



ERIK PENSER BANK

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Diamyd Medical

Money in the Bank

Q3 – patient recruitment in the spotlight

On Wednesday, Diamyd released its Q3 report for fiscal-year 2022/2023. The company continues to recruit newly diagnosed type 1 diabetes patients for its pivotal phase III study DIAGNODE-3. The report did not reveal how many have been included so far, only that the study is running in eight European countries and is expected to start in the US shortly.

Rights issue completed – additional capital secured

The company has recently completed a rights issue that has brought in SEK 75m gross. The money will primarily be used to keep momentum in DIAGNODE-3 going and to continue development of its manufacturing facility in Umeå. We estimate its current cash position plus the issue proceeds will suffice a little way into H2 2024. Diamyd has also received small, non-dilutive financing from JDRF associated with progress in preparing the ph III study in the US (exact amount unknown).

New fair value after rights issue

The dilution effect of the rights issue and the higher required rate of return in the market prompt us to lower our fair value for Diamyd to SEK 18–20 per share (25–27). We would of course rather have seen the rights issue fully subscribed. We want to underscore, however, that development is fundamentally heading in the right direction, and we look forward to more communication about the progress of the DIAGNODE-3 study, which is by far the most important value driver for the company.

Estimate changes				Forecast (SEK m)				Valuation and risk			
	23e	24e	25e		21/22	22/23e	23/24e	24/25e	Fair value	SEK18–20	
Total revenue	0,0%	0,0%	0,0%	Total revenue	3	3	3	3	Share price	SEK 8,7	
EBIT, adj.	0,0%	0,0%	0,0%	Revenue growth	>100%	16%	0%	0%	Risk level	Hög	
EPS, adj.	0,0%	0,0%	0,0%	EBITDA, adj.	-118	-117	-147	-197	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">12-mth share price development</div>		
Coming events				EBIT, adj.	-123	-122	-152	-202			
				EPS, adj.	-1,4	-1,4	-1,8	-2,4			
Company details (SEK m)SEKm				EPS growth	N.m.	N.m.	N.m.	N.m.			
				BV/share	2,8	1,9	2,5	2,5			
Number of shares		86m		Dividend per share	0,0	0,0	0,0	0,0			
Market capitalisation		744		EBIT margin	Neg.	Neg.	Neg.	Neg.			
Net debt		-147		ROE, adj.	Neg.	Neg.	Neg.	Neg.			
EV		597		ROCE, adj.	Neg.	Neg.	Neg.	Neg.			
Free float		90%		EV/Sales	372,1x	200,2x	182,5x	181,9x			
Daily trading volume, average		240k		P/BV	5,2x	4,3x	3,3x	3,2x			
Bloomberg Ticker		DMYDB SS EQUITY		Net debt / EBITDA	1,4x	0,9x	1,1x	0,8x	Conflicts of interest		
Analyst								Yes			No
								Market maker			
								Certified adviser		✓	
								Transactions, 12 mth		✓	

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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 to our valuation of Diamyd. In this 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 is SEK 18–20 per share.

DCF

Valuation output

Sum of PV of FCF (explicit period)	1467
PV of terminal value (perpetuity formula)	0
Enterprise value	1467
Latest net debt, inc est. issue	-147
Equity value	1615
No. of shares outstanding (millions)	85.8
Equity value per share (SEK)	19

WACC assumptions

Risk-free nominal rate	2.5%
Market risk premium	5.5%
Small cap premium	4.0%
Extra risk premium	6.0%
WACC	18.0%

Sensitivity analysis

WACC	16%	17%	18%	19%	20%
NPV	1967	1781	1615	1466	1332
NPV/share	23	21	19	18	16

Implicit multiple

2023e

EV/Sales	N.m.
EV/EBITDA	N.m.
EV/EBIT	N.m.
EV/NOPLAT	N.m.
P/E	N.m.
ROIC/WACC	N.m.
Current share price	8.7

Terminal value assumptions

Long-term growth rate	N.m.
Long-term EBIT margin	N.m.
Depreciation (% of sales)	N.m.
Capex (% of sales)	N.m.
Working capital (% of sales)	N.m.
Tax rate	N.m.

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	-120	-150	-200
EBITDA	-85	-118	-117	-147	-197
EBITDA, adjusted	-85	-118	-117	-147	-197
EBITA, adjusted	-85	-118	-117	-147	-197
EBIT	-86	-123	-122	-152	-202
EBIT, adjusted	-86	-123	-122	-152	-202
Net Financial Items	146	15	0	0	0
Profit before tax	60	-108	-122	-152	-202
Profit before tax, adjusted	60	-108	-122	-152	-202
Net income	60	-108	-122	-152	-202
Net income, adjusted	60	-108	-122	-152	-202
<i>Sales Growth</i>	-	>100%	16%	0%	0%
<i>Gross Margin</i>	>100%	>100%	>100%	>100%	>100%
<i>EBIT Margin, Adjusted</i>	Neg.	Neg.	Neg.	Neg.	Neg.
<i>EPS, Adjusted</i>	0,84	-1,40	-1,42	-1,77	-2,35
<i>EPS Growth, Adjusted</i>	-	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	-122	-152	-202
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	-118	-146	-196
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	-85	-150	-201
New share issue / repurchase	57	142	70	200	200
Cash flow from financing	57	142	70	200	200
Cash flow	80	-35	-15	50	-1
Net debt	-139	-160	-107	-161	-162

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	107	161	162
Total current assets	163	173	125	179	180
TOTAL ASSETS	201	237	192	244	246
EQUITY AND LIABILITIES					
Equity	189	214	166	217	218
Total equity	189	214	166	217	218
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	192	244	246

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.	1%	N.m.	N.m.
EBIT growth, adjusted	-	N.m.	1%	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%	21%	17%	14%
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	-107	-161	-162
Equity ratio	94%	91%	87%	89%	89%
Net debt / equity	-0,7x	-0,7x	-0,6x	-0,7x	-0,7x
Net debt / EBITDA	1,6x	1,4x	0,9x	1,1x	0,8x

Source: Diamyd Medical, EPB

Per share data

	20/21	21/22	22/23e	23/24e	24/25e
EPS	0,84	-1,40	-1,42	-1,77	-2,35
EPS, adjusted	0,84	-1,40	-1,42	-1,77	-2,35
FCF per share	0,32	-2,31	-0,99	-1,74	-2,35
Dividend per share	0,00	0,00	0,00	0,00	0,00
Book value per share	2,64	2,79	1,93	2,53	2,54
Number of shares, m	71,6	76,9	85,8	85,8	85,8
Number of shares after dilution, average	71,6	76,9	85,8	85,8	85,8

Source: Diamyd Medical, EPB

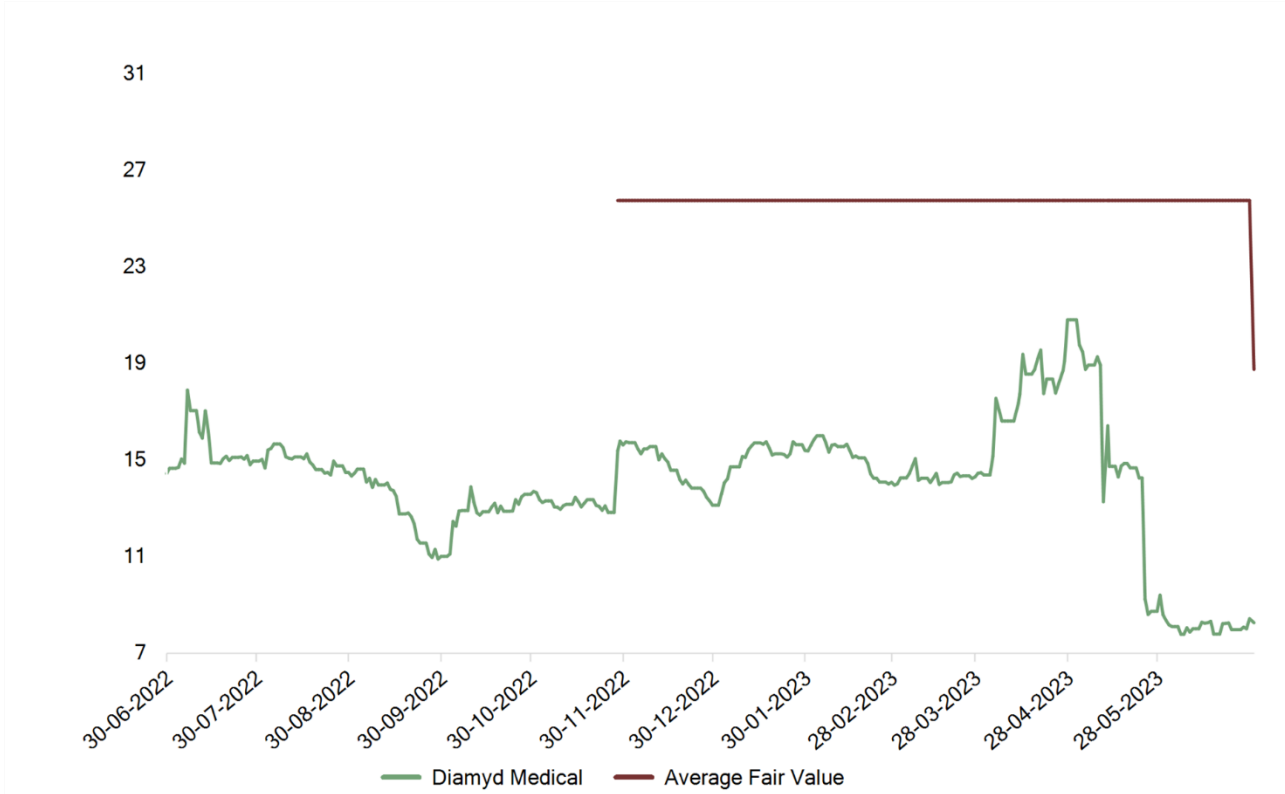
Valuation

	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	3,3x	3,2x
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	200,2x	182,5x	181,9x
EV/EBITDA, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
EV/EBIT, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.
EV	2 273	962	601	547	546
Share price, year end	33,7	14,6	8,3	8,3	8,3

Source: Diamyd Medical, EPB

Share price and average fair value

Diamyd MedicalDMYDB SS EQUITY



Source: EPB, IDC

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