

Sequana Medical

H122 update

Approaching key inflection points

Sequana Medical reported H122 financials with expenditure mildly above our forecasts and confirmed previous guidance for its cash runway to last into Q323, including €10m in potential proceeds from its Kreos loan facility. Most importantly, it maintained guidance for key upcoming catalysts, namely its expectation to report top-line data for its North American POSEIDON study of alfapump in recurrent and refractory ascites (RRA) in Q422 and to submit a US premarket approval (PMA) application in H223, assuming positive data. Sequana also expects to commence enrolment in H123 for the MOJAVE Phase Ib/IIa US trial assessing DSR 2.0 as short-term direct sodium removal (DSR) therapy in chronic heart failure patients with persistent congestion.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/20	1.0	(19.0)	(1.25)	0.0	N/A	N/A
12/21	0.4	(24.4)	(1.36)	0.0	N/A	N/A
12/22e	0.8	(26.3)	(1.12)	0.0	N/A	N/A
12/23e	0.8	(25.1)	(1.05)	0.0	N/A	N/A

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

No major surprises in H122 financials

Sequana reported an EBITDA loss of €13.2m in H122 (+15% y-o-y) and a net operating cash burn rate of €13.7m (+15% y-o-y), above our estimates of €11.2m and €12.1m, respectively. The main H122 variances were in SG&A costs (€4.7m versus our €3.4m estimate) and gross R&D-related expenses (€9.2m versus our €8.3m estimate). Despite these variances, we are not materially revising our projections, given that the company's cash runway guidance is unchanged and remains consistent with our projections.

European alfapump sales exceeded our expectations

H122 alfapump sales in Europe were €0.46m (versus €0.02m in H121), above our €0.3m estimate and up 33% from H221. The relaxing of COVID-19 restrictions in Europe helped restore alfapump commercial activity in Europe. While we slightly raised our FY22e and FY23e sales forecasts in this region, we may further revisit our assumptions if sales outperformance continues. We view the North American commercial opportunity as potentially much stronger, as discussed in our [recent Outlook report](#), given the rising prevalence of non-alcoholic steatohepatitis (NASH).

Valuation: Minor adjustments

We have increased our FY22 and FY23 SG&A estimates, and our post-FY23e sales forecasts in local currency terms are essentially unchanged. We have revised our forecasts to reflect €/€ parity (versus \$1.02/€ previously). These changes result in a pipeline rNPV valuation of €273.8m (vs €276.4m previously). After adding H122 net cash of €16.2m (€23.8m gross cash offset by €7.6m in debt excluding lease liabilities), we obtain an equity valuation of €290m or €12.21/share (€10.96 fully diluted) versus €12.38 per share previously (€11.11 fully diluted).

Pharma and biotech

12 September 2022

Price **€5.52**

Market cap **€131m**

\$1.00/€

Net cash (€m) at 30 June 2022 16.2

Shares in issue 23.75m

Free float 45%

Code SEQUA

Primary exchange Euronext

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (3.4) (1.4) (11.8)

Rel (local) 0.5 3.7 1.5

52-week high/low €8.38 €4.86

Business description

Based in Belgium, Sequana Medical develops products to treat diuretic-resistant fluid overload, a frequent complication of liver disease and heart failure. Its proprietary alfapump and DSR approaches aim to provide significant clinical and quality-of-life benefits in these fluid overload conditions.

Next events

POSEIDON alfapump pivotal study primary efficacy data Q422

Top-line data from SAHARA using DSR 2.0 and DSR 1.0 Q422

Analysts

Pooya Hemami OD MBA CFA 646 653 7026

healthcare@edisongroup.com

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Exhibit 1: Financial summary

	€000s	2018	2019	2020	2021	2022e	2023e	2024e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue		1,029	971	963	371	764	795	3,178
Cost of Sales		(158)	(198)	(202)	(77)	(163)	(159)	(636)
Gross Profit		871	773	761	294	601	636	2,542
General & Administrative		(8,206)	(7,102)	(6,738)	(7,177)	(8,205)	(9,364)	(15,583)
Net Research & Development		(5,816)	(7,652)	(11,835)	(16,935)	(17,211)	(14,900)	(9,300)
Operating profit before exceptionals		(13,150)	(13,981)	(17,813)	(23,818)	(24,815)	(23,628)	(22,340)
EBITDA		(13,070)	(13,737)	(17,506)	(23,409)	(24,347)	(23,008)	(21,823)
Depreciation & other		(81)	(244)	(307)	(409)	(467)	(620)	(517)
Operating Profit (before amort. and except.)		(13,150)	(13,981)	(17,813)	(23,818)	(24,815)	(23,628)	(22,340)
Exceptionals including asset impairment		74	18	41	1,205	0	0	0
Operating Profit		(13,077)	(13,964)	(17,771)	(22,613)	(24,815)	(23,628)	(22,340)
Net Interest		(883)	(878)	(1,178)	(608)	(1,456)	(1,430)	(3,542)
Profit Before Tax (norm)		(14,033)	(14,859)	(18,991)	(24,426)	(26,270)	(25,059)	(25,883)
Profit Before Tax (FRS 3)		(13,960)	(14,841)	(18,949)	(23,221)	(26,270)	(25,059)	(25,883)
Tax		(24)	(136)	(157)	(393)	(257)	0	0
Profit After Tax and minority interests (norm)		(14,057)	(14,995)	(19,148)	(24,819)	(26,527)	(25,059)	(25,883)
Profit After Tax and minority interests (FRS 3)		(13,983)	(14,977)	(19,106)	(23,614)	(26,527)	(25,059)	(25,883)
Average Number of Shares Outstanding (m)		10.0	12.3	15.3	18.2	23.8	23.9	23.9
EPS - normalised (€)		(1.41)	(1.22)	(1.25)	(1.36)	(1.12)	(1.05)	(1.08)
EPS - normalised and fully diluted (€)		(1.41)	(1.22)	(1.25)	(1.36)	(1.12)	(1.05)	(1.08)
EPS - (IFRS) (€)		(1.40)	(1.22)	(1.25)	(1.30)	(1.12)	(1.05)	(1.08)
Dividend per share (€)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET								
Fixed Assets		242	829	772	1,814	2,465	2,163	2,361
Tangible Assets		184	765	705	1,732	2,377	2,075	2,273
Investments in long-term financial assets		58	63	67	82	88	88	88
Current Assets		3,099	8,522	13,441	12,890	12,909	13,225	13,194
Short-term investments		0	0	0	0	0	0	0
Cash		1,318	5,586	11,016	9,600	12,247	12,919	11,485
Other		1,782	2,935	2,425	3,290	661	307	1,709
Current Liabilities		(18,727)	(5,315)	(5,966)	(7,180)	(4,867)	(4,360)	(4,819)
Creditors		(6,654)	(4,855)	(5,966)	(7,180)	(4,867)	(4,360)	(4,819)
Short term borrowings		(12,073)	(459)	0	0	0	0	0
Long Term Liabilities		(3,374)	(3,110)	(8,135)	(8,312)	(9,003)	(34,003)	(59,003)
Long term borrowings		(2,582)	(2,261)	(7,473)	(7,325)	(7,582)	(32,582)	(57,582)
Other long term liabilities		(792)	(849)	(662)	(987)	(1,421)	(1,421)	(1,421)
Net Assets		(18,760)	926	113	(788)	1,504	(22,975)	(48,266)
CASH FLOW								
Operating Cash Flow		(8,987)	(17,596)	(15,791)	(22,786)	(23,638)	(22,580)	(22,177)
Net interest and financing income (expense)		(883)	(878)	(1,178)	(608)	(1,456)	(1,430)	(3,542)
Tax		(5)	(9)	(36)	(222)	0	0	0
Net Operating Cash Flow		(9,875)	(18,482)	(17,005)	(23,616)	(25,094)	(24,011)	(25,719)
Capex		(39)	(106)	(138)	(326)	(575)	(318)	(715)
Acquisitions/disposals		0	0	0	0	0	0	0
Financing (net of costs)		2	26,165	19,000	22,771	28,427	0	0
Dividends		0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0
Net Cash Flow		(9,912)	7,576	1,857	(1,171)	2,758	(24,329)	(26,434)
Opening net debt/(cash)		0	13,337	(2,866)	(3,543)	(2,275)	(4,665)	19,663
HP finance leases initiated		0	0	0	0	0	0	0
Other		(3,425)	8,627	(1,179)	(97)	(368)	(0)	0
Closing net debt/(cash)		13,337	(2,866)	(3,543)	(2,275)	(4,665)	19,663	46,097
Lease debt		N/A	504	387	760	1,074	1,074	1,074
Closing net debt/(cash) inclusive of IFRS16 lease debt		13,337	(2,362)	(3,157)	(1,515)	(3,591)	20,737	47,171

Source: company data, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia