

Intensified business development efforts

Following the Q4 report, we leave our estimates largely unchanged and reiterate our NPV based valuation range of SEK 17-21 per share. In 2020, we expect to see intensified efforts from Alligator to find a suitable partner for its products under clinical development and data for ATOR-1015. After the loss of its big pharma partner, we argue that the risk is larger, but so is the potential upside from entering a deal at a later stage.

Key Data (2020E)

Price (SEK)	8.80
Reuters	ATORX.ST
Bloomberg	ATORX SS
Market cap (SEKm)	760
Market cap (USDm)	79
Market cap (EURm)	73
Net debt (SEKm)	(116)
Net gearing	(94%)
Net debt/EBITDA (x)	0.5
Shares fully dil. (m)	86.4
Avg daily turnover (m)	0.0
Free float	90%

Opex to remain stable at current levels

In 2019, Alligator reported a steep expansion in operating expenses (21% y/y), mainly driven by the progression of ongoing projects within the company. Our understanding is that the opex spending will remain at current levels (SEK ~60m per quarter), which coupled with a cash position (including securities) of SEK 250m suggests that Alligator will have to secure a licence deal throughout 2020 to avoid a share issue.

Phase I data for ATOR-1015 remains the main trigger for 2020

In H2 2020, we expect Alligator to release data from the ongoing clinical phase I study for ATOR-1015. The ongoing dose escalation study in patients with metastatic cancer is planned to comprise 53 patients, and the primary endpoint is to investigate safety and tolerability and determine recommended dose for phase II clinical studies. Management stated that immune responses have been seen so far in the trial, implying that ATOR-1015 activates CTLA4 in the clinical setting. We expect efficacy data to be presented later in the year at a conference.

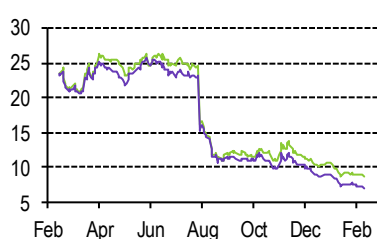
Estimate Revisions (%)

	2020E	2021E	2022E
Revenues	0	0	0
Adj. EBIT	0	1	0
Adj. EPS	0	1	0

Minor estimate revisions; valuation range left unchanged

After the Q4 results announcements, which showed EBIT loss in line with our estimate, we leave our forecasts largely unchanged. We leave our valuation range of SEK 17-21 per share unchanged.

Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

**Marketing communication
commissioned by:
Alligator Bioscience**

Financials (SEK)

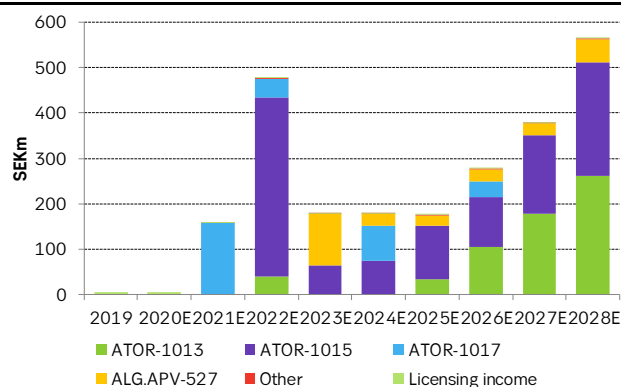
Year end: Dec	2018	2019	2020E	2021E	2022E
Revenues (m)	29	5	5	160	479
Adj. EBIT	(153)	(215)	(242)	(108)	273
Pre-tax profit (m)	(150)	(210)	(242)	(108)	273
EPS	(2.10)	(2.94)	(3.21)	(1.25)	3.16
Adj. EPS	(2.10)	(2.94)	(3.21)	(1.25)	3.16
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	(50.6)	(81.1)	0.0	n.m.	199.0
Adj. EBIT growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Adj. EPS growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Adj. EBIT margin (%)	n.m.	n.m.	n.m.	(67.5)	57.0
ROE (%)	(27.6)	(57.8)	n.m.	n.m.	179.4
ROCE (%)	(28.2)	(59.0)	n.m.	n.m.	179.4
PER (x)	n.m.	n.m.	n.m.	n.m.	2.8
Free cash flow yield (%)	(6.6)	(24.0)	(36.3)	(13.5)	36.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	3.35	2.92	6.15	48.64	2.63
EV/Sales (x)	40.48	93.40	119.32	4.66	0.98
EV/Adj. EBITDA (x)	(7.8)	(2.5)	(2.8)	(7.8)	1.6
EV/Adj. EBIT (x)	(7.5)	(2.3)	(2.7)	(6.9)	1.7
Operating cash flow/EV (%)	(9.0)	(35.5)	(35.4)	(12.1)	61.7
Net debt/Adj. EBITDA (x)	2.83	1.23	0.51	0.15	(1.02)

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

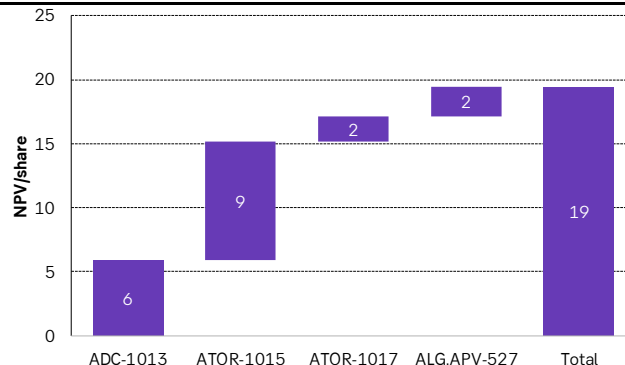
Detailed quarterly and yearly estimates

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20E	Q2/20E	Q3/20E	Q4/20E	2019	2020E	2021E	2022E
Licensing income	0	0	4	0	0	4	0	0	4	4	2	2
ATOR-1013	0	0	0	0	0	0	0	0	0	0	0	40
ATOR-1015	0	0	0	0	0	0	0	0	0	0	0	394
ATOR-1017	0	0	0	0	0	0	0	0	0	0	158	42
ALG.APV-527	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	1	1	1	1
SALES (risk-adjusted)	0.4	0.1	4.4	0.4	0.3	4.5	0.3	0.4	5.4	5.4	160.2	478.8
Gross profit	0.4	0.1	4.4	0.4	0.3	4.5	0.3	0.4	5.4	5.4	160.2	478.8
Personnel costs	-15	-17	-13	-15	-16	-17	-14	-17	-61	-64	-66	-68
Other external costs	-29	-30	-47	-42	-42	-42	-43	-43	-148	-172	-191	-126
depr	-3	-3	-3	-3	-3	-3	-3	-3	-12	-12	-12	-12
EBIT	-46.2	-50.5	-58.5	-59.3	-61.2	-57.9	-60.2	-62.4	-214.5	-241.6	-108.1	273.0
-margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	57.0%
Net profit	-44.4	-49.3	-56.6	-59.8	-61.2	-57.9	-60.2	-62.4	-210.1	-241.6	-108.1	273.0
EPS	-0.62	-0.69	-0.79	-0.84	-0.81	-0.77	-0.80	-0.83	-2.94	-3.21	-1.25	3.16

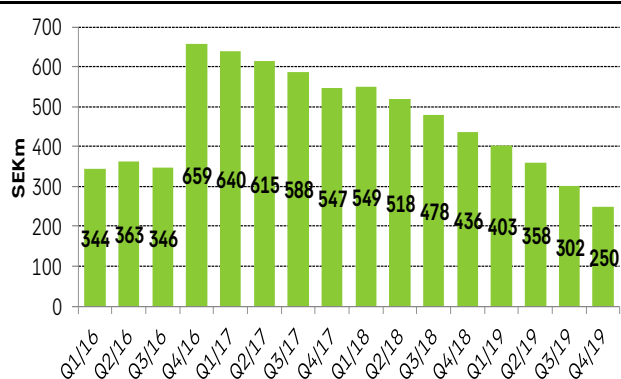
Source: Alligator Bioscience, SEB

Net sales (2019-2028E), SEKm

Source: Alligator, SEB

Sum-of-the-parts NPV valuation

Source: SEB

Cash, cash equivalents, including securities

Source: xxx

Q4 deviation from estimates

SEKm	Q4/19		Deviation SEB		Q4/18		Q3/19	
	Actual	SEB	Abs	Rel	Actual	y/y	Actual	q/q
Sales	0.4	0.4	0.0	0.7	26.0	-98.4	4.42	-90.3
EBIT	-59.3	-59.3	0.0	-0.1	-30.1	-97.3	-58.5	-1.4
EPS	-0.84	-0.81	-0.03	-3.1	-0.43	-96.1	-0.79	-5.9
Adj. EBIT	-59.3	-59.3	0.0	-0.1	-30.1	-97.3	-58.5	-1.4

Source: xxx

Overview

Investment case

Immuno-oncology drugs have changed cancer treatment outcomes significantly and Alligator's tumour-directed therapies may improve it further. With four pipeline drugs in early stage development uncertainty is high but the payoff in case of success could be gigantic.

Company profile

Alligator Bioscience is a clinical-stage biotechnology company developing pharmaceuticals for cancer treatment. The immuno-oncology antibody drugs are tumour-directed and activate the immune system primarily in the tumour. Alligator's growing pipeline includes lead clinical and pre-clinical drug candidates (ADC-1013, ATOR-1015, ATOR-1017 and ALG.APV-527). Alligator was founded in 2001, is based in Lund, Sweden, and has about 50 employees.

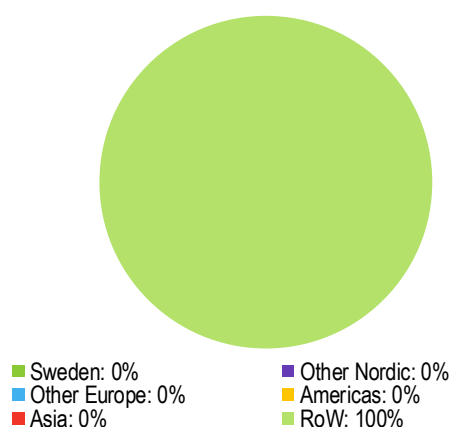
Valuation approach

We use a blend of a NPV valuation and a traditional DCF valuation. All estimates are risk-adjusted. Acquisition value of phase I oncology assets are about USD 0.6bn and the average deal value in the bispecific immuno-oncology antibodies space about USD 0.9bn.

Target price risks

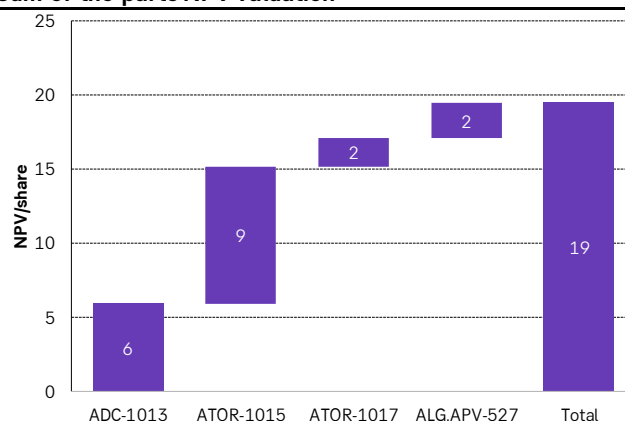
Results from clinical studies may disappoint and remove or lower the marketing potential. Regulatory approvals by the FDA and EMA are also uncertain and rely on upcoming study results. Development of competing treatments could disrupt sales potential. The price of a pharmaceutical depends on reimbursement and is at risk for negative price discussions.

Revenues by region

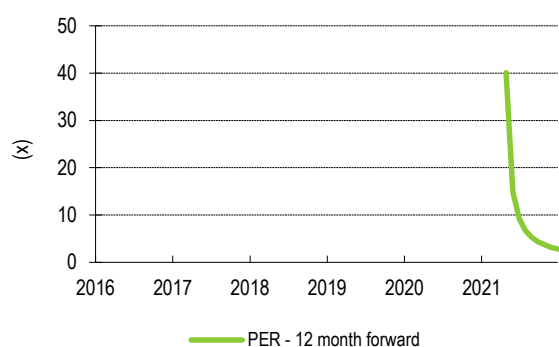


Source: SEB

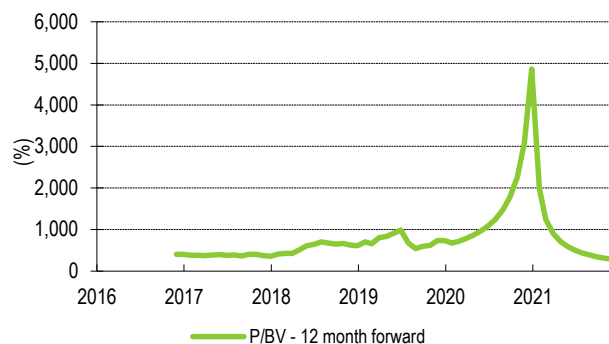
Sum-of-the-parts NPV valuation



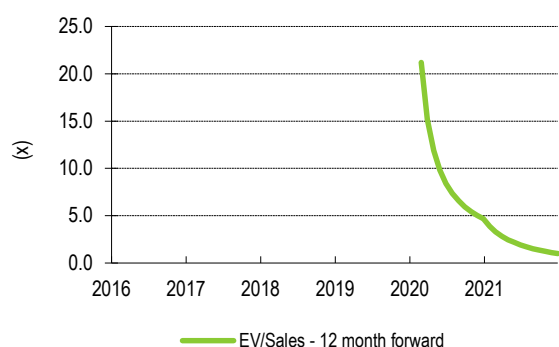
Source: SEB

PER - 12 month forward

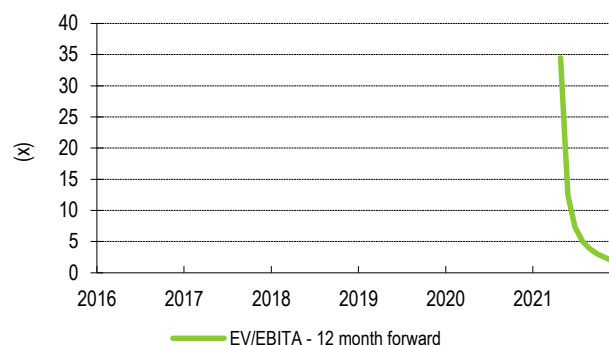
Source: SEB

P/BV - 12 month forward

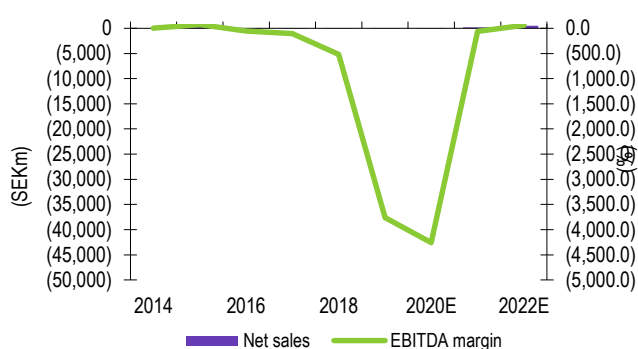
Source: SEB

EV/Sales - 12 month forward

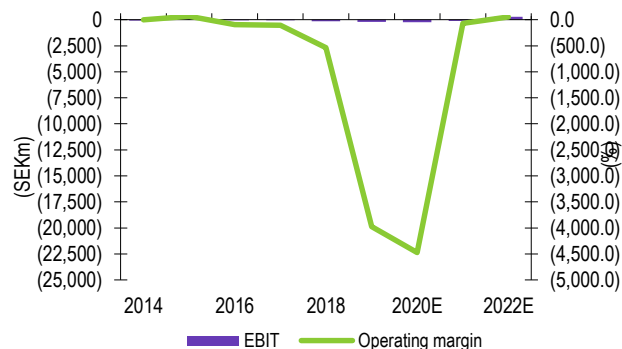
Source: SEB

EV/EBITA - 12 month forward

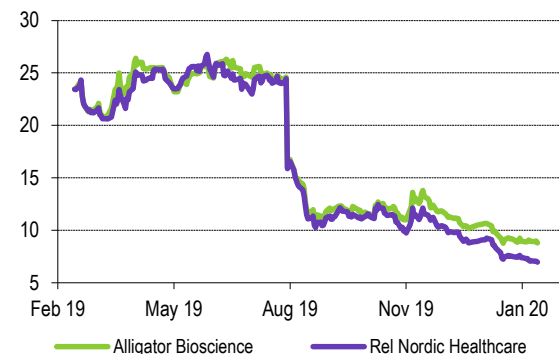
Source: SEB

Net sales & EBITDA margin

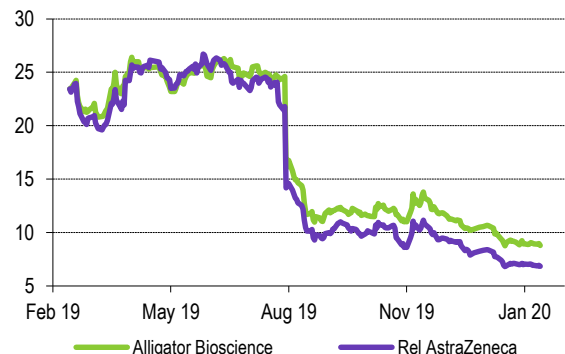
Source: SEB

EBIT & Operating margin

Source: SEB

Comparison with sector index - 1 year

Source: SIX

Comparison with AstraZeneca - 1 year

Source: SIX

Profit & loss statement - Alligator Bioscience									
(SEKm)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net Sales	0	294	59	58	29	5	5	160	479
Other revenues	0	0	0	0	0	0	0	0	0
Total revenues	0	294	59	58	29	5	5	160	479
Total expenses	(76)	(78)	(91)	(117)	(176)	(208)	(235)	(256)	(194)
Profit before depreciation	(76)	216	(31)	(59)	(147)	(203)	(230)	(96)	285
Depreciation - Fixed assets	(2)	(3)	(3)	(3)	(6)	(12)	(12)	(12)	(12)
Depreciation - Other assets	0	(10)	(22)	0	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	0	0	0	0	0	0
Operating profit	(78)	203	(56)	(62)	(153)	(215)	(242)	(108)	273
Net interest expenses	2	4	8	(1)	3	0	0	0	0
Foreign exchange items	0	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	4	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0	0
Reported pre-tax profit	(77)	207	(48)	(64)	(150)	(210)	(242)	(108)	273
Minority interests	0	0	0	0	0	0	0	0	0
Total taxes	0	0	0	0	0	0	0	0	0
Reported profit after tax	(77)	207	(48)	(64)	(150)	(210)	(242)	(108)	273
Discontinued operations	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0
Net Profit	(77)	207	(48)	(64)	(150)	(210)	(242)	(108)	273
<u>Adjustments:</u>									
Discontinued operations	0	0	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	0	0	0
Restructuring charges	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	0	0	0	0	0
Adjusted profit after tax	(77)	207	(48)	(64)	(150)	(210)	(242)	(108)	273
Margins, tax & returns									
Operating margin	0.0	69.1	(94.5)	n.m.	n.m.	n.m.	n.m.	(67.5)	57.0
Pre-tax margin	0.0	70.6	(81.5)	n.m.	n.m.	n.m.	n.m.	(67.5)	57.0
Tax rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROE	n.m.	101.7	(9.0)	(9.9)	(27.6)	(57.8)	n.m.	n.m.	179.4
ROCE	n.m.	99.5	(10.5)	(9.6)	(28.2)	(59.0)	n.m.	n.m.	179.4
Growth rates y-o-y (%)									
Total revenues	n.a.	n.a.	(79.8)	(2.7)	(50.6)	(81.1)	0.0	2,866.9	199.0
Operating profit	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Pre-tax profit	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS (adjusted)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash flow									
(SEKm)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net profit	(77)	207	(48)	(64)	(150)	(210)	(242)	(108)	273
Non-cash adjustments	2	13	25	3	5	11	12	12	12
Cash flow before work cap	(75)	220	(24)	(61)	(145)	(199)	(230)	(96)	285
Ch. in working capital / Other	(4)	226	0	(63)	41	20	2	6	4
Operating cash flow	(78)	446	(23)	(124)	(104)	(179)	(228)	(90)	290
Capital expenditures	0	61	0	0	0	(2)	(12)	(12)	(12)
Asset disposals	0	0	0	0	0	20	0	0	0
L/T financial investments	0	0	0	0	0	0	0	0	0
Acquisitions / adjustments	0	0	0	11	(8)	0	0	0	0
Free cash flow	(78)	507	(23)	(113)	(112)	(161)	(240)	(102)	277
Net loan proceeds	0	0	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	0	0	0	0	0
Share issue	0	121	359	5	0	0	107	0	0
Other	0	0	(32)	0	0	(6)	0	0	0
Net change in cash	(78)	628	304	(108)	(112)	(167)	(133)	(102)	277
Adjustments									
C/flow bef chng in work cap	(75)	220	(24)	(61)	(145)	(199)	(230)	(96)	285
Adjustments	0	0	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0	0	0
Cash earnings	(75)	220	(24)	(61)	(145)	(199)	(230)	(96)	285
Per share information									
Cash earnings	(1.54)	4.05	(0.39)	(0.85)	(2.03)	(2.79)	(3.06)	(1.11)	3.3
Operating cash flow	(1.62)	8.19	(0.39)	(1.74)	(1.46)	(2.51)	(3.03)	(1.04)	3.35
Free cash flow	(1.62)	9.31	(0.39)	(1.58)	(1.57)	(2.26)	(3.2)	(1.19)	3.21
Investment cover									
Capex/sales (%)	0.0	0.0	0.0	0.0	0.0	40.5	225.7	7.6	2.5
Capex/depreciation (%)	0	0	0	0	0	19	103	101	99

Source for all data on this page: SEB

Balance sheet - Alligator Bioscience									
(SEKm)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash and liquid assets	1	366	659	473	363	197	63	(39)	238
Debtors	0	4	17	60	34	9	7	9	26
Inventories	0	0	0	0	0	0	0	0	0
Other	7	0	0	0	20	0	0	0	0
Current assets	8	370	676	533	418	206	71	(30)	265
Interest bearing fixed assets	0	0	0	74	53	53	53	53	53
Other financial assets	0	0	0	0	0	0	0	0	0
Capitalized development cost	6	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0
Other intangibles	0	43	20	19	19	19	19	19	19
Fixed tangible assets	0	2	4	16	18	33	34	34	34
Other fixed assets	0	0	0	0	0	0	0	0	0
Fixed assets	6	46	25	110	91	105	106	106	106
Total assets	15	415	701	643	508	311	176	75	370
Creditors	0	5	13	14	18	16	16	22	33
Other trade financing	3	1	1	1	2	8	8	9	20
S/T interest bearing debt	0	0	0	0	0	0	0	0	0
Other	0	14	11	10	21	17	17	17	17
Current liabilities	4	19	25	25	40	41	41	48	70
L/T interest bearing debt	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	12	12	12	12
Convertible debt	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0	0
Long term liabilities	0	0	0	0	0	12	12	12	12
Minority interests	0	0	0	0	0	0	0	0	0
Shareholders' equity	11	397	676	618	468	258	124	16	289
Total liabilities and equity	15	416	701	643	508	311	176	75	370
Net debt (m)	(1)	(366)	(659)	(547)	(416)	(250)	(116)	(14)	(291)
Working capital (m)	4	(15)	(7)	35	15	(32)	(34)	(39)	(44)
Capital employed (m)	11	397	676	618	468	258	124	16	289
Net debt/equity (%)	(10)	(92)	(97)	(88)	(89)	(97)	(94)	(89)	(101)
Net debt/EBITDA (x)	0.0	(1.7)	21.0	9.3	2.8	1.2	0.5	0.1	(1.0)
Equity/total assets (%)	76	95	96	96	92	83	70	21	78
Interest cover	48.9	(46.4)	7.3	(42.7)	50.4	0.0	0.0	0.0	0.0
Valuation									
(SEK)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No of shares, fully dil. (y/e)	48.6	59.0	70.1	71.4	71.4	71.4	86.4	86.4	86.4
No of shares, fully dil. avg.	48.4	54.4	60.1	71.3	71.4	71.4	75.1	86.4	86.4
Share price, y/e			34.8	23.3	22.0	10.6	8.8	8.8	8.8
Share price, high			40.1	35.3	39.0	26.4	10.7		
Share price, low			31.3	22.1	20.7	10.2	8.8		
Share price, avg			33.7	28.9	28.2	19.0	9.3		
EPS (reported)	(1.59)	3.81	(0.80)	(0.89)	(2.10)	(2.94)	(3.21)	(1.25)	3.16
EPS (adjusted)	(1.59)	3.81	(0.80)	(0.89)	(2.10)	(2.94)	(3.21)	(1.25)	3.16
Cash earnings/share	(1.54)	4.05	(0.39)	(0.85)	(2.03)	(2.79)	(3.06)	(1.11)	3.30
Dividend/share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Enterprise value/share			25	15.6	16.2	7.1	7.5	8.6	5.4
Book value/share	0.2	6.7	9.6	8.7	6.6	3.6	1.4	0.2	3.3
Adjusted equity/share	0.2	6.7	9.6	8.7	6.6	3.6	1.4	0.2	3.3
PER (adjusted)			n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.8
CEM			(88.3)	(27.4)	(10.8)	(3.8)	(2.9)	(7.9)	2.7
Dividend yield			0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV/EBITDA			(56.7)	(18.9)	(7.8)	(2.5)	(2.8)	(7.8)	1.6
EV/EBITA			(31.8)	(17.9)	(7.5)	(2.3)	(2.7)	(6.9)	1.7
EV/EBIT			(31.8)	(17.9)	(7.5)	(2.3)	(2.7)	(6.9)	1.7
EV/Sales (x)			30.01	19.32	40.48	93.40	119.32	4.66	0.98
Price/Book value			3.61	2.69	3.35	2.92	6.15	48.64	2.63
Price/adjusted equity			3.61	2.69	3.35	2.92	6.15	48.64	2.63
Free cash flow/Market cap (%)			(1.1)	(7.5)	(6.6)	(24.0)	(36.3)	(13.5)	36.5
Operating cash flow/EV (%)			(1.3)	(11.1)	(9.0)	(35.5)	(35.4)	(12.1)	61.7
EV/Capital employed (x)			2.6	1.8	2.5	1.9	5.2	47.7	1.6
Main shareholders									
Management				Company information					
Name	(%)	Votes	Capital	Title	Name	Contact			
Jonas Sjögren	9.0		9.0	COB	Peter Benson	Internet			0.0
Sunstone	8.1		8.1	CEO	Per Norlén	Phone number			0
Lars Spånberg	4.5		4.5	CFO	Per-Olof Schrewelius				
Foreign owners (total)	49.0		49.0	IR	Cecilia Hofvander				

Source for all data on this page: SEB

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