Equity Research | NANEXA: Variable roadmap with emphasis on NEX-22 and potential Novo Nordisk deal

With the recently completed Phase 1 study for NEX-20 yielding positive results, and the widespread global interest in GLP-1, Nanexa now has strong momentum behind it going into the ongoing SEK 121m rights issue. At an investor meeting at Nanexa's premises in Uppsala, the company presented both a clearer plan for NEX-22, with an expected start of Phase 1 in Q1'24, as well as two paths forward depending on the level of capital they manage to raise. We continue to see a wide range of different outcomes for both the company's own and partner projects, all of which point to high potential from today's depressed levels.

Two scenarios depending on capital raised
At the investor meeting for the right issue, Nanexa presented two sets of milestones or scenarios going forward for the three own projects, NEX-18 (a long-acting injectable for treatment of myelodysplastic syndrome), NEX-20 (for multiple myeloma) and NEX-22 (for type-2 diabetes). One scenario if they manage to raise only the guaranteed amount of SEK 75m and one if they manage to raise the full SEK 121m. Significant emphasis was put on NEX-22.

In the SEK 75m scenario, the money will be enough to finance the completion of Phase 1 with NEX-22 and subsequent FDA meeting, preparation for Phase 1 with NEX-20, but no activities with NEX-18. Should they manage to raise the full SEK 121m, they will manage to start Phase 2 with NEX-22, start Phase 1b with NEX-20, and also an efficacy superiority study and preparations for Phase 1b with NEX-18.

Nanexa also aims to broaden PharmaShell for use in biological medicines, e.g. peptides and monoclonal antibodies, and conveys a lot of confidence in the possibility for a firm deal with its largest shareholder and evaluation partner Novo Nordisk.

Wide range of outcomes
At the investor meeting a lot of emphasis was put on NEX-22 which is a long-acting depot formulation of GLP-1 agonist liraglutide. Liraglutide is currently available as a once-daily injection, but NEX-22 is designed to be injected once a month, meaning a significant improvement in convenience for patients, and adherence.

This runs in parallel with Nanexa's evaluation agreement with Novo Nordisk for an unspecified target. Our base-case assumption is that this is most likely other GLP-1 Semaglutide, now accounting for over 1/3 of Novo Nordisk's revenues, with very positive growth prospects. In Q2'23, 45% of Novo Nordisk's revenues were for some GLP-1 drug. We now see a 30% probability for a license deal with Novo Nordisk, estimating a 3% royalty fee in such a deal. A rough assumption of the application of PharmaShell on 10%-40% of Novo Nordisk's portfolio corresponds to a SEK 250m -1bn NPV for the Novo Nordisk deal alone.

We now see a wide range of outcomes for the company's various projects and potential partnerships. In our Sum of the Parts valuation, this gives support for a valuation range anywhere between SEK 600m and 1.6bn, corresponding to SEK 3.3-8.7 per share post issue. However, should the raise fall short of the SEK 121m target, this will also affect our SOTP, primarily with regards to NEX-18.

Read the full report here: https://www.emergers.se/nanexa_q/

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