

Scancell

Interim results show progress being maintained

Scancell has reported H119 results in line with expectations. The cash position was £7.6m, with the net loss of £3.24m compensated for by the two equity raises, totalling £14.9m, over the past year. Development appears to be progressing well, with important clinical programmes expected to start patient recruitment during the next two quarters. Additionally, in January 2019 the management team has been strengthened by two important new hires. As detailed in our Initiation note, we value the company, using a risk-adjusted DCF model, at £82.0m, or 21.1p a share.

Year-end: April 30	2017	2018	2019E	2020E
Sales (£m)	0.0	0.0	0.0	0.0
Adj. PBT (£m)	(4.5)	(4.9)	(8.6)	(7.6)
Net Income (£m)	(3.5)	(4.2)	(7.1)	(6.4)
Adj. EPS (p)	(1.4)	(1.3)	(1.8)	(1.6)
Cash (£m)	2.7	10.3	4.3	10.0*
EBITDA (£m)	(4.5)	(4.9)	(8.6)	(7.6)

Source: Trinity Delta; Adjusted numbers exclude exceptionals; * Cash in FY20 includes a capital increase of £12m

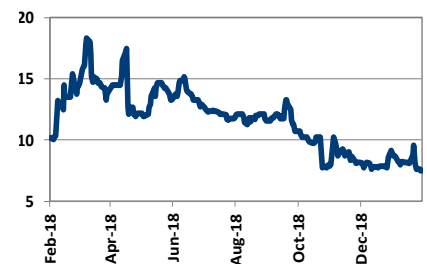
- Interim results in line with expectations** Scancell ended H119 with a cash balance of £7.6m (vs £10.3m in April 18) following a net loss of £3.24m (vs £2.02m H118). This follows the £8.0m (net) raised in May 2018, which includes £1.1m from an open offer, and £6.9m from the placement at the end of FY18. The cash burn is expected to rise as Scancell enters the clinical stages, with our forecast detailed in our [Initiation](#) note of November 2018.
- Clinical trials expected to begin shortly** Two trials with ImmunoBody are planned; the first with SCIB1 in combination with Keytruda in melanoma patients is anticipated to start in H119, and the second with SCIB2 in NSCLC will be conducted by CRUK. The SCIB1 study is awaiting FDA clearance of the Ichor Medical Systems' TriGrid 2.0 electroporation delivery system; a newer iteration of the device employed in earlier clinical work that requires additional oversight. The first Moditope product, Modi-1, is also expected to enter the clinic in CY19 in multiple solid tumour indications.
- Bolstering the executive team** Two key appointments were announced in [January 2019](#), with Dr Samantha Paston appointed as Head of Research and Dr Adrian Parry appointed as Head of Manufacturing. We view the hires of such seasoned and experienced people as useful validation that the development programmes are gaining traction and progressing as expected.
- rNPV model suggests a valuation of 21.1p/share** We value Scancell based on a rNPV and sum-of-the-parts methodology, with conservative assumptions. Based on our model we value Scancell today at £82.0m, equivalent to 21.1p a share. There are various catalysts over the coming year with a Phase II trial with ImmunoBody SCIB1 and the first clinical study with a Moditope due to be initiated in 2019.

Update

31 January 2019

Price	7.5p
Market Cap	£26.8m
Enterprise Value	£19.2m
Shares in issue	387.8m
12 month range	7.60-19.47p
Free float	95%
Primary exchange	AIM London
Other exchanges	N/A
Sector	Healthcare
Company Code	SCLP.L

Corporate client Yes



Company description

Scancell is a clinical-stage immuno-oncology specialist that is developing two innovative and flexible therapeutic vaccine platforms. ImmunoBody and Moditope induce high avidity cytotoxic CD8 and CD4 responses, respectively, with the potential to treat various cancers.

Analysts

Mick Cooper PhD

mcooper@trinitydelta.org
+44 (0) 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Exhibit 1: Summary of financials

Year-end: April 30	£'000s	2016	2017	2018	2019E	2020E	2021E
INCOME STATEMENT							
Revenues		0	0	0	0	0	0
Cost of goods sold		0	0	0	0	0	0
Gross Profit		0	0	0	0	0	0
R&D expenses		(2,009)	(2,766)	(2,855)	(6,107)	(5,037)	(6,044)
General and administrative expenses		(1,034)	(1,783)	(2,087)	(2,537)	(2,598)	(2,678)
Underlying operating profit		(3,043)	(4,549)	(4,942)	(8,645)	(7,635)	(8,722)
Other revenue/expenses		0	0	0	0	0	0
EBITDA		(3,021)	(4,516)	(4,914)	(8,617)	(7,612)	(8,698)
Operating Profit		(3,043)	(4,549)	(4,942)	(8,645)	(7,635)	(8,722)
Interest expense		14	53	3	18	6	20
Profit Before Taxes		(3,030)	(4,495)	(4,939)	(8,626)	(7,629)	(8,702)
Adj. PBT		(3,030)	(4,495)	(4,939)	(8,626)	(7,629)	(8,702)
Current tax income		446	950	745	1,527	1,259	1,511
Cumulative preferred stock dividend		0	0	0	0	0	0
Net Income		(2,583)	(3,545)	(4,195)	(7,099)	(6,370)	(7,191)
EPS (p)		(1.1)	(1.4)	(1.3)	(1.8)	(1.6)	(1.9)
Adj. EPS (p)		(1.1)	(1.4)	(1.3)	(1.8)	(1.6)	(1.9)
DPS (p)		0.0	0.0	0.0	0.0	0.0	0.0
Average no. of shares (m)		227.6	261.6	312.7	387.8	387.8	387.8
<i>Gross margin</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
BALANCE SHEET							
Current assets		7,088	3,523	11,145	5,359	11,019	3,859
Cash and cash equivalents		6,527	2,672	10,303	4,328	10,026	2,803
Accounts receivable		121	102	97	97	97	97
Inventories		0	0	0	0	0	0
Other current assets		440	749	745	934	896	959
Non-current assets		3,480	3,508	3,492	3,479	3,475	3,473
Property, plant & equipment		65	93	77	64	60	57
Other non-current assets		0	0	0	0	0	0
Current liabilities		(576)	(532)	(696)	(696)	(12,696)	(12,696)
Short-term debt		0	0	0	0	(12,000)	(12,000)
Accounts payable		(576)	(532)	(696)	(696)	(696)	(696)
Other current liabilities		0	0	0	0	0	0
Non-current liabilities		0	0	0	0	0	0
Long-term debt		0	0	0	0	0	0
Other non-current liabilities		0	0	0	0	0	0
Equity		9,992	6,499	13,941	8,142	1,798	(5,364)
Share capital		22,047	22,047	33,749	35,026	35,026	35,026
Other		(12,055)	(15,548)	(19,808)	(26,884)	(33,228)	(40,391)
CASH FLOW STATEMENTS							
Operating cash flow		(2,327)	(3,841)	(4,060)	(7,238)	(6,283)	(7,201)
Profit before tax		(3,030)	(4,495)	(4,939)	(8,626)	(7,629)	(8,702)
Non-cash adjustments		44	31	(41)	33	43	32
Change in working capital		(12)	(25)	169	0	0	0
Interest paid		4	6	3	18	6	20
Taxes paid		667	642	749	1,337	1,297	1,448
Investing cash flow		10	(14)	(11)	(15)	(19)	(21)
CAPEX on tangible assets		0	(61)	(11)	(15)	(19)	(21)
Other investing cash flows		10	47	0	0	0	0
Financing cash flow		5,786	0	11,702	1,277	12,000	0
Proceeds from equity		5,786	0	11,702	1,277	0	0
Increase in loans		0	0	0	0	12,000	0
Other financing cash flow		0	0	0	0	0	0
Net increase in cash		3,468	(3,855)	7,631	(5,976)	5,698	(7,223)
Cash at start of year		3,059	6,527	2,672	10,303	4,328	10,026
Cash at end of year		6,527	2,672	10,303	4,328	10,026	2,803
Net cash at end of year		6,527	2,672	10,303	4,328	(1,974)	(9,197)

Source: Scancell, Trinity Delta Note: Adjusted numbers exclude exceptionals.

Mick Cooper PhD CFA

mcooper@trinitydelta.org

+44 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org

+44 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org

+44 20 3637 5041

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