

Basilea Pharmaceutica

16 December 2024

Share Price (CHF)	42.4
CP Fair Value (CHF)	120

Market Cap (CHFm)	559
Cash (CHFm)	69
EV (CHFm)	585

Country	Switzerland
Code	BSLN
Index	SIX



Source: Calvine Partners Research

Ceftobiprole partner secured

Basilea announced this morning that it has secured Innoviva Specialty Therapeutics as a distribution and license partner for the US commercialisation of its 5th generation cephalosporin antibiotic Zevtera (ceftobiprole). In its endeavour to maximise the commercial potential of ceftobiprole, Basilea sought to ensure that the partner has relevant anti-infective expertise, particularly in the key hospital setting. We believe that Innoviva fulfils that requirement demonstrated by its current portfolio, including Xerava (everacycline) and the recently approved Xacduro (sulbactam; durlabactam). Ceftobiprole looks to be a good fit for Innoviva, growing its anti-infectives portfolio. Ceftobiprole brings its key *staphylococcus aureus* bacteraemia (SAB) label, as well as acute skin and soft tissue infections (ABSSSI) and community acquired bacterial pneumonia (CABP) in the US. Innoviva Specialty Therapeutics is a wholly owned subsidiary of drug royalty company Innoviva which has grown its portfolio largely through acquisition. Xerava (originator Tetrphase) was added through the acquisition of La Jolla Pharmaceuticals, and Xacduro from the 2022 acquisition of Entasis.

Innoviva is an excellent partner for ceftobiprole

As expected, with Basilea seeking to ensure the maximum commercial return on its (and Barda's) investment in the development of ceftobiprole, the agreement with Innoviva comes with a small upfront payment (\$4m). Basilea will also receive tiered royalties on net sales in the high teens to mid-twenties percentage range and sales milestones of up to \$223m. Additionally, Innoviva Specialty Therapeutics will purchase drug product from Basilea.

Management executing

With the partnering of ceftobiprole in the US, Basilea has delivered on the lofty objectives that it set out to establish itself as a leading global anti-infectives company. These attainments have included the acquisition of the novel Phase 3 anti-fungal fosmanogepix and securing funding for this and other pipeline programmes as part of a long-term agreement with BARDA. The funding agreement will cover approximately 60% of costs, up to \$268m, over 12 years.

Notwithstanding the current lack of investor enthusiasm for anti-infectives, we believe that this enviable track record of execution effectively de-risks the investment case for Basilea. In particular, with Cresemba expected to suffer a loss of exclusivity from Q4 2027 in the US and Europe, revenues from US sales of ceftobiprole should go some way to offset any impact. In the longer term, we look forward to the clinical progress of fosmanogepix with the Phase 3 trial in invasive moulds due to start at the year end. When approved, we expect fosmanogepix to not only secure the longevity of the anti-fungal franchise but to take it to new heights with a peak sales potential of \$1.2bn.

Dr Brian White
Partner
bw@calvinepartners.com

Andrew Keith
Partner
ak@calvinepartners.com

Basilea Income Statement (CHF' 000)

Year to December	2023A	2024E	2025E	2026E	2027E	2028E
Total product and contract revenue		192967	173380	183640	203105	195891
Other revenue		14000	40000.0	40000.0	20000.0	20000.0
Total revenue	157634	206967	213380	223640	223105	215891
COGS	(26,794)	(39,324)	(34,808)	(38,184)	(41,934)	(37,267)
Gross profit	130,840	167,643	178,572	185,456	181,171	178,625
Gross margin	83.0%	81.0%	83.7%	82.9%	81.2%	82.7%
R&D	(77,852)	(91,065)	(102,422)	(98,402)	(80,318)	(77,721)
SG&A	(33,783)	(33,115)	(35,775)	(36,062)	(37,275)	(37,267)
Total cost and operating expenses	(138,429)	(163,504)	(173,006)	(172,648)	(159,527)	(152,254)
Non-underlying items	0.00	0.00	0.00	0.00	0.00	0.00
Operating profit US GAAP	19,205	43,463	40,374	50,992	63,579	63,637
Finance income	1,690	1,498	2,669	3,699	5,033	4,376
Finance expense	(11,202)	(4,773)	(3,840)	(3,861)	(1,941)	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	40,189	39,204	50,830	66,671	68,013
PBT IFRS	10,461	40,189	39,204	50,830	66,671	68,013
Loss before tax	10,461	40,189	39,204	50,830	66,671	68,013
Tax	(10)	19,412	(4,900)	(6,354)	(8,334)	(8,502)
Underlying net income	10,451	59,601	34,303	44,476	58,337	59,512
Net income US GAAP	10,451	59,601	34,303	44,476	58,337	59,512
EPS Basic (CHF)	0.87	4.91	2.82	3.66	4.80	4.90
EPS Diluted (CHF)	0.86	4.91	2.82	3.66	4.80	4.90

Source: Calvine Partners Research

Basilea Cash Flow Statement (CHF' 000)

Year to December	2023A	2024E	2025E	2026E	2027E
Net profit/(loss)	10,451	59,601	34,303	44,476	58,337
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	(5,119)	(1,388)	(564)	29
Other receivables	(1,778)	12,000	0	0	0
Inventories	(2,166)	(8,071)	(1,068)	(1,709)	89
Accounts payable	5,656	3,467	289	462	(24)
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	(13,421)	4,900	6,354	8,334
Net cash provided by/used in operating activities	14,243	53,681	42,549	54,834	72,368
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	781	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)	(518)	(1,375)	(1,457)	(1,548)
Cash flow financing activities					
Net proceeds from exercise of stock options	(91)	400	0	0	0
Debt extinguishment	(59,314)	(15,603)	0	0	(97,100)
Issuance of Convertible bonds					
Senior secured loan					
Purchase of treasury shares	2,481	4,500			
Issuance of new shares	(381)				
Net cash provided by financing activities	(57,305)	(10,703)	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)	42,459	41,174	53,377	(26,280)
Cash and cash equivalents at beginning of period	108,566	64,319	106,778	147,953	201,330
Cash and cash equivalents at end of period	64,319	106,778	147,953	201,330	175,050

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	106,778	147,953	201,330	175,050
Short-term investments	0	0	0	0	0
Accounts receivable	27,891	10,348	11,736	12,300	12,271
Other receivables	30,257	30,257	30,257	30,257	30,257
Inventories	26,410	34,481	35,549	37,258	37,169
Other current assets	7,654	7,654	7,654	7,654	7,654
Total current assets	152,145	189,518	233,149	288,799	262,401
Total assets	173,288	211,037	255,081	311,186	285,288
Current liabilities					
Convertible senior unsecured bonds					
Senior secured debt	15,453				
Accounts payable	5,847	9,314	9,602	10,064	10,040
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	35,606	35,894	36,356	36,332
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	161,606	166,195	170,958	77,644
Shareholders equity (deficit)					
Share capital	13,100	13,170	13,170	13,170	13,170
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)	(941,285)	(902,068)	(850,726)
Net loss for the year	10,451	59,601	39,217	51,342	67,416
Total shareholders' equity (deficit)	(10,002)	49,669	88,886	140,228	207,644
Total liabilities and equity (deficit)	173,289	211,274	255,081	311,186	285,288

Source: Calvine Partners Research

Disclosures

Calvine Partners LLP is authorised and regulated by the Financial Conduct Authority for UK investment advisory and arranging activities.

This publication has been commissioned and paid for by Basilea Pharmaceutica and as defined by the FCA is not independent research. This report is considered a marketing communication under FCA Rules. It has not been prepared under the laws and requirements established to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research. This information is widely available to the public.

This report in the United Kingdom is directed at investment professionals, certified high net worth individuals, high net worth entities, self-certified sophisticated investors, and eligible counterparties as defined by the Financial Services and Markets Act 2000 (Financial Promotion) Order 2000. The report may also be distributed and made available to persons to whom Calvine Partners is lawfully permitted. This publication is not intended for use by any individual or entity in any jurisdiction or country where that use would breach law or regulations or which would subject Calvine Partners or its affiliates to any registration requirement within such jurisdiction or country.

Calvine Partners may provide, or seek to provide, services to other companies mentioned in this report. Partners, employees, or related parties may hold positions in the companies mentioned in the report subject to Calvine Partners' personal account dealing rules.

Calvine Partners has only used publicly available information believed to be reliable at the time of this publication and made best efforts to ensure that the facts and opinions stated are fair, accurate, timely and complete at the publication date. However, Calvine Partners provides no guarantee concerning the accuracy or completeness of the report or the information or opinions within. This publication is not intended to be an investment recommendation, personal or otherwise, and it is not intended to be advice and should not be treated in any way as such. Any valuation estimates, such as those derived from a discounted cash flow, price multiple, or peer group comparison, do not represent estimates or forecasts of a future company share price. In no circumstances should the report be relied on or acted upon by non-qualified individuals. Personal or otherwise, it is not intended to be advice and should not be relied on in any way as such.

Forward-looking statements, information, estimates and assumptions contained in this report are not yet known, and uncertainties may cause the actual results, performance or achievements to be significantly different from expectations.

This report does not constitute an offer, invitation or inducement to engage in a purchase or sale of any securities in the companies mentioned. The information provided is for educational purposes only and this publication should not be relied upon when making any investment decision or entering any commercial contract. Past performance of any security mentioned is not a reliable indicator of future results and readers should seek appropriate, independent advice before acting on any of the information contained herein. This report should not be considered as investment advice, and Calvine Partners will not be liable for any losses, costs or damages arising from the use of this report. The information provided in this report should not be considered in any circumstances as personalised advice.

Calvine Partners LLP, its affiliates, officers or employees, do not accept any liability or responsibility with regard to the information in this publication. None of the information or opinions in this publication has been independently verified. Information and opinions are subject to change after the publication of this report, possibly rendering them inaccurate and/or incomplete.

Any unauthorised copying, alteration, distribution, transmission, performance, or display, of this report, is prohibited.