Equity Research | Nanexa: Progress for rival at Novo illustrates the significant value potential in Nanexa

NEX-22 is progressing as expected, with the last patient in Phase I treated, results anticipated later in November, and Phase IIb scheduled for Q3'25. On the business side, however, Danish, US-listed Ascendis Pharma has signed a $285m license agreement with Novo Nordisk for Ascendis' TransCon technology for a once-monthly GLP-1 drug. While it was known and expected that Novo Nordisk would consider multiple candidates for advancing its GLP-1 drugs to less frequent dosing, it is naturally disappointing that Nanexa was not first in line. However, this doesn't eliminate the possibility of a future deal between Nanexa and Novo. Moreover, the deal establishes a compelling value benchmark for other potential licensees of a long-acting GLP-1 drug, of which there are likely to be many. We continue to find support for a fair value of SEK 2.6-9.9 per share, not factoring in a rights issue, which is likely if a license deal fails to materialize in the next 6 months.

Second place is not first loser

On Nov 4th, Novo Nordisk and Ascendis Pharma signed an agreement to develop a once-monthly GLP-1 receptor agonist (GLP-1RA) for obesity and type 2 diabetes. Novo Nordisk will hold exclusive rights to expand the new therapies into other areas. Ascendis will license its TransCon technology to Novo Nordisk, with Ascendis eligible for up to $285m in upfront payments, $77.5m per asset in milestone payments, and royalties on net sales. This is exactly the kind of deal that shareholders would have hoped for Nanexa, and while it a) does not affect the current collaboration with Novo, b) does not rule out any future licensing deal with Nanexa, and c) is natural and expected that Novo explores several long-acting alternatives simultaneously, it is of course disappointing that Nanexa is not Novo's first licensing choice in this field.

On the bright side, the Ascendis deal illustrates how the heat is turning up in the long-acting niche of the superhot GLP-1 market. It also gives a reference point on the level of licensing money involved, with an upfront close to 20x Nanexa's Mkt Cap. We still expect several Big and Mid-size pharma companies to be on the lookout for an angle on how to take up competition with Eli Lilly and Novo Nordisk, that are so far holding the most interesting pharma breakthrough in decades for themselves.

NEX-22 an attractive proposal for new entrants into GLP-1

With all patients treated in the Phase I study, we now look forward to results to be announced later in November. With safety profile looking good, we expect smoot sailing towards initiating Phase IIb in Q3'25. With a Pre-IND with FDA by end of 2025 and a subsequent Phase III with some 400 patients, an application for NEX-22 could realistically be submitted in 2028 and with a product on the market by 2029, some three years ahead of a competing long-acting Semaglutide drug. This should be a highly attractive proposal for a potential licensee of NEX-22. Furthermore, it is worth keeping in mind that the 505b-path (for new or modified versions of previously approved drugs) to approval can roughly be compared to Phase III for a New Chemical Entity.

License deal needed in 6 months to avoid rights issue
However, financing is a constantly pressing issue, with SEK 29m in cash at the end of Q3'24 giving Nanexa less than 12 months of runway. Based on our SOTP for NEX-22, the Novo Nordisk project and the PharmaShell evaluation deals, we continue to find support for an rNPV of SEK 2.6-9.9 per share. This wide range reflects the wide range of potential outcomes for the company's various projects and partnerships. But this does not factor in a rights issue, which is the likely scenario if a licence deal does not materialize within the next 6 months.

Read the full report here: https://www.emergers.se/nanexa-y24/

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