

## Scancell

### Interim results show encouraging progress

**Scancell reported H120 results in line with expectations. The highlight of the period has been the three collaborations struck with the AvidiMab platform. The UK arm of the delayed SCIB1 Phase II combination study in melanoma is now set to start patient recruitment; a new US IND is being actively pursued. Development appears to be regaining momentum; with the Modi-1 Phase I/II clinical trial expected to start during 2020, and a SCIB2 study (run by Cancer Research UK) is planned. The end-October 2019 cash position was £5.8m, with the £3.1m net loss offset by a £3.8m equity raise. We value Scancell, using a risk-adjusted DCF model, at £82.0m (17.2p/share).**

Year-end: April 30	2018	2019	2020E	2021E
Sales (£m)	0.0	0.0	0.0	0.0
Adj. PBT (£m)	(4.9)	(6.7)	(7.7)	(8.8)
Net Income (£m)	(4.2)	(5.6)	(6.4)	(7.2)
Adj. EPS (p)	(1.3)	(1.5)	(1.4)	(1.6)
Cash (£m)	10.3	4.6	3.4	6.2*
EBITDA (£m)	(4.9)	(6.7)	(7.7)	(8.8)

Source: Trinity Delta; Adjusted numbers exclude exceptionals; \* Cash in FY21 includes a capital increase of £10m

- Three collaborations with AvidiMab** The AvidiMab platform consists of specialised monoclonal antibodies that selectively bind to glycans (carbohydrate elements on proteins or lipids). The technology was described in an Update note ([September 2019](#)) when the first collaboration was announced. Three agreements in such a short space of time highlights the appeal of the platform to an industry that is actively seeking novel oncology drug targets. Successful evaluations could transform these currently non-exclusive agreements into more meaningful partnerships.
- Clinical development regaining traction** Progress with ImmunoBody was delayed by the FDA's issues with the Ichor electroporation delivery device (TriGrid 2.0). The UK arm of the Phase II study, SCIB1 in combination with Keytruda in 25 advanced melanoma patients, is ready for patient enrolment. A new IND application for SCIB1 in the US is being actively pursued. SCIB2, using a nanoparticle formulation, is also progressing towards a planned clinical study in solid tumours (conducted by Cancer Research UK). Similarly, the first Moditope product, Modi-1, is also expected to start a Phase I/II trial in multiple solid tumour indications.
- Interim results in line with expectations** Scancell ended H120 with a cash balance of £5.79m (vs £7.58m H119) following an operating loss of £3.09m (vs £3.68m H118). In June 2019, £3.83m (net) was raised in when Vulpes Investment Management acquired 77.6m new shares at 5p a share. Vulpes currently owns 17.3% of the shares and is the largest shareholder.
- rNPV model suggests a valuation of 17.2p/share** We value Scancell based on a rNPV and sum-of-the-parts methodology, with conservative assumptions. The valuation is £82.0m, equivalent to 17.2p a share. There are various likely catalysts over the coming year: including further AvidiMab collaborations, the SCIB1 UK trial being underway, and the Moditope study initiating enrolment.

## Update

31 January 2020

Price	6.7p
Market Cap	£30.2m
Enterprise Value	£24.4m
Shares in issue	465.4m
12 month range	3.80-9.25p
Free float	67.9%
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 has three technology platforms. Two flexible therapeutic vaccine platforms are progressing through development. ImmunoBody and Moditope induce high avidity cytotoxic CD8 and CD4 responses, respectively, with the potential to treat various cancers.

### Analysts

**Lala Gregorek**

[lgregorek@trinitydelta.org](mailto:lgregorek@trinitydelta.org)

+44 (0) 20 3637 5043

**Franc Gregori**

[fgregori@trinitydelta.org](mailto:fgregori@trinitydelta.org)

+44 (0) 20 3637 5041

**Exhibit 1: Summary of financials**

Year-end: April 30	£'000s	2016	2017	2018	2019	2020E	2021E
<b>INCOME STATEMENT</b>							
<b>Revenues</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cost of goods sold		0	0	0	0	0	0
<b>Gross Profit</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
R&D expenses		(2,009)	(2,766)	(2,855)	(4,152)	(5,074)	(6,089)
General and administrative expenses		(1,034)	(1,783)	(2,087)	(2,577)	(2,614)	(2,692)
<b>Underlying operating profit</b>		<b>(3,043)</b>	<b>(4,549)</b>	<b>(4,942)</b>	<b>(6,729)</b>	<b>(7,689)</b>	<b>(8,781)</b>
Other revenue/expenses		0	0	0	0	0	0
<b>EBITDA</b>		<b>(3,021)</b>	<b>(4,516)</b>	<b>(4,914)</b>	<b>(6,708)</b>	<b>(7,668)</b>	<b>(8,765)</b>
<b>Operating Profit</b>		<b>(3,043)</b>	<b>(4,549)</b>	<b>(4,942)</b>	<b>(6,729)</b>	<b>(7,689)</b>	<b>(8,781)</b>
Interest expense		14	53	3	15	11	7
<b>Profit Before Taxes</b>		<b>(3,030)</b>	<b>(4,495)</b>	<b>(4,939)</b>	<b>(6,714)</b>	<b>(7,678)</b>	<b>(8,774)</b>
<b>Adj. PBT</b>		<b>(3,030)</b>	<b>(4,495)</b>	<b>(4,939)</b>	<b>(6,714)</b>	<b>(7,678)</b>	<b>(8,774)</b>
Current tax income		446	950	745	1,087	1,269	1,522
Cumulative preferred stock dividend		0	0	0	0	0	0
<b>Net Income</b>		<b>(2,583)</b>	<b>(3,545)</b>	<b>(4,195)</b>	<b>(5,627)</b>	<b>(6,409)</b>	<b>(7,252)</b>
<b>EPS (p)</b>		<b>(1.1)</b>	<b>(1.4)</b>	<b>(1.3)</b>	<b>(1.5)</b>	<b>(1.4)</b>	<b>(1.6)</b>
<b>Adj. EPS (p)</b>		<b>(1.1)</b>	<b>(1.4)</b>	<b>(1.3)</b>	<b>(1.5)</b>	<b>(1.4)</b>	<b>(1.6)</b>
<b>DPS (p)</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Average no. of shares (m)		227.6	261.6	312.7	387.0	447.1	465.4
<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>
<b>BALANCE SHEET</b>							
<b>Current assets</b>		<b>7,088</b>	<b>3,523</b>	<b>11,145</b>	<b>7,069</b>	<b>4,421</b>	<b>7,248</b>
Cash and cash equivalents		6,527	2,672	10,303	4,560	3,397	6,161
Accounts receivable		121	102	97	678	339	339
Inventories		0	0	0	0	0	0
Other current assets		440	749	745	1,831	685	748
<b>Non-current assets</b>		<b>3,480</b>	<b>3,508</b>	<b>3,492</b>	<b>3,474</b>	<b>3,456</b>	<b>3,443</b>
Property, plant & equipment		65	93	77	59	41	28
Other non-current assets		0	0	0	0	0	0
<b>Current liabilities</b>		<b>(576)</b>	<b>(532)</b>	<b>(696)</b>	<b>(1,205)</b>	<b>(1,205)</b>	<b>(11,205)</b>
Short-term debt		0	0	0	0	0	(10,000)
Accounts payable		(576)	(532)	(696)	(1,205)	(1,205)	(1,205)
Other current liabilities		0	0	0	0	0	0
<b>Non-current liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term debt		0	0	0	0	0	0
Other non-current liabilities		0	0	0	0	0	0
<b>Equity</b>		<b>9,992</b>	<b>6,499</b>	<b>13,941</b>	<b>9,337</b>	<b>6,672</b>	<b>(514)</b>
Share capital		22,047	22,047	33,749	35,026	38,711	38,711
Other		(12,055)	(15,548)	(19,808)	(25,690)	(32,039)	(39,225)
<b>CASH FLOW STATEMENTS</b>							
<b>Operating cash flow</b>		<b>(2,327)</b>	<b>(3,841)</b>	<b>(4,060)</b>	<b>(7,018)</b>	<b>(4,843)</b>	<b>(7,233)</b>
Profit before tax		(3,030)	(4,495)	(4,939)	(6,714)	(7,678)	(8,774)
Non-cash adjustments		44	31	(41)	(248)	70	76
Change in working capital		(12)	(25)	169	(71)	339	0
Interest paid		4	6	3	15	11	7
Taxes paid		667	642	749	0	2,415	1,459
<b>Investing cash flow</b>		<b>10</b>	<b>(14)</b>	<b>(11)</b>	<b>(3)</b>	<b>(3)</b>	<b>(4)</b>
CAPEX on tangible assets		0	(61)	(11)	(3)	(3)	(4)
Other investing cash flows		10	47	0	0	0	0
<b>Financing cash flow</b>		<b>5,786</b>	<b>0</b>	<b>11,702</b>	<b>1,277</b>	<b>3,684</b>	<b>10,000</b>
Proceeds from equity		5,786	0	11,702	1,277	3,684	0
Increase in loans		0	0	0	0	0	10,000
Other financing cash flow		0	0	0	0	0	0
<b>Net increase in cash</b>		<b>3,468</b>	<b>(3,855)</b>	<b>7,631</b>	<b>(5,743)</b>	<b>(1,163)</b>	<b>2,763</b>
Cash at start of year		3,059	6,527	2,672	10,303	4,560	3,397
<b>Cash at end of year</b>		<b>6,527</b>	<b>2,672</b>	<b>10,303</b>	<b>4,560</b>	<b>3,397</b>	<b>6,161</b>
<b>Net cash at end of year</b>		<b>6,527</b>	<b>2,672</b>	<b>10,303</b>	<b>4,560</b>	<b>3,397</b>	<b>(3,839)</b>

Source: Scancell, Trinity Delta Note: Adjusted numbers exclude exceptionals. The short-term debt in FY21 is indicative of the company's funding requirement

<b>Mick Cooper</b>	<a href="mailto:mcooper@trinitydelta.org">mcooper@trinitydelta.org</a> +44 20 3637 5042
<b>Lala Gregorek</b>	<a href="mailto:lgregorek@trinitydelta.org">lgregorek@trinitydelta.org</a> +44 20 3637 5043
<b>Franco Gregori</b>	<a href="mailto:fgregori@trinitydelta.org">fgregori@trinitydelta.org</a> +44 20 3637 5041

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