

SIGA Technologies

Q322 results

Solid Q322, underpinned by international traction

SIGA reported robust Q322 results, with sales momentum driven by international deliveries of oral TPOXX as governments expedited stockpiling to manage the monkeypox threat. Of the \$77m in international orders received year to date, \$61m was delivered in Q322 (93% of total product sales) following \$5m in Q222. The company benefited from higher international sales margins, leading to a 59.7% reported operating margin. We estimate a strong FY23 for SIGA, with BARDA deliveries for oral and IV TPOXX and upside optionality from additional/recurring government contracts and label expansion opportunities in the domestic markets, predicated on the success of the recently initiated clinical trials in monkeypox. Our valuation is largely unchanged at \$19.64/share.

Year end	Revenue (US\$m)	EBITDA* (US\$m)	PBT* (US\$m)	EPS* (US\$)	P/E (x)	Net cash (US\$m)
12/20	125.0	88.6	81.5	0.81	10.6	117.9
12/21	133.7	89.7	89.1	0.92	9.4	103.1
12/22e	115.4	47.6	47.1	0.49	17.5	106.8
12/23e	169.0	89.1	88.5	0.96	8.9	106.0

Note: *EBITDA, PBT and EPS (diluted) are normalized, excluding amortization of acquired intangibles, exceptional items and share-based payments.

Q322 marked by strong international momentum

SIGA's Q322 performance was marked by the 'internationalization' of the hitherto domestically focused business. Of the total \$65.6m product sales, \$61m was contributed by international deliveries (of the total \$77m order received year to date from 12 international jurisdictions; \$5m delivered in Q222). We expect the pending \$11m order book to be delivered in Q422–FY23, with the possibility of incremental/recurring contracts contingent on the direction of the monkeypox outbreak takes. Margins also benefited from the higher-priced international contracts and we expect this trend to continue as more international orders are booked. SIGA continues to be debt free and well-capitalized, ending the period with a \$109.8m cash balance.

Strong sales visibility into FY23

We expect oral TPOXX expiries in 2023 in the US government stockpile, which can lead to an option exercise for oral TPOXX under the US government 19C contract (worth \$112.5m according to our understanding). Given the above and deliveries of \$26m worth of IV TPOXX orders from BARDA due in FY23 as well as the pending deliveries from international orders, FY23 looks to be another strong year for SIGA, with incremental contract wins adding to the upside potential. We have adjusted our FY22–23 estimates to factor in performance in the first nine months of FY22 (9M22) and current order book visibility, pushing out part of the revenue realization to FY23 and revising FY22 costs to match the nine-month run rate. For FY23, the revenue upgrade is largely counterbalanced by higher cost estimates. We now expect the FY23 EBITDA margin to be 52.7% versus 51.2% previously.

Valuation: Largely unchanged at \$19.64/share

Based on the aforementioned changes to our estimates, incorporating the updated net cash figure and rolling our model forward, our valuation is largely unchanged at \$19.64/share (previously \$19.8/share).

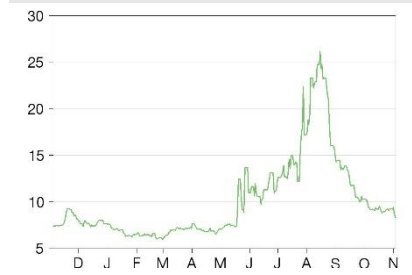
Pharma and biotech

4 November 2022

Price **US\$8.57**
Market cap **US\$626m**

Net cash (\$m) at 30 September 2022	109.8
Shares in issue	73.0m
Free float	56%
Code	SIGA
Primary exchange	NASDAQ
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(18.3)	(54.8)	11.2
Rel (local)	(19.2)	(49.5)	39.3
52-week high/low		\$26.15	\$5.96

Business description

SIGA Technologies is a commercial-stage health security company focused on the treatment of smallpox and other orthopoxvirus. It has contracts with both the US and Canadian governments for TPOXX, its treatment for smallpox, and is looking to expand internationally.

Next events

FY22 results	March 2023
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Estimate revisions

Based on Q322 performance and current visibility on upcoming contractual obligations and the order book, we have made some changes to our forecasts. We now calculate FY22e and FY23e revenues at \$115.4m and \$169.0m respectively (from \$125.0m and \$128.1m, previously) as we push out the TPOXX IV delivery timelines to FY23 from our earlier estimate of FY22 and make small adjustments to our revenue expectations for other jurisdictions. We highlight that, unlike oral TPOXX, IV TPOXX is a lower-margin business (gross margin of c 35% versus c 85% for oral TPOXX) and pushing out these deliveries to FY23 reduces our COGS estimates for FY22 (\$11.6m versus our previous estimate of \$30.6m). We have also made adjustments to our R&D (increased to \$21.5m in FY22 from \$10.0m previously) and SG&A estimates (increased to \$35.2m for FY22 from \$21.4m previously) based on the 9M22 performance. The higher R&D estimate is attributed to the company's efforts in seeking label expansion for TPOXX as a treatment for monkeypox in the US. The higher SG&A expenses estimates are driven by the materially higher Q322 figure (\$19.7m versus \$5.9m in the previous quarter), which we believe was due to international expansion efforts during the quarter. As a result, our EBITDA margin estimates for FY22 and FY23 now stand at 41.3% and 52.7%, respectively, versus 50.8% and 51.2% previously.

Valuation

The aforementioned changes to our estimates, rolling forward our model and incorporating the new net cash figure has resulted in slightly adjusting our SIGA valuation to \$1.43bn or \$19.64 per share from \$1.45bn or \$19.8 per share previously. With \$109.8m cash on its books, a debt-free balance sheet and improving sales traction, we expect SIGA to be well-capitalized to support its clinical and market expansion plans.

Exhibit 1: SIGA Technologies Valuation

Product/program	Main indication	Status	Probability of Success	Approval/launch/ first contract year	Peak sales (\$m)	rNPV (\$m)
TPOXX (US base – oral)	Treatment of smallpox	On market	100%	2018	122	419
TPOXX Canada	Treatment of smallpox	On Market	100%	2020	19	53
TPOXX US IV and pediatric formulations	Treatment of smallpox	IV (NDA approved May 2022), pediatric (being formulated)	60-100%	2022-2025	33	32
TPOXX US PEP	Post-exposure prophylaxis following exposure to smallpox	Development	50%	2025	149	241
TPOXX EU, Japan, Korea, Australia	Treatment of smallpox	EMA approved	55%	2022	346	312
Commercialization of TPOXX, PEP. US, Canada, Europe, Asia	Treatment of monkeypox			2024	173	269
Total						1,324
Net cash (Q322) (\$m)						109.8
Total firm value (\$m)						1,434
Total basic shares (m) as of Q222						73.0
Value per basic share (\$)						\$19.64

Source: Edison Investment Research

Exhibit 2: Financial summary

	\$000s	2020	2021	2022e	2023e
Year end 31 December		US GAAP	US GAAP	US GAAP	US GAAP
PROFIT & LOSS					
Revenue		124,959	133,670	115,375	168,952
Cost of Sales		(14,797)	(16,602)	(11,595)	(35,245)
Gross Profit		110,162	117,069	103,781	133,707
Research & Development		(10,939)	(9,942)	(21,493)	(21,708)
General & Administrative		(14,722)	(18,034)	(35,160)	(23,471)
EBITDA		88,579	89,716	47,649	89,051
Operating Profit (before amort. and excepts.)		84,501	89,093	47,127	88,528
Intangible Amortisation		-	-	-	-
Other		532	101	-	-
Exceptionals		(8,507)	118	-	-
Operating Profit		75,993	89,211	47,127	88,528
Net Interest		(3,017)	-	-	-
Other		-	-	-	-
Profit Before Tax (norm)		81,484	89,093	47,127	88,528
Profit Before Tax (reported)		72,977	89,211	47,127	88,528
Tax		(17,167)	(19,861)	(11,311)	(21,247)
Deferred tax		-	-	-	-
Profit After Tax (norm)		64,317	69,232	35,817	67,281
Profit After Tax (reported)		55,810	69,350	35,817	67,281
Average Number of Shares Outstanding (m)		79	75	73	70
EPS - normalized (\$), basic		0.81	0.92	0.49	0.96
EPS - normalized fully diluted (\$)		0.81	0.91	0.48	0.95
EPS - reported (\$)		0.70	0.92	0.49	0.96
Dividend per share (\$)		-	-	0.45	-
Gross Margin (%)		88	88	90	79
EBITDA Margin (%)		71	67	41	53
Operating Margin (before GW and except.) (%)		68	67	41	52
BALANCE SHEET					
Fixed Assets		6,223	5,973	7,615	7,666
Intangible Assets		898	898	898	898
Tangible Assets		2,104	2,366	2,417	2,467
Other		3,221	2,709	4,301	4,301
Current Assets		143,608	208,753	203,279	237,675
Stocks		-	19,510	30,000	30,000
Debtors		3,340	83,650	64,232	99,473
Cash		117,890	103,139	106,814	105,968
Other		22,378	2,453	2,233	2,233
Current Liabilities		(10,484)	(30,488)	(27,456)	(18,333)
Creditors		(1,278)	(2,028)	(2,445)	(2,445)
Short term borrowings		-	-	-	-
Other		(9,205)	(28,460)	(25,011)	(15,887)
Long Term Liabilities		(9,555)	(9,924)	(3,630)	(3,630)
Long term borrowings		-	-	-	-
Other long term liabilities		(9,555)	(9,924)	(3,630)	(3,630)
Net Assets		129,793	174,314	179,809	223,378
Minority Interests		-	-	-	-
Shareholder equity		129,793	174,314	179,809	223,378
CASH FLOW					
Operating Cash Flow		71,519	11,495	36,670	24,705
Net Interest		-	-	-	-
Tax		-	-	-	-
Capex		(16)	(51)	(51)	(51)
Acquisitions/disposals		-	-	-	-
Financing		-	-	-	-
Dividends		-	-	(32,944)	-
Other (including share buybacks)		(114,600)	(26,195)	-	(25,500)
Net Cash Flow		(43,097)	(14,751)	3,675	(846)
Opening net debt/(cash)		(80,942)	(117,890)	(103,139)	(106,814)
HP finance leases initiated		-	-	-	-
Exchange rate movements		-	-	-	-
Other		80,045	0	-	0
Closing net debt/(cash)		(117,890)	(103,139)	(106,814)	(105,968)

Source: Company reports, Edison Investment Research

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