Basilea Pharmaceutica

5 January 2024

Share Price (CHF)	**36.25**
CP Fair Value (CHF)	**U/R**
Market Cap (CHFm)	475
Cash (CHFm)	113
EV (CHFm)	513
Country	Switzerland
Code	BSLN
Index	SIX

Source: Calvine Partners Research

A year of plenty

Basilea has provided a timely reminder of the ongoing robust performance of the existing anti-infectives portfolio, along with a recapitulation of plans for 2024. For us, one of the most important aspects of delivery in 2023 has been management executing its prime objective to replenish the anti-infective pipeline and, in particular, provide longevity to the antifungal pipeline post the expected expiration of exclusivity for Cresemba in Q4 2027 in the US and Europe. Nevertheless, it would be unfair to overlook the continued excellent performance of Cresemba, with end-market sales of $445m in the 12 months to the end of September 2023, representing a truly impressive 22% increase year-over-year. Importantly, Cresemba remains early in its launch phase in potentially significant markets like China and Japan, providing a strong financial platform even beyond 2027.

In-licensing activities impressive

The acquisition of rights to the novel first in (gepix) class antifungal fosmanogepix represents a significant coup for Basilea. The profile of fosmanogepix appears very attractive, with numerous appealing characteristics. It is highly selective and offers good oral bioavailability. It has a broad spectrum against various Aspergillus and Candida, including those resistant to the echinocandins. Its importance has been reflected in FDA conferring Fast Track status for various invasive fungal infections, including aspergillosis, candidiasis, and mucormycosis. Fosmanogepix has already been studied extensively, including three open-label phase 2 studies for the treatment of candidemia, including *Candida auris* and invasive moulds. Data have been very promising, with activity against difficult-to-treat fungi and a good side effect profile suggesting that the Phase 3 programme has been substantially de-risked. The Phase 3 programme is scheduled to begin in mid-2024, suggesting that much will be known about its potential prior to the key Cresemba 2027 period.

Increasing importance of anti-bacterial franchise

Basilea also entered into a licensing and option agreement for the novel anti-bacterial endolysin tonabacase. Endolysins have recently enjoyed renewed interest because of mounting resistance concerns regarding commonly used antibiotics. They also represent attractive anti-bacterial agents as they have activity against resistant bacteria like MRSA and biofilms and have demonstrated synergy with antibiotics. Encouragingly, tonabacase has undergone Phase 1 clinical evaluation, where it was shown to be well tolerated. Should tonabacase successfully complete Basilea's preclinical studies, it has the potential to directly enter Phase 2 studies as early as 2025. Elsewhere, ceftobiprole's forthcoming US approval (action date April 3rd) has been long awaited, and we expect the approval, along with securing a commercial partner, to be another important de-risking event. Our forecasts suggest that peak sales in the US alone could approach $400m. Hopefully emboldened by success to date, we note that it remains Basilea's objective to further strengthen the anti-infectives franchise by continuing to expand the company's R&D portfolio through the "*…identification of innovative, commercially attractive assets, addressing unmet medical needs in the treatment of severe fungal and bacterial diseases"*. There are exciting times ahead.

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