



ERIK PENSER BANK

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Diamyd Medical

In a Solid Position

According to plan

Diamyd's Q2 report for fiscal-year 2022/23 was in line with our expectations. Operational costs were also in line with our forecasts, and nothing stood out on the financial side. The cash position at the end of February was SEK 102m. Given the company's historical burn rate, this should be sufficient to finance operations for the coming 3-4 quarters. The ph III study with Diamyd (DIAGNODE-3) appears to be proceeding according to plan. From the report, we learned that eight European clinics are recruiting patients to the study and that US clinics are likely to commence recruitment this summer.

Major deal in the diabetes field

During March came the news that Provention Bio, a company that has developed the first approved disease-modifying treatment for type 1 diabetes (TZIELD), had received a takeover bid of USD 2.9bn from Sanofi. The deal was made at a premium of 273%. Deals in the type 1 diabetes field are naturally positive for Diamyd, and the acquisition gives an indication of the immense value the industry sees in advanced assets in this area. We will take a deeper dive into this in a future report.

New co-operation agreement

Last week, Diamyd announced it has entered into a co-operation with JDRF, the leading research and advocacy organisation for type 1 diabetes. Collaboration with JDRF is positive for Diamyd from several perspectives. In practical terms, we see the most important as that it might promote patient recruitment in the ongoing ph III study and could also raise awareness about Diamyd in the diabetes community ahead of a future potential market launch. Moreover, the company will receive USD 5m in funding towards its ongoing ph III study. Following the report, we reiterate our fair value of SEK 25–27 per share.

The key near-term catalyst for the share is data from the investigator-initiated study with Diamyd's other candidate, Remygen, which is expected during April.

Change in estimates				Forecast (SEK m)				Valuation and risk			
	23e	24e	25e		21/22	22/23e	23/24e	24/25e	Fair value	SEK25 - 27	
Total revenue	0,0%	0,0%	0,0%	Total revenue	3	3	3	3	Share price	SEK16,9	
EBIT, adj.	0,0%	0,0%	0,0%	Revenue growth	>100%	16%	0%	0%	Risk level	High	
EPS, adj.	0,0%	0,0%	0,0%	EBITDA, adj.	-118	-162	-182	-207	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">12-mth share price development</div>		
Coming events				EBIT, adj.	-123	-167	-187	-212			
				EPS, adj.	-1,4	-2,2	-2,4	-2,8			
Q3 - report	28 June 2023			EPS growth	N.m.	N.m.	N.m.	N.m.			
Q4 - report	11 October 2023			BV/share	2,8	3,9	1,5	2,1			
Company details (SEKm)				Dividend per share	0,0	0,0	0,0	0,0			
				Number of shares	77m			EBIT margin			Neg.
Market capitalisation	1 297			ROE, adj.	Neg.	Neg.	Neg.	Neg.			
Net debt	-102			ROCE, adj.	Neg.	Neg.	Neg.	Neg.			
EV	1 195			EV/Sales	372,1x	351,5x	412,1x	398,3x			
Free float	90%			P/BV	5,2x	4,3x	11,1x	8,2x			
Daily trading volume, average	107k			Net debt / EBITDA	1,4x	1,5x	0,3x	0,5x			
Bloomberg Ticker	DMYDB SS EQUITY										
Analyst										Conflicts of interest	
										Yes	No
Ludvig Svensson								Market maker		✓	
ludvig.svensson@penser.se								Certified adviser		✓	
								Transactions, 12-mth		✓	

Investment case

Diamyd is a late-stage biotech company. Its leading project, diabetes vaccine Diamyd, is currently undergoing a ph III study in type 1 diabetes. In a larger meta-study (patient base of 600+), Diamyd has shown a statistically significant and clinically relevant therapeutic effect (preservation of beta cell function) in a specific sub-group of newly diagnosed type 1 diabetes patients – those with the DR3-DQ2 gene. This gene is particularly common and constitutes 40–50% of all type 1 diabetes cases. It is this niche patient population that is included in the ph III study and given potential market approval, this will be the commercial target group for the Diamyd vaccine.

While we see high risk in the project, we believe the Diamyd vaccine is a unique drug candidate that could, if launched, prove a blockbuster with annual sales exceeding USD 1bn globally.

Company profile

Diamyd Medical works with drug development, diabetes being its main focus area. Currently, Diamyd has two drug projects in clinical development: 1) diabetes vaccine Diamyd, which aims to interrupt the body's attack on its own insulin production, and 2) Remygen, a GABA-based oral medicine intended to restore the body's own insulin production.

Valuation

We apply a risk-adjusted sum-of-the-parts model when valuing Diamyd Medical. In our sum-of-the-parts model, we calculate each individual indication separately to arrive at a reasonable valuation of the company. Our fair value for Diamyd Medical is SEK 25–27 per share.

DCF

Valuation output		WACC assumptions		Sensitivity analysis					
Sum of PV of FCF (explicit period)	1931	Risk-free nominal rate	2.5%	WACC	14%	15%	16%	17%	18%
PV of terminal value (perpetuity formula)	0	Market risk premium	5.5%	NPV	2532	2268	2032	1822	1634
Enterprise value	1931	Small cap premium	4.0%	NPV/share	33	29	26	24	21
Latest net debt	-102	Extra risk premium	4.0%						
Equity value	2032	WACC	16.0%						
No. of shares outstanding (millions)	76.9								
Equity value per share (SEK)	26								
Implicit multiple		Terminal value assumptions							
EV/Sales	N.m.	Long-term growth rate	N.m.						
EV/EBITDA	N.m.	Long-term EBIT margin	N.m.						
EV/EBIT	N.m.	Depreciation (% of sales)	N.m.						
EV/NOPLAT	N.m.	Capex (% of sales)	N.m.						
P/E	N.m.	Working capital (% of sales)	N.m.						
ROIC/WACC	N.m.	Tax rate	N.m.						
Current share price	16.9								

Source: Company, EPB

Income statement

	20/21	21/22	22/23e	23/24e	24/25e
Net sales	0	0	1	1	1
Other operating income	0	2	2	2	2
Total revenues	0	3	3	3	3
Gross profit	0	3	3	3	3
Other Operating Expenses	-86	-121	-165	-185	-210
EBITDA	-85	-118	-162	-182	-207
EBITDA, adjusted	-85	-118	-162	-182	-207
EBITA, adjusted	-85	-118	-162	-182	-207
EBIT	-86	-123	-167	-187	-212
EBIT, adjusted	-86	-123	-167	-187	-212
Net Financial Items	146	15	0	0	0
Profit before tax	60	-108	-167	-187	-212
Profit before tax, adjusted	60	-108	-167	-187	-212
Net income	60	-108	-167	-187	-212
Net income, adjusted	60	-108	-167	-187	-212
Sales Growth	-	>100%	16%	0%	0%
Gross Margin	>100%	>100%	>100%	>100%	>100%
EBIT Margin, Adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
EPS, Adjusted	0,84	-1,40	-2,17	-2,43	-2,75
EPS Growth, Adjusted	-	N.m.	N.m.	N.m.	N.m.

Source: Diamyd Medical, EPB

Cash flow statement

	20/21	21/22	22/23e	23/24e	24/25e
EBIT	-86	-123	-167	-187	-212
Other Cash flow Items	1	4	4	5	5
Changes in working capital	-25	18	-1	1	1
Cash flow from operating activities	-110	-101	-163	-181	-206
Investments in Fixed Assets	-4	-35	-7	-4	-5
Other Cash flow from investments	137	-42	40	0	0
Cash Flow From Investments	133	-77	33	-4	-5
Free cash flow	23	-178	-130	-185	-211
New share issue / repurchase	57	142	250	0	250
Cash flow from financing	57	142	250	0	250
Cash flow	80	-35	120	-185	39
Net debt	-139	-160	-242	-61	-102

Source: Diamyd Medical, EPB

Balance sheet

	20/21	21/22	22/23e	23/24e	24/25e
ASSETS					
Tangible fixed assets	6	46	48	47	48
Financial assets	33	18	18	18	18
Total fixed assets	38	64	66	65	66
Other current assets	24	13	18	18	18
Cash and cash equivalents	139	160	242	61	102
Total current assets	163	173	260	79	120
TOTAL ASSETS	201	237	327	144	186
EQUITY AND LIABILITIES					
Equity	189	214	301	117	158
Total equity	189	214	301	117	158
Other long-term liabilities	1	1	1	1	1
Total long-term liabilities	1	1	1	1	1
Accounts payable	6	10	10	10	10
Other current liabilities	6	12	15	16	17
Total current liabilities	11	21	25	26	27
TOTAL EQUITY AND LIABILITIES	201	237	327	144	186

Source: Diamyd Medical, EPB

Growth and margins

	20/21	21/22	22/23e	23/24e	24/25e
Revenue growth	-	>100%	16%	0%	0%
EBITDA growth, adjusted	-	N.m.	N.m.	N.m.	N.m.
EBIT growth, adjusted	-	N.m.	N.m.	N.m.	N.m.
EPS growth, adjusted	-	N.m.	N.m.	N.m.	N.m.
Gross margin	>100%	>100%	>100%	>100%	>100%
EBITDA margin	Neg.	Neg.	Neg.	Neg.	Neg.
EBITDA margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
EBIT margin	Neg.	Neg.	Neg.	Neg.	Neg.
EBIT margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
Profit margin, adjusted	>100%	Neg.	Neg.	Neg.	Neg.

Source: Diamyd Medical, EPB

Return

	20/21	21/22	22/23e	23/24e	24/25e
ROE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
ROCE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
ROIC, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.

Source: Diamyd Medical, EPB

Capital efficiency

	20/21	21/22	22/23e	23/24e	24/25e
Accounts receivable / total revenue	11%	10%	-	-	-
Total short-term liabilities / total cost	13%	18%	15%	14%	13%
Working capital / total revenue	>100%	-310%	-233%	-267%	-300%

Source: Diamyd Medical, EPB

Financial position

	20/21	21/22	22/23e	23/24e	24/25e
Net debt	-139	-160	-242	-61	-102
Equity ratio	94%	91%	92%	81%	85%
Net debt / equity	-0,7x	-0,7x	-0,8x	-0,5x	-0,6x
Net debt / EBITDA	1,6x	1,4x	1,5x	0,3x	0,5x

Source: Diamyd Medical, EPB

Per share data

	20/21	21/22	22/23e	23/24e	24/25e
EPS	0,84	-1,40	-2,17	-2,43	-2,75
EPS, adjusted	0,84	-1,40	-2,17	-2,43	-2,75
FCF per share	0,32	-2,31	-1,69	-2,40	-2,75
Dividend per share	0,00	0,00	0,00	0,00	0,00
Book value per share	2,64	2,79	3,91	1,52	2,06
Number of shares, m	71,6	76,9	76,9	76,9	76,9
Number of shares after dilution, average	71,6	76,9	76,9	76,9	76,9

Source: Diamyd Medical, EPB

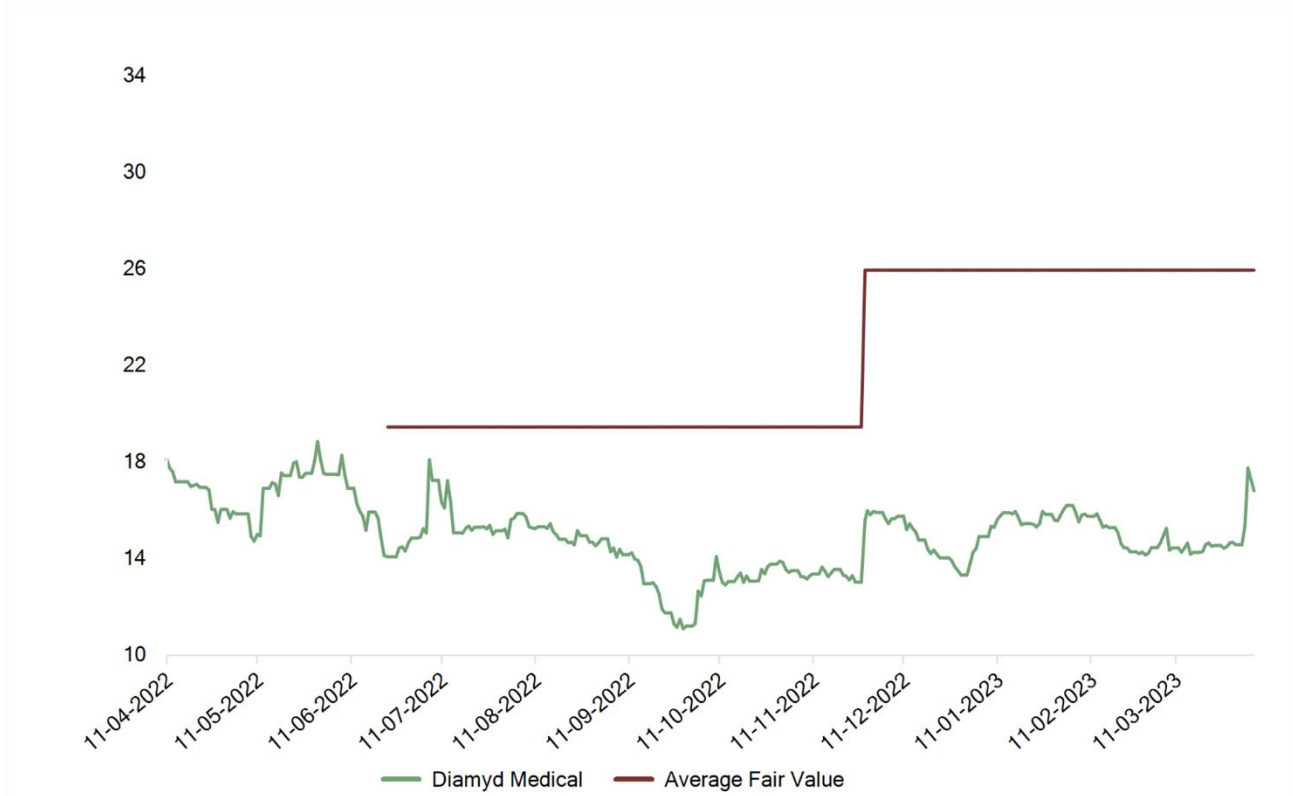
Valuation

	20/21	21/22	22/23e	23/24e	24/25e
P/E, adjusted	40,2x	Neg.	Neg.	Neg.	Neg.
P/BV	12,7x	5,2x	4,3x	11,1x	8,2x
P/FCF	105,9x	Neg.	Neg.	Neg.	Neg.
FCF-yield	1%	Neg.	Neg.	Neg.	Neg.
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	5 118,3x	372,1x	351,5x	412,1x	398,3x
EV/EBITDA, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
EV/EBIT, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
EV	2 273	962	1 055	1 236	1 195
Share price, year end	33,7	14,6	16,9	16,9	16,9

Source: Diamyd Medical, EPB

Share price and average fair value

Diamyd Medical (DMYDB SS EQUITY)



Source: EPB, IDC

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