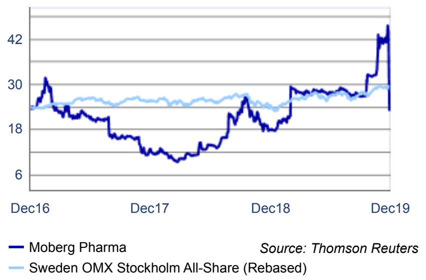
Moberg Pharma

Healthcare
Sweden

KEY DATA

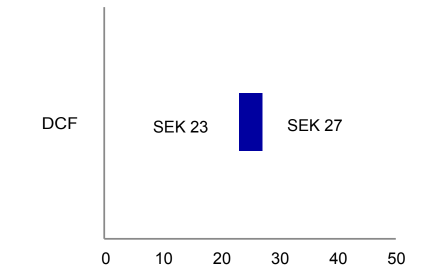
Stock country	Sweden
Bloomberg	MOB SS
Reuters	MBPH.ST
Share price (close)	SEK 23.15
Free Float	58%
Market cap. (bn)	EUR 0.04/SEK 0.43
Website	ttp://mobergpharma.com/
Next report date	11 Feb 2020

PERFORMANCE



Source: Thomson Reuters

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	19/20E	20/21E	21/22E
Sales	0%	-100%	-45%
EBIT (adj)	-12%	-145%	-2,047%

Source: Nordea estimates

Nordea Markets - Analysts
Klas Pyk
Analyst

Puzzling results

The North American phase III results for MOB-015 are puzzling. A complete cure was achieved in only 4.5% of the patients, well below the company's previously communicated target. However, 70% of patients achieved a mycological cure – which often correlates with a complete cure – surpassing expectations. Thus, even though the overall results were disappointing, we argue that the unusually high difference between the complete and mycological cure rates needs to be further examined before the commercial potential of MOB-015 can be accurately assessed.

Lack of correlation leaves no clear conclusion

After 52 weeks in the MOB-015 North American study, 4.5% of patients achieved a complete cure (defined as a completely clear nail and mycological cure). The results are statistically significant ($p=0.019$) compared to patients who did not receive the treatment, meaning that the study met its primary end point, but this is still low compared to the company's previously communicated target of 20-30%. Jublia, the main topical branded competitor, achieved 15-18% in clinical trials. While the complete cure rate was clearly disappointing, it is puzzling to see that mycological cure was achieved in 70% of patients ($p=0.0001$), at the upper end of the company's target range (60-70%) and meaningfully higher than Jublia at 54%.

Further data expected in Q2 2020

From evaluating the clinical results of competing products, it is clear that mycological cure and complete cure usually correlate, but this was not the case for the MOB-015 North American study. Given the unusual outcome, we therefore argue that further and more granular data is necessary to evaluate the true commercial potential of MOB-015. The results from the European study (452 patients versus 365 patients in the North American study) are expected in Q2 2020, which should help determine the way forward for Moberg Pharma. Pending further data, we argue the risk has increased materially that MOB-015 cannot achieve sales and earnings in line with our previous baseline estimates. We consequently lower our fair valuation range to SEK 23-27 (44-54) per share.

SUMMARY TABLE - KEY FIGURES

SEKm	2015	2016	2017	18/19	19/20E	20/21E	21/22E
Total revenue	286	334	439	547	0	0	55
EBITDA (adj)	46	78	89	122	26	-12	-2
EBIT (adj)	35	62	51	75	26	-36	-26
EBIT (adj) margin	12.3%	18.6%	11.6%	13.8%	n.m.	n.m.	-46.5%
EPS (adj)	1.78	2.25	0.64	0.91	1.03	-2.29	-1.46
EPS (adj) growth	86.1%	26.9%	-71.8%	43.6%	13.2%	-321.7%	36.5%
DPS (ord)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	1.2	2.5	1.5	-0.7	n.m.	n.m.	8.1
EV/EBIT (adj)	10.0	13.7	13.2	n.m.	15.6	n.m.	n.m.
P/E (adj)	15.7	10.7	18.4	30.4	22.4	n.m.	n.m.
P/BV	1.1	0.6	0.4	0.4	1.3	1.5	1.7
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	5.1%	-20.0%	-9.6%	-16.5%	-12.5%	-8.1%	-3.0%
Net debt	-42	503	472	-893	-29	6	19
Net debt/EBITDA	-0.9	6.5	5.3	-7.3	-1.1	-0.5	-7.9
ROIC after tax	9.6%	7.0%	3.8%	9.2%	7.5%	-9.3%	-7.0%

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	18/19	19/20E	20/21E	21/22E
Total revenue	**n.a.**	**n.a.**	**157**	**200**	**286**	**334**	**439**	**547**	**0**	**0**	**55**
Revenue growth	n.a.	n.a.	n.a.	27.2%	42.7%	17.1%	31.3%	24.5%	-100.0%	0.0%	n.m.
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0	0	-8	25	46	78	89	122	26	-12	-2
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	0	0	-8	25	46	78	89	122	26	-12	-2
Amortisation and impairments	0	0	-6	-8	-11	-16	-38	-46	0	-23	-23
EBIT	n.a.	n.a.	-14	17	35	62	51	75	26	-36	-26
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	-2	-1	-1	-16	-39	-54	-1	-1	-1
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**0**	**0**	**-16**	**17**	**35**	**47**	**12**	**21**	**25**	**-37**	**-27**
Reported taxes	0	0	5	-4	-9	-14	-1	-5	-6	-6	0
Net profit from continued operations	0	0	-11	12	26	33	11	16	19	-43	-27
Discontinued operations	0	0	0	0	0	0	0	556	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	0	-11	12	26	33	11	572	19	-43	-27
EPS	**n.a.**	**n.a.**	**-0.97**	**0.95**	**1.78**	**2.25**	**0.64**	**32.59**	**1.03**	**-2.29**	**-1.46**
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46.50	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46.50	0.00	0.00	0.00
Profit margin in percent											
EBITDA	n.a.	n.a.	-5.1%	12.6%	16.2%	23.3%	20.4%	22.3%	n.m.	n.m.	-4.3%
EBITA	n.a.	n.a.	-5.1%	12.6%	16.2%	23.3%	20.4%	22.3%	n.m.	n.m.	-4.3%
EBIT	n.a.	n.a.	-8.9%	8.6%	12.3%	18.6%	11.6%	13.8%	n.m.	n.m.	-46.5%
Adjusted earnings											
EBITDA (adj)	0	0	-8	25	46	78	89	122	26	-12	-2
EBITA (adj)	0	0	-8	25	46	78	89	122	26	-12	-2
EBIT (adj)	0	0	-14	17	35	62	51	75	26	-36	-26
EPS (adj)	n.a.	n.a.	-0.97	0.95	1.78	2.25	0.64	0.91	1.03	-2.29	-1.46
Adjusted profit margins in percent											
EBITDA (adj)	n.a.	n.a.	-5.1%	12.6%	16.2%	23.3%	20.4%	22.3%	n.m.	n.m.	-4.3%
EBITA (adj)	n.a.	n.a.	-5.1%	12.6%	16.2%	23.3%	20.4%	22.3%	n.m.	n.m.	-4.3%
EBIT (adj)	n.a.	n.a.	-8.9%	8.6%	12.3%	18.6%	11.6%	13.8%	n.m.	n.m.	-46.5%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.3%	-91.3%	-91.9%	-30.2%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5%	n.m.	n.m.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	8.6%	n.m.	n.m.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	1.6%	n.m.	n.m.
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.7%	13.3%	15.5%	13.5%	8.7%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16.3%	20.0%	22.5%	22.9%	21.4%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	18/19	19/20E	20/21E	21/22E
P/E (adj)	n.a.	n.a.	n.m.	16.8	15.7	10.7	18.4	30.4	22.4	n.m.	n.m.
EV/EBITDA (adj)	n.m.	n.m.	n.m.	6.2	7.6	10.9	7.6	n.m.	15.6	n.m.	n.m.
EV/EBITA (adj)	n.m.	n.m.	n.m.	6.2	7.6	10.9	7.6	n.m.	15.6	n.m.	n.m.
EV/EBIT (adj)	n.m.	n.m.	n.m.	9.2	10.0	13.7	13.2	n.m.	15.6	n.m.	n.m.

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	18/19	19/20E	20/21E	21/22E
P/E	n.a.	n.a.	n.m.	16.8	15.7	10.7	18.4	0.9	22.4	n.m.	n.m.
EV/Sales	n.a.	n.a.	0.97	0.79	1.23	2.54	1.54	-0.75	n.m.	n.m.	8.15
EV/EBITDA	n.m.	n.m.	n.m.	6.2	7.6	10.9	7.6	n.m.	15.6	n.m.	n.m.
EV/EBITA	n.m.	n.m.	n.m.	6.2	7.6	10.9	7.6	n.m.	15.6	n.m.	n.m.
EV/EBIT	n.a.	n.a.	n.m.	9.2	10.0	13.7	13.2	n.m.	15.6	n.m.	n.m.
Dividend yield (ord.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.m.	n.m.	-2.2%	7.9%	-3.3%	-201.7%	16.8%	279.3%	-12.5%	-8.1%	-3.0%
FCF Yield bef A&D, lease adj	n.m.	n.m.	-2.2%	7.9%	5.1%	-20.0%	-9.6%	-16.5%	-12.5%	-8.1%	-3.0%
Payout ratio	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	142.7%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2011	2012	2013	2014	2015	2016	2017	18/19	19/20E	20/21E	21/22E
Intangible assets	0	0	182	216	261	1,000	980	256	301	298	284
of which R&D	0	0	0	4	12	62	132	249	293	289	274
of which other intangibles	0	0	111	128	159	840	758	7	8	9	10
of which goodwill	0	0	70	85	90	98	89	0	0	0	0
Tangible assets	0	0	1	1	1	1	1	10	10	10	10
of which leased assets	0	0	0	0	0	0	0	10	10	10	10
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	29	25	16	10	9	12	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	0	212	242	278	1,011	990	278	311	309	294
Inventory	0	0	7	13	22	42	27	0	0	0	6
Accounts receivable	0	0	18	30	38	67	67	13	10	10	11
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	7	12	13	26	20	0	0	0	2
Cash and bank	0	53	27	62	45	86	119	919	55	20	7
Total current assets	0	53	59	117	119	221	233	932	65	30	26
Assets held for sale	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**0**	**53**	**272**	**360**	**397**	**1,232**	**1,223**	**1,210**	**376**	**339**	**320**
Shareholders equity	0	0	201	304	353	562	552	1,121	329	287	260
Of which preferred stocks	0	0	0	0	0	0	0	1	1	1	1
Of which equity part of hybrid debt	0	0	0	0	0	0	0	1	1	1	1
Minority interest	0	0	0	0	0	0	0	1	1	1	1
Total Equity	0	0	201	304	353	562	552	1,122	330	288	261
Deferred tax	0	0	0	0	0	7	5	0	0	0	0
Long term interest bearing debt	0	0	17	3	0	589	592	24	2	24	24
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	2	0	0	0	0	8	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	0	2	2	2
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	0	19	3	0	596	597	32	4	26	26
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	5	7	15	16	25	0	0	0	0
Current lease debt	0	0	0	0	0	0	0	2	0	0	0
Other current liabilities	0	0	34	33	26	59	48	55	20	25	33
Short term interest bearing debt	0	0	13	13	3	0	0	0	22	0	0
Total current liabilities	0	0	52	53	45	75	74	57	42	25	33
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**0**	**0**	**272**	**360**	**397**	**1,232**	**1,223**	**1,211**	**376**	**339**	**320**
Balance sheet and debt metrics											
Net debt	0	-53	3	-46	-42	503	472	-893	-29	6	19
of which lease debt	0	0	0	0	0	0	0	2	2	2	2
Working capital	0	0	-6	16	32	60	40	-42	-10	-15	-15
Invested capital	0	0	206	258	311	1,072	1,030	236	301	294	279
Capital employed	0	0	231	320	356	1,151	1,144	1,148	356	314	287
ROE	n.m.	n.m.	-11.3%	4.9%	7.8%	7.1%	2.0%	68.3%	2.6%	-13.8%	-9.9%
ROIC	n.m.	n.m.	-10.6%	5.8%	9.6%	7.0%	3.8%	9.2%	7.5%	-9.3%	-7.0%
ROCE	n.m.	n.m.	-11.7%	6.6%	10.4%	10.3%	4.5%	6.6%	3.5%	-10.7%	-8.6%
Net debt/EBITDA	n.m.	n.m.	-0.4	-1.8	-0.9	6.5	5.3	-7.3	-1.1	-0.5	-7.9
Interest coverage	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	74.2%	84.4%	88.8%	45.6%	45.2%	92.6%	87.5%	84.6%	81.2%
Net gearing	n.m.	n.m.	1.4%	-15.1%	-11.9%	89.6%	85.5%	-79.6%	-8.8%	2.1%	7.2%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**18/19**	**19/20E**	**20/21E**	**21/22E**
EBITDA (adj) for associates	**0**	**0**	**-8**	**25**	**46**	**78**	**89**	**122**	**26**	**-12**	**-2**
Paid taxes	0	0	0	0	0	0	-1	-1	-6	-6	0
Net financials	0	0	-1	-1	0	-8	-36	-79	-1	-1	-1
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	-28	3	9	6	1	6	3	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	0	0	28	-2	-7	-49	-12	-52	0	0	0
Funds from operations (FFO)	**0**	**0**	**-8**	**24**	**47**	**27**	**42**	**-4**	**22**	**-19**	**-4**
Change in NWC	0	0	5	-8	-17	-44	12	40	-32	5	0
Cash flow from operations (CFO)	**0**	**0**	**-3**	**16**	**31**	**-18**	**54**	**36**	**-9**	**-14**	**-4**
Capital expenditure	0	0	0	0	-11	-51	-73	-116	-45	-21	-9
Free cash flow before A&D	**0**	**0**	**-3**	**16**	**20**	**-69**	**-20**	**-80**	**-54**	**-35**	**-13**
Proceeds from sale of assets	0	0	0	0	0	129	54	1,433	0	0	0
Acquisitions	0	0	0	0	-33	-759	0	0	0	0	0
Free cash flow	0	0	-3	16	-13	-699	34	1,353	-54	-35	-13
Free cash flow bef A&D, lease adj	0	0	-3	16	20	-69	-20	-80	-54	-35	-13
Dividends paid	0	0	0	0	0	0	0	0	-811	0	0
Equity issues / buybacks	0	0	34	56	9	154	1	0	0	0	0
Net change in debt	0	0	-10	-13	-13	584	0	0	0	0	0
Other financing adjustments	0	0	0	1	0	2	-2	0	1	0	0
Other non-cash adjustments	0	53	-47	-24	0	-1	0	-554	0	0	0
Change in cash	0	53	-26	35	-17	41	33	800	-864	-35	-13
Cash flow metrics											
Capex/D&A	n.m.	n.m.	3.3%	0.5%	94.1%	n.m.	n.m.	n.m.	n.m.	89.7%	38.4%
Capex/Sales	n.a.	n.a.	0.1%	0.0%	3.7%	15.3%	16.7%	21.2%	n.m.	n.m.	16.2%
Key information											
Share price year end (/current)	10	16	13	16	28	24	12	28	23	23	23
Market cap.	0	0	150	204	394	346	204	484	432	432	432
Enterprise value	0	-53	153	158	352	849	676	-410	404	439	452
Diluted no. of shares, year-end (m)	0.0	0.0	11.3	12.7	14.2	14.4	17.4	17.4	18.7	18.7	18.7

Source: Company data and Nordea estimates

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