

NEUROVIVE PHARMACEUTICAL

NeuroSTAT milestone

NeuroVive Pharmaceutical reported an operating loss of cSEK21m for Q2 versus our estimate of cSEK25.5m. In our view, the main event in the quarter was the initiation of part B in the phase I study of KL1333. However, an even more significant value-driving milestone was reached after the end of the quarter with the FDA granting NeuroSTAT fast-track designation. The company will soon initiate a phase IIa trial with NeuroSTAT in patients with moderate-to-severe traumatic brain injury, and as it now has an approved IND, the study can include US centres. We reiterate our fair value of SEK1.55–4.46.

First subject enrolled in the part B of the phase I study of KL1333. In our Q1 review, we wrote that the first subject had been enrolled in part A of the study. Part A is a screening phase where subjects are assessed on their eligibility after receiving a single dose as well as the effect of food intake. In July, the company announced that part B had been initiated. Repeated doses are administered to healthy volunteers in part B, which will evaluate healthy volunteers after receiving multiple ascending doses. In our view, it is positive that the study is progressing according to plan. In part C, the company aims to recruit one cohort of eight patients where biomarkers will be evaluated to provide indication of efficacy.

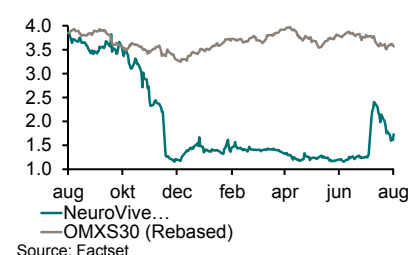
Approved IND and fast-track designation for NeuroSTAT. In May, the FDA approved an IND for NeuroSTAT, which means that NeuroVive Pharmaceutical is now eligible to conduct clinical trials with the drug candidate in the US. The approval was based on the company's submission of detailed information regarding pharmacology and toxicology studies, manufacturing information, protocols for proposed clinical studies and information on the qualifications of the clinical investigators. Based on this information, we believe that NeuroSTAT at this point has been proven safe and tolerable. In our view, it is important to establish the safety profile early on in the development process of drugs since about 9% of drug candidates fail in phase III due to safety concerns (Hay et. al, 2014).

Fair value of SEK1.55–4.46 reiterated. We continue to base our valuation on a risk-adjusted DCF model to calculate fair values in a bear-case and a bull-case scenario, and reiterate our fair value of SEK1.55–4.46.

Year-end Dec	2015	2016	2017	2018	2019e	2020e	2021e
Revenue (SEKm)	3	0	0	nm	nm	nm	nm
EBITDA adj (SEKm)	-91	-72	-71	-76	-104	-122	-176
EBIT adj (SEKm)	-91	-72	-71	-73	-103	-120	-175
PTP (SEKm)	-91	-72	-71	-73	-103	-120	-175
EPS rep (SEK)	-3.01	-1.67	-1.33	-0.94	-0.62	-0.40	-0.58
Revenue growth (%)	-63.7	-96.1	133.1	nm	nm	nm	nm
EV/Sales adj (x)	65.41	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

NVP versus OMXS30 (12m)



SUMMARY

Share price (SEK) 1.73
 Tickers NVP SS, NVP.ST

CAPITAL STRUCTURE

No. of shares fully dil. (m) 186.0
 NIBD adj end-2019e (SEKm) 0

Source: Company, DNB Markets (estimates)

Note: Unless otherwise stated, the share prices in this note are the last closing price.

NEXT EVENT

Q3 2019 report 20/11/2019

ESTIMATE CHANGES (SEK)

Year-end Dec	2019e	2020e	2021e
Sales (old)	0.00	0.00	0.00
Sales (new)	0.00	0.00	0.00
Change (%)	nm	nm	nm
Change (%)	nm	nm	nm

Source: DNB Markets.

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ANALYSTS

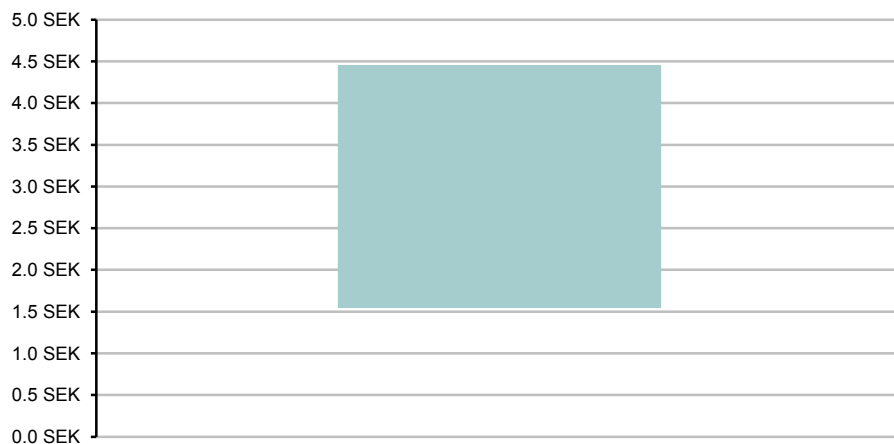
Patrik Ling

Jon Berggren

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Overview

Valuation – fair value range per share SEK1.55–4.46



Source: DNB Markets

Downside risks to our fair value

- We believe the key risks are the outcomes of future efficacy trials. Today, there is very limited clinical data supporting the efficacy of either NeuroSTAT or KL1333.
- Delays in clinical development could have a major share price impact.
- There is a high execution risk in both scenarios since all of the company's assets are in early-stage development.

Source: DNB Markets

DNB Markets estimates

- For KL1333 we assume a price per patient per year of USD50,000 in the EU and USD100,000 in the US. We assume the same price for a one-time treatment with NeuroSTAT.
- In our bull case, we estimate a peak penetration of 50% in both the US and the EU for MELAS. We estimate off-label usage of 15% and 35%, respectively, in other target indications.
- In our bear case, we estimate a peak penetration of 35% in both the US and the EU for MELAS. We estimate off-label usage of 15% and 35%, respectively, in other target indications.

Source: DNB Markets

Valuation methodology

- We continue to use a risk-adjusted DCF approach with a bull-case and a bear-case scenario. We discount the value with a WACC of 10% and apply a tax rate of 22% on all future sales.
- In our bull case, we assume an LOA of 15% for KL1333 in MELAS and 5% in other target indications.
- In our bear case, we assume an LOA of 10% for KL1333 in MELAS and 5% in other target indications.

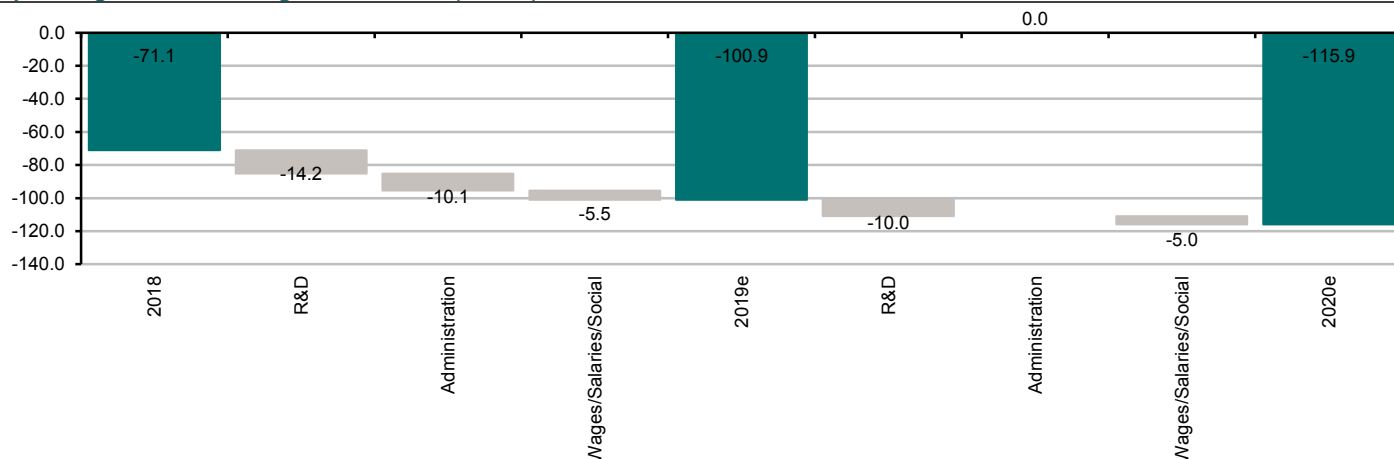
Source: DNB Markets

Upside risks to our fair value

- Higher sales of KL1333 and/or NeuroSTAT due to a higher price being charged if promising outcomes are shown in pivotal trials.
- Clinical development can accelerate if patients can be recruited to trials faster than anticipated or due to a potential breakthrough designation.
- The company, or one of its assets, is acquired by a large pharma company.

Source: DNB Markets

Operating cost base bridge 2018–2020e (SEKm)



Source: DNB Markets (forecasts), company (historical data)

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Forecast changes – P&L

(SEKm)	New			Old			Change		
	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e
Revenues	0	0	0	0	0	0	0	0	0
Cost of sales	0	0	1	0	0	1	0	0	0
Gross profit	0	0	1	0	0	1	0	0	0
Operating expenses	-101	-116	-171	-101	-116	-171	0	0	0
EBITDA	-104	-122	-177	-104	-122	-177	0	0	0
EBITDA adj	-104	-122	-176	-104	-122	-176	0	0	0
EBITDA margin (%)	nm	nm	nm	high	high	high	nm	nm	nm
Depreciation	-3	-6	-6	-3	-6	-6	0	0	0
EBITA	-107	-128	-183	-107	-128	-183	0	0	0
Amortisation	0	0	1	0	0	1	0	0	0
EBIT	-103	-120	-175	-103	-120	-175	0	0	0
EBIT adj	-103	-120	-175	-103	-120	-175	0	0	0
Net interest	0	0	0	0	0	0	0	0	0
Net financial items	0	0	0	0	0	0	0	0	0
PBT	-103	-120	-175	-103	-120	-175	0	0	0
Taxes	0	0	0	0	0	0	0	0	0
Net profit	-103	-120	-175	-103	-120	-175	0	0	0
Adjustments to net profit	0	0	1	0	0	1	0	0	0
Net profit adj	-103	-120	-175	-103	-120	-175	0	0	0
<i>Per share data (SEK)</i>									
EPS	-0.62	-0.40	-0.58	-0.62	-0.40	-0.58	0.00	0.00	0.00
<i>Other key metrics (%)</i>									
Revenue growth	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT adj growth	nm	nm	nm	40.0	17.3	45.6	nm	nm	nm
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	nm
OpFCF	-104	-122	-176	-104	-122	-176	0	0	0
Working capital	0	3	0	0	3	0	0	0	0
NIBD adj	0	0	0	0	0	0	0	0	0

Source: DNB Markets

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Annual P&L

(SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Revenues	1	7	8	3	0	0	0	0	0	0
Cost of sales	0	0	0	0	0	0	0	0	0	1
Gross profit	1	7	8	3	0	0	0	0	0	1
Operating expenses	-18	-29	-53	-93	-71	-70	-71	-101	-116	-171
EBITDA	-16	-22	-45	-91	-72	-71	-76	-104	-122	-177
Depreciation	0	0	0	-1	-1	-2	-5	-3	-6	-6
EBITA	-17	-22	-46	-93	-73	-73	-81	-107	-128	-183
Amortisation		0	0	0	0	0	0	0	0	1
EBIT	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Net interest	0	0	0	0	0	0	0	0	0	0
Net financial items	0	0	0	0	0	0	0	0	0	0
PBT	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Taxes	0	0	0	0	0	0	0	0	0	0
Effective tax rate (%)	0	0	0	0	0	0	0	0	0	0
Net profit	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Adjustments to net profit	0	0	0	-1	2	0	0	0	0	1
Net profit adj	-16	-22	-46	-92	-70	-71	-73	-103	-120	-175
<i>Per share data (SEK)</i>										
EPS	-0.85	-1.17	-1.53	-3.01	-1.67	-1.33	-0.94	-0.62	-0.40	-0.58
<i>Growth and margins (%)</i>										
Revenue growth	-76.3	422.1	20.2	-63.7	-96.1	133.1	nm	nm	nm	nm
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	100.0	100.0	100.0	100.0	100.0	100.0	nm	nm	nm	nm
EBITDA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation/revenues	-9.6	-2.1	-5.3	-39.7	-950.0	-580.0	nm	nm	nm	nm
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT adj margin	-1242.4	-322.3	-543.1	-3024.7	nm	nm	nm	nm	nm	nm
PBT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Adjustments to annual P&L

(SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA	-16	-22	-45	-91	-72	-71	-76	-104	-122	-177
Other EBITDA adjustments						0	0	0	0	1
EBITDA adj	-16	-22	-45	-91	-72	-71	-76	-104	-122	-176
EBITA	-17	-22	-46	-93	-73	-73	-81	-107	-128	-183
Other EBITA adjustments						0	0	0	0	1
EBITA adj	-17	-22	-46	-93	-73	-73	-81	-107	-128	-182
EBIT	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Other EBIT adjustments		0	0	0	0	0	0	0	0	1
EBIT adj	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Net profit	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Other EBIT adjustments		0	0	0	0	0	0	0	0	1
Tax adjustments		0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	-1	2	0				
Net profit adj	-16	-22	-46	-92	-70	-71	-73	-103	-120	-175
<i>Per share data (SEK)</i>										
EPS	-0.85	-1.17	-1.53	-3.01	-1.67	-1.33	-0.94	-0.62	-0.40	-0.58

Source: Company (historical figures), DNB Markets (estimates)

Cash flow

(SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net profit	-16	-22	-45	-91	-72	-71	-73	-103	-120	-175
Depreciation and amortisation		0	0	1	1	2	5	3	6	5
Other non-cash adjustments	1	1	0	29	28	11	11	0	0	1
Cash flow from operations (CFO)	-16	-21	-45	-61	-43	-59	-64	-101	-119	-174
Cash flow from investing (CFI)	-10	-80	-201	-23	-25	-15	-4	0	0	0
Free cash flow (FCF)	-26	-101	-246	-85	-68	-74	-68	-101	-119	-174
Cash flow from financing (CFF)	46	34	77	120	77	9	65	121	119	174
Total cash flow (CFO+CFI+CFF)	24	3	10	47	-3	-64	-3	20	0	0
<i>FCFF calculation</i>										
Free cash flow	-26	-101	-246	-85	-68	-74	-68	-101	-119	-174
Less: net interest	0	0	0	0	0	0	0	0	0	0
Growth (%)										
CFO	-53.7	-32.8	-112.5	-37.6	30.5	-37.5	-8.9	-58.4	-17.6	-46.3
CFI	-43.3	-719.3	-152.8	88.4	-6.8	39.0	74.7	100.0	nm	nm
FCF	-49.6	-294.3	-144.4	65.5	20.2	-9.2	8.4	-49.3	-17.6	-46.3
CFF	11198.0	-27.5	128.0	56.1	-35.3	-88.3	615.9	87.2	-1.8	46.3
FCFF	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Balance sheet

(SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Assets	72	89	131	175	181	120	115	152	165	187
Other receivables	1	1	1	2	2	2	1	0	3	0
Cash and cash equivalents	37	40	50	97	93	29	26	46	46	46
Current assets	38	42	51	100	96	33	27	46	49	46
Property, plant and equipment	1	0	0	0	0	0	0	0	0	0
Other intangible assets	33	47	80	75	71	74	73	92	102	127
Non-current financial assets	0	0	0	0	13	13	0	0	0	1
Non-current assets	33	48	80	75	85	88	74	93	103	129
Total assets	72	89	131	175	181	120	115	152	165	187
Equity and liabilities	72	89	131	175	181	120	115	152	165	187
Total equity to the parent	64	75	103	141	155	101	97	132	152	154
Minority interests	-1	-1	5	14	13	5				
Total equity	63	75	108	155	168	106	97	132	152	154
Short-term debt	8	15	23	20	12	14	0	0	0	0
Total current liabilities	8	15	23	20	12	14	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities	8	15	23	20	12	14	0	0	0	0
Total equity and liabilities	72	89	131	175	181	120	115	152	165	187

Key metrics

Source: Company (historical figures), DNB Markets (estimates)

Valuation ratios

(SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
<i>Enterprise value</i>										
Share price (SEK)		12.35	36.13	6.80	2.70	2.41	1.25	1.73	1.73	1.73
Number of shares (m)	19.16	21.66	27.79	29.09	49.46	52.33	78.18	165.1	300.0	301.0
Market capitalisation		267	1,004	198	133	126	98	286	519	521
Net interest bearing debt adj	0	0	0	0	0	0	0	0	0	0
EV adj		267	1,004	198	133	126	98	286	519	521
<i>Valuation</i>										
EPS	-0.85	-1.17	-1.53	-3.01	-1.67	-1.33	-0.94	-0.62	-0.40	-0.58
P/E		-10.6	-23.6	-2.3	-1.6	-1.8	-1.3	-2.8	-4.3	-3.0
Average ROE	-34.5%	-32.5%	-49.6%	-69.7%	-44.6%	-51.9%	-72.3%	-89.5%	-84.6%	-114.3%
Earnings yield adj		-9.5%	-4.2%	-44.3%	-61.9%	-55.1%	-75.3%	-36.0%	-23.2%	-33.7%
EV/SALES adj		38.58	120.47	65.41	1129.96	459.05				
EV/EBITDA adj		-12.0	-22.2	-2.2	-1.8	-1.8	-1.3	-2.7	-4.3	-3.0
EV/EBIT adj		-12.0	-22.2	-2.2	-1.8	-1.8	-1.3	-2.8	-4.3	-3.0

Source: Company (historical figures), DNB Markets (estimates)

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Key accounting ratios

	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
<i>Profitability (%)</i>										
ROA	-31.2	-27.8	-41.1	-59.7	-40.6	-47.3	-62.3	-77.0	-76.3	-100.0
<i>Return on invested capital (%)</i>										
Net PPE/revenues	50.1	6.6	4.1	10.4	232.2	58.9				
Working capital/revenues	55.3	15.8	13.5	78.3	1398.3	570.2				
<i>Cash flow ratios (%)</i>										
FCF/revenues	-1920.7	-1450.8	-2949.8	-2802.8	-57352.5	-26872.4				
FCF/market capitalisation		-37.6	-24.5	-42.8	-50.8	-58.5	-69.4	-35.4	-22.9	-33.4
CFO/revenues	-1188.9	-302.4	-534.6	-2027.5	-36136.4	-21316.4				
CFO/market capitalisation		-7.8	-4.4	-31.0	-32.0	-46.4	-65.4	-35.4	-22.9	-33.4
CFO/current liabilities	-186.6	-144.3	-190.2	-304.3	-343.5	-411.1				
Cash conversion ratio	154.6	450.1	543.2	92.7	93.9	104.0	92.3	98.4	98.7	99.1
OpFCF margin	-1242.4	-322.3	-543.1	-3024.7	-61110.2	-25850.2				
<i>Leverage and solvency (x)</i>										

Source: Company (historical figures), DNB Markets (estimates)

26 August 2019

Important Information

Company: NeuroVive Pharmaceutical
 Coverage by Analyst: Patrik Ling
 Date: 26/08/2019

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Number of shares	0	0	0	26/08/2019

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	Buy	Hold	Sell	No_rec	Total
Number	138	66	32	13	249
% of total	55%	27%	13%	5%	
DNB Markets client	28%	9%	2%	2%	102

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