

Wednesday, 27 November 2024 | update

Polish Biotech Companies

Biotechnology, Poland

The Rocky Road to Breakthrough Therapies

We believe Bioceltix, Captor Therapeutics, Molecure, and Ryvu Therapeutics are attractively priced, we are negative on Mabion and PoITREG (downgrade from 'hold'), and we see Selvita (upgraded from 'sell') and Celon as fairly priced at the current levels. With recent grant setbacks and licensing trends favoring more derisked projects, we see risk of equity issue next year in seven out of eight stocks covered.

Looking at the bigger picture, biotechnology indices have underperformed the broader market over the past two years. US yields have been higher for longer, and president-elect Trump's latest controversial nominations to run the US healthcare system have weighed on sentiment for the sector. On the other hand, with the start of a rate-cutting cycle, continued improvement in biotech financing, and the possibility of an easing of US antitrust regulations, we believe sentiment will gradually recover. Moreover, we do not yet see an AI premium in current valuations, meanwhile, AI-generated molecules are already progressing through clinical trials.

Bioceltix (Buy): Stem cell-based therapy getting closer to approval

We raise our TP for Bioceltix on the back of strong preliminary results from the pivotal study in BCX-EM (equine arthritis). Results in canine atopic dermatitis should be available in 1Q25, and, as regards BCX-CM-J (canine osteoarthritis), the timeline for a potential marketing authorization in 2025 has been maintained. On the downside, there is a risk of equity issue if there is no grant and no deal in 2025.

Captor Therapeutics (Buy): Attractive valuation post equity issue

Captor's share price has halved in the YTD amid expectations of a share issue, which has indeed just been completed. CT-01 is on track to Phase 1, CT-03 is entering IND-enabling studies, and partnering discussions concerning CT-02 and CT-05 are ongoing. There is risk of another equity issue in 2025, but we assume Captor will seal a deal in CT-02 instead.

Celon Pharma (Hold): Schizophrenia potential at a fair price

We maintain our hold recommendation for Celon as we believe the data from CPL'36 schizophrenia study is priced in, and partnering discussions take time, meanwhile, Celon's track record in deal making is mixed.

Mabion (Sell): CDMO lacking contracts

We maintain our sell rating for Mabion with the target price cut from PLN 15 to PLN 10. We have downgraded our financial forecasts for Mabion due to lower 3Q revenue from Novavax and a lack of new customers.

Molecure (Buy): Is there going to be a deal in MASH?

We maintain our buy rating for Molecure, but lower our TP due to slow patient enrollment in OATD-01 study in sarcoidosis and lower probability of success now assumed for OATD-02. There is a risk of another equity issue next year, but Molecure has shared there is interest in OATD-01 in MASH indication.

PoITREG (Sell): Adverse licensing sentiment for first gen Tregs

With the multiple sclerosis project put on hold due to a setback in grants, given hints by the management that a deal in polyclonal Tregs is unlikely, we lower our target price for PTG from PLN 52 to PLN 43 and downgrade the stock to sell.

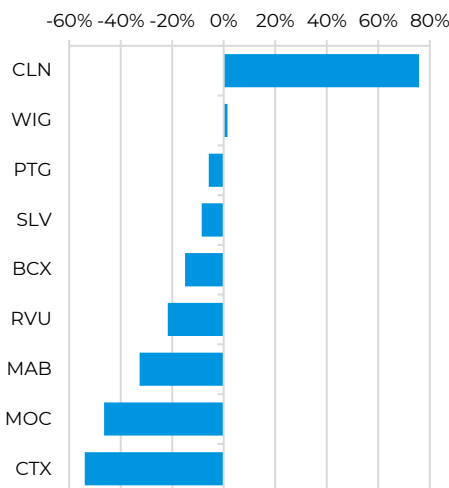
Ryvu Therapeutics (Buy): Market attaches zero value to RVU120

The RVU120 data update is due on 12 December 2024. Even if we were to remove RVU120 from our valuation model for Ryvu, the valuation still suggests upside for the stock. In synthetic lethality, Ryvu's PRMT5 inhibitor has best-in-class potential, and the ONCO Prime target discovery engine may lead to a platform deal.

Selvita (Hold): Better earnings momentum generously priced

We believe the results of the preclinical CRO have bottomed out and will show y/y improvement from 4Q onwards. We continue to see Selvita's multiples as rich with 2025 EV/EBITDA of 18x, showing 63% premium to peers. The Biosecure Act may offer upside to our forecasts depending on the final wording.

Polish biotech companies vs. WIG (YTD)



Company	target price		recommendation	
	new	old	new	old
Bioceltix	110.00	106.00	buy	buy
Captor Therapeutics	128.00	131.00	buy	buy
Celon Pharma	28.00	33.00	hold	hold
Mabion	10.00	15.00	sell	sell
Molecure	20.00	30.00	buy	buy
PoITREG	43.00	52.00	sell	hold
Ryvu Therapeutics	74.00	67.00	buy	buy
Selvita	58.00	58.00	hold	sell

Company	current price* (PLN)	target price (PLN)	upside/downside
Bioceltix	78.60	110.00	+40%
Captor Therapeutics	45.00	128.00	+184%
Celon Pharma	27.05	28.00	+4%
Mabion	12.54	10.00	-20%
Molecure	10.98	20.00	+82%
PoITREG	46.60	43.00	-8%
Ryvu Therapeutics	46.20	74.00	+60%
Selvita	53.50	58.00	+8%

*Prices as of November 26, 2024, 5:00 PM

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)

EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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NAV – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

Recommendations Issued In the 12 Months Prior To This Publication

Biocetix (Beata Szparaga-Waśniewska)

Rating	buy	buy
Rating date	2024-11-27	2024-08-07
Target price	110.00	106.00
Price on rating	78.60	72.40

Captor Therapeutics (Beata Szparaga-Waśniewska)

Rating	buy	buy	buy
Rating date	2024-11-27	2024-09-02	2023-11-28
Target price	128.00	131.00	120.00
Price on rating	45.00	76.40	86.00

Celon Pharma (Beata Szparaga-Waśniewska)

Rating	hold	hold	buy
Rating date	2024-11-27	2024-09-02	2023-11-28
Target price	28.00	33.00	23.00
Price on rating	27.05	31.70	14.40

Mabion (Beata Szparaga-Waśniewska)

Rating	sell	sell	sell
Rating date	2024-11-27	2024-09-02	2023-11-28
Target price	10.00	15.00	16.00
Price on rating	12.54	18.54	21.88

Molecure (Beata Szparaga-Waśniewska)

Rating	buy	buy	buy	buy
Rating date	2024-11-27	2024-09-02	2024-01-17	2023-11-28
Target price	20.00	30.00	34.00	37.00
Price on rating	10.98	15.08	18.00	16.78

PoITREG (Beata Szparaga-Waśniewska)

Rating	sell	hold	hold
Rating date	2024-11-27	2024-09-02	2023-11-28
Target price	43.00	52.00	55.00
Price on rating	46.60	50.20	53.00

Ryvu Therapeutics (Beata Szparaga-Waśniewska)

Rating	buy	buy	hold
Rating date	2024-11-27	2024-09-02	2023-11-28
Target price	74.00	67.00	64.00
Price on rating	46.20	53.70	58.20

Selvita (Beata Szparaga-Waśniewska)

Rating	hold	sell	hold
Rating date	2024-11-27	2024-09-02	2023-11-28
Target price	58.00	58.00	66.00
Price on rating	53.50	67.00	60.00

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