

# Pixium Vision

## Capital increase strengthens funding runway

On 13 July Pixium announced a €8m capital increase, which addresses a nearer-term funding need and should enable the company to focus on continuing the ongoing PRIMavera pivotal study. Net proceeds are expected to provide Pixium with sufficient additional funding to complete all the required implantations and follow-up visits as part of the PRIMavera study to generate the necessary data required for a CE marking application in Europe. Pixium expects to be sufficiently funded through the end of 2022, which we believe removes a near-term funding gap overhang and may result in market participants placing greater attention on the Prima commercial opportunity and PRIMavera data inflection point, rather than funding needs.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	1.8	(9.8)	(0.44)	0.0	N/A	N/A
12/20	2.1	(8.7)	(0.26)	0.0	N/A	N/A
12/21e	2.4	(10.7)	(0.22)	0.0	N/A	N/A
12/22e	1.6	(13.9)	(0.24)	0.0	N/A	N/A

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

## New healthcare investors joining Pixium

Pixium announced a €8m (gross) capital increase (€7.376m net) whereby several new healthcare-focused institutional investors agreed to subscribe to 8.097m shares and 4.0486m warrants (each warrant provides the right to purchase one share at €1.24 per share for up to five years) at an effective price of €0.988 for each share plus 0.50 of a share-purchase warrant. Excluding the warrants, shares outstanding will increase by 16.5% (and 24.7% if all warrants are exercised).

## Financing boosts US investor base

Most investors in this latest capital increase were US based and healthcare focused, which we believe bodes well for Pixium's longer-term fundraising needs. We expect Pixium will need to raise further capital to commercialise Prima in Europe and to fund a US pivotal study. Having a strengthened US investor base should increase US investor visibility and could facilitate future funding needs. We believe the company is still interested in obtaining a US listing, although with this latest capital increase, the company has strengthened its working capital and may now have greater flexibility with respect to timing for a potential US listing.

## Valuation: Mild dilution in equity valuation per share

After adding €8.3m pro forma H121e net cash and rolling forward our estimates, we obtain an equity valuation of €138.0m, or €2.41 per basic share (vs €2.55 previously). The per-share valuation is affected by increased shares outstanding after the capital increase. Assuming full exercise of the July 2021 warrants, our fully diluted equity valuation would be €2.33 per share.

## Capital increase

### Healthcare equipment & services

16 July 2021

**Price** €0.76

**Market cap** €43m

\$1.18/€

Net cash (€m) at 31 December 2020 (excluding lease liabilities) 3.3

Shares in issue (as of 15 July) 57.2m

Free float 64%

Code ALPIX

Primary exchange Euronext Growth Paris

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (23.2) (42.9) 43.7

Rel (local) (21.4) (44.8) 13.7

52-week high/low €2.09 €0.50

### Business description

Pixium Vision develops bionic vision systems for patients with severe vision loss. Its lead product, Prima, is a wireless sub-retinal implant system designed for dry-AMD. The company recently started a European pivotal study.

### Next events

36-month data from European feasibility study Q421/Q122

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## Funding secured until late 2022

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Pixium has [announced](#) a €8m (gross) capital increase (€7.376m net of offering costs) by way of a private placement whereby several new healthcare-focused institutional investors agreed to subscribe to 8.097m shares and 4.0486m warrants (each warrant provides the right to purchase one share at €1.24 per share) at an effective price of €0.988 for each share plus 0.50 of a share purchase warrant. Each BSA (warrant) is immediately exercisable on issuance for up to five years. Excluding the warrants, the total number of shares outstanding will increase by 16.5% (and by 24.7% if all warrants are exercised), or to c 57.23m shares outstanding. The new shares are expected to trade from 15 July.

Net proceeds are intended to provide the company with sufficient additional funding to complete all the required implantations and follow-up visits as part of the [PRIMAvera European pivotal study](#) to generate the necessary efficacy and safety data required for a CE marking application for the Prima Bionic Vision System in Europe. It has previously guided that top-line PRIMAvera data would be released in early 2023, with the CE mark filing application expected shortly thereafter. Pixium reported H121 gross cash of €10.13m and indicated that with the net proceeds from this capital increase, it expects to be able to finance its operations until year-end 2022.

Overall, we view this announcement as a positive for Pixium as it removes a near-term funding gap overhang given that before the capital increase, the market recognised that Pixium would be in need of additional funds within about six months. With the company now funded through the expected completion of primary data accumulation for the PRIMAvera trial (12 months of data post-implantation) and potentially to the Q123 expected release of primary efficacy data, we believe the company is a better position to focus its efforts on completing this programme and potential investors may now pay greater attention to the Prima commercial opportunity and PRIMAvera data inflection point rather than funding needs.

Most investors in this latest capital increase were US based and healthcare focused, which we believe bodes well for the company's longer-term fundraising needs. We expect Pixium will need to raise further capital to commercialise Prima in Europe and to fund a US pivotal study, and having a strengthened US investor base should increase US investor visibility, which could facilitate future funding needs. We believe the company is still interested in obtaining a US listing for Pixium, although with this latest capital increase, the company may now have greater flexibility in this regard (it can now wait for a potentially higher market valuation to opportunistically pursue a future raise or US listing).

## Prima on track for potential European launch before YE23

Pixium began the PRIMAvera trial for Prima in late 2020 and it [announced](#) the first successful implantation in April 2021. The open-label, baseline-controlled, prospective, single-arm confirmatory trial is designed to enrol 38 patients. The primary efficacy endpoint is the proportion of subjects with an improvement of visual acuity of logMAR 0.2 or more from baseline to 12 months and the primary safety endpoint is the number and severity of device and procedure-related serious adverse events at 12 months follow-up. The company expects to release top-line data in early 2023, aiming for a CE mark submission in Europe in H123, leading to a potential European approval and launch in

late 2023. For the US market, our baseline estimate continues to assume a potential US launch of H225, but there is a possibility this could be brought forward if the FDA agrees to an approach that would allow the PRIMavera trial to serve as a registration-enabling study in this market. Nonetheless, we continue to model that a separate US pivotal study will start implantations in H122, and that a US PMA and launch will occur in H225.

## Financials

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Pixium had a Q420 net cash position of €3.3m (€10.6m in gross cash and €7.2m gross debt), excluding €1.3m in lease liabilities. Since YE20, in addition to this €8m (gross) capital raise, the company raised another €1.25m tranche from its European Select Growth Opportunities Fund (ESGO) financing facility, followed by two €1m tranches (announced in April), and converted about €1.28m of its outstanding ESGO debt into equity. On 8 April, Pixium also received a \$1m payment from Second Sight.

We estimate H121 pro forma net cash of c €8.3m (€17.5m gross cash following the capital increase offset by €9.2m estimated current gross debt). We believe Pixium's funds on hand should last through the end of Q422. Our model assumes Pixium will need to raise €24.4m (from €31.8m, previously) in additional funds before year-end 2023, modelled as illustrative long-term debt, to complete the PRIMavera pivotal study, all EU-related regulatory and preparatory commercial activities and bring Prima to commercial launch. We expect part of this requirement will be fulfilled using the remaining (or unused) €3.0m in tranches from the ESGO funding facility. All in, we model a €12.5m raise in 2022 and €11.9m in 2023.

## Valuation

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Our local-currency revenue assumptions are unchanged. We have increased our 2021e net loss estimate by €0.6m to account for the capital raise's financing costs but have left our operating expense forecasts for 2022 and future years unchanged. We have adjusted our forex assumptions to \$1.18/€ (from \$1.22/€ previously) and after rolling forward our estimates, we now obtain an rNPV of €129.1m (from €122.5m, previously). After adding €8.3m pro forma H121e net cash, we obtain an equity valuation of €138.0m, or €2.41 per basic share (vs €2.55 previously). The per-share valuation is affected by increased shares outstanding following the capital increase. Assuming full exercise of the July 2021 warrants, our fully diluted equity valuation would be €2.33 per share.

**Exhibit 1: Pixium Vision rNPV assumptions**

Product contribution	Indication	Status	NPV (€m)	Prob. of success	rNPV (€m)	rNPV/sh are (€)	Launch year	Peak sales (€m) in 2029
Prima (net of R&D and SG&A costs) in EU Market	Age-related macular degeneration with geographic atrophy	Pivotal study	614.2	25.00%	146.7	2.56	Q423	438
Prima (net of R&D and SG&A costs) in US Market	Age-related macular degeneration with geographic atrophy	Human feasibility trials	361.9	20.00%	72.1	1.26	H225	380
Net capex, NWC & taxes (Global)			(364.0)		(89.1)	(1.56)		
Total			612.2		129.7	2.27		
Net cash (H121e) pro forma including July 2021 capital increase			8.3		8.3	0.15		
Total equity value			620.5		138.0	2.41		
Basic shares outstanding (000) (post-July 2021 capital increase)			57,228					

Source: Edison Investment Research

**Exhibit 2: Financial summary**

	€000s	2017	2018	2019	2020	2021e	2022e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
Revenue		2,535	1,598	1,782	2,092	2,440	1,600
Cost of Sales		(1,124)	(41)	0	0	0	0
General & Administrative		(5,324)	(2,019)	(3,572)	(4,017)	(3,800)	(3,545)
Research & Development		(7,817)	(5,297)	(6,563)	(5,711)	(8,400)	(10,400)
EBITDA		(11,731)	(5,758)	(8,352)	(7,636)	(9,760)	(12,345)
Depreciation		(936)	(677)	(448)	(366)	(409)	(497)
Amortization		0	0	0	0	0	0
Operating Profit (before exceptionals)		(12,666)	(6,435)	(8,801)	(8,003)	(10,169)	(12,842)
Exceptionals		0	(5,859)	(69)	(448)	(624)	0
Other		0	0	0	0	0	0
Operating Profit		(12,666)	(12,294)	(8,870)	(8,450)	(10,793)	(12,842)
Net Interest		(876)	(1,277)	(1,006)	(700)	(543)	(1,090)
Profit Before Tax (norm)		(13,542)	(7,712)	(9,806)	(8,703)	(10,712)	(13,933)
Profit Before Tax (FRS 3)		(13,542)	(13,571)	(9,876)	(9,150)	(11,336)	(13,933)
Tax		0	0	0	0	0	0
Profit After Tax and minority interests (norm)		(13,542)	(7,712)	(9,806)	(8,703)	(10,712)	(13,933)
Profit After Tax and minority interests (FRS 3)		(13,542)	(13,571)	(9,876)	(9,150)	(11,336)	(13,933)
Average Number of Shares Outstanding (m)		13.3	18.5	22.3	34.0	49.8	57.8
EPS - normalised (€)		(1.02)	(0.42)	(0.44)	(0.26)	(0.22)	(0.24)
EPS - normalised and fully diluted (€)		(1.02)	(0.42)	(0.44)	(0.26)	(0.22)	(0.24)
EPS - (IFRS) (€)		(1.02)	(0.73)	(0.44)	(0.27)	(0.23)	(0.24)
Dividend per share (€)		0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET</b>							
Fixed Assets		9,649	3,666	4,507	3,411	3,226	2,772
Intangible Assets		7,680	2,623	2,361	1,727	1,727	1,727
Tangible Assets		1,970	1,042	2,145	1,684	1,499	1,046
Current Assets		14,241	17,756	9,107	12,721	12,904	14,677
Short-term investments		0	0	0	0	0	0
Cash		10,532	15,629	6,792	10,566	10,664	12,438
Other		3,710	2,126	2,316	2,155	2,240	2,240
Current Liabilities		(2,752)	(2,044)	(2,880)	(3,795)	(4,059)	(6,359)
Creditors		(2,752)	(2,044)	(2,880)	(3,260)	(3,524)	(5,824)
Short term borrowings		0	0	0	(536)	(536)	(536)
Long Term Liabilities		(9,302)	(8,023)	(7,033)	(7,851)	(9,821)	(22,321)
Long term borrowings		(9,130)	(7,870)	(5,787)	(6,695)	(8,665)	(21,165)
Other long term liabilities		(172)	(153)	(1,246)	(1,157)	(1,157)	(1,157)
Net Assets		11,836	11,355	3,700	4,485	2,249	(11,231)
<b>CASH FLOW</b>							
Operating Cash Flow		(10,605)	(6,174)	(7,282)	(6,206)	(9,761)	(9,592)
Net Interest		(876)	(1,277)	(1,006)	(700)	(543)	(1,090)
Tax		0	0	0	0	0	0
Net Operating Cash Flow		(11,481)	(7,450)	(8,288)	(6,906)	(10,304)	(10,682)
Capex		(191)	(31)	(34)	(82)	(224)	(44)
Acquisitions/disposals		0	0	0	0	0	0
Financing		519	14,068	2,034	9,055	8,656	0
Net Cash Flow		(11,153)	6,587	(6,288)	2,068	(1,872)	(10,726)
Opening net debt/(cash)		(12,911)	(1,401)	(7,760)	(1,004)	(3,336)	(1,464)
HP finance leases initiated		0	0	0	0	0	0
Other		(357)	(228)	(468)	264	0	0
Closing net debt/(cash)		(1,401)	(7,760)	(1,004)	(3,336)	(1,464)	9,263
Lease debt		na	na	1,346	1,258	1,258	1,258
Closing net debt/(cash) inclusive of IFRS16 lease debt		(1,401)	(7,760)	342	(2,078)	(206)	10,520

Source: Edison Investment Research, Pixium Vision

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