EDISON

Scandion Oncology

Positive outlook for SCO-101

H122 update

Pharma and biotech

Scandion Oncology is approaching a major inflection point as results from the Phase II CORIST trial of the company's lead asset, SCO-101, in metastatic colorectal cancer, are expected in Q322. In addition, top-line data from the extended Phase Ib PANTAX study in pancreatic cancer are expected in H123 (previously Q322). In H122, R&D related expenses rose to DKK33.0m, from DKK20.4m in H121, as patient enrolment continued for CORIST and PANTAX. In July 2022, Scandion completed a rights issue, which we estimate will result in a net cash injection of c SEK58m (c DKK41m). At end H122, management reported a cash position of DKK72.7m, however, including net proceeds from the equity raise, we estimate this figure to have risen to c DKK113.7m. At the current burn rate (H122: DKK32.4m), and considering estimated clinical activities, we anticipate the company is funded into FY24, past key readouts in FY22 and FY23. We value Scandion Oncology at SEK609.5m or SEK15.0 per share (previously SEK586.5m or SEK14.4 per share).

Year end	Revenue (DKKm)	PBT* (DKKm)	EPS* (DKK)	DPS (DKK)	P/E (x)	Yield (%)
12/20	1.0	(21.5)	(0.53)	0.0	N/A	N/A
12/21	0.8	(57.2)	(1.61)	0.0	N/A	N/A
12/22e	0.8	(64.9)	(1.66)	0.0	N/A	N/A
12/23e	0.8	(82.4)	(1.89)	0.0	N/A	N/A

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

SCO-101 progressing on both fronts

In H122, the CORIST and PANTAX development programs continued to progress. Notably, ethical approval for part 3 of the CORIST study (focusing on mutant-RAS patients) has been received, which is now expected to begin patient recruitment in Q322. Furthermore, encouraging patient tolerability data from the PANTAX dose-escalation study has resulted in a dose expansion. Accordingly, top-line readouts from PANTAX are now expected in H123 (previously Q322).

Capital raise funded into FY24

In July 2022 Scandion completed a rights issue, raising gross proceeds of c SEK75m. Based on estimated transaction costs of SEK17m (DKK12m), we estimate it will result in a net cash injection of c SEK58m (DKK41m). The extension of CORIST has led us to revise our R&D estimates down for FY23; however, management has indicated that overall trial timelines will not be affected. We anticipate Scandion will be funded past key readouts into FY24.

Valuation: SEK609.5m or SEK15.0 per share

We value Scandion at SEK609.5m or SEK15.0 per share (previously SEK586.5m or SEK14.4 per share) based on a risk-adjusted NPV of SCO-101 using a 12.5% discount rate and including net cash of SEK72.7m at end H122. Value uplift was realised by rolling our model forwards and including the net rights issue proceeds (SEK58m).

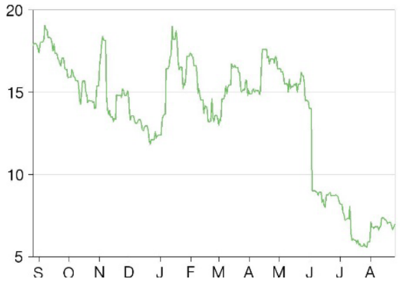
26 August 2022

Price	**SEK6.95**
Market cap	**SEK283m**

SEK10.58/US$; DKK7.46/US$

Net cash (DKKm) at end-Q222 (pre-July rights issue)	72.7
Shares in issue	40.7m
Free float	74%
Code	SCOL
Primary exchange	Nasdaq First North Growth Market
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	20.2	(55.3)	(61.9)
Rel (local)	21.3	(54.4)	(51.9)
52-week high/low		19.06	5.55

Business description

Scandion Oncology is a biotechnology company focused on the development of add-on therapies to reverse chemotherapy resistance in oncology. The company's lead asset, SCO-101, is currently in Phase II trials for mCRC and Phase Ib trials for pancreatic cancer. Proof-of concept data, expected in Q322, will be crucial in shaping management's future development plans.

Next events

CORIST Phase II proof-of-concept top-line data	Q322
PANTAX Phase Ib dose escalation data	H123

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Edison profile page

Scandion Oncology is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

Accounts: IFRS, year-end: 31 December; DDK'000s	2020	2021	2022e	2023e
PROFIT & LOSS				
Total revenues	1,003	797	797	797
Cost of sales	0	0	0	0
Gross profit	1,003	797	797	797
Total operating expenses	(24,758)	(56,164)	(65,160)	(83,165)
Research and development expenses	(21,672)	(47,711)	(52,480)	(70,485)
SG&A	(3,086)	(8,453)	(12,680)	(12,680)
EBITDA (normalized)	(23,474)	(54,763)	(63,980)	(81,986)
Operating income (reported)	(23,755)	(55,367)	(64,363)	(82,368)
Operating margin %	N/A	N/A	N/A	N/A
Finance income/(expense)	2,233	(1,846)	(576)	0
Exceptionals and adjustments	0	0	0	0
Profit before tax (reported)	(21,522)	(57,213)	(64,939)	(82,368)
Profit before tax (normalised)	(21,522)	(57,213)	(64,939)	(82,368)
Income tax expense (includes exceptionals)	4,384	5,508	5,508	5,508
Net income (reported)	(17,138)	(51,705)	(59,431)	(76,860)
Net income (normalised)	(17,138)	(51,705)	(59,431)	(76,860)
Basic average number of shares, m	32.1	32.1	35.9	40.7
Basic EPS (DKK)	(0.53)	(1.61)	(1.66)	(1.89)
Adjusted EPS (DKK)	(0.53)	(1.61)	(1.66)	(1.89)
Dividend per share (DKK)	0.00	0.00	0.00	0.00
BALANCE SHEET				
Tangible assets	136	386	338	306
Intangible assets	0	0	0	0
Right-of-use assets	312	1,215	1,215	1,215
Other non-current assets	148	314	314	314
Total non-current assets	596	1,915	1,867	1,835
Cash and equivalents	5,814	105,710	80,625	2,312
Current tax receivables	4,384	5,500	5,500	5,500
Trade and other receivables	1,414	2,018	1,748	1,748
Other current assets	174,513	1,076	787	787
Total current assets	186,125	114,304	88,660	10,347
Non-current loans and borrowings	8	0	0	0
Non-current lease liabilities	0	500	500	500
Other non-current liabilities	504	84	1,390	1,390
Total non-current liabilities	512	584	1,890	1,890
Accounts payable	26,064	4,580	10,954	10,954
Illustrative debt	0	0	0	0
Current lease obligations	316	723	305	305
Other current liabilities	3,962	5,791	6,810	6,810
Total current liabilities	30,342	11,094	18,069	18,069
Equity attributable to company	155,867	104,541	70,568	(7,777)
CASH FLOW STATEMENT				
Operating income	(23,755)	(55,367)	(64,363)	(82,368)
Depreciation and amortisation	281	604	382	382
Share based payments	0	0	0	0
Other adjustments	4,223	2,899	4,023	4,023
Movements in working capital	2,024	2,066	(5,815)	0
Cash from operations (CFO)	(17,227)	(49,798)	(65,772)	(77,963)
Capex	(46)	(318)	(334)	(351)
Acquisitions & disposals net	0	(167)	25	0
Other investing activities	0	0	0	0
Cash used in investing activities (CFIA)	(46)	(485)	(309)	(351)
Capital changes	7,892	150,690	40,800	0
Debt Changes	0	0	0	0
Other financing activities	(226)	(511)	(380)	0
Cash from financing activities (CFF)	7,666	150,179	40,420	0
Cash and equivalents at beginning of period	15,421	5,814	105,710	80,625
Increase/(decrease) in cash and equivalents	(9,607)	99,896	(25,661)	(78,313)
Effect of FX on cash and equivalents	0	0	0	0
Cash and equivalents at end of period	5,814	105,710	80,049	2,312
Net (debt)/cash	5,806	105,710	80,625	2,312

Source: Company accounts, Edison Investment Research. Note: Includes shares raised following July 2022 rights issue.

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