

Update: Q1 report 2024

2024-05-29

Xintela: Closing in on the first license agreement

- Non-binding term sheet with EQGen Biomedical regarding EQSTEM
- The financial situation is still an issue
- We keep the fair value at SEK 1.30 per share

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Stock ticker: XINT
Industry: Biotech
Listed on: Nasdaq First North
Latest share price (SEK): 0,26
Market cap (MSEK): 149,7
Enterprise Value (MSEK): 139,3
Total number of shares (M): 567,0
- of which free float (M): 199,8

VHCF fair value per share
DCF model SEK 1.30

Xintela
Address: Scheeletorget 1
223 81 Lund
Webpage: xintela.com
CEO: Evy Lundgren-Åkerlund

Main owners (26 mars 2024)

	Capital (%)
Flerie Invest AB	55,7
Avanza Pension	5,1
AB Svedala Finans	1,5
Per Åke Oldentoft	1,3
Evy Lundgren-Åkerlund	1,2

Share price history (SEK)



	-1m	-3m	-12m
Change (%)	-6,1	9,5	16,3
52 wk range (Low/Hi) - SEK	0.22 / 0.32		

Source: Västra Hamnen Corporate Finance

In connection with the Q1 report, **Xintela** announced a signed, non-binding term sheet with the US firm **EQGen Biomedical** regarding **EQSTEM**, Xintela's veterinarian joint disease treatment. We expect details to be disclosed once EQGen Biomedical secures funding and the parties announce a license agreement.

Xintela also reported progress in its **XSTEM** projects. In the knee osteoarthritis (OA) study, all patients in the first dose group completed the study 18 months after treatment. We expect the second and third groups to complete the study during the second half of 2024. The company is in discussions with potential licensees, a deal would have a significant effect on Xintela's valuation.

In the difficult-to-heal venous leg ulcer (VLU) study with XSTEM, the first patient completed the study. Patients have been dosed and recruitment is ongoing. In our forecast, we expect the study to be completed in Q4 2024.

Given the company's financial situation, Xintela would greatly benefit if a deal with EQGen Biomedical could be presented before the end of the half-year. Our model suggests a risk-adjusted discounted value of EQSTEM of 85 MSEK, corresponding to SEK 0.15 per share.

The financial situation is still an issue. As mentioned in our last comment, the company secured a loan of MSEK 16.5 from **Flerie Invest**. The subscription period of the warrant TO3 is currently ongoing, ending on June 5. The previous subscription brought MSEK 6.3 to the company. Without a licensing deal or added funds from TO3, we forecast a financing round in Q3.

Despite the financial risk, we see significant potential in Xintela's projects compared to the current market cap. As we update our timelines slightly, we push some of the R&D costs forward in our financial forecast. The adjustments do not affect the fair value, which we keep at SEK 1.30 per share.

Table 1: Sum of the parts valuation, SEK per share

OA	0.66
VLU	0.25
EQSTEM	0.15
TNBC	0.12
GBM	0.12
Sum	1.30

Source: Västra Hamnen Corporate Finance

Term sheet signed with EQGen Biomedical**EQSTEM**

Xintela is closing in on a licensing deal regarding EQSTEM, the company's joint disease treatment for horses. The newly founded US firm EQGen Biomedical has agreed on a non-binding term sheet for the global license for the development and commercialisation of EQSTEM. The agreement is subject to EQGen finding financing from its investors.

Xintela will play an active role in the development and production of EQSTEM. Xintela will be collaborating with EQGen's associated partners **Regen Biomedical** and **Hummingbird Biomedical**. The next step in the EQSTEM project would be to prepare for clinical trials.

As described in our [initiation report](#), EQSTEM addresses a market valued at MUSD 900 by 2029, when we forecast EQSTEM to be launched. Our model suggests that EQSTEM will reach a market share of 15 per cent at peak sales. With a WACC of 18 per cent and a likelihood of approval of 20 per cent, EQSTEM corresponds to a risk-adjusted DCF value of MSEK 85 or SEK 0.15 per share.

XSTEM

In Xintela's knee OA study, all 24 patients in the first dose level have completed the study. Patients in another two dose level groups are being followed up and are expected to be completed in 2024. At all dose levels, patients report less pain and improved joint function six months after treatment.

First patient completed the VLU study**VLU**

The first patient has completed the study and recruitment is ongoing. The study is advancing, but it is still difficult to quantify a value from the progression. We estimate the phase I/IIa study to continue until Q4. This will not affect the DCF value of the asset, as we have included costs for the study for the full 2024.

Targinta

As stated in the report, activity in Targinta has been low during the quarter. With **Lucienne Vonk** as Xintela's CSO, CEO **Evy Lundgren-Åkerlund** will be able to focus more on the oncology projects and business development activities. According to the report, the company has intensified its efforts to finance Targinta. With funding in place, the company can start preparing for the phase 0 studies.

Financials

Financing is an issue for Xintela. In Q1, the company had a burn rate of MSEK 13.2, indicating a need to raise capital in Q3 according to our model.

Warrant subscription between May 26 and June 5

A near-term activity that could improve the cash position is the exercise of the warrant TO3. Subscription started May 26 and will continue until June 5. During the previous subscription period, 21 097 181 warrants were exercised, which added MSEK 6.3 to the company. Xintela has 137,802,609 TO3 warrants outstanding, and another two subscription periods left after this one.

A significant event would be a license agreement with EQGen Biomedical. Our best guess is that the size of the deal corresponds to our risk-adjusted DCF value of EQSTEM.

Costs came in lower, but will increase in 2024

Regarding our expectations versus actual figures, costs came in below our estimates. As in Q4 2023, the R&D expenses in Q1 came in significantly lower than our estimate. The main explanation is that the activity in Targinta has been low during the quarter.

Currently, our model suggests that the Targinta projects will start phase 0 studies in the first quarter of 2025. If the company has not secured further funding, the most likely scenario would be to push the start forward. Originally, we predicted the studies to start in Q2 2024, but we have now moved them to the beginning of 2025.

By then, we expect R&D costs to rise significantly as Xintela's different development activities coincide. Whether our forecast will materialise remains to be seen, they depend on the financial situation and the readout from the ongoing studies.

The Cash and Equivalents item was higher than our estimates, reflected by the newly obtained loan and the burn rate came in lower than our estimates.

Table 2: Estimates vs actual, Q1 2024

kSEK	Q1 '23	Q1 '24e	Q1'24 act	Diff
Net Revenues	0	0	299	299
Other Revenues	0	0	0	0
Total Revenues	0	0	299	299
Cost of Goods Sold	0	0	0	0
Gross Profit	0	78	78	0
Research and development cost	-12 387	-12 112	-8 350	3 762
Sales expenses	-1 063	-1 212	-845	367
Personnel expenses	-2 146	-1 653	-1 906	-253
Other operating income	389	0	11	11
Other operating expenses	0	0	-12	-12
Total OPEX	-15 207	-14 977	-11 102	3 875
EBITDA	-15 207	-14 977	-10 803	4 174
Amortisation and Depreciation	0	-70	0	70
EBIT	-15 207	-15 048	-10 803	4 245
Net Financial Items	-636	-330	-570	-240
EBT	-15 843	-15 378	-11 373	4 005
Net Profit	-15 843	-15 378	-10 998	4 380
Cash and Equivalents	2 415	9 465	10 409	944
Total Equity	-10 553	-10 998	-7 702	3 296

Source: Västra Hamnen Corporate Finance

Our minor adjustments in the near-term projection, do not substantially change the valuation.

**Fair value of SEK
1.30 per share
maintained**

We keep the fair value of Xintela at SEK 1.30 per share.

Upcoming triggers

The outcome of the warrant TO3 could alleviate the financial pressure in the short term.

The advancement from a term sheet to an actual license agreement with EQGen Bio-medical is the most evident trigger for Xintela.

The company is in discussions with potential partners and/or licensees regarding both Targinta and XSTEM.

We expect the knee OA study to be completed in 2024.

Income Statement - Annual Data

kSEK	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Net revenues	0	0	0	78	299	0	0	0
Other revenues	14 947	0	0	0	0	0	0	0
Total revenues	14 947	0	0	78	299	0	0	0
Cost of goods sold	0	0	0	0	0	0	0	0
Research and development cost	-38 170	-44 120	-55 792	-46 239	-38 247	-358 600	-331 100	-398 400
Sales expenses	-3 757	-4 095	-5 384	-4 871	-4 387	-4 976	-5 361	-5 918
Personnel expenses	-6 917	-6 774	-11 261	-7 919	-7 738	-8 121	-8 535	-8 970
Other operating income	0	11 433	3 375	1 729	11	0	0	0
Other operating expenses	0	0	0	-15	-12	0	0	0
EBITDA	-33 897	-43 556	-69 062	-57 237	-50 074	-371 697	-344 996	-413 287
Amortisation & depreciation	0	0	0	0	-178	-199	-163	-134
EBIT	-33 897	-43 556	-69 062	-57 237	-50 252	-371 897	-345 159	-413 421
Financials, net	-2 667	-538	-4 103	-1 123	-570	0	0	0
EBT	-36 564	-44 094	-73 165	-58 360	-50 822	-371 897	-345 159	-413 421
Taxes	0	1 054	6 948	4 284	375	0	0	0
Net profit	-36 564	-43 040	-66 217	-54 076	-50 447	-371 897	-345 159	-413 421
Earnings per share (SEK)	-0,89	-0,67	-0,46	-0,15	-0,09	-0,68	-0,63	-0,76
Growth (%)								
Net revenues	na	na	na	na	na	na	na	na
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	neg	neg	neg	neg	neg	neg	neg	neg
Total OPEX	neg	neg	neg	neg	neg	neg	neg	neg
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Receivables in subsidiaries	3 476	3 081	0	0	0	0	0	0
Prepaid costs & accrued income	598	950	1 138	1 126	1 219	1 319	1 428	1 546
Inventories	0	706	319	398	431	466	505	546
Tax claims	0	0	0	4 347	0	0	0	0
Other short-term receivables	0	1 449	9 502	3 163	3 319	3 592	3 888	4 209
Cash and cash equivalents	33 601	9 941	8 343	7 809	161 804	490 347	645 622	232 642
Total current assets	37 675	16 127	19 302	16 843	166 772	495 725	651 443	238 943
Shares in subsidiaries	839	839	0	0	0	0	0	0
Tangible assets	8 877	7 012	4 576	1 358	1 042	848	691	563
Intangible assets	1 050	746	640	194	120	114	109	104
Financial assets	71	18	0	0	0	0	0	0
Total fixed assets	10 837	8 615	5 216	1 552	1 162	963	800	666
Total assets	48 514	24 742	24 518	18 395	167 934	496 688	652 243	239 611
Accounts payable	2 712	3 899	8 846	7 483	8 100	8 768	9 490	10 273
Short term tax liabilities	233	135	399	84	91	98	107	115
Short term debt	10 900	0	0	0	0	0	0	0
Other short term liabilities	2 746	13 019	4 332	4 214	4 245	4 245	4 245	4 245
Accrued cost & prepaid income	4 316	3 742	5 163	2 234	2 650	2 625	2 609	2 605
Total current liabilities	20 907	20 795	18 740	14 015	15 086	15 736	16 451	17 238
Long term liabilities	0	0	0	0	0	0	0	0
Total equity	27 607	3 947	5 777	4 380	152 849	480 953	635 794	222 373
Total equity and liabilities	48 514	24 742	24 517	18 395	167 935	496 689	652 244	239 611

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Operating activities	-32 995	-40 669	-67 877	-47 653	-50 432	-371 697	-344 996	-413 287
Changes in working capital	11 666	-2 223	-5 229	-5 464	5 137	241	271	307
Investing activities	-329	-1 202	224	-104	0	0	0	0
Financing activities	54 848	20 434	70 359	51 790	200 000	700 000	500 000	0
Cash flow for the period	33 188	-23 660	-2 524	-1 430	154 705	328 543	155 275	-412 980
Beginning cash balance	412	33 601	11 138	8 343	7 809	162 514	491 057	646 332
Ending cash balance	33 601	11 138	8 343	7 809	162 514	491 057	646 332	233 352

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024e	Q3 2024e	Q4 2024e	Q1 2025e
Net revenues	0	0	78	299	0	0	0	0
Other revenues	0	0	0	0	0	0	0	0
Total revenues	0	0	78	299	0	0	0	0
Cost of goods sold	0	0	0	0	0	0	0	0
Research and development cost	-14 074	-9 641	-10 137	-8 350	-10 551	-9 670	-9 677	-103 400
Sales expenses	-1 275	-1 333	-1 200	-845	-1 163	-1 181	-1 198	-1 216
Personnel expenses	-2 469	-1 671	-1 633	-1 906	-1 920	-1 944	-1 968	-1 993
Other operating income	268	367	705	11	0	0	0	0
Other operating expenses	0	-24	8	-12	0	0	0	0
EBITDA	-17 550	-12 302	-12 179	-10 803	-13 634	-12 794	-12 843	-106 609
Amortisation & depreciation	0	0	0	0	-62	-59	-56	-54
EBIT	-17 550	-12 302	-12 179	-10 803	-13 696	-12 853	-12 900	-106 663
Financials, net	-851	349	4	-570	0	0	0	0
EBT	-18 401	-11 953	-12 175	-11 373	-13 696	-12 853	-12 900	-106 663
Taxes	0	3 811	473	375	0	0	0	0
Net profit	-18 401	-8 142	-11 702	-10 998	-13 696	-12 853	-12 900	-106 663
Earnings per share (SEK)	-0,06	-0,01	-0,02	-0,02	-0,03	-0,02	-0,02	-0,20
Y-o-Y Growth (%)								
Net revenues	na	na	na	na	na	na	-100,0%	-100,0%
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	neg	neg	neg	neg	neg	neg	neg	neg
Total OPEX	neg	neg	neg	neg	neg	neg	neg	neg
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024e	Q3 2024e	Q4 2024e	Q1 2025e
Receivables in subsidiaries	0	0	0	0	0	0	0	0
Prepaid costs & accrued income	1 198	865	1 126	2 844	1 171	1 195	1 219	1 243
Inventories	301	419	398	553	414	422	431	439
Tax claims	0	3 625	4 347	5 468	0	0	0	0
Other short-term receivables	8 448	1 612	3 163	1 469	3 190	3 254	3 319	3 385
Cash and cash equivalents	697	11 703	7 809	10 409	3 283	190 913	161 804	355 363
Total current assets	10 644	18 224	16 843	20 743	8 058	195 784	166 772	360 431
Shares in subsidiaries	0	0	0	0	0	0	0	0
Tangible assets	2 929	2 192	1 358	1 215	1 154	1 097	1 042	990
Financial assets	0	0	0	0	0	0	0	0
Intangible assets	417	306	194	125	123	122	120	119
Total fixed assets	3 346	2 498	1 552	1 340	1 278	1 218	1 162	1 108
Total assets	13 990	20 722	18 395	22 083	9 336	197 003	167 934	361 539
Accounts payable	8 400	4 988	7 483	5 271	7 785	7 941	8 100	8 262
Short term tax liabilities	212	0	84	0	87	89	91	93
Short term debt	0	0	0	0	0	0	0	0
Other short term liabilities	31 967	5 531	4 214	20 745	20 745	20 745	4 245	4 245
Accrued cost & prepaid income	2 028	1 798	2 234	3 770	2 117	2 480	2 650	2 754
Total current liabilities	42 607	12 317	14 015	29 786	30 735	31 255	15 086	15 354
Long term liabilities	0	0	0	0	0	0	0	0
Total equity	-28 617	8 405	4 380	-7 702	-21 398	165 749	152 849	346 187
Total equity and liabilities	13 990	20 722	18 395	22 084	9 337	197 004	167 935	361 540

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024e	Q3 2024e	Q4 2024e	Q1 2025e
Operating activities	-17 468	-4 397	-11 460	-11 161	-13 634	-12 794	-12 843	-106 609
Changes in working capital	15 411	-29 650	-112	14 471	6 507	425	-16 266	168
Investing activities	0	-104	0	0	0	0	0	0
Financing activities	0	45 216	6 574	0	0	200 000	0	300 000
Cash flow for the period	-2 057	11 065	-4 998	3 310	-7 126	187 631	-29 110	193 559
Beginning cash balance	2 415	697	11 703	7 809	10 409	3 283	190 913	161 804
Ending cash balance	697	11 703	7 809	10 409	3 283	190 913	161 804	355 363

Source: Västra Hamnen Corporate Finance

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