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Basilea Pharmaceutica

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Share Price (CHF)	**36.4**
CP Fair Value (CHF)	**120**
Market Cap (CHFm)	472
Cash (CHFm)	150
EV (CHFm)	546
Country	Switzerland
Code	BSLN
Index	SIX

Source: Calvine Partners Research

Refocusing on anti-infectives

Following a period in which Basilea has invested heavily in establishing a credible and relevant oncology pipeline, 2022 brings a refocusing with the long-established anti-infectives franchise back in focus. Although this was surprising, at least to us, there can be little doubt that the oncology portfolio was underappreciated, despite significant clinical progress. With the intention to separate the two businesses, the prospects for securing and the shape of a potential commercial partnership will depend on several data readouts expected during 2022.

Multiple studies to readout

Much of the focus has been on the FGFR inhibitor derazantinib. Derazantinib's development has taken place in the backdrop of an increasingly competitive environment. With competing approvals in both biliary and urothelial cancer, Basilea designed the clinical programme to optimally position derazantinib, capitalising on its different kinase inhibition profile and its additional activity against CSF1R to improve the action of the checkpoint inhibitor (CKI) class. Derazantinib has broad applicability across a range of FGFR driven tumours, with Phase I/II data in gastric cancer available throughout 2022. Given its profile and the importance of the FGFRi class, we would expect derazantinib to offer an attractive late-stage clinical asset.

Lisavanbulin the wild card

As a tumour checkpoint controller, lisavanbulin may be from an established class, but it has the advantage of being able to cross the blood-brain barrier – a prerequisite for the treatment of glioblastoma. The unmet need here is acute, and lisavanbulin may benefit from the use of a novel biomarker (EB1), which should improve the probability of success. Data to date have been very encouraging, and we look forward to interim results of the Phase 2 study in H1 2022.

Anti-infective portfolio the new focus

A combination of momentum behind the anti-infectives franchise combined with exiting oncology R&D should drive Basilea to a sustainable cash flow positive position. Cresemba continues to benefit from growth in the existing market through highly appropriate licensees. In the near-term, significant launches in China and Japan should further boost sales. Additionally, ceftobiprole, Basilea's 5th generation cephalosporin antibiotic, could be on the cusp of a US regulatory filing should the imminent result of the Phase 3 bacteraemia study prove positive. Success should result in the attraction of a suitable commercial partner. With this newfound focus, we anticipate additions to the anti-infectives pipeline over time.

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Important transition period ahead

Deeper pockets required for oncology

The recent past at Basilea has been dominated by efforts to generate a meaningful and relevant oncology pipeline. We believe that this effort has been successful to the extent that the company now has three clinical-stage oncology programmes. However, Basilea has taken the view that these assets will be better advanced by another party and has chosen to refocus on its already successful anti-infectives franchise. Although we were initially surprised by this turn of events, we acknowledge that it takes deep pockets to build a significant oncology franchise. Basilea has done well to limit its R&D spend, although R&D has been running at an elevated level of circa CHF100m per year – much of it supporting the oncology pipeline.

Anti-infectives to the fore once more

Cresemba sales better than we anticipated

The antifungal Cresemba (isavuconazole) has long dominated Basilea's anti-infectives franchise. We have previously intimated that Cresemba has performed better than our original expectations. It has been the success of Cresemba that has in part fuelled the excursion into oncology as well as the opportunity to refocus back onto anti-infectives, accelerating Basilea's move to sustainable profitability.

Cresemba supported by several attributes

Given this renewed focus, it makes sense to review the multiple pillars of growth in anti-infectives that underpin our forecasts. Cresemba benefits from several positive attributes. Some of these are product specific and include a favourable safety profile and an extended spectrum. The extended spectrum of Cresemba is extremely important and related to its significant commercial potential. This commercial success is also driven by Cresemba's good volume of distribution, oral bioavailability, combined with a good safety profile and highly predictable pharmacokinetics with little interpatient variability.

Unmet need acute

Underlying patient growth has been fuelled largely by an increase in the immunocompromised patient population with more aggressive chemotherapy regimens and haematological cancers, driving an increase in the life-threatening nature of many fungal infections. More recently, Cresemba has received a boost from the COVID-19 pandemic with the use of corticosteroids such as dexamethasone, used to treat severe cases, resulting in an increase in mucormycosis cases. In general, the outlook for patients with invasive fungal infections is far from reassuring. Mould infections are particularly

insidious in the immunocompromised patient population and represent a significant source of morbidity and mortality. With aspergillosis, for example, the mortality rate varies from 40% to up to 90% in high-risk patient populations, being influenced by the site of infection (usually the lung) and the immunocompetent state of the patient. Invasive aspergillosis (IA) is characteristically associated with risk factors such as chemotherapy-induced neutropaenia.

Partners with strong antifungal franchises key to success

In addition to its clinical profile, Cresemba has benefited from the support of appropriate anti-infective partners with established anti-infective franchises. Not only have these partners provided commercial infrastructure to ensure financial success, but Basilea has also already received significant milestone payments as well as royalties on sales which have risen to over 20% in the case of Astellas.

The US driving growth to date

In the key US market, which has delivered the majority of revenues to date, Cresemba has been sold through Astellas. The addition of Cresemba has proven to be an important addition to the Astellas antifungal/anti-infectives franchise, which comprises AmBisome (a liposomal encapsulated formulation of amphotericin B) and Mycamine (an echinocandin). Mycamine's label includes prophylaxis of Candida infections, complementing Cresemba’s label.

China and Japan should boost growth

Outside of the US, the key licensee is Pfizer. For Pfizer, the originator of voriconazole (branded as Vfend), adding Cresemba has provided an antifungal that can be positioned as an alternative to voriconazole, in line with current guidelines. Cresemba has a more benign tolerability profile compared to voriconazole, resulting in fewer adverse events (42% vs 60%) as well as an improvement in measures such as hepatobiliary, skin and eye disorders. For Basilea, the efforts of Pfizer are becoming increasingly important with an increase in milestone payments. Additionally, Pfizer is the licensee for China, a significant new market opportunity for Cresemba responsible for circa 20% of global sales for newer antifungals. As of the end of February, the oral version of Cresemba had been approved for both IA and invasive mucormycosis. The intravenous formulation has been submitted separately and is under regulatory review.

Growth should be further boosted by expected approval in Japan in H2 2022 through licensee Asahi Kasei.

Cresemba is approved to treat invasive moulds, including invasive aspergillosis and invasive mucormycosis (IM). Fortunately, invasive aspergillosis is relatively uncommon and mucormycosis even less so. However, both are challenging to

diagnose and are often difficult to differentiate clinically, which is reflected in the underreporting of these conditions. In its favour, isavuconazole's broad-spectrum (including Mucorales) should position it well in the empiric setting compared to alternative agents (such as voriconazole), where infection is suspected but not confirmed.

Labelling supportive

We have previously highlighted the importance of guidelines such as ECIL-6, which positions Cresemba favourably versus market leader voriconazole in invasive aspergillosis. With Cresemba end market product sales at approximately $300m (to end September 2021) on a 12-month rolling basis, there is still some way to go to match the $900m generated by voriconazole at its peak. With new approvals in China and Japan, our estimates suggest that end-market sales could be in excess of $400m by 2025. Further, we expect that as clinical experience with Cresemba increases over time, the willingness of physicians to use this differentiated antifungal in the treatment of invasive moulds should increase, particularly should the relevant guidelines evolve and provide a greater emphasis on its use in earlier lines of treatment.

Peak sales forecast of $400m looks conservative

Ceftobiprole is increasingly important

Zevtera sales modest

The financial contribution from ceftobiprole (branded as Zevtera in Europe) has been modest to date. Sales are limited to ex US (mostly Europe), and the European label is limited to CAP/HAP (excluding VAP). As Basilea has noted, the US remains the key market for novel antibiotics thanks in part to the high level of antimicrobial resistance and MRSA in particular.

Extended-spectrum and low propensity to develop resistance

Ceftobiprole, as a 5th generation cephalosporin, has an extended spectrum of activity against clinically important gram-positive bacteria, including MRSA, PRSP, and *Enterococcus faecalis*. Importantly, ceftobiprole also has activity against susceptible Gram-negative pathogens, including *Citrobacter, Escherichia coli, Enterobacter, Klebsiella, Serratia marcescens,* and *Pseudomonas aeruginosa*. Despite its availability commercially outside the US for many years, ceftobiprole has demonstrated a low propensity to develop resistance.

AMR in severe skin infections well served

With antimicrobial resistance (AMR) a critical focus for the industry, new antibiotics (primarily from existing classes) have emerged, such as Baxdela (delafloxacin), Nuzyra (omadacycline) and Xenleta (lefamulin), amongst others, in the treatment of severe skin infections, complicated urinary tract infections (cUTIs) and ultimately HAP/VAP. With the exception perhaps of lefamulin (retapamulin available topically for

impetigo since 2006), these are all analogues of existing classes that offer the potential of expanding the physicians' armamentarium with new agents, which have activity against bacteria resistant to similar antibiotics from the same class. Of these, Baxdela, Nuzyra, and Xerava provide MRSA coverage.

The positive TARGET result is important

Ceftobiprole's positive result in the TARGET ABSSSI study has effectively completed the regulatory journey that started from its initial development with J&J. Thankfully, the receipt of Qualified Infectious Disease Product (QIDP) status confers 10 years of marketing exclusivity post-approval. However, the competitive environment has changed markedly over the intervening years, with several new antibiotics available, albeit from existing classes. This suggests a more limited market opportunity in ABSSSI. Nevertheless, the 5th generation cephalosporins (ceftobiprole and ceftaroline) offer broader coverage, including many important Gram-negative pathogens.

Peak sales forecast $130m

Our forecasts assume that ceftobiprole can secure a 3-4% share of the large but congested ABSSSI market at peak, recognising that much will depend on the capabilities of the partner selected. Nevertheless, such is the size of the ABSSSI indication in the US, even this modest market penetration suggests an un-risked peak sales market potential of $130m.

Bacteraemia is the key for ceftobiprole

Bacteraemia associated with high mortality

Staphylococcus aureus bacteraemia (SAB) represents a particularly insidious condition, often leading to metastatic infections such as infective endocarditis (IE) and other complications, including sepsis. It often develops secondary to another site of infection, such as a vascular catheter, but the initial site of infection is unknown for many. For patients with susceptible infections (MSSA), treatment with a beta-lactam antibiotic remains the first choice. Infection with MRSA leads to poorer outcomes, with up to 50% mortality in patients with MRSA bacteraemia.

Overall, bacteraemia is associated with mortality rates of 20-30%. This rate has improved only modestly in the recent past despite efforts to better manage patients suffering from bacteraemia. Over 40% of *Staph. aureus* bloodstream infections in the US are caused by MRSA, justifying the development of antibiotics such as ceftobiprole. The US is the target market for Basilea, and we believe that ceftobiprole, with its extended-spectrum and potent activity against MRSA, will have high commercial appeal.

Limited treatment options

IDSA guidelines are now old (2011), with an update promised for some time, although we suspect that the surfeit of COVID-19 guidelines may have taken up valuable time. Nevertheless, little appears to have changed in the interim, with vancomycin the first-choice antibiotic for many. Daptomycin is also approved for SAB, and the prescribing label in the US also includes approval for right-sided (but not left-sided) IE.

AMR increasingly problematic

We have previously highlighted the limitations of daptomycin and vancomycin, which include emerging resistance (and the potential for cross-resistance) and vancomycin's poor tissue distribution and risk of renal toxicity. Additionally, daptomycin is inactivated in the lung. Ultimately, there is a clear need for additional antibiotics in SAB with a notable shortage of high-quality controlled studies. Salvage therapy using a non-approved (off-label) antibiotic has proven to be a last resort approach in those with a persistent infection.

ERADICATE ongoing

In the Phase 3 ERADICATE study, ceftobiprole is being compared to daptomycin with the option to add aztreonam to daptomycin to provide coverage for Gram-negative pathogens if needed; it is a non-inferiority design, with a generous non-inferiority margin of 15%. Daptomycin has been chosen as a relevant comparator given its activity in both MSSA and MRSA, while its approval in (right-sided) SAB facilitates the double-blind design of ERADICATE.

ERADICATE readout expected in mid-2022

The primary endpoint of ERADICATE is evaluating overall success at post-treatment evaluation (day 70 post-randomisation +/-5 days). Secondary endpoints include all-cause mortality and microbiological eradication. Basilea has sought to improve the positioning of ceftobiprole by extending the maximum treatment duration from four to six weeks. This extension allows ERADICATE to capture patients with more severe infections such as osteomyelitis and epidural/cerebral abscesses. ERADICATE is anticipated to read out in mid-2022.

Forecasts suggest peak sales potential of $250m

Given the severity of SAB infection and challenges in treatment, we have apportioned a conservative 65% probability of success. With a positive outcome for both Phase 3 trials required as part of the Special Protocol Assessment, we have used this risk adjustment for both studies despite the already positive outcome of TARGET. Our forecasts suggest that ceftobiprole could achieve a 20% peak penetration of the US bacteraemia market, which would result in an un-risked peak sales opportunity of $250m.

Exiting oncology R&D

Derazantinib dominates pipeline

The oncology portfolio at Basilea currently comprises three clinical and two preclinical development programmes. The FGFR inhibitor derazantinib has dominated the R&D effort with three clinical programmes underway in biliary (FIDES-01), urothelial (FIDES-02) and gastric cancers (FIDES-03).

The competitive environment has intensified rapidly

It's fair to say that the competitive environment for FGFR inhibition has markedly changed since derazantinib was in-licensed from Arqule in 2018. At that time, the FGFR inhibitor class was yet to be clinically validated, and derazantinib was already in a potentially registrational trial with Arqule in biliary cancer. Today, this is a highly competitive therapeutic class with multiple FGFRis approved in two FGFR driven cancers. To an extent, the class's success has made life more problematic for Basilea. The promise of the FGFRi's has resulted in accelerated approvals, changing the competitive environment rapidly.

Still opportunities in a broad range of FGFR driven tumours

Proof of concept for the FGFRi class was initially achieved in April 2019 with the accelerated approval of Balversa (erdafitinib) to treat urothelial cancer with FGFR2 gene fusions or rearrangements, along with a companion diagnostic. Further accelerated approvals in bladder cancer followed firstly with Pemazyre (pemigatinib) and then Truseltiq (infigratinib). While this has made life harder in the near term for Basilea, there should still be plenty of scope for the FGFRi class given its importance in a broad array of FGFR driven cancers.

Efforts are ongoing to confirm differentiated profile

While recent approvals have validated the relevance of the FGFRi class, Basilea has been forced to adapt derazantinib's clinical development to ensure its commercial viability. This has been most evident in Basilea's decision to capitalise on derazantinib's class-leading toxicity profile by exploring a dose intensification strategy in urothelial and gastric cancers.

The decision to terminate 1st line urothelial cancer study disappointing

One of the attractions of developing highly targeted treatments with companion diagnostics is the prospect of treating only those who benefit. However, this also reduces the size of the potential market opportunity - hence Basilea's efforts to differentiate derazantinib. Additionally, with multiple drug candidates in development and a new targeted therapy already approved, enrolling new patients can be difficult, as Basilea has discovered. Due to the evolving competitive environment, the decision to suspend enrolment in the first-line setting (as well as in refractory patients) in the urothelial

cancer FIDES-02 trial must have been frustrating. These data would have provided an insight for the first time into the potential of derazantinib to boost the activity of a checkpoint inhibitor (atezolizumab) in a first-line (cisplatin-ineligible) setting. These data would undoubtedly have been helpful, we believe, as Basilea seeks a development partner. Patients who received derazantinib as a 2nd line (FGFRi naïve) treatment will continue to maturity.

Gastric cancer data forthcoming during 2022

If Basilea is to secure a new home for derazantinib, we suspect that much will depend on its potential in gastric cancer, where the unmet need is acute, and no FGFR inhibitors have been approved. Fortunately, potential partners don't have long to wait. During H1 2022, interim data are expected in high dose derazantinib monotherapy, while H2 2022 should deliver data in combination with ramucirumab. Gastric cancer represents a significant unmet need, particularly given that most cases present when they are either locally advanced or metastatic. First-line therapy in patients with advanced gastric cancer comprises nivolumab with fluoropyrimidine or platinum-based chemotherapy, with agents such as docetaxel, paclitaxel and irinotecan used following progression. CKIs have found a role in the treatment of advanced gastric cancer, delivering durable responses. Other approaches have been evaluated including, second-line ramucirumab (Cyramza) which has been associated with a survival benefit and was the first FDA approved agent in this setting in 2014.

Potential to boost checkpoint inhibitor important

We have previously highlighted the potential for derazantinib to differentiate by increasing the immune status of the tumour microenvironment. This has important implications for the activity of the checkpoint inhibitor class. Although the CKIs have been shown to generate durable responses, this has been in a minority of gastric cancer patients, with response rates in pre-treated patients in the range of 11%-24%. Furthermore, even in those patients who experienced durable responses, resistance usually develops. Although there will now be no data providing evidence of this capability in urothelial cancer following the decision to discontinue the relevant cohort, we suspect that the combination could yet be an attractive proposition for a partner with a CKI but without a suitable FGFRi programme. Amgen's Five Prime Therapeutics acquisition represents such a scenario.

Five Prime was acquired by Amgen in March 2021 for $1.9bn in cash. The purchase was based on positive results from the bemarituzumab FIGHT trial, where patients with >10% of tumours overexpressing FGFR2b experienced a median OS of 25.4 months versus 11.1 months for chemotherapy alone. Amgen has a comprehensive oncology effort, including an

active checkpoint inhibitor programme, but did not previously have an FGFR inhibitor programme.

Important data for lisavanbulin to come

The tumour checkpoint controller lisavanbulin may be from an established class, but unlike many microtubule targeting agents, it can cross the blood-brain barrier. The real opportunity with this development programme is the use of a biomarker (EB1) which should help identify patients most likely to benefit. While preclinical proof of concept may have been established, interim data from the ongoing Phase 2 glioblastoma study will be key to establishing lisavanbulin as a commercial proposition.

Although the proportion of glioblastoma patients who would benefit from lisavanbulin might be modest, the impact on those who do could be transformational, given the bleak prognosis. Additionally, Basilea has also identified other tumour types for whom lisavanbulin may be appropriate using EB1 as a relevant biomarker.

Given the unmet need and the potential for the use of a novel biomarker to reduce the risk associated with future development, a positive readout in glioblastoma should make lisavanbulin an attractive proposition for a commercial partner.

Risks

Basilea's currently marketed products are out-licensed to third parties, suggesting little influence over sales performance. Nevertheless, execution on key product Cresemba has been through highly appropriate partners (particularly Astellas and Pfizer).

While the antibiotic Zevtera (ceftobiprole) is already marketed outside of the USA for the treatment of CAP and HAP (excluding VAP), we see the more significant market opportunity in the *Staph. aureus* bacteraemia (SAB) indication. While data from previously completed studies which included SAB patients support this approach, there is uncertainty associated with this difficult-to-treat patient population, which is reflected in the probability adjustment we have employed. Approval of ceftobiprole in the US requires a positive outcome for both ABSSSI (already achieved) as well as the bacteraemia indication.

The decision to exit oncology R&D brings a risk of identifying the right owner to provide the best solution for Basilea. We suspect that much will depend on the data readouts for derazantinib this year, particularly in gastric cancer. That said, the FGFRi class is well established, and there is broad applicability to a range of FGFR driven cancers. Additionally, Basilea has historically proven adept at securing relevant commercial partners.

Data on lisavanbulin may be in a small number of patients, but the effects have been remarkable in two patients with long-lasting clinical benefit. The relevance of the novel biomarker EB1 will be important in identifying appropriate patients in glioblastoma.

Our financial forecasts suggest that this refocusing will result in Basilea moving towards a cash flow positive position in 2023 and sustainable profitability. With our expectation of a 2023 launch for ceftobiprole, our forecasts do not incorporate the expected upfront payment that the company would receive from a commercial partnership, suggesting some near term financial upside.

Financial Model and Summary

Strong partners capitalising on Cresemba's potential

The base anti-infectives business at Basilea continues to deliver good growth with the international roll out of Cresemba continuing. The near-term outlook for Cresemba also appears healthy given the forthcoming impact of key approvals and continuing roll out in major markets like China through licensee Pfizer, as well as Japan through Asahi Kasei.

Cresemba growth forecast to continue

That said, we expect much of the near-term growth to come from existing established markets through Astellas in the US and Pfizer (Europe, China, Asia Pac, Russia, Turkey and Israel). One of the benefits of a lack of novel antifungals from new classes is limited competition, suggesting that the growth trajectory should continue. At the recent update, Basilea noted that end-market sales of Cresemba through licensees and distributors amounted to over $300m in the 12 months to end September 2021, representing growth of 26.5%.

Upcoming data from ERADICATE in focus

With the renewed focus on anti-infectives, the forthcoming result of the Phase 3 SAB trial for ceftobiprole becomes central to Basilea's new strategy. Despite being marketed in Europe in the limited CAP/HAP (non-VAP) indication, Basilea has long recognised the importance of the US market for antibiotics. While the severe skin infection market is very large, it will be the bacteraemia indication that is the key to ceftobiprole's commercial success, we believe. Additionally, European Zevtera sales have been constrained by a limited label. Longer-term, there is the potential to bring the US label to Europe. Our financial model incorporates a 65% probability of success with unrisked peak sales of circa $400m. Despite recognising that Basilea will seek a commercial partner for ceftobiprole in the US our financial model continues to include end market sales and associated costs as we await details of any potential transaction. To be fair, we have not included the impact of any upfront payment to Basilea.

Critical data for the oncology franchise

2022 will likely be the year where there is a conclusion to the investment in the oncology franchise. Unfortunately, data supporting the potential for derazantinib to boost the activity of the checkpoint inhibitor class will not be realised in the urothelial cancer indication given the problems in recruitment. However, the gastric cancer indication will progress under the auspices of FIDES-03, with important data due throughout 2022. These data will be critical in informing the potential of derazantinib and will be key to attracting a partner to take this programme forward. Our financial model only contained modest sales for derazantinib awaiting the outcome of FIDES-02 and FIDES-03.

The jury remains out with respect to the future potential of lisavanbulin as we await the results from the ongoing biomarker-driven study in glioblastoma. However, data have been tantalisingly positive in this highly challenging patient population. Lisavanbulin sales are not currently included in our financial model.

Significant reduction in R&D in 2023 forecast

Our forecasts suggest that the net result of this strategic refocus has been to reduce the expected R&D spend, particularly in 2023. With the urothelial cancer study essentially terminated, the remaining principal costs are related to the evaluation of derazantinib in gastric cancer (FIDES-03).

The successful strategic outcome for derazantinib will likely benefit from a positive result in FIDES-03

We suspect that a successful strategic outcome for derazantinib will require a positive result from FIDES-03. Basilea may have followed the science in developing derazantinib, but the speed with which the competitive environment has changed, as well as the need to fully exploit various cancer settings and combinations, suggests that a deeper-pocketed partner is required. As we have stated before, a partner with an existing oncology franchise and, preferably, possession of a CKI would clearly be best placed to progress the development of derazantinib expeditiously.

A new period of sustainable profitability is a likely outcome

Our forecasts suggest that with its operational spend reduced in 2023, Basilea should move towards a position of positive cash flow and sustainable profitability, even without the benefit of upfront payments. As a result, Basilea should be in a strong financial position during the negotiating process. Consequently, we hope that any strategic deal involving the oncology pipeline will maximise the NPV to Basilea.

Basilea Income Statement (CHF' 000)

Year to December	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total revenue	**134381**	**127629**	**148122**	**110278**	**126314**	**133241**	**194060**
COGS	(18,868)	(24,054)	(24,072)	(22,056)	(24,000)	(25,316)	(29,109)
Gross profit	**115,513**	**103,575**	**124,050**	**88,223**	**102,314**	**107,925**	**164,951**
Gross margin	86.0%	81.2%	83.7%	80.0%	81.0%	81.0%	85.0%
R&D	(102,662)	(97,410)	(93,157)	(81,606)	(50,526)	(51,964)	(64,428)
SG&A	(30,051)	(29,422)	(29,721)	(30,878)	(36,631)	(39,972)	(48,515)
Total cost and operating expenses	(151,581)	(150,886)	(146,950)	(134,540)	(111,156)	(117,252)	(142,052)
Non-underlying items	0.00	15,035	0.00	0.00	0.00	0.00	0.00
Operating profit US GAAP	**(17,200)**	**(8,222)**	**1,187**	**(24,261)**	**15,158**	**15,989**	**52,008**
Finance income	28	104	66	161	167	152	19
Finance expense	(6,424)	(7,589)	(8,151)	(6,784)	(3,353)	(3,353)	(3,353)
Other financial income	1,583	2,057	1,676	0	0	0	0
Other financial expense	(369)	(1,017)	(1,573)	0	0	0	0
Underlying PBT	(22,382)	(29,702)	(6,810)	(30,884)	11,972	12,789	48,675
PBT IFRS	(22,382)	(14,667)	(6,795)	(30,884)	11,972	12,789	48,675
Loss before tax	(22,382)	(29,702)	(6,810)	(30,884)	11,972	12,789	48,675
Tax	(40)	(55)	(37)	(60)	(1,700)	(1,816)	(6,912)
Underlying net income	**(22,422)**	**(29,757)**	**(6,847)**	**(30,944)**	**10,272**	**10,973**	**41,763**
Net income US GAAP	**(22,422)**	**(14,722)**	**(6,832)**	**(30,944)**	**10,272**	**10,973**	**41,763**
EPS Basic (CHF)	(2.09)	(1.43)	(0.67)	(2.74)	0.91	0.97	3.70
EPS Diluted (CHF)	**(2.08)**	**(1.36)**	**(0.61)**	**(2.74)**	**0.91**	**0.97**	**3.70**

Source: Calvine Partners Research

Basilea Cash Flow Statement (CHF' 000)

	2019A	2020A	2021A	2022E	2023E	2024E
Net profit/(loss)	(22,422)	(14,722)	(6,831)	(30,944)	10,272	10,973
Depreciation and amortization	1,639	1,190	754	957	1,020	1,088
Gain on disposal of assets, net	0	(15,035)	(71)	0	0	0
Stock-based compensation	3,048	3,525	4,322	0	0	0
Interest and accretion of debt issuance cost	758	1,670	1,593	534	0	0
Accounts receivable	(2,457)	(1,657)	(16,251)	1,818	(882)	(381)
Other receivables	8,909	(1,657)	(15,813)	0	0	0
Inventories	(4,142)	(2,618)	(1,591)	7,904	(2,672)	(1,154)
Accounts payable	378	6,394	(2,538)	(611)	(1,311)	124
Deferred revenue	(45,626)	(33,630)	(2,556)	0	0	0
Accruals and other current liabilities	693	(1,425)	5,440	0	0	0
Other operating cash flow items	(4,614)	4,639	1,522	0	0	0
Net cash provided by/used in operating activities	**(63,836)**	**(53,326)**	**(32,020)**	**(20,342)**	**6,427**	**10,650**
Cash flow from investing activities						
Payments for short-term investments	(20,000)	(81,023)	(35,000)	0	0	0
Maturities of short-term investments	50,000	30,000	41,023	96,253	0	0
Payments for long-term investments	(30,000)	0	0	0	0	0
Proceeds from sale of assets	0	18,325	(1,588)	0	0	0
Investments in tangible assets	(294)	(1,823)	(581)	(1,249)	(1,374)	(1,512)
Investment in intangible assets	(110)	(442)	(279)	(332)	(332)	(332)
Net cash used in/provided by investing activities	**(404)**	**(34,963)**	**3,575**	**94,671**	**(1,707)**	**(1,844)**
Cash flow financing activities						
Net proceeds from exercise of stock options	37	1,322	1,866	0	0	0
Repayment of Convertible loan	0	(53,634)	(23,212)	(123,505)	0	0
Issuance of Convertible bonds	0	93,892	0			
Purchase of treasury shares	1,272	3,487	(4,254)			
Issuance of new shares			42,240			
Net cash provided by financing activities	**1,309**	**45,067**	**16,640**	**(123,505)**	**0**	**0**
Effect of exchange rate changes on cash and cash equivalents	67	(758)	501	0	0	0
Net change in cash and cash equivalents	(62,864)	(43,980)	(11,304)	(49,176)	4,721	8,806
Cash and cash equivalents at beginning of period	173,908	111,044	66,256	54,952	5,776	10,497
Cash and cash equivalents at end of period	**111,044**	**67,064**	**54,952**	**5,776**	**10,497**	**19,303**

Basilea Balance Sheet (CHF' 000)

Year to December	2019A	2020A	2021A	2022E	2023E	2024E
Non-current assets						
Tangible assets, net	5,162	2,627	2,018	6,871	7,558	8,313
Intangible assets, net	372	672	632	632	632	632
Long-term investments	30,000	0	2,390	0	0	0
Other non-current assets	1,073	2,967	1,161	1,161	1,161	1,161
Total non-current assets	36,607	6,266	6,201	8,664	9,351	10,106
Current Assets						
Cash and cash equivalents	109,024	60,749	53,700	5,776	10,497	19,303
Short-term investments	22,020	106,530	96,253	0	0	0
Accounts receivable	6,242	8,710	24,947	6,065	6,947	7,328
Other receivables	22,053	23,684	39,500	39,500	39,500	39,500
Inventories	18,569	21,192	22,783	18,372	21,044	22,198
Other current assets	6,952	2,663	3,883	3,883	3,883	3,883
Total current assets	184,860	223,528	241,066	73,597	81,871	92,212
Total assets	**221,467**	**229,794**	**247,267**	**82,261**	**91,222**	**102,319**
Current liabilities						
Convertible senior unsecured bonds			123,505			
Accounts payable	6,765	13,151	10,617	4,665	3,354	3,478
Deferred revenue	32,873	2,556	1,233	0	0	0
Accruals and other current liabilities	35,856	34,454	39,053	39,053	39,053	39,053
Total current liabilities	75,494	50,161	174,408	43,718	42,407	42,531
Non-current liabilities						
Convertible senior unsecured bonds	197,740	239,668	94,544	103,157	103,157	103,157
Deferred revenue, less of current portion	16,471	13,158	11,926	0	0	0
Other non-current liabilities	24,722	28,853	24,996	24,996	24,996	24,996
Total non-current liabilities	238,933	281,679	131,466	128,153	128,153	128,153
Total liabilities	**314,427**	**331,840**	**305,874**	**171,871**	**170,560**	**170,684**
Shareholders equity (deficit)						
Share capital	11,882	11,922	12,992	12,992	12,992	12,992
Additional paid-in capital	927,342	982,438	1,029,796	1,029,796	1,029,796	1,029,796
Accumulated other comprehensive loss	(24,555)	(27,252)	(21,617)	(21,617)	(21,617)	(21,617)
Treasury shares held by a subsidiary	(5,963)	(52,766)	(56,559)	(56,559)	(56,559)	(56,559)
Loss carried forward	(979,244)	(1,001,666)	(1,016,388)	(1,023,220)	(1,054,164)	(1,043,892)
Net loss for the year	(22,422)	(14,722)	(6,832)	(30,944)	10,272	10,973
Total shareholders' equity (deficit)	(92,960)	(102,046)	(58,608)	(89,552)	(79,280)	(68,307)
Total liabilities and equity (deficit)	**221,467**	**229,794**	**247,266**	**82,319**	**91,280**	**102,377**

Source: Calvine Partners Research

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