

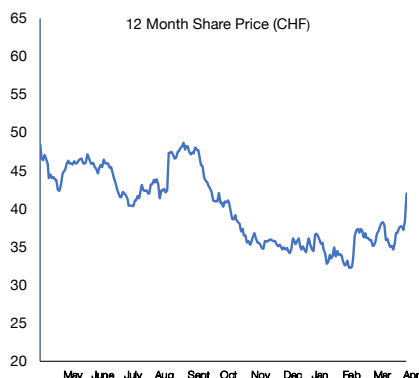
Basilea Pharmaceutica

4 April 2024

Share Price (CHF)	42
CP Fair Value (CHF)	105

Market Cap (CHFm)	551
Cash (CHFm)	64
EV (CHFm)	598

Country	Switzerland
Code	BSLN
Index	SIX



Source: Calvine Partners Research

Zevtera FDA approval

The approval of Zevtera (ceftobiprole) represents the company's determination to bring this important treatment option to patients in the key US market. Zevtera has been approved by FDA for the treatment of *Staphylococcus aureus* bacteraemia (SAB), including those with right-sided infective endocarditis and acute bacterial skin and skin structure infections (ABSSSI) as well as adults and children with community-acquired bacterial pneumonia (CABP). We believe there is a real unmet need for patients with SAB, with approximately 120,000 cases in the US, and particularly where MRSA is involved.

Serving an acute unmet medical need

The presence of MRSA leads to poorer outcomes, with 15%-50% mortality rates in patients with MRSA bacteraemia. The glycopeptides vancomycin and daptomycin are first-line treatments in MRSA bacteraemia, requiring 4-6 weeks of intravenous therapy. Metastatic infections often require surgical intervention and can result in extended hospitalisation. However, both daptomycin and vancomycin have concerns over emerging resistance (and the potential for cross-resistance), as well as vancomycin's poor tissue distribution and risk of renal toxicity. Additionally, daptomycin is inactivated in the lung, rendering it useless for the treatment of respiratory infections. As a result, we believe there is a clear need for new, effective, and well-tolerated treatment options like Zevtera.

Management delivering

Our \$400m peak sales forecast is based primarily on the need for effective treatment options for SAB, mainly where resistant bacteria (MRSA) are involved. Furthermore, the importance of ceftobiprole has been reflected in BARDA's provision of \$112m (approximately 75%) of the funding for clinical development and regulatory activity. FDA approval of ceftobiprole is also important to the extent that it provides a product at the beginning of its product life cycle. The company has been very active recently, bolstering its antibacterial pipeline with the endolysin tonabacase, which could act synergistically with ceftobiprole.

Substantial de-risking ongoing

The approval of ceftobiprole represents another element of the ongoing de-risking along with the recent acquisition of the novel Phase 3 ready anti-fungal fosmanogepix. While the initial objective was to deliver a partner before FDA approval, we note commentary today that details the heightened interest received as Zevtera approached US approval. As such, we look forward to the attraction of a suitable commercial partner by mid-year 2024, which should allow Zevtera to reach its full commercial potential.

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Basilea Income Statement (CHF' 000)

Year to December	2023A	2024E	2025E	2026E	2027E	2028E
Total revenue	157634	183552	190412	224878	239632	217697
COGS	(26,794)	(33,039)	(34,274)	(40,478)	(43,134)	(39,186)
Gross profit	130,840	150,513	156,138	184,400	196,498	178,512
Gross margin	83.0%	82.0%	82.0%	82.0%	82.0%	82.0%
R&D	(77,852)	(85,352)	(87,590)	(87,702)	(62,304)	(50,070)
SG&A	(33,783)	(34,875)	(36,178)	(38,229)	(43,134)	(43,539)
Total cost and operating expenses	(138,429)	(153,266)	(158,042)	(166,410)	(148,572)	(132,795)
Non-underlying items	0.00	0.00	0.00	0.00	0.00	0.00
Operating profit US GAAP	19,205	30,286	32,370	58,468	91,060	84,902
Finance income	1,690	1,498	1,849	2,657	4,022	3,566
Finance expense	(11,202)	(8,273)	(4,799)	(4,826)	(4,853)	0
Other financial income	2,420	0	0	0	0	0
Other financial expense	(1,652)	0	0	0	0	0
Underlying PBT	10,461	23,512	29,419	56,299	90,229	88,468
PBT IFRS	10,461	23,512	29,419	56,299	90,229	88,468
Loss before tax	10,461	23,512	29,419	56,299	90,229	88,468
Tax	(10)	0	0	0	(12,812)	(12,562)
Underlying net income	10,451	23,512	29,419	56,299	77,416	75,905
Net income US GAAP	10,451	23,512	29,419	56,299	77,416	75,905
EPS Basic (CHF)	0.87	1.96	2.45	4.69	6.46	6.33
EPS Diluted (CHF)	0.86	1.94	2.42	4.64	6.38	6.25

Source: Calvine Partners Research

Basilea Cash Flow Statement (CHF' 000)

Year to December	2023A	2024E	2025E	2026E	2027E
Net profit/(loss)	10,451	23,512	29,419	56,299	77,416
Depreciation and amortization	1,577	924	961	1,003	1,048
Gain on disposal of assets, net	0	0	0	0	0
Stock-based compensation	4,762	5,000	5,250	5,513	5,788
Interest and accretion of debt issuance cost	1,443	534	534	534	0
Accounts receivable	5,229	(4,866)	(377)	(1,896)	(811)
Other receivables	(1,778)	3,000	0	0	0
Inventories	(2,166)	(4,170)	(1,143)	(5,742)	(2,458)
Accounts payable	5,656	2,413	309	1,551	664
Deferred revenue	(1,233)	(1,233)	(1,233)	(1,233)	(1,233)
Accruals and other current liabilities	(10,933)	0	0	0	0
Other operating cash flow items	1,235	0	0	0	0
Net cash provided by/used in operating activities	14,243	25,113	33,720	56,029	80,414
Cash flow from investing activities					
Payments for short-term investments	0	0	0	0	0
Maturities of short-term investments	0	0	0	0	0
Payments for long-term investments	0	0	0	0	0
Proceeds from sale of assets	0	0	0	0	0
Investments in tangible assets	(813)	(751)	(827)	(909)	(1,000)
Investment in intangible assets	(221)	(548)	(548)	(548)	(548)
Net cash used in/provided by investing activities	(1,034)	(1,299)	(1,375)	(1,457)	(1,548)
Cash flow financing activities					
Net proceeds from exercise of stock options	(91)	0	0	0	0
Debt extinguishment	(59,314)	(14,186)	0	0	(97,100)
Issuance of Convertible bonds					
Senior secured loan					
Purchase of treasury shares	2,481				
Issuance of new shares	(381)				
Net cash provided by financing activities	(57,305)	(14,186)	0	0	(97,100)
Effect of exchange rate changes on cash and cash equivalents	(151)		0	0	0
Net change in cash and cash equivalents	(44,247)	9,628	32,346	54,572	(18,234)
Cash and cash equivalents at beginning of period	108,566	64,319	73,947	106,292	160,864
Cash and cash equivalents at end of period	64,319	73,947	106,292	160,864	142,630

Source: Calvine Partners Research

Basilea Balance Sheet (CHF' 000)

Year to December	2023A	2024E	2025E	2026E	2027E
Non-current assets					
Tangible assets, net	3,757	4,133	4,546	5,001	5,501
Intangible assets, net	548	548	548	548	548
Long-term investments	0	0	0	0	0
Other non-current assets	16,838	16,838	16,838	16,838	16,838
Total non-current assets	21,143	21,519	21,932	22,387	22,887
Current Assets					
Cash and cash equivalents	59,933	73,947	106,292	160,864	142,630
Short-term investments	0	0	0	0	0
Accounts receivable	27,891	10,095	10,473	12,368	13,180
Other receivables	30,257	30,257	30,257	30,257	30,257
Inventories	26,410	30,580	31,723	37,465	39,923
Other current assets	7,654	7,654	7,654	7,654	7,654
Total current assets	152,145	152,533	186,399	248,608	233,643
Total assets	173,288	174,052	208,331	270,994	256,530
Current liabilities					
Convertible senior unsecured bonds					
Senior secured debt	15,453				
Accounts payable	5,847	8,260	8,569	10,119	10,783
Deferred revenue	1,233	1,233	1,233	1,233	1,233
Accruals and other current liabilities	25,059	25,059	25,059	25,059	25,059
Total current liabilities	47,592	34,552	34,861	36,411	37,075
Non-current liabilities					
Convertible senior unsecured bonds	95,455	95,989	96,523	97,057	0
Deferred revenue, less of current portion	9,460	8,227	6,994	5,761	4,528
Senior secured debt					
Other non-current liabilities	30,784	21,784	26,784	31,784	36,784
Total non-current liabilities	135,699	126,000	130,301	134,602	41,312
Total liabilities	183,291	160,552	165,162	171,013	78,387
Shareholders equity (deficit)					
Share capital	13,100	13,100	13,100	13,100	13,100
Additional paid-in capital	1,042,002	1,042,002	1,042,002	1,042,002	1,042,002
Accumulated other comprehensive loss	(10,210)	(10,210)	(10,210)	(10,210)	(10,210)
Treasury shares held by a subsidiary	(54,008)	(54,008)	(54,008)	(54,008)	(54,008)
Loss carried forward	(1,011,337)	(1,000,886)	(977,374)	(947,955)	(891,656)
Net loss for the year	10,451	23,512	29,419	56,299	77,416
Total shareholders' equity (deficit)	(10,002)	13,510	42,929	99,228	176,645
Total liabilities and equity (deficit)	173,289	174,062	208,091	270,242	255,032

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