

Immunovia

Company update

Final top-line IMMray data in Lupus, FY16 results

Immunovia has announced final top-line data of the IMMray platform from a retrospective study in autoimmune diseases. The study showed that the IMMray biomarker platform could differentiate blood samples from patients with systemic lupus erythematosus (SLE) from other autoimmune diseases with 96% accuracy. This is an important first step to show the versatility and potential expansion of the IMMray technology to other indications. Immunovia's main focus continues to be pancreatic cancer in high-risk individuals and newly diagnosed diabetic patients. Additionally, the company has reported full year 2016 financial results. Cash at end 2016 was SEK259m; we have updated our valuation to SEK151 per share.

| Year end | Revenue (SEKm) | PBT* (SEKm) | EPS* (SEK) | DPS (SEK) | P/E (x) | Yield (%) |
|----------|----------------|-------------|------------|-----------|---------|-----------|
| 12/15 | 17.0 | (7.38) | (0.65) | 0.0 | N/A | N/A |
| 12/16 | 24.5 | (14.72) | (0.98) | 0.0 | N/A | N/A |
| 12/17e | 27.8 | (17.55) | (1.04) | 0.0 | N/A | N/A |
| 12/18e | 43.6 | (30.80) | (1.83) | 0.0 | N/A | N/A |

Note: *Normalised, excluding amortisation of acquired intangibles and exceptionals.

IMMray shows potential in autoimmune diseases

Immunovia has reported the final top-line data from its IMMray biomarker microarray in autoimmune diseases. In particular, data from a retrospective trial in 315 blood samples designed to assess IMMray SLE biomarker signature showed that IMMray can differentiate samples with SLE from other diseases such as rheumatoid arthritis, vasculitis and Sjögren's syndrome with 96% accuracy. The data are relevant as up to half of SLE cases are usually misdiagnosed, according to Immunovia. Furthermore, these data support further development of IMMray in autoimmune diseases, representing potential upside. We believe that Immunovia will now seek to conduct further validation studies, including in prospective trials.

Pancreatic cancer remains the focus

Immunovia continues the development of IMMray PanCan-d for the early diagnosis of pancreatic cancer. A prospective clinical trial (PANFAM-I) started in December 2016 in high-risk individuals. The study will run for three years and recruit 1,000 patients. We estimate this could be a SEK2bn opportunity. Additionally, the company signed a memorandum of understanding with the US National Cancer Institute (NCI) to validate biomarkers in patients over 50 years of age diagnosed with diabetes. This could lead to a consortium that would test samples from 10,000 patients over three years. We believe this could represent an opportunity of SEK34bn.

Valuation: Updated rNPV of SEK151/share

We are updating our valuation to SEK151 per share (vs SEK155 per share), mainly for the FY16 net cash position of SEK259m and our expenses forecast. The rest of our assumptions remain the same: we assume a penetration rate of 35% in patients at high risk of pancreatic cancer and 5% in newly diagnosed diabetic patients, targeting total peak sales of c SEK2.1bn in both groups. We look to include SLE in our valuation when Immunovia discloses its plans for this indication.

Healthcare equipment & services

30 March 2017

Price **SEK102.50**
Market cap **SEK1,722m**

US\$0.11/SEK

Net cash (SEKm) at end 2016 259

Shares in issue 16.8m

Free float 64%

Code IMMUNOV

Primary exchange NASDAQ FN Stockholm

Secondary exchange N/A

Share price performance



| % | 1m | 3m | 12m |
|-------------|-------|------|------|
| Abs | (3.3) | 12.3 | 91.6 |
| Rel (local) | (3.8) | 7.2 | 63.2 |

52-week high/low SEK119.0 SEK44.0

Business description

Immunovia is a Swedish diagnostics company based in Lund's Medicon Village. It specialises in diagnostics for oncology and autoimmune diseases. Its main product is IMMray PanCan-d, an antibody microarray based on its proprietary IMMray platform. A prospective trial in high-risk patients has started. The company expects to generate initial out-of-pocket sales in 2018.

Next events

Commence commercial operations 2017

First revenues 2018

Complete prospective trial, registration 2019

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Financials

Total operating expenses increased to SEK39.4m in FY16 from SEK24.4m in FY15, mainly due to increased headcount (21 employees at end 2016 vs 14 at end 2015), an uptick in R&D spend (SEK24.3m in FY16 compared to SEK16.8m in FY15), and marketing activities. This is above our estimate of SEK34.9m. From 2017 to 2020 we expect Immunovia to fund a prospective clinical trial in individuals at high risk of pancreatic cancer (at an estimated cost of SEK40m over three years) and a trial in newly diagnosed type 2 diabetes (T2D) patients (at an estimated cost of SEK90m for three years). Therefore, we are raising our total expense forecasts to SEK46.0m in 2017 and SEK68.3m in 2018 (vs previous SEK33.4m and SEK59.3m respectively).

Immunovia's end of 2016 cash position was SEK259.1m, which includes the capital raise of c SEK218.6m during Q416. We estimate this should be sufficient to fund operations for the next three years, including the initiation of clinical trials as well as commercial activities; and we expect Immunovia to achieve positive operating cash flow in 2020.

Valuation

We update our valuation to SEK151 per share (SEK145/share fully diluted), with a 12.5% discount rate. The slight decrease with respect to our previous valuation of SEK155.2/share is related to updated net cash of SEK259m (down from SEK274m previously) and our increased expenses forecast for the period 2017-20. We have two valuation scenarios:

- Scenario 1 (SEK151/share): we assume the test is reimbursed for the diabetes group and garners a 5% market share. This group is a potential population of 3.4 million new patients per year, which is 6.8m tests and represents a total market opportunity of SEK34bn at SEK5,000/test. Peak sales in 2028 are SEK1.4bn. We also include the high-risk pancreatic cancer group, which represents 200,000 potential patients. We project peak sales in 2025 of SEK707m at SEK5,000 per test and 35% market share in Europe and US, used twice a year.
- Scenario 2 (SEK77/share): if the test is not reimbursed for diabetic patients, we project a 1% market share. Peak sales in this case would be SEK275m in 2028. The high-risk pancreatic cancer group assumptions remain unchanged.

We will include SLE in our valuation when the company discloses its plans for this indication.

| | Scenario 1 | | Scenario 2 | |
|--|---------------------|-----------------------|--------------------|----------------------|
| | US\$m | SEKm | US\$m | SEKm |
| Peak sales in T2D patients (US and EU in 2028) | 151 | 1,373 | 30 | 275 |
| Peak sales in at risk patients (US and EU in 2025) | 78 | 707 | 78 | 707 |
| PV of explicit FCF forecast (2017-2028) | 104.4 | 949 | 42.4 | 386 |
| Terminal value (2.5% TGR) | 599.3 | 5,448 | 294.3 | 2,675 |
| PV of terminal value | 145.8 | 1,326 | 71.6 | 651 |
| Total NPV | 250.2 | 2,274.6 | 114 | 1,036.6 |
| Add net cash (FY16e) | 28.5 | 259.1 | 28.5 | 259.1 |
| Implied equity value | 278.7 | 2,533.7 | 142.5 | 1,295.7 |
| Number of shares (m) | 16.8 | 16.8 | 16.8 | 16.8 |
| Per basic share | \$16.6/share | SEK150.8/share | \$8.5/share | SEK77.1/share |

Source: Edison Investment Research. Note: Exchange rate US\$0.11/SEK.

Exhibit 2: Financial summary

| | SEK000s | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e |
|--|---------|---------|----------|----------|-----------|-----------|-----------|
| Year end 31 December | | GAAP | GAAP | GAAP | GAAP | GAAP | GAAP |
| PROFIT & LOSS | | | | | | | |
| Revenue (includes capitalised work) | | 1,180 | 534 | 17,007 | 24,503 | 27,803 | 43,609 |
| Cost of Sales | | 0 | 0 | 0 | 0 | 0 | (6,611) |
| Gross Profit | | 1,180 | 534 | 17,007 | 24,503 | 27,803 | 36,999 |
| Operating expenses | | (1,875) | (7,549) | (17,377) | (24,115) | (23,333) | (43,333) |
| Personnel | | (417) | (1,382) | (6,749) | (14,815) | (22,223) | (24,005) |
| EBITDA | | (1,114) | (8,701) | (7,136) | (14,429) | (17,753) | (30,340) |
| Operating Profit (before GW and except.) | | (1,614) | (8,960) | (7,424) | (14,978) | (18,202) | (31,332) |
| Intangible Amortisation | | 0 | 0 | 0 | 0 | 0 | 0 |
| Exceptionals/Other | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Profit | | (1,614) | (8,960) | (7,424) | (14,978) | (18,202) | (31,332) |
| Net Interest | | 17 | 101 | 40 | 255 | 648 | 529 |
| Exceptionals/Other | | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit Before Tax (norm) | | (1,596) | (8,859) | (7,384) | (14,723) | (17,554) | (30,803) |
| Profit Before Tax (IFRS) | | (1,596) | (8,859) | (7,384) | (14,723) | (17,554) | (30,803) |
| Tax | | 0 | 0 | 0 | 0 | 0 | 0 |
| Discontinued operations | | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit After Tax (norm) | | (1,596) | (8,859) | (7,384) | (14,723) | (17,554) | (30,803) |
| Profit After Tax (IFRS) | | (1,596) | (8,859) | (7,384) | (14,723) | (17,554) | (30,803) |
| Average Number of Shares Outstanding (m) | | 6.24 | 11.05 | 11.42 | 14.99 | 16.80 | 16.80 |
| EPS - normalised (ore) | | (26) | (80) | (65) | (98) | (104) | (183) |
| EPS - IFRS (SEK) | | (0.26) | (0.80) | (0.65) | (0.98) | (1.04) | (1.83) |
| Dividend per share (SEK) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Gross Margin (%) | | N/A | N/A | N/A | N/A | N/A | N/A |
| EBITDA Margin (%) | | N/A | N/A | N/A | N/A | N/A | N/A |
| Operating Margin (before GW and except.) (%) | | N/A | N/A | N/A | N/A | N/A | N/A |
| BALANCE SHEET | | | | | | | |
| Fixed Assets | | 3,596 | 6,209 | 14,556 | 22,485 | 49,639 | 82,811 |
| Intangible Assets | | 3,596 | 5,469 | 13,885 | 19,483 | 46,637 | 79,809 |
| Tangible Assets | | 0 | 740 | 671 | 3,002 | 3,002 | 3,002 |
| Other | | 0 | 0 | 0 | 0 | 0 | 0 |
| Current Assets | | 3,869 | 32,664 | 76,959 | 260,925 | 214,939 | 147,446 |
| Stocks | | 0 | 0 | 0 | 0 | 1,050 | 1,322 |
| Debtors | | 228 | 464 | 814 | 1,830 | 1,830 | 1,889 |
| Cash | | 3,607 | 31,804 | 75,767 | 259,095 | 211,763 | 143,939 |
| Other | | 34 | 396 | 378 | 0 | 296 | 296 |
| Current Liabilities | | (2,526) | (3,131) | (7,713) | (6,778) | (5,500) | (1,983) |
| Creditors | | (969) | (1,164) | (1,252) | 0 | 0 | (1,983) |
| Short term borrowings | | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred revenues | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other short term liabilities | | (1,557) | (1,967) | (6,461) | (6,778) | (5,500) | 0 |
| Long term liabilities | | 0 | 0 | 0 | 0 | 0 | 0 |
| Long term borrowings | | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred revenues | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Assets | | 4,939 | 35,742 | 83,802 | 276,632 | 259,078 | 228,274 |
| CASH FLOW | | | | | | | |
| Operating Cash Flow | | (1,111) | (8,291) | (2,844) | (11,868) | (19,729) | (33,658) |
| Net Interest | | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax | | 0 | 0 | 0 | 0 | 0 | 0 |
| Capex | | 0 | (3,175) | (8,636) | (30,809) | (27,603) | (34,166) |
| Acquisitions/disposals | | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing | | 4,042 | 39,663 | 55,441 | 207,233 | 0 | 0 |
| Dividends | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | | (17) | 0 | 0 | 18,772 | 0 | 0 |
| Net Cash Flow | | 2,914 | 28,197 | 43,961 | 183,328 | (47,332) | (67,824) |
| Opening net debt/(cash) | | (693) | (3,607) | (31,804) | (75,767) | (259,095) | (211,763) |
| HP finance leases initiated | | 0 | 0 | 0 | 0 | 0 | 0 |
| Exchange rate movements | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | | 0 | 0 | 1 | 0 | 0 | 0 |
| Closing net debt/(cash) | | (3,607) | (31,804) | (75,767) | (259,095) | (211,763) | (143,939) |

Source: Immunovia accounts, Edison Investment Research. Note: Revenues now include net sales (royalty income), capitalised work and other income; previously we only displayed net sales.

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