

# Mendus AB

## Company report

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# AML development on track

Q1 Ethics Committee approval cleared the way for Mendus and partner ALLG to start patient recruitment for the CADENCE trial in acute myeloid leukemia (AML) in Q2'24. In parallel, Mendus is building readiness for a pivotal-stage trial in AML supported by positive FDA feedback received during Q1. These key developments are supported by secured cash runway until Q3'25. We make minor adjustments to our estimates with no tangible impact to our DCF valuation of SEK 0.7. We raise our recommendation to Buy based on the widened gap between the market price and our DCF model and reiterate our target price of SEK 0.7.

## Phase II AML trial CADENCE to start recruiting in Q2

The Human Research Ethics Committee approved the plans for the Phase II AMLM22-CADENCE trial to study vididencel in combination with standard-of-care as AML maintenance therapy. To our understanding, patient recruitment for the trial has already started or will start soon by Mendus' partner Australasian Leukaemia and Lymphoma Group ALLG. The first stage of the trial will enroll 40 patients, half of whom will receive vididencel in combination with standard-of-care oral azacitidine (Onureg®) and half of whom will receive Onureg® alone. An additional 100 patients are planned to be enrolled in the second stage. We expect a data readout from the first stage in mid-2025.

In parallel, the company is also building readiness for a pivotal-stage trial in AML by H2'25. This includes upscaling vididencel manufacturing in partnership with NorthX Biologics, which according to Mendus is progressing on schedule and within budget. We believe the CADENCE data readout and pivotal-stage readiness are achievable with the financing already in place. Mendus' cash runway is until Q3'25, strengthened by a 317 MSEK financing round in summer 2023 and the recent 69 MSEK exercise of TO3 warrants.

## In 2024 we expect a readout in the ovarian cancer ALISON trial and an update on ilixadencel plans

As announced earlier, the company has finalized patient recruitment in December 2023 for the Phase I trial of vididencel with standard-of-care for ovarian cancer. Mendus expects to report data on the trial during 2024 including a primary readout in H2'24. The trial aims to explore the safety and feasibility of vididencel as a maintenance treatment for ovarian cancer. As for the second clinical product ilixadencel, Mendus is preparing for a Phase II trial in soft-tissue sarcomas. According to the Q1 report, Mendus is in advanced-stage discussions with potential collaborators to undertake the trial. Mendus also highlighted preclinical progress with the NK cell platform although taking this approach to the clinical stage is not yet timely.

## Risk/reward ratio is attractive as Mendus moves towards late-stage clinical development

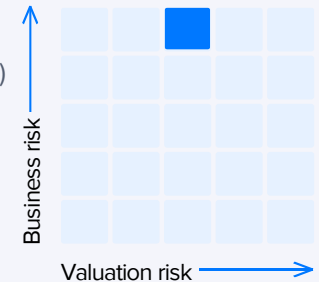
Our estimates remain largely unchanged with no tangible effect on our DCF model, which indicates a net present value of SEK 0.7 per share. Relative valuation continues to be in line with the Nordic Phase II immuno-oncology peers. In our view, the absolute valuation of the peer group is on the low side providing upside if the overall market environment improves. The stock's valuation has become more attractive due to the depreciation in the share price after our recent [Initiation of Coverage](#). The possibility of a favorable partnering deal or Mendus becoming an acquisition target brings an additional positive option for investors to realize value. We see a favorable risk/reward ratio that supports a positive recommendation.

## Recommendation

**Buy**  
(prev. Accumulate)

**0,70 EUR**  
(prev. 0,70 EUR)

**Share price:**  
0,45



## Key indicators

	2023	2024e	2025e	2026e
Revenue	0,0	0,0	0,0	0,0
growth-%	0 %	0 %	0 %	0 %
EBIT adj.	-125,9	-129,3	-127,8	-89,6
Net Income	-126,9	-130,5	-130,8	-92,6
EPS (adj.)	-0,15	-0,13	-0,13	-0,09
P/B	0,6	0,7	0,9	1,1

Source: Inderes

## Guidance

Mendus does not provide guidance.

## Share price



Source: Millistream Market Data AB



### Value drivers

- Urgent need for new cancer treatments
- Target market is estimated to grow to 9.5 billion by 2030 (CAGR >8%)
- Very defensive sector with potential for high profitability
- Potential for globally sold products with annual revenue potential estimated in several billions SEK per indication.
- Potential can also materialize through a partnering agreement or an M&A deal.



### Risk factors

- Therapy development requires substantial upfront investment
- Failed development is likely to result in permanent loss of invested capital
- Success depends on the safety and efficacy of the therapy candidates, which may prove to be insufficient in clinical trials
- Even if market entry is successful, the market share, sales price and royalties involve significant uncertainties

Valuation	2024e	2025e	2026e
Share price	0,45	0,45	0,45
Number of shares, million	1007,2	1007,2	1007,2
Market cap	450	450	450
EV	380	511	603
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	0,7	0,9	1,1
P/S	>100	>100	>100
EV/Sales	>100	>100	>100
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0,0 %	0,0 %	0,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %

Source: Inderes

# R&D costs were above our expectations

## Estimates vs. actualized Q1'24

- Operating costs were above our expectations leading to an EBIT miss
- The miss was due to higher-than-anticipated R&D costs. However, we expect these costs to vary from quarter to quarter.
- Cash position at the end of Q1 was 88 MSEK. After the end of Q1, the exercise of TO3 warrant brought in another 69 MSEK of cash.
- Mendus reiterated cash runway until Q3'25. Our estimates are in line with the company guidance.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	0,0	0,00	0,0					0,0
EBITDA	-31,2	-35,32	-28,6				23 %	-127,3
EBIT	-29,6	-35,32	-28,6				23 %	-127,3
EPS (reported)	-0,15	-0,04	-0,03				38 %	-0,13

Source: Inderes

[Listen to the Q1'24 webcast](#)



# No major changes in our estimates

## Adjusted estimates 2024e-2026e

- We made minor adjustments to our EBIT estimates for 2024 as the Q1 R&D costs came in above our expectations.
- We believe the R&D costs will fluctuate from quarter to quarter and do not see implications for a higher cost base for the rest of the year.
- Our 2025-2026 estimates remain unchanged as Mendus proceeds with their plans as previously announced.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	0,0	0,0	0 %	0,0	0,0	0 %	0,0	0,0	0 %
EBIT	-123,8	-127,3	3 %	-123,0	-123,0	0 %	-93,0	-93,0	0 %
EPS (excl. NRIs)	-0,13	-0,13	2 %	-0,13	-0,13	0 %	-0,10	-0,10	0 %

Source: Inderes

[Listen to the Q1'24 company interview](#)



# Reasonable valuation and secured cash position

## The risk/reward ratio is attractive

We raise our recommendation to Buy based on the widened gap between the market price and our DCF model and reiterate our target price of SEK 0.7. Our valuation is primarily based on the DCF model. We also reflect Mendus' valuation relative to Nordic peers. In addition to the free cash flow generated by product sales, Mendus' value can also be realized through a partnering or an acquisition deal. As the timing and value of such deals are virtually impossible to predict, we have not included such scenarios in our valuation model with the exception of a partner covering Phase III R&D costs from 2026. We view such a partnering deal or becoming an acquisition target as positive options for Mendus' investors.

## Risk-adjusted DCF model indicates an upside

Our DCF model yields a net present value of SEK 0.7 per share, indicating strong upside potential for the stock. We expect a new funding round to take place in mid-2025 in line with Mendus' cash runway. In case of a new share issue, the increase in the number of shares may limit the upside by diluting the per share metrics. However, we see a possibility for a partnering deal that may potentially be highly value-creating for shareholders.

We model increasing revenues that peak in 2038, after which we expect revenues to decline as new competing innovations may enter the market. Our modeling extends to 2042, after which we assume terminal growth of 2%, supported by an aging population and increasing cancer incidence. Cash flows are strongly negative during the clinical research phase 2024-2028. The vast majority of cash flows are generated during the growth phase in 2029-2038, while the period thereafter still generates cash flows relevant to the current valuation.

There are significant uncertainties regarding the realization of the cash flows. Therefore, the DCF model is inherently sensitive to the assumptions used.

## Valuation is in line with Nordic peers

To complement our DCF-based valuation, we compare the valuation of Mendus to its Nordic peers. As a peer group, we use clinical Phase II companies that are developing new cancer immunotherapies or drugs. Our peer group consists of 13 companies: Active Biotechnology, Alligator Bioscience, Bavarian Nordic, BerGenBio, BioInvent International, Cantargia, Circio Holdings, Faron Pharmaceuticals, Isofol Medical, Lytix Biopharma, Medivir, Oncopeptides and Ultimovacs.

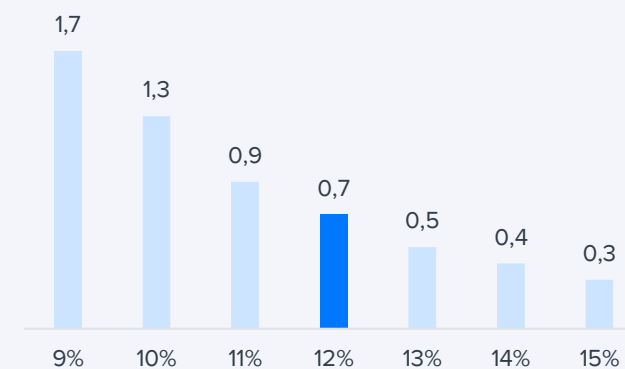
We note that these peers differ significantly in terms of target indications and other factors. The indications affect the addressable market and sales potential, and thus have an impact on market capitalization. Nevertheless, we believe that the peers as a group provide a reasonable framework for the relative valuation of Mendus. In this comparison, we consider Mendus a Phase II clinical stage company based on the Phase II CADENCE trial.

The Nordic immuno-oncology peers in clinical Phase II have a median enterprise value (EV) of approx. 350 in line with that of Mendus (348 MSEK). The highest EV is ~2,500 MSEK for Faron, a company in Phase II clinical trial in blood cancers and ambitions to expand the lead asset indications into multiple solid tumors. At the lower end of the spectrum, four companies are valued in the range of 150-300 MSEK, highlighting the significant spread in valuations within the sector. In summary, we believe that Mendus is valued in line with its Nordic peers. In our view, general biotech valuation in the Nordics is below long-term averages.

Valuation	2024e	2025e	2026e
Share price	0,45	0,45	0,45
Number of shares, million:	1007,2	1007,2	1007,2
Market cap	450	450	450
EV	378	504	600
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	0,7	0,9	1,0
P/S	>100	>100	>100
EV/Sales	>100	>100	>100
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0,0 %	0,0 %	0,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %

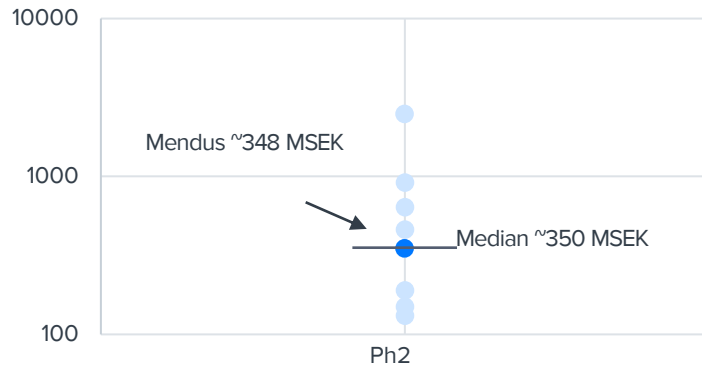
Source: Inderes

Sensitivity of DCF to WACC, SEK/share

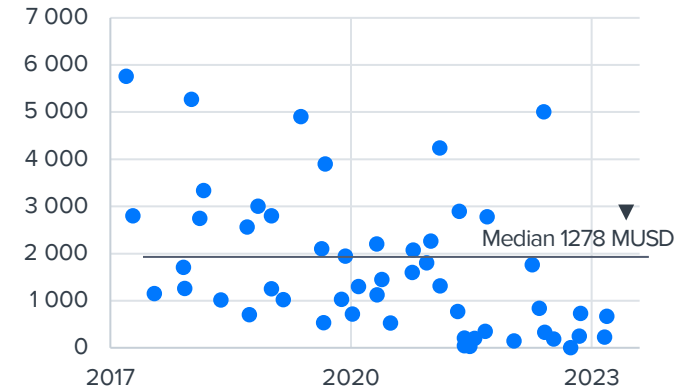


# Valuation graphs

### EV of Phase II Nordic Immuno-oncology companies, MSEK

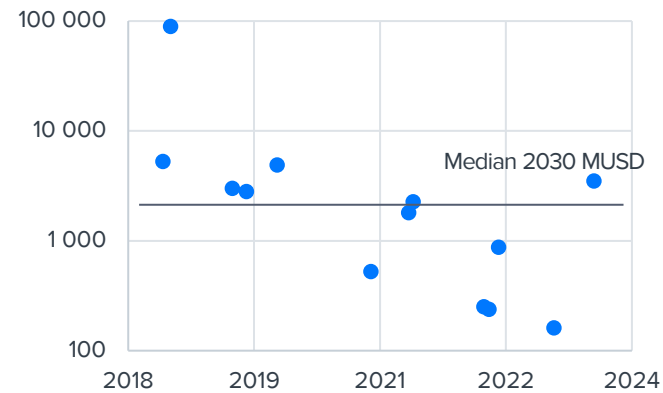


### Immuno-oncology clinical Ph2 partnering deals, MUSD



Source: GlobalData, Inderes

### Immuno-oncology clinical Ph2 mergers and acquisitions, MUSD



Source: GlobalData, Inderes

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price		6,82	3,95	2,22	0,52	<b>0,45</b>	<b>0,45</b>	<b>0,45</b>	<b>0,45</b>
Number of shares, millions	92,3	166,2	199,4	199,4	836,1	<b>1007,2</b>	<b>1007,2</b>	<b>1007,2</b>	<b>1007,2</b>
Market cap		1133	787	443	437	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>
EV	-13,5	988	632	430	317	<b>378</b>	<b>504</b>	<b>600</b>	<b>698</b>
P/E (adj.)	0,0	neg.	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
P/E	0,0	neg.	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
P/FCF	0,0	neg.	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
P/B	0,0	1,7	1,2	0,9	0,6	<b>0,7</b>	<b>0,9</b>	<b>1,0</b>	<b>1,4</b>
P/S	0,0	>100	>100	>100	>100	<b>&gt;100</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>&gt;100</b>
EV/Sales	neg.	>100	>100	>100	>100	<b>&gt;100</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>&gt;100</b>
EV/EBITDA	0,3	neg.	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
EV/EBIT (adj.)	0,3	neg.	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
Payout ratio (%)	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>
Dividend yield-%		0,0 %	0,0 %	0,0 %	0,0 %	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>

Source: Inderes



# Income statement

Income statement	2021	2022	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	-132,0	-138,5	-133,2	-35,3	-31,1	-30,4	-30,5	-127,3	-123,0	-93,0	-95,3
Depreciation	1,9	4,8	7,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT (excl. NRI)	-130,1	-133,7	-125,9	-35,3	-31,1	-30,4	-30,5	-127,3	-123,0	-93,0	-95,3
EBIT	-130,1	-133,7	-125,9	-35,3	-31,1	-30,4	-30,5	-127,3	-123,0	-93,0	-95,3
Net financial items	-3,3	-5,1	-1,0	-0,3	-0,3	-0,3	-0,3	-1,2	-3,0	-3,0	-3,0
PTP	-133,4	-138,8	-126,9	-35,6	-31,4	-30,7	-30,8	-128,5	-126,0	-96,0	-98,3
Taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net earnings	-133,4	-138,8	-126,9	-35,6	-31,4	-30,7	-30,8	-128,5	-126,0	-96,0	-98,3
EPS (adj.)	-0,67	-0,70	-0,15	-0,04	-0,03	-0,03	-0,03	-0,13	-0,13	-0,10	-0,10
EPS (rep.)	-0,67	-0,70	-0,15	-0,04	-0,03	-0,03	-0,03	-0,13	-0,13	-0,10	-0,10

Source: Inderes

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
Revenue growth-%	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	NA	131,3 %	150,9 %	112,3 %	106,1 %	39,7 %	17,9 %
EBIT-%							-715,5 %	-272,3 %	30,0 %	35,0 %	35,0 %	35,0 %	35,0 %
<b>EBIT (operating profit)</b>	<b>-125,9</b>	<b>-127,3</b>	<b>-123,0</b>	<b>-93,0</b>	<b>-95,3</b>	<b>-97,6</b>	<b>-89,9</b>	<b>-79,1</b>	<b>21,9</b>	<b>54,2</b>	<b>112</b>	<b>156</b>	<b>184</b>
+ Depreciation	-7,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Paid taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Tax, financial expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Change in working capital	-63,2	4,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Operating cash flow</b>	<b>-196,5</b>	<b>-123,0</b>	<b>-123,0</b>	<b>-93,0</b>	<b>-95,3</b>	<b>-97,6</b>	<b>-89,9</b>	<b>-79,1</b>	<b>21,9</b>	<b>54,2</b>	<b>112</b>	<b>156</b>	<b>184</b>
+ Change in other long-term liabilities	-24,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Gross CAPEX	12,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Free operating cash flow</b>	<b>-208,1</b>	<b>-123,0</b>	<b>-123,0</b>	<b>-93,0</b>	<b>-95,3</b>	<b>-97,6</b>	<b>-89,9</b>	<b>-79,1</b>	<b>21,9</b>	<b>54,2</b>	<b>112</b>	<b>156</b>	<b>184</b>
+/- Other	0,0	69,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FCFF	-208,1	-53,9	-123,0	-93,0	-95,3	-97,6	-89,9	-79,1	21,9	54,2	112	156	184
<b>Discounted FCFF</b>		<b>-50,3</b>	<b>-102,4</b>	<b>-69,2</b>	<b>-63,3</b>	<b>-57,9</b>	<b>-47,7</b>	<b>-37,5</b>	<b>9,3</b>	<b>20,5</b>	<b>37,7</b>	<b>47,0</b>	<b>49,5</b>
Sum of FCFF present value		619	670	772	841	905	962	1010	1048	1038	1018	980	933
<b>Enterprise value DCF</b>		<b>619</b>											
- Interest bearing debt		0,0											
+ Cash and cash equivalents		121											
-Minorities		0,0											
-Dividend/capital return		0,0											
<b>Equity value DCF</b>		<b>740</b>											
<b>Equity value DCF per share</b>		<b>0,7</b>											

## WACC

Tax-% (WACC)	20,6 %
Target debt ratio (D/(D+E))	0,0 %
Cost of debt	10,0 %
Equity Beta	1,78
Market risk premium	4,75 %
Liquidity premium	1,00 %
Risk free interest rate	2,5 %
<b>Cost of equity</b>	<b>12,0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>12,0 %</b>

Source: Inderes

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>	EPS (reported)	-0,67	-0,70	-0,15	<b>-0,13</b>	<b>-0,13</b>
EBITDA	-132,0	-138,5	-133,2	<b>-127,3</b>	<b>-123,0</b>	EPS (adj.)	-0,67	-0,70	-0,15	<b>-0,13</b>	<b>-0,13</b>
EBIT	-130,1	-133,7	-125,9	<b>-127,3</b>	<b>-123,0</b>	OCF / share	-0,67	-0,56	-0,23	<b>-0,12</b>	<b>-0,12</b>
PTP	-133,4	-138,8	-126,9	<b>-128,5</b>	<b>-126,0</b>	FCF / share	-0,58	-0,67	-0,25	<b>-0,05</b>	<b>-0,12</b>
Net Income	-133,4	-138,8	-126,9	<b>-128,5</b>	<b>-126,0</b>	Book value / share	3,29	2,58	0,84	<b>0,65</b>	<b>0,52</b>
Extraordinary items	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>	Dividend / share	0,00	0,00	0,00	<b>0,00</b>	<b>0,00</b>
<b>Balance sheet</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>						
Balance sheet total	721,0	620,4	756,0	<b>711,9</b>	<b>641,9</b>						
Equity capital	656,7	514,4	704,7	<b>652,2</b>	<b>526,2</b>						
Goodwill	108,4	108,4	108,4	<b>108,4</b>	<b>108,4</b>						
Net debt	-155,3	-12,7	-120,8	<b>-72,5</b>	<b>53,5</b>						
<b>Cash flow</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>						
EBITDA	-132,0	-138,5	-133,2	<b>-127,3</b>	<b>-123,0</b>						
Change in working capital	-2,4	27,1	-63,2	<b>4,2</b>	<b>0,0</b>						
Operating cash flow	-134,4	-111,4	-196,5	<b>-123,0</b>	<b>-123,0</b>						
CAPEX	2,1	-32,6	12,9	<b>0,0</b>	<b>0,0</b>						
Free cash flow	-114,9	-134,1	-208,1	<b>-53,9</b>	<b>-123,0</b>						
<b>Valuation multiples</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>						
EV/S	>100	>100	>100	<b>&gt;100</b>	<b>&gt;100</b>						
EV/EBITDA (adj.)	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>						
EV/EBIT (adj.)	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>						
P/E (adj.)	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>						
P/B	1,2	0,9	0,6	<b>0,7</b>	<b>0,9</b>						
Dividend-%	0,0 %	0,0 %	0,0 %	<b>0,0 %</b>	<b>0,0 %</b>						

Source: Inderes

# Disclaimer and recommendation history

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10.4.2024	Accumulate	0,70 €	0,49 €
20.5.2024	Buy	0,70 €	0,45 €



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