

Nordic Nanovector

NNV investable? Betalutin story still looks ok

- NNV announcing a major clean-up
- CEO out, Betalutin delayed +6 months, Humalutin on hold
- Plenty of Betalutin value, but visibility and trust low

NNV announcing major clean-up

NNV is out with major news: 1) CEO to step down, 2) Betalutin patient enrolment slower than expected leading to first data by H1'20 (was: H2'19). NNV still anticipates regulatory filing in 2020, and 3) Phase I Humalutin project (1st line FL) is put on hold "for the foreseeable future" to conserve cash. The delay in patient enrolment for PARADIGME study is surprising given managements recent upbeat comments e.g. as late as the Q4 27 February, and given that 1st patient have not yet even been dosed. NNV confirms timelines for first patient dosing in ARCHER-1 trial (Betalutin+rituximab, 2nd line FL) and preliminary data readout from LYMRIT 37-05 (R/R DLBCL) both in H2'18. NNV states that current cash is sufficient to reach data read-out with PARADIGME study in H1'20.

CEO out, hanging around till July

With "mutual consent" the NNV Board and CEO Mr Luigi Costa has announced a CEO transition. Mr Costa will be "available to the Board" until July 2018. Search for a new CEO to begin immediately. Mr Costa's relations with the investor community has undoubtedly been increasingly strained in recent year e.g. due to very significant share based compensation and upbeat communication style despite R&D delays. Today's announcement in our book made Mr Costa's position untenable. With strong quality people remaining in NNV senior management we see no need to hurry a decision on hiring new CEO.

BIG question marks, but little fundamental change to story

We see significant questions over NNV stock, including: 1) NNV cuts costs to conserve cash but we, off hand, find it difficult to see a path to H2'2020 with existing cash position. 2) ABGSC already had a Q4'20 launch, ~6 months later than NNV previous implicit guidance; while now a launch in 2021 look likely. The delay chips away at the edge we see Betalutin having in an increasingly crowded 2021 Follicular Lymphoma market. 3) Conviction on enrolment rate into PARADIGME is shrinking leaving further delays in question. The stock will take a hit on Thursday, we guesstimate +20%, however our fair value SOTP still sees significant value in Betalutin serving as a floor under the stock. .

Fast comment

Buy

Share price (NOK)	03/04/2018	45.7
Target price		(127.0) 127.0

Biotechnology, Norway
NANOV.OL/NANO NO

MCap (NOKm)	2,238
MCap (EURm)	232.8
Net debt (EURm)	-35

No. of shares (m)	49.0
Free float (%)	100.0
Av. daily volume (k)	167.8

Next event	Q1 report: 30 May
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NNV Sum of The parts

(NOKm)	Launch year	Launch probability	Market share peak	Value	Per share
Cash				756	15
FL, 3rd line	2020	55%	60%	4,802	98
FL, 2nd line	2022	25%	40%	2,738	56
DLBCL, Conditioning	2020	10%	25%	439	9
DLBCL, 2nd line ineligible	2020	10%	25%	302	6
Partner deals				372	8
Costs, fully loaded				- 3,182	-65
Fair value, SOTP				6,227	127

Source: ABG Sundal Collier

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NOKm	2016	2017	2018e	2019e	2020e
Sales	0	0	1	1	1
Sales growth (%)	-28.1	-3.8	65.6	0	0
EBITDA	-218	-318	-361	-390	-399
EBITDA margin (%)	-69,274.5	#####	-72,159.4	-78,081.1	-79,792.8
EBIT adj	-216	-317	-359	-388	-397
EBIT adj margin (%)	-68,905.1	#####	-71,809.4	-77,681.1	-79,342.8
Pretax profit	-235	-293	-340	-372	-384
EPS rep	-5.04	-6.00	-6.95	-7.61	-7.85
EPS growth (%)	-12.2	-19.1	-15.9	-9.5	-3.0
EPS adj	-5.04	-6.00	-6.95	-7.61	-7.85
DPS	0	0	0	0	0
EV/EBITDA (x)	-17.1	-10.1	-5.3	-5.8	-6.7
EV/EBIT adj (x)	-17.2	-10.1	-5.3	-5.9	-6.7
P/E (x)	-19.2	-13.5	-6.6	-6.0	-5.8
P/E adj (x)	-19.2	-13.5	-6.6	-6.0	-5.8
EV/sales (x)	11,847.4	10,630.4	3,809.1	4,558.9	5,331.9
FCF yield (%)	-4.5	-6.3	-15.7	-16.8	-17.3
Dividend yield (%)	0	0	0	0	0
Net IB debt/EBITDA	4.7	2.4	0.9	-0.1	-1.1

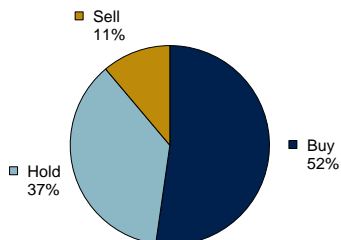
Source: ABG Sundal Collier, Company data

Analyst certification

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Hold	37%		28%	13%
Sell	11%		2%	3%

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Stock price, company ratings and target price history

Company: Nordic Nanovector

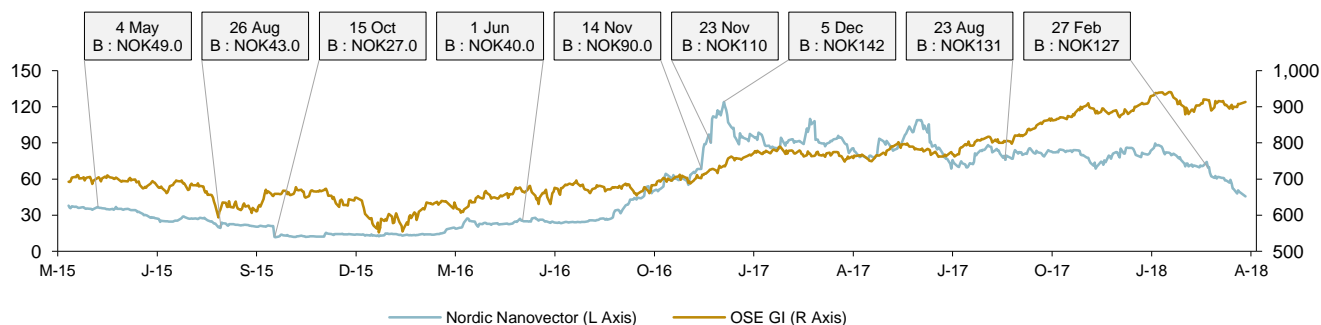
Currency: NOK

Current Recommendation: BUY

Date: 03/04/2018

Current Target price: 127

Current Share price: 45.7



Data source: ABG Sundal Collier, FactSet

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Production of recommendation: 04/04/2018 23:22 CET.

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