

FLASH NOTE

Elanix Biotechnologies AG (ELN-DE)

Updates from webcast include financial outlook

OUTPERFORM

Price target €6.40

Price €2.72

KEY TAKEAWAY

Elanix's management team hosted two webcasts today (one in German, one in English) aimed at enhancing transparency and increasing communication with current and potential future shareholders. Key updates included: (1) Ongoing commercialisation activities for marketed product GYNrepair (first launched in May 2017), (2) timeline for additional launches from the advanced skin care ("ASC") segment, including SKINrepair in Q4/2018, (3) financial outlook to 2022, and (4) a formal introduction by new COO & CFO Egon Minar. Apart from a small delay to the launch of SKINrepair and a therefore slightly lower target for 2018 revenues than we currently model, Elanix is on track vs. our expectations. We remain enthusiastic about the commercial outlook of Elanix's ASC and advanced wound care ("AWC") assets, based on their differentiated profiles, large target markets and unmet medical needs. Hence, we maintain and reiterate both our OUTPERFORM recommendation and target price of €6.40 per share.

Commercial roll-out of GYNrepair on track; e-commerce playing a central role

Management reiterated that the commercialisation strategy for GYNrepair focuses on three channels: pharmacies, direct marketing to KOLs (gynaecologists and dermatologists), and e-commerce. The latter has been the most successful, accounting for c.50% of sales in July. The direct approach targeting pharmacies is also on track: Elanix has already signed three distributors in Benelux, Switzerland and Russia, and is in negotiations with 50 large accounts mainly in Germany, France and Switzerland, but also UK, Italy and Spain. Management expects to get more traction once SKINrepair reaches the market for skin irritations later this year and has also approached distribution partners in the US and Japan. This includes a potential partnership with an undisclosed US company, which could bring the launch of SKINrepair in the US forward to mid-2019 (our forecasts currently assume 2020E).

SKINrepair to be launched in October, four additional ASC creams by 2020

Limited financial resources slightly delayed the launch of SKINrepair to October (originally planned for H1/2018). Elanix intends to launch two additional ASC products in each 2019 and 2020, bringing the total on the market to six by end 2020. This could lead to upside vs. our current forecasts, which only include GYNrepair and SKINrepair. Revenues from the additional ASC assets, which include gels, masks and creams, will be used to advance the AWC portfolio.

Financial outlook provided for the first time anticipates break-even in 2020

Management expects to achieve sustainable profitability in 2020 and reach revenues of c.€33.5m in 2022, broadly in line with our forecasts. This is based on prudent cost management in line with the ability to raise the necessary funds, both from the ongoing rights issue, which aims to raise €2.1m, as well as from additional, potentially non-dilutive sources. The current capital injection is anticipated to take the company through to early 2019, indicating further financing will be required in the coming six months.

New COO & CFO brings wealth of commercial experience to the table

Elanix appointed Egon Minar, who has a predominantly commercial background, to the combined position of COO & CFO in May. Upon successful completion of the ongoing capital increase, Elanix intends to appoint a finance director who would take over the CFO role in due course to allow Egon Minar to fully focus on operational matters as well as investor relations, which management recognises requires additional resources.

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FINANCIAL CALENDAR

Mid-Sep 2018: H1/2018 financial results & audited FY2017 financial results
30 Oct 2018: AGM

COMPANY DESCRIPTION

Elanix Biotechnologies AG operates as a biotechnology company. The Company develops and commercialises tissue regeneration products for acute wound care, dermatological, and gynaecological applications, and further provides cell technology services. Elanix already has one product on the market, GYNrepair for the treatment of vulvodynia.

SCENARIOS

Base Case - GP Investment Case

SKINrepair is due to be launched in October 2018E and FirstCover in 2020E following small clinical trials. Elanix finds distribution partners to expand the geographical reach of its products, including the US.

Bluesky Scenario

GYNrepair and SKINrepair enjoy widespread use in their approved indications, driven by their supportive clinical data and benign safety profiles. FirstCover becomes standard of care in acute and advanced wound care owing to its attractive profile compared to current treatment options.

Downside risk

FirstCover fails in clinical development. Elanix fails to attract commercialisation partners for its specialty cosmetics products. Inability to raise further funds.

SWOT

Strengths - Proprietary, patented progenitor cell technology; advanced product portfolio with clear path to market in key regions.

Weaknesses - Sales growth dependent on collaboration with suitable distribution partners. Limited resources to execute strategy.

Opportunities - Provide regenerative medicine-based solutions for medical conditions with inadequate treatment options.

Threats - Market entry by new competitors could erode sales and drive down margins.

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Elanix Biotechnologies AG Rating History as of 07/08/2018

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ELN-DE

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