

# Herantis Pharma

Corporate update

2019 progress made; next up, CDNF data

Herantis Pharma progressed on multiple levels in 2019. With the main study of the Phase I/II cerebral dopamine neurotrophic factor (CDNF) study now complete in Parkinson's disease (PD) (top-line safety and efficacy data are expected in Q120), positive trial data could validate the research efforts and enable future partnering opportunities. Advances have been made on the development of a non-invasive next-generation CDNF (xCDNF); three lead candidates have progressed into lead optimisation stage. The Phase II Adenovirus gene therapy for the treatment of LymphEdema (AdeLE) study evaluating Lymfactin in breast cancer-associated lymphedema (BCAL) has fully recruited (data expected H121). In H219 Herantis successfully completed a share offering (€4.17m gross raised) and a secondary listing on NASDAQ Stockholm. We value Herantis at €60.8m.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	0.0	(2.2)	(0.5)	0.0	N/A	N/A
12/18	0.0	(4.2)	(0.8)	0.0	N/A	N/A
12/19e	0.0	(5.8)	(1.0)	0.0	N/A	N/A
12/20e	0.0	(4.2)	(0.7)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## CDNF and Lymfactin inflection points approaching

CDNF is a neuroprotective factor that Herantis hopes could have a disease-modifying effect on patients with PD. Top-line efficacy and safety data from the ongoing Phase I/II trial testing CDNF in PD patients are expected in Q120. The current PD treatment armament focuses on symptoms and a product that modifies disease would be a game changer. Herantis's second clinical asset, Lymfactin, has completed patient enrolment in the Phase II AdeLE trial in BCAL patients (data expected Q121). The non-invasive xCDNF has moved into lead-optimisation stage of preclinical development; although early days, it could improve CDNF's profile given CDNF is dosed intracranially once a month as an infusion using an implanted drug-delivery device behind the ear.

## Financials: Cash runway extended

In H219, Herantis issued 618,018 new shares (subscription price of €6.70), raising gross €4.17m and extending the cash runway to key value inflection points. In the near term, Herantis will continue to be cash consumptive and operate as a non-revenue-generating biotech. We note most funding for the Phase I/II CDNF trial comes from an EU grant. Cash burn amounted to €2.7m in H119 (H118: €1.8m), implying a cash runway to 2021.

## Valuation: €60.8m or €9.1/share

Our valuation is €60.8m (€9.1/share) versus €58.7m (€9.7/share) previously; it includes net cash of €1.2m (FY 2019 estimate) and is based on an rNPV of CDNF in PD (€3.5/share) and Lymfactin in BCAL (€5.4/share). We have rolled our model forward and updated for FX and an increased number of outstanding shares after the recent capital raise. For more details please see our [initiation note](#).

Pharma & biotech

22 January 2020

Price **€7.45**

Market cap **€50m**

SEK:€0.095

Net cash (€m) at 31 December 2019e 1.2

Shares in issue 6.7m

Free float 73.8

Code HRTS

Primary exchange NASDAQ OMX

Secondary exchange Nasdaq First North Growth Market

### Share price performance



% 1m 3m 12m

Abs (3.9) 2.8 36.7

Rel (local) (7.3) (4.0) 26.4

52-week high/low €10.10 €5.15

### Business description

Herantis Pharma is a Finnish innovative biopharmaceutical company focusing on regenerative medicines for unmet needs. Key assets include CDNF for Parkinson's disease and Lymfactin for breast cancer associated lymphedema.

### Next events

FY19 results 27 February 2020

CDNF PD Phase I/II data Q120

Lymfactin Phase II data Q121

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**Exhibit 1: Financial summary**

Accounts: IFRS, year-end: December, €m	2016	2017	2018	2019e	2020e
<b>INCOME STATEMENT</b>					
Total revenues	25	0	0	0	0
Cost of sales	0	0	0	0	0
Reported gross profit	25	0	0	0	0
SG&A (expenses)	(942)	(1,024)	(1,244)	(1,493)	(1,508)
R&D costs	(27)	0	0	(2,840)	(1,988)
Other (includes exceptionals)	(2,273)	(1,703)	(2,424)	232	235
Depreciation	(1,203)	(1,218)	(1,202)	(1,213)	(910)
Adjusted EBIT	(4,420)	(3,945)	(4,871)	(5,313)	(4,171)
Reported EBIT	(4,420)	(3,945)	(4,871)	(5,313)	(4,171)
Finance income/ (expense)	(4)	1,780	691	(464)	(47)
Other income (expense) (includes exceptionals)	0	0	0	0	0
Adjusted PBT	(4,425)	(2,165)	(4,180)	(5,778)	(4,218)
Reported PBT	(4,425)	(2,165)	(4,180)	(5,778)	(4,218)
Income tax expense	0	0	0	0	0
Adjusted net income	(4,425)	(2,165)	(4,180)	(5,778)	(4,218)
Reported net income	(4,425)	(2,165)	(4,180)	(5,778)	(4,218)
<b>Earnings per share</b>					
Basic EPS (€)	(1.1)	(0.5)	(0.8)	(1.0)	(0.7)
Diluted EPS (€)	(1.1)	(0.5)	(0.8)	(1.0)	(0.7)
Adjusted basic EPS (€)	(1.1)	(0.5)	(0.8)	(1.0)	(0.7)
Adjusted diluted EPS (€)	(1.1)	(0.5)	(0.8)	(1.0)	(0.7)
Average number of shares - basic (m)	4.1	4.2	4.9	5.5	6.1
Average number of shares - diluted (m)	4.1	4.9	5.5	6.1	6.1
<b>BALANCE SHEET</b>					
Property, plant and equipment	9	7	5	4	3
Goodwill	0	0	0	0	0
Intangible assets	6,590	5,663	4,735	3,524	2,616
Other non-current assets	712	392	118	117	116
Total non-current assets	7,311	6,061	4,857	3,644	2,734
Cash and equivalents	2,829	5,402	2,186	8,424	5,117
Inventories	0	0	0	0	0
Trade and other receivables	65	109	105	105	105
Other current assets	0	0	0	0	0
Assets classified for sale	0	0	0	0	0
Total current assets	2,895	5,511	2,290	8,529	5,221
Non-current loans and borrowings	8,018	6,022	5,878	6,729	6,729
Trade and other payables	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0
Total non-current liabilities	8,018	6,022	5,878	6,729	6,729
Trade and other payables	186	278	200	200	200
Current loans and borrowings	103	547	507	507	507
Other current liabilities	324	634	651	651	651
Liabilities of assets held for sale	0	0	0	0	0
Total current liabilities	613	1,460	1,358	1,358	1,358
Equity attributable to company	1,575	4,090	(89)	4,086	(132)
Non-controlling interest	0	0	0	0	0
<b>CASH FLOW STATEMENT</b>					
Profit before tax	(4,425)	(2,165)	(4,180)	(5,778)	(4,218)
Depreciation of tangible assets	1,203	1,218	1,202	1,213	910
Amortisation of intangible assets	0	0	0	0	0
Share based payments	(0)	(2,021)	(3)	0	0
Other adjustments	5	240	(688)	464	47
Movements in working capital	166	372	(79)	0	0
Net cash from operating activities (pre-tax)	(3,052)	(2,355)	(3,747)	(4,100)	(3,261)
Interest paid / received	16	(244)	15	(464)	(47)
Income taxes paid	0	0	0	0	0
Cash from operations (CFO)	(3,036)	(2,599)	(3,732)	(4,565)	(3,308)
Capex (includes acquisitions)	(10)	0	0	0	0
Other investing activities	(61)	(0)	7	0	0
Cash used in investing activities (CFIA)	(71)	(0)	7	0	0
Net proceeds from issue of shares	0	4,680	0	9,953	0
Movements in debt	0	0	509	851	0
Other financing activities	396	492	0	0	0
Cash from financing activities (CFF)	396	5,172	509	10,804	0
Currency translation differences and other	0	0	0	0	0
Increase/(decrease) in cash and equivalents	(2,711)	2,573	(3,216)	6,239	(3,308)
Cash and equivalents at beginning of period	5,541	2,829	5,402	2,186	8,424
Cash and equivalents at end of period	2,829	5,402	2,186	8,424	5,117
Net (debt)/cash	(5,291)	(1,168)	(4,200)	1,188	(2,120)
Movement in net (debt)/cash over period	N/A	4,123	(3,033)	5,388	(3,308)

Source: Edison Investment Research

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