

Scancell

SCIB1 Phase II study starts in UK

Update

21 August 2019

Scancell reported FY19 results in line with expectations. The cash balance at April 19 was £4.6m, with an initial inflow of £3.9m (gross) from Vulpes Life Sciences post-period. However, the main news is that SCIB1 is back in the clinic, with the Phase II trial in combination with the checkpoint inhibitor pembrolizumab (Keytruda) now underway in the UK. This 25-patient open-label study should produce its first data in H120. The delay in initiating the US study has been frustrating for both the medical community and investors. Other development programmes are progressing as expected and the management team continues to be strengthened. We continue to value the company, using a risk-adjusted NPV model, at £82.0m, or 17.6p a share.

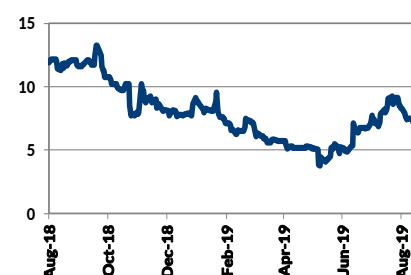
Year-end: April 30	2018	2019	2020E	2021E
Sales (£m)	0.0	0.0	0.0	0.0
Adj. PBT (£m)	(4.9)	(6.7)	(7.7)	(8.8)
Net Income (£m)	(4.2)	(5.6)	(6.4)	(7.2)
Adj. EPS (p)	(1.3)	(1.5)	(1.4)	(1.6)
Cash (£m)	10.3	4.6	3.4	6.2*
EBITDA (£m)	(4.9)	(6.7)	(7.7)	(8.8)

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

- SCIB1 Phase II trial is now underway** The 25-patient open-label study of SCIB1 in combination with pembrolizumab (Keytruda) in melanoma patients has started in the UK. A US study had been awaiting FDA clearance of the Ichor Medical Systems' TriGrid 2.0 electroporation delivery system; the newer commercial version of the device employed in earlier clinical work. Management has withdrawn the US IND in order to allow the UK study to start; with US sites expected to be added later once Ichor has addressed the FDA's enquiries. Initial data from the UK study is likely to report in H120, with previous clinical evidence suggesting promising outcomes.
- SCIB2 uses novel nanobody formulation** Scancell's second ImmunoBody, SCIB2, uses a new lipid nanoparticle formulation. The forthcoming CRUK-funded Phase I/II study will employ this via a standard injection, rather than using electroporation. Preclinical studies suggest the nanoparticle formulation is at least comparable to, and could be better than, using electroporation. Successful delivery should ease future regulatory interactions and also help with patient recruitment.
- Results in line with expectations** Scancell ended FY19 with a cash balance of £4.6m (vs £7.6m in January 19) with a net loss of £5.63m (£3.24m in H119). An investment of £3.9m (gross) was received in June 2109 through the issue of 77.6m new shares to Vulpes Life Sciences Fund at 5p per share. Vulpes holds 16.67% of the enlarged share capital, overtaking Calculus Capital as the largest shareholder. The cash burn is expected to rise as Scancell enters the clinical stages.
- rNPV model suggests a valuation of 17.6p/share** We maintain our valuation of Scancell based on a rNPV and sum-of-the-parts methodology at £82.0m, equivalent to 17.6p a share. There are various catalysts over the coming year with Phase II data with ImmunoBody SCIB1 and the first clinical study with a Moditope due to start.

Price	6.8p
Market Cap	£31.6m
Enterprise Value	£25.3m
Shares in issue	465.4m
12 month range	3.0-13.9p
Free float	79%
Primary exchange	AIM London
Other exchanges	N/A
Sector	Healthcare
Company Code	SCLP.L

Corporate client Yes



Company description

Scancell is a clinical-stage immunology 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	2019	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)	(4,152)	(5,074)	(6,089)
General and administrative expenses		(1,034)	(1,783)	(2,087)	(2,577)	(2,614)	(2,692)
Underlying operating profit		(3,043)	(4,549)	(4,942)	(6,729)	(7,689)	(8,781)
Other revenue/expenses		0	0	0	0	0	0
EBITDA		(3,021)	(4,516)	(4,914)	(6,708)	(7,668)	(8,765)
Operating Profit		(3,043)	(4,549)	(4,942)	(6,729)	(7,689)	(8,781)
Interest expense		14	53	3	15	11	7
Profit Before Taxes		(3,030)	(4,495)	(4,939)	(6,714)	(7,678)	(8,774)
Adj. PBT		(3,030)	(4,495)	(4,939)	(6,714)	(7,678)	(8,774)
Current tax income		446	950	745	1,087	1,269	1,522
Cumulative preferred stock dividend		0	0	0	0	0	0
Net Income		(2,583)	(3,545)	(4,195)	(5,627)	(6,409)	(7,252)
EPS (p)		(1.1)	(1.4)	(1.3)	(1.5)	(1.4)	(1.6)
Adj. EPS (p)		(1.1)	(1.4)	(1.3)	(1.5)	(1.4)	(1.6)
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	387.0	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>
BALANCE SHEET							
Current assets		7,088	3,523	11,145	7,069	4,421	7,248
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
Non-current assets		3,480	3,508	3,492	3,474	3,456	3,443
Property, plant & equipment		65	93	77	59	41	28
Other non-current assets		0	0	0	0	0	0
Current liabilities		(576)	(532)	(696)	(1,205)	(1,205)	(11,205)
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
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	9,337	6,672	(514)
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)
CASH FLOW STATEMENTS							
Operating cash flow		(2,327)	(3,841)	(4,060)	(7,018)	(4,843)	(7,233)
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
Investing cash flow		10	(14)	(11)	(3)	(3)	(4)
CAPEX on tangible assets		0	(61)	(11)	(3)	(3)	(4)
Other investing cash flows		10	47	0	0	0	0
Financing cash flow		5,786	0	11,702	1,277	3,684	10,000
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
Net increase in cash		3,468	(3,855)	7,631	(5,743)	(1,163)	2,763
Cash at start of year		3,059	6,527	2,672	10,303	4,560	3,397
Cash at end of year		6,527	2,672	10,303	4,560	3,397	6,161
Net cash at end of year		6,527	2,672	10,303	4,560	3,397	(3,839)

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

Mick Cooper PhD CFA

mcooper@trinitydelta.org

+44 (0) 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org

+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org

+44 (0) 20 3637 5041

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