

Tuesday, 28 November 2023 | research report

Polish Biotech Companies

Biotechnology, Poland

Deal or Dilution

We initiate coverage of Captor Therapeutics, Celon Pharma and Molecure with 'Buy' recommendations. We believe PoITREG and Selvita are largely fairly priced, and we are negative on Mabion. We maintain our Hold recommendation on Ryvu Therapeutics with largely unchanged assumptions.

Biotechnology has been underperforming the broad market since 2Q21, with the IPO window closed, one-fifth of NASDAQ Biotechnology stocks trading below cash, multiple announcements of layoffs, pipeline cuts, and restructuring. However, modest signs of improvement in biotech financing seem to be emerging and we believe sentiment will recover to an extent next year as Treasury yields go down. However, big M&As seem less likely, and we think smaller biotechs with little cash and mediocre clinical data will continue to struggle. On the upside, we see no AI-premium yet in the current valuations even though it is one of the most exposed to the technology shift.

Celon Pharma (Buy): The share price has gone down too much

Celon's share price has plummeted 60% since its SPO in 2021 as the company has not delivered a deal in Falkieri. We assume at 50% probability that a global deal will be signed in 2024, and we value the project at PLN 7/share. We value Generics at PLN 4/share with Xarelto generic sales assumed at PLN 29m in 2024E. Delays in the generic launch planned in early 2024, or in the Falkieri deal, could prompt an equity issuance in mid-2024.

Captor Therapeutics (Buy): Science is compelling, licensing deals should come

Captor's share price has dropped 46% YTD due to the recently completed down round of PLN 40m, weak peer performance, and disputes with the grant-disbursing body NCBR. With net cash at the end of 2023 estimated at PLN 55m, there is substantial risk that Captor will have to raise capital next year. However, looking at compelling science behind the company's key project, we assume it will be able to sign two partnering deals next year: in CT-03 and CT-02.

Mabion (Sell): Expensive CDMO-to-be

We expect a slow rollout of new clients, and see substantial risk of an equity issue in 2024, and so we initiate coverage of Mabion with a Sell rating and a DCF-based 12MTP of PLN 16.00.

Molecure (Buy): There is a story, despite shrinking cash

Although we see material risk of an equity issue in 2024, we think a deal in the OATD-01 project is likely given new data explaining the mechanism of action; we value the project at PLN 15/share. In OATD-02, we believe there is a higher chance of a deal in 2025, and we value the project at PLN 9/share.

PoITREG (Hold): Waiting for a delayed lab

We assume at 50% probability that PoITREG will seal a deal in Tregs next year with an upfront of USD 20m and biodollar value close to USD 400m, which seems to be already priced into the stock.

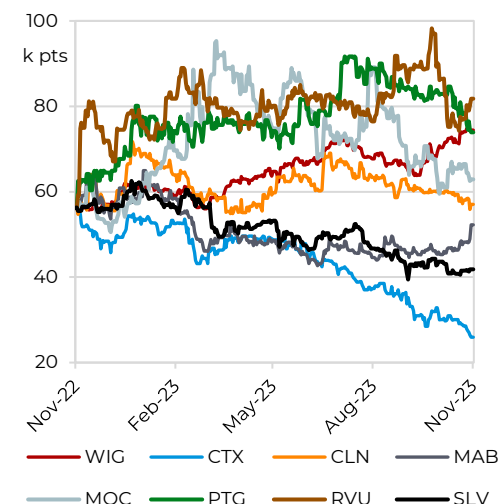
Ryvu Therapeutics (Hold): AML data coming in December

We maintain a Hold recommendation for Ryvu Therapeutics with a new 12MTP of PLN 64.00, down from PLN 65.00 previously due to an updated macro assumption. We are awaiting updates from Phase 1 of RVU120 in AML at ASH in December.

Selvita (Hold): 2024 growth outpacing the CRO market priced-in

We expect Selvita to post revenue growth of 10% in 2024 to PLN 395m (14% below consensus) as we assume the company's sales efforts will enable it to outpace the R&D outsourcing market, which will be flattish in our view. With EV/EBITDA at 16x on 2023E and 12x on 2024E, we think the stock is fairly priced.

Polish biotech companies vs. WIG



Company	target price		recommendation	
	new	old	new	old
Captor Therapeutics	120.00	-	buy	-
Celon Pharma	23.00	-	buy	-
Mabion	16.00	-	sell	-
Molecure	37.00	-	buy	-
PoITREG	55.00	-	hold	-
Ryvu Therapeutics	64.00	65.00	hold	hold
Selvita	66.00	-	hold	-

Company	current price* (PLN)	target price (PLN)	upside/downside
Captor Therapeutics	86.00	120.00	+40%
Celon Pharma	14.40	23.00	+60%
Mabion	21.88	16.00	-27%
Molecure	16.78	37.00	+121%
PoITREG	53.00	55.00	+4%
Ryvu Therapeutics	58.20	64.00	+10%
Selvita	60.00	66.00	+10%

*Prices as of November 27, 2023, 5:00 PM

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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BUY – we expect that the rate of return from an investment will be at least 10%
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SELL – we expect that an investment will bear a loss
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Captor Therapeutics, Mabion, Ryvu Therapeutics, Selvita are counterparties to mBank.
mBank S.A. was co-offering agent of the Ryvu Therapeutics's shares in a public offering within the last 12 months.

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Discounted Dividends (DDM) – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

NAV – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank did not issue any recommendations for: Captor Therapeutics, Celon Pharma, Mabion, Molecure, PoITREG, Selvita in the 12 months prior to this publication

mBank issued the following recommendations for Ryvu Therapeutics in the 12 months prior to this publication:

Comparable Companies Used in Relative Valuation Models
Ryvu Therapeutics (Beata Szparaga-Wańiewska)

Rating	hold	hold	buy	buy	buy	buy
Rating date	2023-11-28	2023-10-31	2023-10-02	2023-07-03	2023-04-03	2023-02-02
Target price	64.00	65.00	81.00	81.00	80.00	80.00
Price on rating	58.20	63.50	65.20	60.40	59.20	53.40

Mabion Lonz, Catalent, Siegfried, Thermo Fisher

Selvita Charles River Laboratories, Eurofins, Gubra, ICON, Inotiv, IQVIA Holdings, SNBL, Wuxi AppTec

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