

Cyxone AB

Sweden / Biotechnology
 Nasdaq First North
 Bloomberg: CYXO SS
 ISIN: SE0007815428

H1 2021
 results

RATING
PRICE TARGET
 Return Potential 196.8%
 Risk Rating Speculative

BUY
SEK 16.00

RABEXIMOD'S COVID-19 PHASE II TRIAL RESULTS DUE IN LATE Q3

Cyxone has published H1/21 results which were roughly as expected. EBIT came in at SEK-20.1m, close to our estimate of SEK-21.0m (H1/20: SEK-24.4m). In addition, the two main R&D drug candidates, Rabeximod for COVID-19 and rheumatoid arthritis (RA), and T20K for multiple sclerosis (MS) are making good progress. The company announced the completion of Rabeximod's phase II study in COVID-19 patients and plans to publish the results by the end of Q3 2021. Cyxone downsized the investigated patient population from the original plan of 300 to 90. The smaller sample size will be sufficient to provide the required statistical power. This measure compensated for a slowdown of the recruitment rate due to a falling number of COVID-19 hospitalised patients during the summer. Rabeximod's phase IIb study in RA is on track to start in Q4 2021. Cyxone also entered into a research collaboration with Prof. Christian Gruber, the inventor of T20K, and Prof. Gernot Schabbauer, an expert in MS animal models from the Medical University of Vienna. They will conduct a deep study of T20K's mode of action and the distribution of the compound in the body in connection with its optimal administration form (oral or subcutaneous). The preclinical study readout is planned for mid-2022. Based on unchanged estimates, we reiterate our Buy rating and SEK16.00 price target.

Results from Rabeximod's COVID-19 phase II study due to be published within the next few weeks The original phase II trial design entailed the enrolment of 300 patients. However, a re-evaluation of the trial design conducted on behalf of Cyxone by two independent biostatisticians concluded that the 90 patients enrolled by the end of June would be sufficient to deliver the required statistical power. The lower COVID-19 infection rate in the summer led to a slowdown in patient recruitment in the 21 participating centres across five Eastern European countries. This threatened to delay the study and lead to higher recruitment costs as more centres would have been needed to meet the recruitment goal.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Revenue (SEK m)	0.00	0.00	0.03	0.00	0.05	178.00
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (SEK m)	-8.82	-31.78	-35.17	-49.00	-74.15	97.89
EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	55.0%
Net income (SEK m)	-8.82	-31.78	-35.17	-49.00	-74.15	97.89
EPS (diluted) (SEK)	-0.50	-1.41	-0.86	-0.96	-1.17	1.42
DPS (SEK)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (SEK m)	-11.37	-43.49	-36.22	-45.06	-72.33	99.51
Net gearing	0.0	-81.3%	-86.1%	-84.0%	-73.3%	-94.4%
Liquid assets (SEK m)	33.36	38.72	61.76	56.34	24.60	124.06

RISKS

Risks include, but are not limited to development, regulatory, competition and financing risks.

COMPANY PROFILE

Cyxone AB is a Swedish biotech company focused on the research and development of new drugs to treat autoimmune diseases. The company's proprietary discovery technology is generating drug candidates which belong to a new class of drugs called Cyclotides. Cyxone currently has one drug in a phase I trial for multiple sclerosis and a second drug at the phase II stage for COVID-19 and for rheumatoid arthritis.

MARKET DATA

As of 16 Sep 2021

Closing Price	SEK 5.39
Shares outstanding	63.68m
Market Capitalisation	SEK 343.22m
52-week Range	SEK 4.04 / 7.85
Avg. Volume (12 Months)	372,932

Multiples	2020	2021E	2022E
P/E	n.a.	n.a.	3.8
EV/Sales	n.a.	n.a.	1.6
EV/EBIT	n.a.	n.a.	3.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	SEK 54.05m
Current Assets	SEK 55.26m
Intangible Assets	SEK 13.96m
Total Assets	SEK 69.24m
Current Liabilities	SEK 5.11m
Shareholders' Equity	SEK 64.13m

SHAREHOLDERS

Accequa AB	12.1%
Avanza Pension	6.6%
Jan Ivar Nordqvist	4.3%
OxyPharma AB	3.9%
Freefloat and other	73.2%



Cyxone thus decided to close the study to further enrolment and initiate data analysis. The company is on track to meet its original schedule of reporting headline results by the end of Q3 2021. This will be a key milestone for Cyxone. Positive data from the completed placebo-controlled trial could lead to a potential accelerated emergency use approval in H1/22. Moreover, if the drug candidate shows positive effects in moderate COVID-19, the company sees a good chance that it could also be efficacious in other virally-induced acute respiratory disorders such as influenza. We believe the drug's convenient oral administration would make it highly competitive with other products already on the market.

Preparations for Rabeximod's phase IIb study in moderate to severe RA are underway; trial on track to start in Q4 2021 The design of Rabeximod's phase IIb study is in the final stages. It is being fine-tuned through input from the advisory team (e.g. Prof Pitzalis who intends to generate additional information on the drug candidate's mode of action). The study is expected to commence in Q4 2021.

Decision on T20K's administration route postponed to Q2/22 (old: Q3/21); the phase I MS study will still start in FY 2022 Preclinical and formulation studies to determine the optimal product formulation of either oral or subcutaneous (SubQ) delivery are underway. In connection with the research collaboration with Professors Gruber and Schabbauer from the Medical University of Vienna, Cyxone is expanding the scope of the preclinical studies to gain deeper knowledge of the compound's mode of action. This knowledge may support expansion of T20K's therapeutic use within MS (e.g. use in earlier disease stages). Cyxone has pushed back its guidance for publication of results to Q2/22 (previously: Q3/21). However, the company still plans to initiate the phase I study in FY/22.

H1/21 RESULTS

H1/21 financial results roughly as projected Sales and other income of SEK69k (FBe: SEK50k; H1/20: SEK0), and EBIT of SEK-20.1m (FBe: SEK-21.0m; H1/20: SEK-24.4m), were roughly in line with our expectations. Net income for the period amounted to SEK-20.1m (FBe: SEK-21.0m; H1/20: SEK-24.4m).

Figure 1: P&L H1/21 reported figures vs. FB estimates and H1/20 (KPIs)

in SEK'000	H1/21	H1/21E	Delta	H1/20	Delta
Revenue & other income	69	50	-	0	-
EBIT	-20,069	-21,000	n.m.	-24,394	n.m.
margin	n.m.	n.m.	-	n.m.	-
Net income	-20,069	-21,000	n.m.	-24,394	n.m.
margin	n.m.	n.m.	-	n.m.	-

Source: First Berlin Equity Research, Cyxone AB

Cash position increased to SEK54.1m due to conversion of warrants in June

Cyxone's cash position increased to SEK54.1m (FY/20: SEK41.6m) through warrant exercise amounting to SEK18.2m (SEK17.1m net of issue costs) which took place on 1 June 2021 (for more details see our note from 15 June). The cash position is sufficient to fund operations into FY/22E. Intangible assets declined slightly to SEK14.0m (FY/20: SEK14.8m). This item mainly includes patent expenses and fees for Rabeximod and T20K, which are depreciated over the patent's useful life. Equity declined slightly to SEK64.1m (FY/20: SEK67.1m), which equates to an unchanged equity ratio of 93%.

Cash flow Cyxone reported a net operating cash flow of SEK-19.4m (H1/20: SEK-20.0m). Cash flow from investment activities amounted to SEK0 (H1/20: SEK-4.9m). Financing cash flow from warrant exercise amounted to SEK17.1m (H1/20: SEK4.8m).



VALUATION MODEL

Buy rating and price target confirmed Cyhone's H1/21 financial results came in roughly as expected. The lead drug candidates Rabeximod and T20K are continuing to progress through key clinical trials and we anticipate positive news from these studies. Results for Cyhone's main value driver Rabeximod in the COVID-19 indication are due within the next few weeks. If the results are good, we expect a substantial positive impact on the share price. Based on unchanged estimates, our sum-of-the-parts valuation model still yields a price target for Cyhone of SEK16.00. We reiterate our Buy rating.

Figure 2: "Sum-of-the-parts" (SOTP) valuation model

Compound Project ¹⁾	Present Value	Patient Pop (K)	Treatment Cost (SEK)	Market Size (SEKM)	Market Share (%)	Peak Sales (SEKM)	PACME Margin ²⁾ (%)	Discount Factor (%)	Patent Life ³⁾ (years)	Time to Market (years)
Rabeximod RA	SEK 444.0M	470K	104,400	49,068.0M	9%	8,430.1M	16%	21.5%	16	6
Rabeximod COVID-19	SEK 464.0M	34,000K	13,050	443,700.0M	1%	4,437.0M	15%	21.5%	20	1
T20K MS	SEK 235.7M	850K	208,800	177,480.0M	5%	12,425.7M	18%	21.5%	9	7
PACME PV	SEK 1,143.8M			670,248.0M		25,292.9M				
Costs PV ⁴⁾	SEK 231.0M									
NPV	SEK 912.8M									
Milestones PV	SEK 96.5M									
Net cash (pro-forma)	SEK 85.8M									
Fair Value	SEK 1,095.0M									
Share Count (fully diluted)	68,293K									
Price Target	SEK 16.00									

1) A project typically refers to a specific indication or, where necessary or relevant, a combination between indication and geographic market

2) PACME (Profit After Costs and Marketing Expenses) reflects the company's profit share on future revenues.

This share may be derived in the form of royalties (outsourced marketing/manufacturing) or operating EBITDA margin (in-house model), or some mix of both (depending on the specific parameters of partnership agreements)

3) Remaining patent life after the point of approval

4) Includes company-level R&D, G&A, Financing Costs and CapEx; COGS and S&M are factored into the PACME margin for each project

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in SEK '000	2017	2018	2019	2020	2021E	2022E
Revenue & other income	0	1	27	0	50	0
Upfront & milestone payments	0	0	0	0	0	178,000
Total revenue & other income	0	1	27	0	50	178,000
Personnel costs	2,287	2,231	5,252	6,067	6,178	6,189
Other external costs	6,515	28,597	28,010	41,018	65,942	71,737
Depreciation & amortisation	22	956	1,794	1,796	1,957	2,055
Other operating expenses	0	0	136	119	123	126
Operating income (EBIT)	-8,824	-31,783	-35,165	-49,000	-74,149	97,893
Net financial result	0	0	0	0	0	0
Pre-tax income (EBT)	-8,824	-31,784	-35,165	-49,000	-74,150	97,893
Income taxes	0	0	0	0	0	0
Net income / loss	-8,824	-31,784	-35,165	-49,000	-74,150	97,893
Diluted EPS (SEK)	-0.50	-1.41	-0.86	-0.96	-1.17	1.42
Ratios						
EBIT-Margin on total revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA margin on total revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Margin on total revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expenses as % of Revenues						
Personnel costs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other external costs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Y-Y Growth						
Total revenue & other income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Operating income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income/ loss	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



BALANCE SHEET

All figures in SEK '000	2017	2018	2019	2020	2021E	2022E
Assets						
Current Assets, Total	33,499	39,268	62,420	57,278	25,551	125,106
Cash and Cash Equivalents	33,357	38,715	61,756	56,343	24,601	124,061
Accounts Receivable & others	142	553	664	935	950	1,045
Non-Current Assets, Total	7,565	13,498	12,696	14,874	13,417	12,162
Capitalised development costs*	6,554	0	0	0	0	0
Other intangibles (patents, licenses)	1,011	13,498	11,741	14,855	13,398	12,143
Other Assets	0	0	955	19	19	19
Total Assets	41,064	52,766	75,115	72,152	38,968	137,268
Shareholders' Equity & Debt						
Current Liabilities, Total	3,932	5,121	3,378	5,047	5,423	5,830
Accounts Payable	3,079	4,026	1,694	2,577	2,706	2,841
Other current liabilities	853	1,095	1,684	2,470	2,717	2,989
Longterm Liabilities, Total	0	0	0	0	0	0
Shareholders Equity	37,132	47,645	71,737	67,105	33,545	131,438
Total Consolidated Equity and Debt	41,064	52,766	75,115	72,152	38,968	137,268
Ratios						
Current ratio (x)	8.52	7.67	18.48	11.35	4.71	21.46
Quick ratio (x)	8.52	7.67	18.48	11.35	4.71	21.46
Net gearing	n.a.	-81.3%	-86.1%	-84.0%	-73.3%	-94.4%
Book value per share (€)	2.09	2.12	1.75	1.33	0.53	1.91
Net debt	-33,357	-38,715	-61,756	-56,343	-24,601	-124,061
Equity ratio	90.4%	90.3%	95.5%	93.0%	86.1%	95.8%

*The company stopped capitalising development costs at the financial statement of FY/19; FY/18 figures were also adjusted retroactively.



CASH FLOW STATEMENT

All figures in SEK '000	2017	2018	2019	2020	2021E	2022E
Net income	-8,824	-31,784	-35,165	-49,000	-74,150	97,893
Interest, net	0	0	0	0	0	0
Tax provision	0	0	0	0	0	0
EBIT	-8,824	-31,783	-35,165	-49,000	-74,149	97,893
Depreciation and amortization	22	956	1,794	1,796	1,957	2,055
EBITDA	-8,802	-30,827	-33,371	-47,204	-72,192	99,948
Changes in working capital & others	3,426	778	-1,854	2,324	361	361
Cash interest net	0	0	-1	0	0	0
Other Adjustments	0	0	0	0	0	0
Operating cash flow	-5,376	-30,049	-35,226	-44,880	-71,832	100,308
CapEx	-5,990	-13,444	-991	-178	-500	-800
Free cash flow	-11,366	-43,493	-36,216	-45,058	-72,332	99,508
Cash flow from investing	-5,990	-13,444	-991	-178	-500	-800
Debt Financing, net	0	0	0	0	0	0
Equity Financing, net	23,125	48,851	59,257	39,686	40,590	0
Cash flow from financing	23,125	48,851	59,257	39,686	40,590	0
Net cash flows	11,759	5,358	23,041	-5,372	-31,742	99,508
Cash, start of the year	21,598	33,357	38,715	61,756	56,343	24,601
Cash, end of the year	33,357	38,715	61,756	56,343	24,601	124,061

Y-Y Growth

Operating Cashflow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Free cashflow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/share	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	30 October 2018	SEK2.09	Buy	SEK13.50
2	3 December 2018	SEK2.17	Buy	SEK13.50
3	1 July 2019	SEK3.32	Buy	SEK13.50
4	6 September 2019	SEK5.75	Buy	SEK13.50
5	26 June 2020	SEK6.79	Buy	SEK12.70
6	8 September 2020	SEK7.31	Buy	SEK12.70
7	17 December 2020	SEK4.20	Buy	SEK16.00
8	22 February 2021	SEK4.60	Buy	SEK16.00
9	15 June 2021	SEK4.51	Buy	SEK16.00
10	Today	SEK5.39	Buy	SEK16.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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- key sources of information in the preparation of this research report
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