

Basilea Pharmaceutica

 15th August 2023

Share Price (CHF)	42.4
CP Fair Value (CHF)	91

Market Cap (CHFm)	555
Cash (CHFm)	113
EV (CHFm)	662

Country	Switzerland
Code	BSLN
Index	SIX



Source: Calvine Partners Research

Results reflect Cresemba's dominance

Continued growth of the Cresemba franchise, along with a planned reduction in R&D spending, has taken Basilea into a period of sustained profitability and positive cash flow generation. Basilea's H1 2023 reflected a particularly strong performance with revenues of CHF84.9m and net profit of CHF31.8m resulting in an increased cash (including restricted cash) position of CHF112.9m. As a result, Basilea has modestly increased FY'23 guidance to total revenues of CHF147m-150m (from CHF145m-148m) and net profit to CHF41m-46m (from CHF36m-41m). Basilea has used this period of strong cash generation to pay down its senior secured loan, expecting that this will amount to CHF37m in FY23.

Cresemba's growth remains impressive

Cresemba continues to deliver growth above expectations with strong sales in established markets such as the US (through Astellas), and new important markets coming on stream. In H1 2023, we note the receipt of several milestone payments from outside the US, including a significant \$26.25m receipt from Pfizer. The underlying performance of Cresemba was reflected in a highly creditable 27% increase in royalty income to CHF36.7m. End market Cresemba sales for the 12 months ended March 2023 were \$393m. We expect growth to continue in the medium term despite its maturity largely due to an increasing number of at-risk immunosuppressed patients combined with Cresemba's differentiated profile (broad spectrum and benign safety profile).

Increasing importance of ceftobiprole

Sales of Zevtera remain modest, reflecting its lack of approval in the key US market. With the NDA now filed for a combination of bacteraemia, severe skin infection and community-acquired pneumonia caused by *Staphylococcus aureus* (including MRSA), we look forward to the attraction of a suitable commercial partner before approval. In particular, we believe ceftobiprole promises to be a significant treatment option as part of empiric therapy for patients with bacteraemia, given its coverage of Gram-positive and Gram-negative infections and the lack of treatment options (particularly where resistance is suspected). Our forecasts suggest that peak sales in the US alone could approach \$400m. Basilea is in a very strong financial position, and with that in mind, we expect any commercial agreement to maximise the long-term value of the ceftobiprole franchise. Securing a commercial partner able to maximise the sales potential of ceftobiprole in the key US market would represent a significant de-risking event, we believe.

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Plans to augment the anti-infectives franchise

With the renewed emphasis on the anti-infectives franchise, the approval of ceftobiprole in the US will be an important event to secure its future. At the same time, we expect the company to augment the key-anti-fungal franchise ahead of the expiration of exclusivity in key markets in 2027. We expect Basilea to renew its efforts to in-license novel anti-fungals to ensure the longevity of the franchise and believe that the company's in-house expertise should be a strong attraction for potential licensors. We note management's commentary today regarding discussions about acquiring or in-licensing novel anti-infective candidates, providing reassurance that plans are well underway. Hopefully, the company's strong cash position and existing anti-infectives franchise should help in this regard. We believe that providing visibility on the future anti-fungal pipeline would represent another important de-risking event for Basilea.

Forecasts currently under review

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