

# IRLAB Therapeutics

Q123 results

## Positive signs for mesdopetam in Q1 update

IRLAB Therapeutics has [reported](#) Q123 results, providing a financial update and highlighting its near-term strategic priorities. The company intends to present further comprehensive data from the Phase IIb mesdopetam study in FY23, while discussions with Ipsen continue regarding the next clinical steps for the drug. Patient recruitment in the PD-Falls Phase IIb pirepemat study continues as planned, with patient enrolment expected by end FY23. We see this as a positive indicator that IRLAB is on track to deliver top-line results in H124. In light of the quarterly results, we have made adjustments to our forecasts and estimate that IRLAB's net cash position of SEK210.1m at end March is sufficient to fund operations to the end of Q124. The company's lower net cash position has been offset slightly by rolling our model forward. Our valuation is virtually unchanged at SEK4.90bn or SEK94.7/share (previously SEK4.84bn or SEK93.3/share)

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/21	207.9	91.1	1.76	0.0	N/A	N/A
12/22	61.3	(113.1)	(2.18)	0.0	N/A	N/A
12/23e	0.2	(208.4)	(4.02)	0.0	N/A	N/A
12/24e	0.2	(190.2)	(3.67)	0.0	N/A	N/A

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

## Collaboration with Ipsen continues

In its Q123 report, IRLAB highlighted that it remains in discussions with Ipsen (the licensee for mesdopetam) about the future, potentially registrational, clinical path for mesdopetam. However, Ipsen has still not been confirmed whether it intends to progress the drug into later studies. We note that Ipsen is currently conducting preparatory work including [pharmacokinetic studies](#) and upscale manufacturing, which, together with mesdopetam's clinical results to date, IRLAB believes marks the drug as a Phase III-ready asset.

## Cash runway to end Q124

In the light of IRLAB's quarterly results, we have adjusted our forecasts. We now estimate FY23 R&D expenses of SEK169m (previously SEK132m) and operating losses of SEK208m (previously SEK160m). We attribute the increase in R&D expenses to ongoing patient recruitment in the Phase IIb pirepemat study, as well as development activities associated with preparing IRL757 and IRL942 for Phase I studies. We estimate that IRLAB's net cash position of SEK210.1m at end Q123 provides an operating cash runway to end Q124.

## Valuation: SEK4.90bn or SEK94.7share

We value IRLAB at SEK4.90bn or SEK94.7/share (previously SEK4.84bn or SEK93.3/share). Our valuation is largely unchanged, but is affected by the lower net cash position, which has been slightly offset by rolling our model forward by three months.

### Pharma and biotech

15 May 2023

**Price** **SEK9.78**
**Market cap** **SEK507m**

SEK10.41/US\$

Net cash (SEKm) at 31 March 2023 210.1  
(ex-lease liabilities)

Shares in issue 51.8m

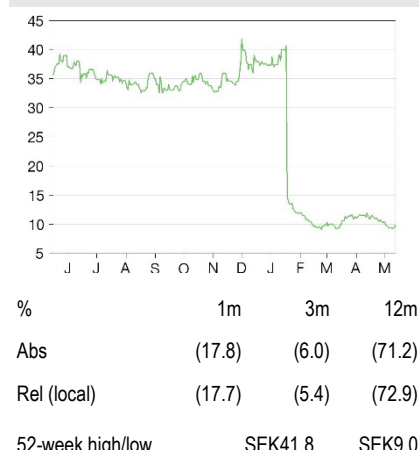
Free float 68%

Code IRLABA

Primary exchange Nasdaq Stockholm

Secondary exchange N/A

### Share price performance



### Business description

Based in Sweden, IRLAB Therapeutics is focused on developing novel drugs for the treatment of neurodegenerative diseases utilising its ISP technology platform. Its two lead assets are in late-stage clinical trials for the symptomatic treatment of Parkinson's disease (PD): mesdopetam (D3 antagonist) and pirepemat (PFC enhancer).

### Next events

IRL757 Phase I ready H223

Top-line Phase IIb pirepemat data in PD-Falls H124

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## Financials and valuation

Following IRLAB's Q123 report, we have updated our financial estimates and forecast FY23 operating losses of SEK208m (previously SEK160m), with net cash outflows from operating activities of SEK200m (previously SEK156m). The increase in operating expenses has been attributed to costs associated with the ongoing Phase IIb pirepemat study, as well as preparatory Phase I activities for IRL757 and IRL942. We expect operating losses to reduce slightly in FY24 to SEK190m due to winding down the Phase IIb mesdopetam trial by end FY23 and forecast operating cash outflows of SEK187m. As such, we estimate that IRLAB's net cash position of SEK210.1m at end March 2023 is sufficient to fund operations to end Q124.

We estimate that IRLAB will need to raise SEK750m before becoming self-sustainable in FY28 with the projected launches of mesdopetam and pirepemat. We account for this funding as illustrative debt in our model and have distributed the raise (SEK250m per year) across three consecutive years (FY24–26). Alternatively, if funding is realised through an equity issue instead (assuming at the current trading price of SEK9.78/share), IRLAB would need to issue 76.7m shares, resulting in our per-share valuation decreasing to SEK38.1 from SEK94.7 currently (the number of shares outstanding would increase from 51.8m to 128.6m). As part of IRLAB's licensing agreement with Ipsen for mesdopetam, it could potentially receive up to US\$335m in development, regulatory and sales-based milestones, which would have an impact on its financing requirements. However, as a result of the Phase IIb mesdopetam study missing its primary endpoint, the timings of such payments are uncertain.

Our valuation of IRLAB remains largely unchanged at SEK4.90bn or SEK94.7/share (previously SEK4.84bn or SEK93.3/share). Our valuation is based on a risk-adjusted NPV calculation for the company's lead clinical assets, mesdopetam and pirepemat (applying a 12.5% discount rate), and reflects a net cash position of SEK210.1m at end December 2022. A breakdown of our rNPV valuation is shown in Exhibit 1.

**Exhibit 1: IRLAB rNPV valuation**

Product	Launch	Peak	Peak sales (\$m)	Value (SEKm)	Probability	rNPV (SEKm)	rNPV/share (SEK)
Mesdopetam – PD-LIDs	2028	2034	1,268.5	5,276.8	40%	2,125.3	41.0
Mesdopetam – PD-Psychosis	2029	2035	493.7	2,316.0	30%	715.8	13.8
Pirepemat – PD-Falls (postural hypotension)	2028	2034	1,062.1	6,260.5	30%	1,853.7	35.8
Net cash at end-March 2023				210.1	100%	210.1	4.1
<b>Valuation</b>				<b>14,063.4</b>		<b>4,904.8</b>	<b>94.7</b>

Source: Edison Investment Research

**Exhibit 2: Financial summary**

Accounts: IFRS, year-end: 31 December, SEK000s	2020	2021	2022	2023e	2024e
<b>PROFIT &amp; LOSS</b>					
Total revenues	404	207,906	61,277	223	163
Cost of sales	0	0	0	0	0
Gross profit	404	207,906	61,277	223	163
Total operating expenses	(91,862)	(155,330)	(174,386)	(208,427)	(190,325)
Research and development expenses	(75,989)	(129,748)	(146,178)	(168,579)	(156,053)
EBITDA (reported)	(89,202)	56,050	(108,330)	(205,063)	(187,004)
Operating income (reported)	(91,458)	52,576	(113,109)	(208,204)	(190,162)
Operating margin %	N/A	N/A	N/A	N/A	N/A
Finance income/(expense)	(195)	(795)	(297)	(230)	(6)
Exceptionals and adjustments	0	0	0	0	0
Profit before tax (reported)	(91,653)	51,781	(113,406)	(208,434)	(190,168)
Profit before tax (normalised)	(91,394)	91,131	(113,147)	(208,434)	(190,168)
Income tax expense (includes exceptionals)	0	0	0	0	0
Net income (reported)	(91,653)	51,781	(113,406)	(208,434)	(190,168)
Net income (normalised)	(91,394)	91,131	(113,147)	(208,434)	(190,168)
Basic average number of shares, m	47.7	51.7	51.8	51.8	51.8
Basic EPS (SEK)	(1.92)	1.00	(2.19)	(4.02)	(3.67)
Adjusted EPS (SEK)	(1.92)	1.76	(2.18)	(4.02)	(3.67)
Dividend per share (SEK)	0.00	0.00	0.00	0.00	0.00
<b>BALANCE SHEET</b>					
Tangible assets	4,317	8,348	8,009	5,161	2,296
Intangible assets	82,010	42,661	46,862	46,862	46,862
Other non-current assets	0	0	0	0	0
Total non-current assets	86,327	51,009	54,871	52,023	49,158
Cash and equivalents	277,009	401,897	252,776	51,550	114,248
Inventories	0	0	0	0	0
Trade and other receivables	6,732	19,543	15,908	13,522	13,522
Other current assets	0	0	0	0	0
Total current assets	283,741	421,440	268,684	65,072	127,769
Non-current loans and borrowings	0	0	0	0	250,000
Non-current lease liabilities	1,270	3,566	381	315	315
Other non-current liabilities	0	0	0	0	0
Total non-current liabilities	1,270	3,566	381	315	250,315
Accounts payable	3,683	4,634	0	0	0
Non-current loans and borrowings	0	0	0	0	0
Current lease liabilities	1,657	3,034	3,595	2,762	2,762
Deferred Income	0	42,576	0	0	0
Other current liabilities	15,578	19,158	28,748	31,623	31,623
Total current liabilities	20,918	69,402	32,343	34,385	34,385
Equity attributable to company	347,880	399,481	290,830	82,396	(107,772)
<b>CASH FLOW STATEMENT</b>					
Operating income	(91,458)	52,576	(113,109)	(208,204)	(190,162)
Depreciation and amortisation	2,256	3,474	4,779	3,141	3,158
Share based payments	0	0	0	0	0
Other adjustments	(195)	38,295	(297)	(230)	(6)
Movements in working capital	183	34,296	(33,985)	5,195	0
Cash from operations (CFO)	(89,214)	128,641	(142,612)	(200,099)	(187,010)
Capex	(394)	(708)	(2,876)	(293)	(293)
Acquisitions & disposals net	0	0	(500)	0	0
Other investing activities	0	0	0	0	0
Cash used in investing activities (CFIA)	(394)	(708)	(3,376)	(293)	(293)
Net proceeds from issue of shares	257,706	(180)	0	0	0
Movements in debt	(1,616)	(2,865)	(3,134)	(833)	250,000
Other financing activities	0	0	0	0	0
Cash from financing activities (CFF)	256,090	(3,045)	(3,134)	(833)	250,000
Cash and equivalents at beginning of period	110,527	277,009	401,897	252,775	51,550
Increase/(decrease) in cash and equivalents	166,482	124,888	(149,122)	(201,225)	62,697
Effect of FX on cash and equivalents	0	0	0	0	0
Cash and equivalents at end of period	277,009	401,897	252,775	51,550	114,248
Net (debt)/cash	277,009	401,897	252,776	51,550	(135,752)

Source: Edison Investment Research, IRLAB company accounts

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