following Cresemba's loss of exclusivity in late 2027, the earlier stage pipeline, including BAL2062 and BAL2420, offers upside optionality not currently included in our estimates.

BAL2062 is a Phase II-ready antifungal compound for the treatment of invasive mould infections, mainly caused by the *Aspergillus* species. It belongs to a novel class of siderophore-like hexapeptide antifungal agents that act via iron siderophore transporter uptake (Sit1 transporter) to disrupt fungal intracellular processes. The asset was acquired from Gravitas Therapeutics (original patent owned by Astellas Pharma) in October 2023. It has previously demonstrated rapid fungicidal activity in vitro against *Aspergillus* species, including azole-resistant strains, *Fusarium* and selected *Candida* species, indicative of a potentially wide spectrum of action. Data from the Phase I study at single and multiple ascending IV doses showed adequate safety and tolerability. Notably, BAL2062 has not shown any cross-resistance with existing antifungal classes, which we believe makes it a prime candidate for development as a salvage therapy or a combination treatment with other antifungals, such as azoles and polyenes. The asset has already received fast track, orphan drug and QIDP designations from the FDA for invasive aspergillosis. Basilea is conducting a preclinical profiling programme to ascertain the optimal clinical development path for BAL2062, with Phase II studies scheduled to commence, on successful completion of the preclinical work, in 2026. Note that the initial two tranches of committed funding from BARDA (totalling $68m), as part of broader R&D funding of up to $268m, was partially earmarked for BAL2062 and BARDA's ongoing support should de-risk the subsequent development plans for the asset.

BAL2420 is the clinical antibacterial candidate selected in 2024 from the LptA inhibitor programme, which was acquired by Basilea in January 2024 from Spexis. The programme comprises a novel class of antibacterials designed to target gram-negative bacteria, which are highly resistant to antibiotics and represent an important ongoing medical dilemma. Novel approvals in this category have been limited and the focus has been on combination treatments with beta-lactamase inhibitors such as ceftazidime/avibactam (Avycaz, approved in 2015), sulbactam/durlobactam (Xacduro, approved in 2023) and aztreonam/avibactam (Emblaveo, approved in 2025). BAL2420 works by targeting the lipopolysaccharide transport bridge within gram-negative bacteria, disrupting the integrity of the outer cell membrane and causing an accumulation of intracellular lipopolysaccharides that, in turn, kills the bacteria. This class of assets has shown bactericidal activity, both in vitro and in vivo, in preclinical studies conducted by Spexis. Activity has been demonstrated against Enterobacteriaceae, such as *E. coli* and *K. pneumoniae*, including strains resistant to beta-lactams and colistin (a polypeptide antibiotic used as a last-resort antibiotic therapy for multi-drug-resistant gram-negative bacteria). The programme has received initial funding of $0.9m from CARB-X and a further $7.3m on the nomination of BAL2420 as the clinical candidate in December 2024. The drug is currently in preclinical development and management expects progress towards clinical studies to start by mid-2026.

In addition to the above, Basilea had been evaluating tonabacase (acquired under a licence and option agreement with iNtRON Biotechnology), a novel antibiotic of the endolysin class designed to address staph infections, including multi-drug-resistant strains. Following the completion of preclinical profiling, Basilea has decided not to exercise its option to initiate exclusive licensing negotiations for further development of the candidate.

While the company has a strong portfolio with two commercial-stage products and three development-stage candidates, it is open to further acquisitions, with a focus on in-licensing or acquiring assets between late preclinical stage and end of Phase II. With long-term R&D backing from BARDA, we believe Basilea will have sufficient liquidity to pursue further opportunistic acquisitions.

Sensitivities

With two commercial-stage assets and a low-capex, asset-light business model, we maintain that Basilea is fairly de-risked in the near term, although some longer-term sensitivities need highlighting.

- **High revenue concentration on Cresemba.** Basilea's long-term revenue trajectory remains highly sensitive to Cresemba's lifecycle, as it currently accounts for c 90% of total revenues. While Cresemba enjoys a market-leading and differentiated position in the invasive fungal space, its market exclusivity is set to expire in key geographies by Q427. We expect momentum in China and Japan as well as the US launch of Zevtera (May 2025) to provide an incremental upside, although it is unlikely to fully offset the expected erosion in Cresemba sales from 2028. In our view, timely commercialisation of pipeline assets, particularly fosmanogepix, is critical to bridging this revenue gap and sustaining long-term growth. We view fosmanogepix as the pivotal next-generation value driver for Basilea. If approved, it could begin to partially offset the anticipated sales contraction from 2028, although a meaningful revenue contribution is more likely to come in the longer term, given the typical antifungal launch curves (peak sales achieved closer to maturity) and access dynamics. The asset's novel mechanism of action and broad-spectrum coverage across resistant fungal pathogens positions it as a potentially strong alternative to Cresemba.
- **Binary sensitivity to clinical outcomes.** While data from the EAP programme and earlier Phase II studies provides promising signals and some de-risking for fosmanogepix, pivotal studies will be necessary to validate efficacy, safety and breadth of pathogen coverage. Any failure in these endpoints would materially impair medium-term growth visibility, particularly as Cresemba enters its late lifecycle phase.
- **Execution risk with its partner-led commercial model.** Basilea's asset-light, royalty-driven business model is underpinned by its network of regional commercial partners. While this structure reduces fixed-cost burden, while still allowing the company to extract economic benefits linked to commercial sales, it also introduces an execution risk tied to partner performance. We note that Basilea has partially mitigated this by pairing with large-cap global pharma players, such as Pfizer (China, APAC) and Astellas Pharma (US), and specialist anti-infective firms, such as IST (US commercial partner for Zevtera). This allows for both scale and focus in different markets. Nevertheless, partner underperformance or reprioritisation remains a residual risk to royalty inflows.
- **Regulatory and market access headwinds.** Given Basilea's focus on infectious diseases, the company operates in a highly regulated environment with several systemic access barriers, including strict antimicrobial stewardship policies, formulary restrictions, pricing pressure and competition from entrenched players and generics. These factors can compress peak sales potential even for clinically differentiated products. For example, Zevtera may face pricing or reimbursement pressures from generic versions of competing drugs, such as daptomycin and vancomycin. That said, historical success with Cresemba and, previously with Cubicin, demonstrates that uptake is possible in this space when products offer meaningful improvements in efficacy, safety or ease of use. We believe this precedent supports the addressable potential for Basilea's pipeline of novel treatments, led by fosmanogepix.

Financials

Yet another guidance beat

FY24 was another stellar year for Basilea, with the company recording its third successive year of cash flow positivity and its strongest operating performance to date. Overall revenues were reported to be CHF208.5m (up 32.2% y-o-y), which beat management's guidance of CHF203m. Cresemba continued to spearhead the growth, contributing c 90%

of FY24 revenue. The company's revenues comprised royalties of CHF96.7m for Cresemba, underpinned by stronger than anticipated in-market sales ($562m for the 12 months ending December 2024), which we believe grew consistently across geographies. Top-line growth was also supported by CHF40.4m in milestone payments (CHF32.2m in FY23). This included c CHF35.7m from Pfizer (comprising $25m sales milestone from Europe, CHF10m for the European paediatric label expansion and $5m across four payments from the APAC region and China), CHF1.2m from Asahi Kasei Pharma (first sales milestone in Japan), CHF1.3m from Avir Pharma for Canada and CHF0.5m respectively from Hikma Pharmaceuticals and Advanz Pharma. Product revenue for the year was CHF57.8m, a 52.5% growth on the FY24 figure of CHF37.9m. In addition, Basilea reported CHF13.7m in other revenues, which primarily consisted of CHF10.2m in BARDA reimbursement (which we believe includes the $7m received in FY24 as part of the OTA agreement) and another $1.8m received from CARB-X. In line with the historical trend, the CHF3.6m ($4m) upfront payment for Zevtera from US licensing partner Innoviva Specialty Therapeutics has been recorded as deferred revenue in the balance sheet by Basilea and will be recognised as contract revenue distributed equally through 2025–34.

The FY24 gross margin was reported to be 81.5%, a slight decline from 83% in FY23, and we attribute this to the higher proportion of product revenues in the overall sales mix in FY24. R&D expenses stayed broadly flat at CHF77.1m (FY23: CHF77.9m), with the reduction in expenses following completion of the Zevtera Phase III programme being offset by the initiation of the first Phase III trial for fosmanogepix. R&D as a percentage of sales declined by 12.4pp to 37.0% (FY23: 49.4%). Around 75% of the Phase III costs for Zevtera were reimbursed by BARDA and, under the latest OTA with BARDA, 60% of the clinical development costs related to fosmanogepix and BAL2062 in FY25 and beyond will also be reimbursed by the agency. SG&A expenses declined by 6.6% to CHF31.5m from CHF33.8m in FY23. Overall, this resulted in Basilea reporting an operating profit of CHF61.2m, a three-fold jump over CHF19.2m reported in FY23 (margin improved to 29.5% from 12.4% in the previous year). This, together with the CHF17.3m in deferred taxes recognised in FY24, resulted in a net profit of CHF77.6m (FY23: CHF10.5m).

The improved profitability was reflected in cash flows, with free cash flow growing to CHF73.4m (up 5.6x from CHF13.2m in FY23) and resulted in the gross cash position improving to CHF120.7m (excluding the CHF3.9m in restricted cash) at the end of FY24 (end-FY23: CHF59.9m). Basilea also holds CHF97.1m of convertible debt on its books, although this is unlikely to lead to near-term liquidity pressures given the July 2027 debt maturity. Similar to the last CHF75m debt repayment, Basilea may intend to pay down or convert this debt, should the cash position be favourable. However, given the ongoing and upcoming clinical trial in 2025/26 (notwithstanding the R&D backing from BARDA and CARB-X) and the company's openness to additional M&A/licensing deals, we currently assume that the debt will either be converted or serviced only at maturity, with our model reflecting debt repayment in 2027 with internally generated funds. Any conversions to equity will be fulfilled using the one million treasury shares held by the company.

FY25 guidance indicative of a strengthening topline

Basilea has guided for FY25 revenues to be CHF220m (+5.5% y-o-y), including royalty income of c CHF110m (+14% y-o-y), contract revenue of CHF35m (including a CHF33m milestone payment), product revenues of c CHF45m and another c CHF30m as BARDA and CARB-X reimbursements. Management has also guided for R&D expenses to rise to CHF88m, which we believe is largely due to the fosmanogepix Phase III programme. Overall, operating profit is expected to be CHF62m, in line with the FY24 figure. However, we anticipate that net profitability will drop slightly, with management expecting to recognise income tax in FY25 against CHF17.3m in tax assets in FY24. Exhibit 9 presents the key metrics related to the guidance.

Exhibit 9: Company guidance

CHFm	FY24 guidance	FY24 actual results	FY25 guidance
Cresemba- and Zevtera-related revenue	c 190	195	c 190
Of which – royalty income		*97*	*c 110*
Of which – milestone and upfront payments		*40*	*c 33*
Other revenue (including BARDA and CARB-X reimbursements)		14	c 30
Total revenue	c 203	209	c 220
Cost of products sold		39	
R&D expenses		77	c 88
Operating expenses		109	
Operating profit	c 43	61	c 62
Net profit	c 60	78	

Source: Basilea corporate presentation, July 2025

We update our FY25 estimates to reflect management's guidance. We now project Cresemba- and Zevtera-related

revenues of CHF189.7m (lower than our previous estimate of CHF195.8m). This includes a Cresemba-related royalty payment of CHF110.6m and milestones of CHF33.0m. Our FY25 estimates reflect only a modest contribution from Zevtera's US launch as partner IST ramps up sales activities and hospital negotiations. We upgrade our estimate for the BARDA and CARB-X reimbursement to c CHF30m (from CHF18m previously), in line with management guidance. Overall, we now forecast FY25 revenues of CHF219.7m, marginally higher than our previous estimate of CHF219.1m. However, should the over 20% run-rate for Cresemba's in-market sales be maintained (better-than-expected performance for the 12 months ended March 2025, with a +24.8% y-o-y growth in in-market sales to US $612m), there is a high likelihood for the guidance to be upgraded (with a commensurate increase in royalties). Cost as a percentage of sales is now estimated to be 16.7%, higher than our previous estimate of 15.8% but lower than the FY24 figure of 18.5% due to lower product revenues expected in FY25. We also adjust our operating expenses estimate to CHF120.1m (vs CHF130.3m previously) to reconcile with the company guidance for operating profits. Overall, we now estimate FY25 operating profit of CHF61.7m (versus our previous estimate of CHF54.2m). In total, we expect an operating cash inflow of CHF62.0m, which, accounting for capex, results in a net cash inflow of CHF60.1m in FY25.

We also introduce FY26 estimates, forecasting revenues of CHF259.6m, which includes CHF126m in royalties, CHF30m in milestones and CHF31m ($39m) for the BARDA reimbursement, in line with the announced second tranche commitment, which we fully recognise in FY26. However, the exact timing of receipt of milestone payments and BARDA reimbursement can be variable, so these figures may be subject to change. We also estimate higher operating expenses (CHF146.1m), showing the full-year impact of both Phase III trials for fosmanogepix and the possible entry of BAL2062 and BAL2420 into the clinic in FY26. With its strong operating performance and R&D backing from government agencies, we believe Basilea is sufficiently capitalised to fund operations and service debt repayments into the foreseeable future.

Valuation

We value Basilea using an rNPV approach for its two commercial-stage assets, Cresemba and Zevtera, and the late clinical-stage asset fosmanogepix. Cresemba has continued to outperform in recent years and the latest in-market sales figure shows that it continues to gain momentum, an impressive result for a product approaching maturity. We had previously estimated peak sales of $747m for the treatment but, based on the fact that the company has already recorded $612m in sales (for the 12 months to March 2025) and assuming the run-rate momentum continues, we see a high probability of Cresemba exceeding this threshold. We therefore raise our peak sales estimate for Cresemba to $830m, to be achieved at maturity in late 2027. The valuation benefit from this has been offset, however, by the reduced timeline to maturity (and associated cash flows) as we roll forward our model by a year. Overall, our rNPV valuation for Cresemba adjusts to CHF670.4m, from CHF690.0m previously.

We also update our model to reflect Zevtera's recent launch in the US and potential across all three approved indications. As discussed previously, we assume SAB, in particular MRSA-associated SAB (50% of all cases), to be the main target indication for Zevtera. Based on the annual incidence of SAB in the US (120–150k), we estimate the addressable population for Zevtera to be between 65k and 80k patients per year (MRSA SAB patients). We assume a peak penetration of 40% for the drug, to be achieved in 2033. We model a treatment cost of $9,000 per patient (based on the expected average treatment duration of two to three weeks for SAB cases). This has been gauged from the average treatment cost for daptomycin at the time of launch and prior to loss of exclusivity (per vial list price of c $500 and recommended dose of one vial per day). This price discount to daptomycin considers the availability of generics for both daptomycin and vancomycin, which cost around $1,500–2,000 for the treatment. Considering the aforementioned assumptions, we estimate peak sales of c $275m for Zevtera in SAB in the US (to be achieved in 2033).

Despite the materially larger patient populations, we see MRSA-associated ABSSSI and CABP as comparatively smaller opportunities for Zevtera, given the highly competitive landscape with several other approved treatments. We project peak penetration of 2.5% and 5% for Zevtera in ABSSSI and CABP and a per patient treatment cost of $4,500 (based on a recommended treatment duration of five to 14 days). Given these assumptions, we project peak sales potential of $77m and $19m in ABSSSI and CABP, respectively. Overall, this adds up to $370m in peak sales in the US for Zevtera. Under the licensing agreement with IST, Basilea is entitled to receive up to $223m in sales milestones and tiered royalties in the high-teens to mid-20s percentage range. Our updated rNPV for Zevtera stands at CHF341.1m, up from CHF316.3m previously.

For fosmanogepix, we raise our peak sales estimate slightly to c $822m (from c $800m) taking guidance from the strong demand for Cresemba, indicative of increasing market potential for advanced antifungals. We also increase our probability of success to 70% (from 60% previously), following the commencement of the Phase III programme. All other

assumptions remain unchanged. We continue to estimate clinical trial costs of $150m for the two Phase III trials for fosmanogepix, with 60% of these costs (c $90m) to be reimbursed by BARDA. Our rNPV valuation for fosmanogepix increases to CHF251.3m, from CHF175.4m previously.

Adjusting for the above, rolling forward our model and incorporating the latest net debt figure (CHF28.6m), our valuation for Basilea increases to CHF1,291.4m or CHF105.2 per share (from CHF1,155.5m or CHF95.3 per share previously). Cresemba, Zevtera and fosmanogepix account for 53%, 27% and 20% of our implied enterprise value for Basilea, respectively. Exhibit 10 provides a breakdown of our rNPV valuation of Basilea by asset.

Exhibit 10: Basilea rNPV valuation

Product	Indication	Launch	Peak sales ($m)	NPV (CHFm)	Probability	rNPV (CHFm)	rNPV/share (CHF)
Cresemba (isavuconazole)	Invasive fungal infections	2015 (US); 2016 (EU); 2018 (RoW); 2022 (China); 2023 (Japan)	830	670	100%	670.4	54.6
Zevtera/Mabelio (ceftobiprole)	Severe bacterial infections	2015 (EU); 2018 (RoW); mid-2025 (US)	418	341	100%	341.1	27.8
Fosmanogepix	Invasive fungal infections	2028 (US, Europe and Japan); 2029 (China and RoW)	822	364	70%	251.3	20.5
Net cash at end-December 2024				28.6	100%	28.6	2.3
Valuation				**1,404**		**1,291.4**	**105.2**

Source: Edison Investment Research

Exhibit 11: Financial Summary

Accounts: US GAAP, Yr end: December 31, CHF:000s	2022	2023	2024	2025e	2026e
PROFIT & LOSS					
Total revenues	**147,765**	**157,634**	**208,543**	**219,419**	**259,973**
Product revenues (Cresemba and Zevtera)	122,315	150,275	194,865	189,433	227,751
Cost of sales	(24,603)	(26,794)	(38,681)	(36,684)	(40,299)
Gross profit	**123,162**	**130,840**	**169,862**	**182,735**	**219,673**
Research and development expenses	(73,804)	(77,852)	(77,143)	(88,541)	(109,606)
SG&A costs	(30,815)	(33,783)	(31,542)	(32,751)	(36,501)
EBITDA (reported)	**19,640**	**20,782**	**62,909**	**63,371**	**75,677**
Reported operating income	**18,543**	**19,205**	**61,177**	**61,442**	**73,567**
Finance income/(expense)	(6,441)	(8,744)	(917)	1,308	2,506
Profit before tax (reported)	**12,102**	**10,461**	**60,260**	**62,751**	**76,073**
Profit before tax (normalised)	**12,302**	**10,761**	**60,560**	**63,060**	**76,394**
Income tax expense (includes exceptionals)	45	(10)	17,333	(6,275)	(7,607)
Net income (reported)	**12,147**	**10,451**	**77,593**	**56,476**	**68,466**
Basic average number of shares, m	12	12	12	12	12
Basic EPS (CHF c)	102	87	642	467	566
Adjusted EPS (CHF c)	104	90	644	470	569
BALANCE SHEET					
Restricted cash	22,000	0	0	0	0
Tangible assets	4,277	3,757	4,010	4,090	4,001
Intangible assets	578	548	374	265	144
Long-term investments	1,266	0	0	0	0
Deferred tax assets	0	0	17,333	11,058	3,451
Other non-current assets	17,363	16,839	15,136	15,136	15,136
Total non-current assets	**45,484**	**21,144**	**36,853**	**30,549**	**22,732**
Cash and equivalents	84,659	59,933	120,711	180,611	249,156
Restricted cash	1,908	4,389	3,849	3,849	3,849
Inventories	24,244	26,410	31,609	30,151	33,123
Trade and other receivables	33,152	27,891	8,876	9,017	10,684
Other current assets	31,401	33,522	55,866	55,866	55,866
Total current assets	**175,364**	**152,145**	**220,911**	**279,495**	**352,677**
Convertible senior unsecured bonds (long-term)	95,000	95,455	95,912	95,912	95,912
Senior secured loan	36,360	0	0	0	0
Deferred revenue	10,693	9,460	11,385	9,835	8,285
Non-current operating lease liabilities	16,323	15,636	13,697	13,697	13,697
Other non-current liabilities	8,337	15,149	10,213	10,213	10,213
Total non-current liabilities	**166,713**	**135,700**	**131,207**	**129,657**	**128,107**
Convertible senior unsecured bonds (short-term)	0	0	0	0	0
Senior secured loan	37,467	15,453	0	0	0
Accounts payable	191	5,847	11,487	10,050	11,041
Deferred revenue	1,233	1,233	1,615	1,615	1,615
Current operating lease liabilities	1,988	2,062	2,062	2,062	2,062
Other current liabilities	33,971	22,997	30,394	30,394	30,394
Total current liabilities	**74,850**	**47,592**	**45,558**	**44,121**	**45,112**
CASH FLOW STATEMENT					
Reported net income	**12,147**	**10,451**	**77,593**	**56,476**	**68,466**
Depreciation and amortisation	1,097	1,577	1,732	1,929	2,110
Share based payments	3,598	4,762	5,066	5,066	5,066
Deferred tax	0	0	(17,333)	6,275	7,607
Other adjustments	497	1,443	1,624	0	0
Movements in working capital	(10,282)	(3,988)	5,681	(1,670)	(5,198)
Cash from operations (CFO)	**7,057**	**14,245**	**74,363**	**68,075**	**78,052**
Capex	(3,138)	(813)	(1,710)	(1,700)	(1,700)
Short-term investments	94,951	0	0	0	0
Long-term investments	0	0	781	0	0
Other investing activities	(165)	(221)	(82)	(200)	(200)
Cash used in investing activities (CFIA)	**91,648**	**(1,034)**	**(1,011)**	**(1,900)**	**(1,900)**
Net proceeds from issue of shares	250	(381)	0	0	0
Movements in debt	(49,672)	(59,314)	(15,603)	0	0
Other financing activities	4,176	2,390	2,439	0	0
Cash from financing activities (CFF)	**(45,246)**	**(57,305)**	**(13,164)**	**0**	**0**
Cash and equivalents at beginning of period	54,952	108,566	64,322	124,560	190,735
Increase/(decrease) in cash and equivalents	53,459	(44,094)	60,188	66,175	76,152
Effect of FX on cash and equivalents	155	(150)	50	0	0
Cash and equivalents at end of period	**108,566**	**64,322**	**124,560**	**190,735**	**266,887**
Net (debt)/cash	(60,260)	(46,586)	28,648	88,548	157,093

Source: Company documents, Edison Investment Research

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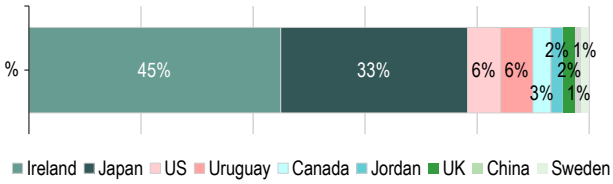
Revenue by geography



Note: Split based on location of customer.

Management team

CEO: David Veitch

David Veitch joined Basilea in 2014 as chief commercial officer and was appointed CEO in 2018. Prior to this he served as president of European operations at Savient Pharmaceuticals (2012–13) and senior vice president of European marketing and brand commercialisation at Bristol-Myers Squibb (2007–11). From 2004 to 2007, he was vice president and general manager UK at Bristol-Myers Squibb. David previously held various general management and commercial roles at Bristol-Myers Squibb and commercial roles with SmithKline Beecham Pharmaceuticals. He holds a BSc in biology from the University of Bristol.

CFO: Adesh Kaul

Adesh Kaul has been CFO at Basilea since 2019. He was previously chief corporate development officer at the company (2018) and, before that, head of corporate development. Adesh joined Basilea in 2009 and held various positions until 2015, including head of business development and licensing, investor relations and head of public relations and corporate communications. From 2015 to 2016, he served as CFO and head corporate development at Polyphor. From 2006 to 2009, he was a senior financial analyst at Neue Zürcher Bank and, before that, he held several senior executive positions in general management and in sales and marketing at Genedata. He holds master's degrees in economics and biochemistry from the University of Basel and an executive MBA from the University of St Gallen.

CMO: Marc Engelhardt, MD

Marc Engelhardt has been CMO at Basilea since 2018. He previously held the position of head of development, leading Basilea's clinical research and development group. He joined the company in 2010 as head of clinical research. Prior to that, he served as global programme medical director at Novartis Pharma and held various positions with increasing responsibility at Bracco Altana, Germany and Bracco Diagnostics, US. He holds a medical degree and a PhD from the Goethe University Frankfurt and is board certified in internal medicine.

CSO: Laurenz Kellenberger, PhD

Laurenz Kellenberger has been CSO at Basilea since 2009. He joined the company in 2000 and held several leadership positions in research, with responsibility for key projects from lead finding and optimisation through to preclinical development, including as head of chemistry. He started his career as a researcher at the University of Cambridge and at F. Hoffmann-La Roche, where he held different positions in preclinical research and chemical technologies. He holds a PhD in organic chemistry from the ETH Zürich and has authored numerous scientific publications.

CTO: Gerrit Hauck, PhD

Gerrit Hauck has been CTO at Basilea since 2018. He joined the company from Sanofi, where he held various technical operations and management functions during his 24-year career there, including formulation development, plant management and global CMC leadership. Most recently, he was cluster head of synthetic molecules, overseeing most of Sanofi's technical development programmes for synthetic molecules from preclinical candidate to launch. Since January 2012, he has been a member of Sanofi's research-stage gate committee, which was responsible for the transition of candidate molecules from research into development. He graduated as a pharmacist from the University of Heidelberg and holds a PhD from Saarland University.

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	%
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Vanguard Group	3.6
Montagu Private Equity	2.5
Zurich Cantonal Bank	2.1
Credit Suisse Group	2.0
CI Financial Corp	1.9
Blackrock Inc.	1.7
Bank of America	1.7
JPMorgan Chase	1.3
Black Creek Investment Management	1.1

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