

Pixium Vision

Quarterly update

Q3 results in line, awaiting pivotal study approval

Pixium Vision provided an update on its 9M20 cash flow results, which are broadly in line with H120 trends. The company reported a 9M20 operating cash outflow of €4.2m and a gross cash position of €13.3m at the end of the quarter. We believe Pixium's funds on hand should be sufficient to support its ongoing operations into Q421, thus including at least several months of initial ramp-up of the upcoming PRIMavera pivotal study on the Prima bionic vision system (BVS).

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	1.6	(7.7)	(0.42)	0.0	N/A	N/A
12/19	1.8	(9.8)	(0.44)	0.0	N/A	N/A
12/20e	1.7	(8.6)	(0.28)	0.0	N/A	N/A
12/21e	1.6	(11.0)	(0.25)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Awaiting Prima pivotal study regulatory approval

Pixium continues to expect European regulatory approval to begin the pivotal study before year-end 2020. We expect implantations for this registration-enabling study will start in H121 and could lead to EU commercialisation in H223. Pixium is in discussions with regulatory authorities to explore the possibility of conducting this study in parallel in Europe and the US, which, if accepted by the FDA, could lead to a US launch earlier than our baseline estimate of H225.

Targeting severe dry-AMD patients

Prima seeks to address a largely unmet market indication, advanced dry age-related macular degeneration involving geographic atrophy. 18-month data from the European feasibility study suggest that the Prima system, enhanced with second-generation augmented reality (AR) glasses and improved analytics, can provide between three and seven lines of improvement on the Landolt visual acuity (VA) scale. We believe this level of amelioration should provide functional benefits (such as recognizing shapes and symbols) and potentially improve patient independence.

Valuation: Raising rNPV to €115.4m

We have updated our valuation by rolling forward our estimates and adjusting our FX assumptions (to use a \$1.18/€ rate versus our prior \$1.12/€ assumption). Our sales forecasts and post-2021 expense assumptions in local currencies are unchanged. We now obtain a pipeline rNPV (enterprise value excluding net cash) of €115.4m versus €105.9m previously. After including €5.5m in estimated Q320 pro forma net cash (excluding lease liabilities), we obtain an equity valuation of €120.9m, or €2.82 per share (versus €2.73 previously). We continue to assume that Pixium will need to raise €37.5m in funds between Q420 and year-end 2023, modelled as illustrative debt, to bring Prima to commercial launch. We expect that part of this requirement will be fulfilled using the remaining (or unused) €6.25m in tranches from the ESGO funding facility.

Healthcare equipment & services

29 October 2020

Price €0.50

Market cap €22m

\$1.18/€

Net debt (€m) at 30 June 2020 (excluding lease liabilities) 0.9

Shares in issue 42.9m

Free float 60%

Code PIX

Primary exchange Euronext Growth Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (6.7) (1.4) (12.4)

Rel (local) (1.2) 5.9 9.4

52-week high/low €1.1 €0.5

Business description

Pixium Vision develops bionic vision systems for patients with severe vision loss. Its lead product, Prima, is a wireless sub-retinal implant system designed for dry-AMD. The company completed five implantations in an EU feasibility study and recently started a US feasibility study.

Next events

File application to start pivotal study Q420

36-month data from EU feasibility study Q121

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Financials review

Pixium's operating cash flows were generally in line with H120 trends. As stated in our June [Outlook report](#), the COVID-19 pandemic resulted in a pause in R&D, clinical activities and other operating expenses in H120. While many activities have since resumed, including the European Prima feasibility trial ([PRIMA-FS](#)), announced on 8 June, with further visual rehabilitation of implanted patients, the end-result was a significant year-on-year decrease in operating cash outflow. The 9M20 operating cash flow loss was €4.21m, a 45% y-o-y decrease. Given that the reported H120 operating cash flow loss was reported as €2.79m, we estimate that the Q320 operating cash outflow was c €1.42m. We expect that Q420 expenses will trend higher than Q320 given the gradual winding up to a more normalised expense run rate for Pixium as of mid-year 2020. After making minor adjustments to our H220 and 2021 forecasts, we estimate that the firm's 2020 operating cash burn rate (excluding net interest) will be €6.2m and that the 2021 operating cash burn rate will be €9.7m.

As highlighted in our [July flash note](#), Pixium was very active on the financing front in Q320. In addition to completing a €7.3m (gross) capital increase (14.68m shares at €0.50/share) in July, the company took out a €2.5m state-guaranteed loan (from Bpifrance and Pixium's commercial bank, CIC), along with €2.3m in a repayable advance and a further €0.5m grant (both in connection with the 'Sight Again' research funding programme supported by Bpifrance). Pixium also repaid its entire venture loan liability to Kreos Capital, which we estimate at c €2m (the precise payment or liability was not specified). Altogether, the company's gross cash balance at 30 September 2020 was €13.3m. We believe these funds on hand are sufficient to support Pixium's ongoing operations into Q421, thus including at least a few months of initial ramp-up of the upcoming PRIMAvvera pivotal study. In addition, the company still has €6.25m in unused tranches available from the [ESGO funding facility](#) and management states that its cash on hand plus the ESGO financing will allow Pixium to be financed at least until the end of 2021.

The company did not provide an updated account of its formal balance sheet liabilities as of Q320, so our estimate for Q320 net cash is subject to uncertainty. We estimate Q320 pro forma gross debt at c €7.8m, by starting with our assumed H120 gross debt of €5.86m (excluding €1.2m in lease liabilities) and adding the €2.5m state-guaranteed loan and €2.3m repayable advance, and then subtracting the c €2m Kreos liability (due to the repayment) and also reducing the outstanding ESGO convertible debt by €0.88m (given that between 30 June and 12 October, approximately this amount has been converted to equity). After including Q320 gross cash of €13.3m, we estimate Q320 pro forma net cash of c €5.5m.

We continue to assume that Pixium will need to raise €37.5m in funds between Q420 and year-end 2023, modelled as illustrative long-term debt, to complete the PRIMAvvera pivotal study, all EU-related regulatory and preparatory commercial activities, and bring Prima to commercial launch. We expect that part of this requirement will be fulfilled using the remaining (or unused) €6.25m in tranches from the ESGO funding facility. All together, we model that Pixium will raise a further €2.5m in the remaining months of 2020, €12.5m in both 2021 and 2022, and €10m in 2023 (all these amounts are shown as long-term debt for illustrative purposes).

Valuation

Our valuation of Pixium Vision is based on an rNPV approach, employing a 12.5% cost of capital, based on the Prima opportunity in dry age-related macular degeneration (AMD). We continue to apply a 20% probability of success estimate for Prima in AMD in our model. We have updated our

valuation by rolling forward our estimates and adjusting our FX assumptions (to use a \$1.18/€ rate versus our prior \$1.12/€ assumption). Our sales forecasts and post-2021 expense assumptions in local currencies are unchanged. We now obtain a pipeline rNPV (enterprise value excluding net cash) of €115.4m versus €105.9m previously.

After including €5.5m in estimated Q320 net cash (excluding lease liabilities), we obtain an equity valuation of €120.9m, or €2.82 per share (versus €2.73 previously).

Exhibit 1: Pixium Vision rNPV assumptions

Product contribution	Indication	Status	NPV (€m)	Probability of success	rNPV (€m)	rNPV/share (€)	Launch year	Peak WW sales (€m)
Prima (net of R&D and SG&A costs)	Age-related macular degeneration with geographic atrophy	Human feasibility trials	1,017.7	20%	196.5	4.58	H223 (EU) and H225 (US)	1,046 in 2029
Net capex, NWC & taxes			(377.7)		(81.1)	(1.89)		
Total			639.9		115.4	2.69		
Pro-forma net cash (Q320e) including subsequent debt conversions			5.5		5.5	0.13		
Total equity value			645.4		120.9	2.82		
FD shares outstanding (000) (30 September 2020)			42,916					

Source: Edison Investment Research

Exhibit 2: Financial summary

	(€000)	2017	2018	2019	2020e	2021e	2022e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		2,535	1,598	1,782	1,700	1,600	1,600
Cost of Sales		(1,124)	(41)	0	0	0	0
General & Administrative		(5,324)	(2,019)	(3,815)	(2,889)	(2,961)	(3,835)
Research & Development		(7,817)	(5,297)	(6,320)	(6,260)	(8,000)	(10,400)
EBITDA		(11,731)	(5,758)	(8,352)	(7,449)	(9,361)	(12,635)
Depreciation		(936)	(677)	(448)	(426)	(480)	(580)
Amortization		0	0	0	0	0	0
Operating Profit (before exceptionals)		(12,666)	(6,435)	(8,801)	(7,875)	(9,841)	(13,215)
Exceptionals		0	(5,859)	(69)	0	0	0
Other		0	0	0	0	0	0
Operating Profit		(12,666)	(12,294)	(8,870)	(7,875)	(9,841)	(13,215)
Net Interest		(876)	(1,277)	(1,006)	(740)	(1,147)	(2,210)
Profit Before Tax (norm)		(13,542)	(7,712)	(9,806)	(8,616)	(10,989)	(15,425)
Profit Before Tax (FRS 3)		(13,542)	(13,571)	(9,876)	(8,616)	(10,989)	(15,425)
Tax		0	0	0	0	0	0
Profit After Tax and minority interests (norm)		(13,542)	(7,712)	(9,806)	(8,616)	(10,989)	(15,425)
Profit After Tax and minority interests (FRS 3)		(13,542)	(13,571)	(9,876)	(8,616)	(10,989)	(15,425)
Average Number of Shares Outstanding (m)		13.3	18.5	22.3	31.0	43.3	44.1
EPS - normalised (€)		(1.02)	(0.42)	(0.44)	(0.28)	(0.25)	(0.35)
EPS - normalised and fully diluted (€)		(1.02)	(0.42)	(0.44)	(0.28)	(0.25)	(0.35)
EPS - (IFRS) (€)		(1.02)	(0.73)	(0.44)	(0.28)	(0.25)	(0.35)
Dividend per share (€)		0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET							
Fixed Assets		9,649	3,666	4,507	4,021	3,765	3,228
Intangible Assets		7,680	2,623	2,361	2,268	2,268	2,268
Tangible Assets		1,970	1,042	2,145	1,753	1,497	961
Current Assets		14,241	17,756	9,107	15,215	16,691	14,865
Short-term investments		0	0	0	0	0	0
Cash		10,532	15,629	6,792	13,276	14,714	12,887
Other		3,710	2,126	2,316	1,939	1,978	1,978
Current Liabilities		(2,752)	(2,044)	(2,880)	(2,203)	(1,360)	(1,360)
Creditors		(2,752)	(2,044)	(2,880)	(2,203)	(1,360)	(1,360)
Short term borrowings		0	0	0	0	0	0
Long Term Liabilities		(9,302)	(8,023)	(7,033)	(11,396)	(23,896)	(36,396)
Long term borrowings		(9,130)	(7,870)	(5,787)	(10,282)	(22,782)	(35,282)
Other long term liabilities		(172)	(153)	(1,246)	(1,114)	(1,114)	(1,114)
Net Assets		11,836	11,355	3,700	5,636	(4,801)	(19,663)
CASH FLOW							
Operating Cash Flow		(10,605)	(6,174)	(7,282)	(6,218)	(9,691)	(12,073)
Net Interest		(876)	(1,277)	(1,006)	(740)	(1,147)	(2,210)
Tax		0	0	0	0	0	0
Capex		(191)	(31)	(34)	(222)	(224)	(44)
Acquisitions/disposals		0	0	0	0	0	0
Financing		519	14,068	2,034	10,567	0	0
Net Cash Flow		(11,153)	6,587	(6,288)	3,387	(11,062)	(14,327)
Opening net debt/(cash)		(12,911)	(1,401)	(7,760)	(1,004)	(2,994)	8,069
HP finance leases initiated		0	0	0	0	0	0
Other		(357)	(228)	(468)	(1,397)	0	0
Closing net debt/(cash)		(1,401)	(7,760)	(1,004)	(2,994)	8,069	22,395
Lease debt		N/A	N/A	1,346	1,215	1,215	1,215
Closing net debt/(cash) inclusive of IFRS16 lease debt		(1,401)	(7,760)	342	(1,779)	9,283	23,610

Source: Company accounts, Edison Investment Research

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