

## Basilea Pharmaceutica

19<sup>th</sup> October 2023

<b>Share Price (CHF)</b>	<b>38.4</b>
<b>CP Fair Value (CHF)</b>	<b>91</b>

Market Cap (CHFm)	502
Cash (CHFm)	113
EV (CHFm)	540

Country	Switzerland
Code	BSLN
Index	SIX



Source: Calvine Partners Research

### Novel antifungal acquired

The ongoing success of the antifungal business provides Basilea with a strong platform to establish a world-leading anti-infectives franchise. Cresemba has grown to become the largest antifungal for the treatment of invasive fungal infections by value in the US and is now available in 67 countries globally. However, a looming concern has been Cresemba’s increasing maturity, with exclusivity expected to expire in US and European (after paediatric extension) markets from approximately Q4 2027. While there are other important markets, such as China and Japan, where Cresemba is still in its launch phase, we believe the loss of key markets has been an overhang on the investment case.

### Executing on strategy

Basilea management has remained confident in its ability to rejuvenate the antifungal pipeline in a timely fashion. This morning’s announcement that the company has acquired a clinical-stage novel antifungal is a testament to the company’s ability to find and acquire novel agents that add longevity to the franchise. The acquisition of GR-2397 (now BAL-2062) adds a novel first-in-class agent with fungicidal activity against clinically important moulds including *Aspergillus* spp. including those resistant to azoles. This a commercially important profile given that invasive aspergillosis has been the main opportunity for Cresemba. BAL-2062 has completed Phase 1 studies demonstrating a benign safety and tolerability profile. Basilea intends to conduct further preclinical work to identify optimal positioning (we note some queries regarding full spectrum of activity) and the most suitable development pathway. Phase 2 development is expected in H1 2025. BAL-2062 has QIDP, Fast Track, and Orphan designation.

### Interesting profile

The treatment of invasive aspergillosis remains an important medical need affecting principally immunocompromised patients - a market growing thanks to aggressive chemotherapy regimens, particularly in haematological cancers. BAL-2062 is a cyclic hexapeptide derived from the Malaysian leaf litter fungus and was first identified by Astellas Pharma (the US partner for Cresemba). Importantly, BAL-2062 has been shown to rapidly inhibit hyphal elongation – a process which facilitates invasion of host tissues. Furthermore, this inhibition was apparently more rapid in *Aspergillus* spp than voriconazole suggesting a differentiated profile to the azole class in the treatment of IA.

### Modest deal terms for a clinical candidate

BAL-2062 has had a convoluted recent history with Basilea acquiring it from Gravitas Therapeutics for \$1.75m upfront and a total of \$67m in approval and commercialisation milestones and will pay tiered royalties on sales ranging from low single-digit to mid-single digit percentage.

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**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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