

Saniona Q2'19: Pipeline advances

Redeye Research Note 22 hours ago

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This morning, Saniona announced their interim report for Q2'19. The cash position was as expected, and we are encouraged that the pipeline advances.

Finances

For the first half a year, revenues came in at SEK 2.4 mn (8.1), operating expenses were SEK -52.1 (-48.0) and free cash flow were SEK -52.3 mn (-34.0). If we include the net proceeds from the rights issue, which was paid in after the interim cut date, the cash position at half year-end was roughly SEK 80 mn, which is what we guided for in previous comments.

In the second half of 2019, we expect revenues to be low, and in comparison, to the first half of the year. As the pipeline advances, we believe that operating expenses will increase moderately compared to the first half of 2019. Our guidance is that the current cash position will last to the end of the first quarter, 2020.

Pipeline

The pipeline advances according to plan. Saniona's Mexican partner, Medix, plans to launch tesofensine in 2020 in Mexico. Saniona will be eligible to royalties on tesofensine sales.

For the flagship projects, tesomet in Prader-Willi Syndrome (PWS) and Hypothalamic Obesity (HO), we can expect results from the open-label extension (OLE) study in September in PWS.

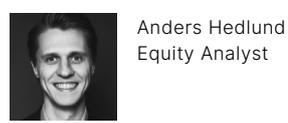
In HO, a phase IIa is running and where we learned from the interim report that the standard doses for obesity appears well tolerated. We expect results in Q4'19.

During the summer, Saniona announced that they had selected a candidate, SAN903, in the IK program. It will be developed initially in inflammatory bowel disease. We hope that the candidate selection will increase partner interest for SAN903. Non-dilutive funding would be more than welcome at this stage. SAN903 is currently not included in our valuation.

Concluding remarks

In summary, the interim report summarizes finances without any major surprises and a pipeline that advances. The most important news flow in the second half is in PWS and HO.

We have a positive view of Saniona's pipeline going forward. As we have stated several times this year, our concern is with the funding gap, call it that Saniona is undercapitalized. In our view, it is one of the major reasons why the stock market does not, at all, acknowledge the true value in Saniona's pipeline. We reiterate our Base Case of SEK 93 per share.



Anders Hedlund
Equity Analyst

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