

BerGenBio

Update

Private placement to support randomised Phase II trials

19 June 2019

BerGenBio has raised NOK74.2m in a private placement to advance its clinical pipeline, as it plans the late stage Phase II studies in acute myeloid leukaemia (AML) and non-small cell lung cancer (NSCLC) with bemcentinib. Promising efficacy signals have been seen during the current Phase II study in AML as a monotherapy, and the latest data continues to suggest that bemcentinib enhances the activity of LDAC chemotherapy. Similarly, the current Phase II trial in NSCLC with bemcentinib in combination with pembrolizumab (Merck's Keytruda) suggests the two therapies act synergistically. Following the capital raise, we value BerGenBio at NOK3.21bn (NOK53.13/share).

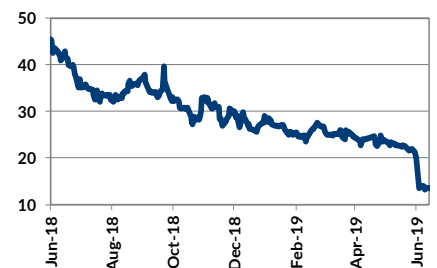
Year-end: December 31	2017	2018	2019E	2020E
Sales (NOKm)	0.0	2.3	0.0	0.0
Adj. PBT (NOKm)	(182.2)	(197.7)	(240.1)	(250.2)
Net Income (NOKm)	(182.2)	(197.7)	(240.1)	(250.2)
Adj. EPS (NOK)	(4.0)	(3.6)	(4.1)	(4.1)
Cash (NOKm)	370.4	360.4	184.7	36.7*
EBITDA (NOKm)	(183.5)	(194.3)	(239.3)	(250.7)

Source: Trinity Delta; Note: *2020E cash includes a NOK100m capital raise. Adjusted numbers exclude exceptionals.

- Private placement raised NOK74m** BerGenBio placed 5.50m shares at NOK13.50 per share to raise gross proceeds of NOK74.2m. The extra capital raised will fund primarily the randomised Phase II trials with bemcentinib in NSCLC and AML. We estimate the net amount raised was c NOK70m, and extends the BerGenBio's cash runway into H220, although we will have a clearer view of the company's cash burn rate once the timings and designs of the planned Phase II studies are disclosed.
- Latest Phase II AML data published at EHA** BerGenBio reported updated [data](#) from the [BGBC003](#) trial at the European Hematology Association conference on 14 June. In the LDAC (low dose cytarabine) arm, the ORR from the 14 evaluable patients was 43% (6/14), with 4 CR/CRi (complete remission with incomplete blood count recovery) and 2 PR (partial remission), which compares very favourably with historic data for LDAC monotherapy. The relapse free survival data is reported as 7.9 months currently in CR/CRi patients, but we expect this to increase further as the data is immature and patients are still on treatment.
- Bemcentinib's greatest potential is in NSCLC** Bemcentinib's appears to have the largest commercial potential in NSCLC in combination with immuno-oncology (IO) This opinion was supported by the preliminary [data](#) presented recently at ASCO, which provided further evidence suggesting that bemcentinib can significantly increase the proportion of patients responding to PD1/PD-L1 therapy if their tumours express AXL, and increase median overall survival (c 50% of NSCLC patients, see [note](#) dated 5 June). Further data from the current Phase II data will be reported over the coming year, including from Cohort B in IO relapse patients.
- Revised valuation of NOK53.13/share (NOK3.21bn or \$378m)** We have updated our estimates and valuation to reflect the private placement. We now value BerGenBio at NOK53.13/share (NOK3.21bn or \$378m) having previously valued it at NOK57.45/share (NOK3.14bn).

Price	NOK13.32
Market Cap	NOK805m
Enterprise Value	NOK429m
Shares in issue	60.4m
12 month range	NOK12.50-43.40
Free float	60.8%
Primary exchange	Oslo
Other exchanges	N/A
Sector	Healthcare
Company Code	BGBIO

Corporate client Yes



Company description

BerGenBio is a clinical-stage, biopharmaceutical company based in Bergen, Norway and Oxford, UK. It is developing innovative therapies for aggressive cancers by way of inhibiting the Axl signalling pathway. The lead oncology compound, bemcentinib, is in multiple Phase II trials.

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Exhibit 1: Summary of financials

Year-end: Dec 31	NOKm	2016	2017	2018	2019E	2020E
INCOME STATEMENT						
Revenues		0.0	0.0	2.3	0.0	0.0
Cost of goods sold		0.0	0.0	0.0	0.0	0.0
Gross Profit		0.0	0.0	2.3	0.0	0.0
Personnel costs		(20.6)	(28.8)	(38.0)	(31.3)	(32.2)
Other expenses		(110.8)	(154.7)	(158.7)	(208.0)	(218.4)
Amortisation & depreciation		(0.2)	(0.2)	(0.2)	(0.0)	(0.0)
Underlying operating profit		(131.6)	(183.7)	(194.5)	(239.5)	(250.8)
Other revenue/expenses		0.0	0.0	0.0	0.0	0.0
EBITDA		(131.4)	(183.5)	(194.3)	(239.3)	(250.7)
Operating Profit		(131.6)	(183.7)	(194.5)	(239.5)	(250.8)
Interest income		3.0	4.2	4.9	0.6	1.8
Interest expense		(1.3)	(2.7)	(2.1)	(1.3)	(1.3)
Other financing costs/income		0.0	0.0	0.0	0.0	0.0
Profit Before Taxes		(129.8)	(182.2)	(191.7)	(240.1)	(250.2)
Adj. PBT		(129.8)	(182.2)	(191.7)	(240.1)	(250.2)
Current tax income		0.0	0.0	0.0	0.0	0.0
Net Income		(129.8)	(182.2)	(191.7)	(240.1)	(250.2)
EPS (NOK)		(419.7)	(4.0)	(3.6)	(4.1)	(4.1)
Adj. EPS (NOK)		(419.7)	(4.0)	(3.6)	(4.1)	(4.1)
DPS (NOK)		0.0	0.0	0.0	0.0	0.0
Average no. of shares (m)		0.3	45.5	53.3	58.0	60.4
<i>Gross margin</i>		N/A	N/A	100.0%	N/A	N/A
<i>EBITDA margin</i>		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Current assets		174.1	383.8	378.2	202.5	54.5
Cash and cash equivalents		161.8	370.4	360.4	184.7	36.7
Short-term investments		0.0	0.0	0.0	0.0	0.0
Accounts receivable		0.0	0.0	0.0	0.0	0.0
Other current assets		12.3	13.4	17.8	17.8	17.8
Non-current assets		0.4	0.6	0.6	0.8	1.0
Property, plant & equipment		0.4	0.6	0.6	0.8	1.0
Other non-current assets		0.0	0.0	0.0	0.0	0.0
Current liabilities		(21.3)	(34.0)	(41.5)	(34.7)	(135.6)
Short-term debt		0.0	0.0	0.0	0.0	(100.0)
Accounts payable		(10.7)	(21.6)	(23.9)	(17.1)	(18.0)
Other current liabilities		(10.6)	(12.4)	(17.6)	(17.6)	(17.6)
Non-current liabilities		0.0	0.0	0.0	0.0	0.0
Long-term debt		0.0	0.0	0.0	0.0	0.0
Other non-current liabilities		0.0	0.0	0.0	0.0	0.0
Equity		153.3	350.4	337.3	168.6	(80.0)
Share capital		3.4	5.0	5.5	75.2	75.2
Other		149.9	345.4	331.8	93.3	(155.2)
CASH FLOW STATEMENTS						
Operating cash flow		(124.3)	(168.1)	(186.7)	(245.2)	(247.6)
Profit before tax		(129.8)	(182.2)	(191.7)	(240.1)	(250.2)
Non-cash adjustments		3.8	0.7	3.6	1.2	(0.0)
Change in working capital		1.7	13.4	1.4	(6.8)	0.9
Interest paid		0.0	0.0	0.0	0.6	1.8
Taxes paid		0.0	0.0	0.0	0.0	0.0
Investing cash flow		(0.3)	(0.3)	(0.2)	(0.3)	(0.4)
CAPEX on tangible assets		(0.3)	(0.3)	(0.2)	(0.3)	(0.4)
Other investing cash flows		0.0	0.0	0.0	0.0	0.0
Financing cash flow		212.4	377.0	177.0	69.7	100.0
Proceeds from equity		213.7	377.0	177.0	69.7	0.0
Increase in loans		(1.3)	0.0	0.0	0.0	100.0
Dividends		0.0	0.0	0.0	0.0	0.0
Other financing cash flow		0.0	0.0	0.0	0.0	0.0
Net increase in cash		87.8	208.5	(9.9)	(175.8)	(147.9)
Exchange rate effects		0.0	0.0	0.0	0.0	0.0
Cash at start of year		74.0	161.8	370.4	360.4	184.7
Cash at end of year		161.8	370.4	360.4	184.7	36.7
Net cash at end of year		161.8	370.4	360.4	184.7	(63.3)

Source: Company, Trinity Delta Note: The short-term debt in FY20 is indicative of the company's funding requirement.

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