Equity Research | NANEXA: Outcome of rights issue forces an investor-friendly focus on core projects

With a subscription rate of 34.7% of the rights issue, and a utilization of guarantee commitments corresponding to 27.1%, Nanexa is provided with SEK 75m before costs. As previously announced, this lower outcome means that the funds will go to finance the completion of Phase 1 with NEX-22 and subsequent FDA meeting, preparation for Phase 1b with NEX-20, but no activities with NEX-18. This tighter roadmap, however, is more investor-friendly as it focuses on the core projects in the case, while the reduced runway increases the pressure on the company to reach some licensing agreement. With an exclusion of NEX-18 from our SOTP, and NEX-20 pushed into the future, we continue to see a wide range of possible outcomes for the company's projects, all of which continue to support a high potential from today's depressed levels.

62% total subscription rate raising SEK 75m

With 42,15m shares subscribed in the rights issue, and 32,85m shares in guarantee commitments utilised, Nanexa managed to raise the secured amount of SEK 75m before costs. This means that cash now amounts to just over SEK 100m before the costs of Q3 are taken into account. As detailed at an investor meeting for the right issue, where Nanexa presented two 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), Nanexa will now focus efforts and resources on NEX-22. In this '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 1b with NEX-20, after the recent successful readout of Phase 1 in Q3, but no initiation of Phase 1b and no activities at all with NEX-18.

Focus on projects that holds most attraction for investors

While the company may be disappointed in not raising the full SEK 121m, this lower amount actually represents at sobering streamlining to the portfolio. This refocus more clearly emphasises and prioritises the most promising and lucrative assets in the portfolio – the long-acting depot formulation of GLP-1 agonist liraglutide and the partner project with largest shareholder Novo Nordisk – which also holds the most attraction for investors.

As for 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. We 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.

So we continue to see a wide range of outcomes for the company's various projects and potential partnerships. Having excluded NEX-18 from our Sum of the Parts valuation and adjusting for the new share count, we now find support for a valuation range anywhere between SEK 440m and 1.4 bn, corresponding to SEK 3.2-10.5 per share post issue. While the 32.9m shares in the hands of guarantors might put some short term pressure on the share, we now look forward to Phase 1 with NEX-22 and a potential license deal as the primary triggers for the share.

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

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