

## Basilea Pharmaceutica

31<sup>th</sup> October 2023

<b>Share Price (CHF)</b>	<b>35.8</b>
<b>CP Fair Value (CHF)</b>	<b>91</b>

Market Cap (CHFm)	469
Cash (CHFm)	113
EV (CHFm)	507

Country	Switzerland
Code	BSLN
Index	SIX



Source: Calvine Partners Research

### Novel antibacterial acquisition

The anti-infectives franchise at Basilea has long been dominated by the anti-fungal Cresemba (isavuconazole). In the medium term, the ongoing success of Cresemba looks assured, and we were greatly encouraged by the recent in-licensing of a novel clinical-stage anti-fungal to help populate the development pipeline and potentially provide longevity to the anti-fungal franchise. The announcement this morning that the company has secured access to the novel antibacterial agent tonabacase through an exclusive license and option agreement with the South Korean company iNtRON Biotechnology reflects the company’s determination to possess a broad anti-infective platform, encompassing both fungal and bacterial infections.

### Progressing the strategy

Tonabacase is a recombinant endolysin and potentially represents a first-in-class antibacterial approach. Endolysins are derived from bacteriophage which infect and kill bacteria. It is fair to say that while interest in the use of phage as antibacterial agents has been around for decades, their development has been overshadowed by the development of (usually) broad-spectrum antibiotics. However, mounting antibiotic resistance has led to re-evaluating the potential of phage, particularly recombinant endolysins, given their potential specificity and, perhaps more importantly, their lack of bacterial resistance mechanisms. Furthermore, they have shown activity against resistant bacteria (such as MRSA), coagulase-negative staphylococci, as well as intractable biofilms. The endolysins have also demonstrated synergy with existing antibiotic classes. Tonabacase is a clinical-stage endolysin (a peptidoglycan hydrolase) that kills Gram-positive bacteria by lysing the cell wall. Encouragingly, tonabacase has completed Phase 1 studies and has been shown to be well tolerated.

### Licensing and option agreement provides choice

Although the antibiotic franchise at Basilea provides only a modest contribution to sales, currently through sales of the 5<sup>th</sup> generation cephalosporin Zevtera (ceftobiprole), outside the US, ceftobiprole is approaching approval and commercialisation in the key US market (PDUFA 3<sup>rd</sup> April 2024). This approval will come with 10 years of exclusivity, and as our peak sales forecast approaches \$400m (largely the bacteraemia indication), we expect a relevant commercial partner to be secured. As a result, the importance of the antibacterial franchise at Basilea should significantly increase, and the potential addition of tonabacase, if it satisfactorily completes Basilea’s exacting preclinical evaluation, should help bolster the pipeline. We note that Basilea suggests that a successful outcome could result in tonabacase directly entering Phase 2 studies in 2025.

Dr Brian White  
Partner  
[bw@calvinepartners.com](mailto:bw@calvinepartners.com)

Andrew Keith  
Partner  
[ak@calvinepartners.com](mailto:ak@calvinepartners.com)

**Basilea Income Statement (CHF' 000)**

Year to December	2021A	2022A	2023E	2024E	2025E	2026E
<b>Total revenue</b>	<b>148122</b>	<b>147765</b>	<b>159232</b>	<b>159231</b>	<b>163218</b>	<b>179927</b>
COGS	(24,072)	(24,603)	(28,662)	(31,846)	(32,644)	(32,387)
<b>Gross profit</b>	<b>124,050</b>	<b>123,162</b>	<b>130,570</b>	<b>127,385</b>	<b>130,575</b>	<b>147,541</b>
Gross margin	83.7%	83.3%	82.0%	80.0%	80.0%	82.0%
R&D	(93,157)	(73,804)	(46,177)	(49,362)	(52,230)	(53,978)
SG&A	(29,721)	(30,815)	(31,846)	(35,031)	(40,805)	(39,584)
Total cost and operating expenses	(146,950)	(129,222)	(106,685)	(116,239)	(125,678)	(125,949)
Non-underlying items	0.00	0.00	0.00	0.00	0.00	0.00
<b>Operating profit US GAAP</b>	<b>1,187</b>	<b>18,543</b>	<b>52,546</b>	<b>42,992</b>	<b>37,540</b>	<b>53,978</b>
Finance income	66	326	2,148	2,774	2,661	3,497
Finance expense	(8,151)	(9,848)	(9,750)	(9,777)	(4,803)	(4,830)
Other financial income	1,676	2,015	0	0	0	0
Other financial expense	(1,573)	1,066	0	0	0	0
Underlying PBT	(6,810)	12,102	44,945	35,989	35,398	52,645
PBT IFRS	(6,795)	12,102	44,945	35,989	35,398	52,645
Loss before tax	(6,810)	12,102	44,945	35,989	35,398	52,645
Tax	(37)	45	0	0	0	0
<b>Underlying net income</b>	<b>(6,847)</b>	<b>12,147</b>	<b>44,945</b>	<b>35,989</b>	<b>35,398</b>	<b>52,645</b>
<b>Net income US GAAP</b>	<b>(6,832)</b>	<b>12,147</b>	<b>44,945</b>	<b>35,989</b>	<b>35,398</b>	<b>52,645</b>
EPS Basic (CHF)	(0.66)	1.02	3.79	3.03	2.98	4.44
<b>EPS Diluted (CHF)</b>	<b>(0.61)</b>	<b>1.02</b>	<b>3.76</b>	<b>3.01</b>	<b>2.96</b>	<b>4.41</b>

Source: Calvine Partners Research

## Basilea Cash Flow Statement (CHF' 000)

Year to December	2021A	2022A	2023E	2024E	2025E
Net profit/(loss)	(6,831)	12,147	44,945	35,989	35,398
Depreciation and amortization	754	1,097	760	803	850
Gain on disposal of assets, net	(71)	0	0	0	0
Stock-based compensation	4,322	3,598	0	0	0
Interest and accretion of debt issuance cost	1,593	497	534	534	534
Accounts receivable	(16,251)	(8,242)	(1,425)	(605)	(219)
Other receivables	(15,813)	10,829	0	0	0
Inventories	(1,591)	(1,461)	(451)	(1,832)	(664)
Accounts payable	(2,538)	(10,427)	3,177	287	165
Deferred revenue	(2,556)	(1,233)	(1,233)	0	0
Accruals and other current liabilities	5,440	(846)	0	0	0
Other operating cash flow items	1,522	1,098	0	0	0
<b>Net cash provided by/used in operating activities</b>	<b>(32,020)</b>	<b>7,057</b>	<b>46,306</b>	<b>35,176</b>	<b>36,063</b>
Cash flow from investing activities					
Payments for short-term investments	(35,000)	0	0	0	0
Maturities of short-term investments	41,023	94,951	0	0	0
Payments for long-term investments	0	0	0	0	0
Proceeds from sale of assets	(1,588)	0	0	0	0
Investments in tangible assets	(581)	(3,138)	(855)	(941)	(1,035)
Investment in intangible assets	(279)	(165)	(332)	(332)	(332)
<b>Net cash used in/provided by investing activities</b>	<b>3,575</b>	<b>91,648</b>	<b>(1,188)</b>	<b>(1,273)</b>	<b>(1,367)</b>
Cash flow financing activities					
Net proceeds from exercise of stock options	1,866	3,520	0	0	0
Debt extinguishment	(23,212)	(123,547)	(44,000)	(38,400)	0
Issuance of Convertible bonds	0				
Senior secured loan		73,875			
Purchase of treasury shares	(4,254)	656			
Issuance of new shares	42,240	250			
<b>Net cash provided by financing activities</b>	<b>16,640</b>	<b>(45,246)</b>	<b>(44,000)</b>	<b>(38,400)</b>	<b>0</b>
Effect of exchange rate changes on cash and cash equivalents	501	155	0	0	0
Net change in cash and cash equivalents	(11,304)	53,614	1,118	(4,498)	34,696
Cash and cash equivalents at beginning of period	66,256	54,952	108,566	109,684	105,186
<b>Cash and cash equivalents at end of period</b>	<b>54,952</b>	<b>108,566</b>	<b>109,684</b>	<b>105,186</b>	<b>139,882</b>

Source: Calvine Partners Research

## Basilea Balance Sheet (CHF' 000)

Year to December	2021A	2022A	2023E	2024E	2025E
<b>Non-current assets</b>					
Tangible assets, net	2,018	4,277	4,705	5,175	5,693
Intangible assets, net	632	578	578	578	578
Long-term investments	2,390	1,266	1,266	1,266	1,266
Other non-current assets	1,161	39,363	39,363	39,363	39,363
<b>Total non-current assets</b>	<b>6,201</b>	<b>45,484</b>	<b>45,912</b>	<b>46,382</b>	<b>46,900</b>
<b>Current Assets</b>					
Cash and cash equivalents	53,700	84,659	109,684	105,186	139,882
Short-term investments	96,253	0	0	0	0
Accounts receivable	24,947	33,152	8,153	8,758	8,977
Other receivables	39,500	28,552	28,552	28,552	28,552
Inventories	22,783	24,244	24,695	26,528	27,192
Other current assets	3,883	4,756	4,756	4,756	4,756
<b>Total current assets</b>	<b>241,066</b>	<b>175,363</b>	<b>175,840</b>	<b>173,780</b>	<b>209,359</b>
<b>Total assets</b>	<b>247,267</b>	<b>220,847</b>	<b>221,752</b>	<b>220,162</b>	<b>256,259</b>
<b>Current liabilities</b>					
Convertible senior unsecured bonds	123,505				
Senior secured debt		37,467	36,360		
Accounts payable	10,617	191	3,368	3,654	3,819
Deferred revenue	1,233	1,233	1,233	1,233	1,233
Accruals and other current liabilities	39,053	35,959	35,959	35,959	35,959
<b>Total current liabilities</b>	<b>174,408</b>	<b>74,850</b>	<b>76,920</b>	<b>40,846</b>	<b>41,011</b>
<b>Non-current liabilities</b>					
Convertible senior unsecured bonds	94,544	95,000	95,534	96,068	96,602
Deferred revenue, less of current portion	11,926	10,693	0	0	0
Senior secured debt		36,360			
Other non-current liabilities	24,996	24,661	24,661	24,661	24,661
<b>Total non-current liabilities</b>	<b>131,466</b>	<b>166,714</b>	<b>120,195</b>	<b>120,729</b>	<b>121,263</b>
<b>Total liabilities</b>	<b>305,874</b>	<b>241,564</b>	<b>197,115</b>	<b>161,575</b>	<b>162,274</b>
<b>Shareholders equity (deficit)</b>					
Share capital	12,992	13,093	13,093	13,093	13,093
Additional paid-in capital	1,029,796	1,037,120	1,037,120	1,037,120	1,037,120
Accumulated other comprehensive loss	(21,617)	(3,784)	(3,784)	(3,784)	(3,784)
Treasury shares held by a subsidiary	(56,559)	(56,071)	(56,071)	(56,071)	(56,071)
Loss carried forward	(1,016,388)	(1,023,220)	(1,011,073)	(966,128)	(930,139)
Net loss for the year	(6,832)	12,147	44,945	35,989	35,398
<b>Total shareholders' equity (deficit)</b>	<b>(58,608)</b>	<b>(20,715)</b>	<b>24,230</b>	<b>60,219</b>	<b>95,617</b>
<b>Total liabilities and equity (deficit)</b>	<b>247,266</b>	<b>220,849</b>	<b>221,344</b>	<b>221,794</b>	<b>257,891</b>

Source: Calvine Partners Research

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