

15 March 2024

Newron Pharmaceuticals

Italy

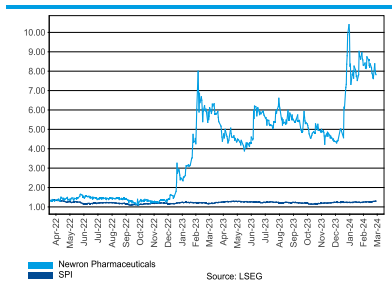
Pharma

Reuters: NWRN.S Bloomberg: NWRN SE

Buy

Closing price as of 14-Mar-24	CHF 7.82
Target price	CHF 13.60
High/Low (12M)	CHF 10.40/3.89
Market cap.	CHF mn 140
Enterprise value	CHF mn 159
Free float	95.0%
Avg. daily turnover	CHF mn 1.13

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-8.9	77.7	42.2
rel. SMI	-13.6	72.9	36.6
rel. STOXX Europe 600	-13.2	71.5	32.3
rel. SXXP Health Care	-13.3	68.0	37.6

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Key financials

EUR mn	2022	2023E	2024E	2025E	CAGR (%)
Sales (EUR mn)	6.1	6.1	32.6	32.8	75.3
EBIT adj.	-13.3	-13.2	20.3	20.5	-
EPS adj. (EUR)	-0.98	-0.88	1.00	1.01	-

Source: Company data, Baader Helvea Equity Research

Good news: Liquidity issues out of the way; focus on data generation

Our conclusion

- **With two well executed moves, Newron extended its cash runway meaningfully and ahead of important data readout in chronic schizophrenia (Mar/Apr-2024E).** In our view, the small biotech company is now in a much better position to negotiate a “solid” licensing deal(s) for evenamide across core (US, Japan) and non-core (LATAM, Europe, RoW) regions. We think that the decoupling of regions is the best way to generate the highest potential value for shareholders given that the most important clinical data will come from the phase 3 study in treatment-resistant schizophrenia (start: 2H24E; end: 2H25E). **Today's news confirm our bullish opinion on Newron and the positive news flow is far from over, in our opinion.**

Facts & Analysis

- **Newron has entered into an agreement for the subscription of up to 2.05mn newly issued shares with an institutional investor focused on investing in high-growth firms across sectors including biotech and healthcare.** Under the agreement, the fund subscribes to an initial 750,000 newly issued shares at a subscription price of EUR 7.33 per share, which corresponds to gross proceeds of approximately EUR 5.5mn. In addition, the fund has a right to subscribe to an additional up to 1,300,000 newly issued shares until no later than 31 January 2025, at a subscription price to be calculated pursuant to an agreed formula.

Subscription with gross proceeds of up to EUR 15.0mn

	Shares (mn)	Price (EUR)	Gross proceeds (EUR mn)
Newly issued shares	0.8	7.3	5.5
Additional shares (potential)	1.3	7.3	9.5
Total (potential)	2.05	14.7	15.0

Source: Company data, Baader Helvea Equity Research

- **In addition to securing fresh capital, Newron reached an agreement with the European Investment Bank (EIB) to extend the near-term tranche repayment dates of its 2018 financing agreement.** Repayment of tranches one to three (out of a total of five) with due dates from June 2024 to April 2025 will be shifted substantially, with tranche one now scheduled for 25 November 2025, tranche two for April 2026 and tranche three for June 2026. The due dates for tranches four and five will stay unchanged. On the amended tranches, Newron will start paying the agreed interest rates. The EIB will now qualify for certain performance-based remuneration.

Valuation ratios

x	2022	2023E	2024E	2025E
EV/Sales	7.8	28.0	5.1	4.5
EV/EBIT adj.	-3.6	-13.1	8.1	7.2
P/E adj.	-	-	8.1	8.1

Newron Pharmaceuticals

Key data

FY 31 Dec.	2020	2021	2022	2023E	2024E	2025E
Share data						
EPS reported (EUR)	-1.18	-0.84	-0.98	-0.88	1.00	1.01
EPS adjusted (EUR)	-1.18	-0.84	-0.98	-0.88	1.00	1.01
Dividend (CHF)	0.00	0.00	0.00	0.00	0.00	0.00
Book value (CHF)	0.97	0.17	-0.79	-1.66	-0.66	0.35
Free cash flow (CHF)	-0.91	-0.17	-0.64	-0.85	1.00	1.01
Avg. no. of shares (mn)	17.8	17.8	17.8	17.8	17.8	17.8
Market cap. (avg./current; CHF mn)	55.0	39.2	23.9	128.8	139.5	139.5
Enterprise value (CHF mn)	50.2	47.3	45.9	165.3	158.9	141.6
Valuation						
P/E adj. (x)	-	-	-	-	8.1	8.1
P/BV (x)	3.3	13.5	-1.8	-4.5	-	23.3
FCF/EV (%)	-31.0	-6.1	-23.9	-8.8	10.8	12.2
FCF yield (%) (FCF/Mcap.)	-28.3	-7.4	-45.7	-11.3	12.3	12.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	10.0	8.6	7.8	28.0	5.1	4.5
EV/EBITDA adj. (x)	-2.9	-4.1	-3.7	-13.1	8.1	7.2
EV/EBIT adj. (x)	-2.9	-4.0	-3.6	-13.1	8.1	7.2
Key company data						
Sales growth (%)	-25.3	9.6	5.8	0.9	430.4	0.7
EBITDA adj. growth (%)	-13.7	-31.9	7.8	0.4	-254.5	1.1
EBITDA adj. margin (%)	-339.4	-210.8	-215.0	-213.9	62.3	62.5
EBIT adj. margin (%)	-343.6	-214.5	-218.3	-213.9	62.3	62.5
Net adj. margin (%)	-399.4	-258.6	-287.0	-254.5	54.6	54.9
Free cash flow margin (%)	-308.2	-52.5	-187.2	-245.9	54.6	54.9
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
Gearing (%) (net debt/equity)	-28.4	273.2	-163.1	-128.1	-170.2	34.8
Net debt/EBITDA (x)	0.3	-0.7	-1.7	-2.9	1.0	0.1
Equity ratio (x) (equity/total assets)	33.7	6.2	-37.7	-137.8	-30.1	10.8
Capital employed (EUR mn)	0.1	0.1	0.1	0.0	0.0	0.0
Income statement (EUR mn)						
Turnover (EUR mn)	5.3	5.8	6.1	6.1	32.6	32.8
EBITDA	-17.8	-12.1	-13.1	-13.2	20.3	20.5
EBITDA adj.	-17.8	-12.1	-13.1	-13.2	20.3	20.5
EBIT	-18.1	-12.4	-13.3	-13.2	20.3	20.5
EBIT adj.	-18.1	-12.4	-13.3	-13.2	20.3	20.5
EBT	-19.6	-14.9	-17.5	-15.7	17.8	18.0
Net profit after minorities	-21.0	-14.9	-17.5	-15.7	17.8	18.0
Net profit adj.	-21.0	-14.9	-17.5	-15.7	17.8	18.0
Balance sheet (EUR mn)						
Non-current assets	13	11	9	8	8	8
thereof goodwill	-	-	-	-	-	-
Current assets	38	39	28	13	31	49
Total assets	51	50	37	22	39	57
Shareholders' equity	17	3	-14	-30	-12	6
Total equity and liabilities	51	50	37	22	39	57
Net debt	-5	8	23	38	20	2
Cash flow (EUR mn)						
Cash flow from operations	-15.6	-11.4	-11.1	-15.7	17.8	18.0
of which change in working capital	-	-	-	-	-	-
Cash flow from investments	-0.6	8.4	-0.3	0.5	0.0	0.0
of which investment in fixed assets	-	-	-	-	-	-
Free cash flow	-16.2	-3.0	-11.4	-15.1	17.8	18.0
Dividends paid	-	-	-	-	-	-
Cash flow from financing activities	7.4	14.8	-0.2	0.0	0.0	0.0
Change in cash position	-8.8	11.8	-11.6	-15.1	17.8	18.0

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Newron Pharmaceuticals	05-Feb-24	Buy	CHF	13.60	7.52	02-Feb-24	Leonildo Delgado, Ph.D.
Newron Pharmaceuticals	20-Mar-23	Add	CHF	7.20	6.12	17-Mar-23	Leonildo Delgado, Ph.D.

Newron Pharmaceuticals

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