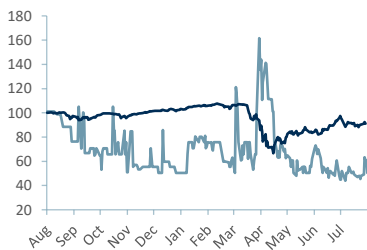


# INSIGHT NOTE

## Value Range

USD 0.43 – 0.46



NBIO (lighter line) vs. NYSE Composite price relative

### Friday, 31 July 2020

Intrinsic Price (USD)	0.43
Value Range Low	0.41
Value Range High	0.46
Implied MCAP (\$m)	17.34
Implied EV (\$m)	17.34
OTC	NBIO
Financial YE	31-Mar
Currency	USD

### Business Activity

Monoclonal  
Antibodies

### Key Metrics

Close Price (USD)	0.12
MCAP (\$m)	\$4.8
Net Debt (Cash) (\$m)	-\$0.7
EV (m)	\$4.1
52 Wk Hi	0.35
52 Wk Lo	0.05

### Key Ratios

(Net Cash) / Shareholder Equity %	-15.40%
FX Rate USD/GBP	0.78

### Healthcare Sector Research

#### OTC Market Index

#### Analyst Team

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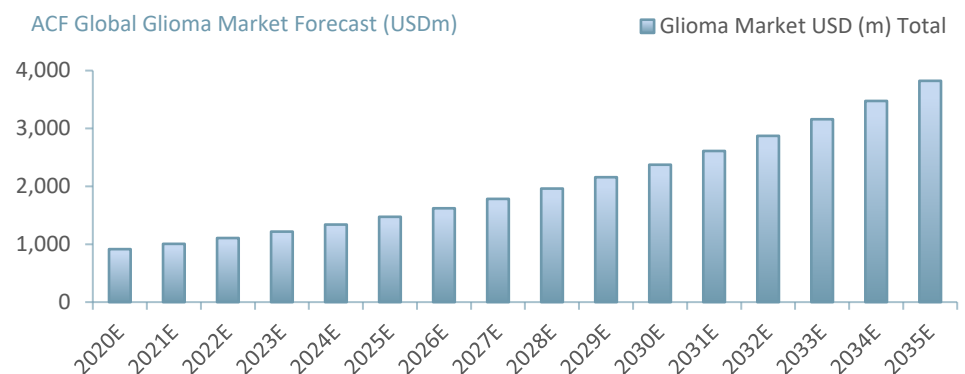
## Nascent Bio Indicative Valuation.

ACF Indicative Valuations use top down models

Nascent Biotech Inc. (NBIO: OTC Market) is a clinical stage biopharmaceutical company with no history of operations. NBIO develops monoclonal antibodies (mAbs) for cancer treatments. The Company's flagship drug candidate, Pritumumab is targeting the oncology market; with a focus on brain, lung, breast and pancreatic cancer. In this indicative valuation for NBIO we have modelled only Pritumumab's potential in the glioma (brain cancer) market. Our valuation approach is highly conservative. Assumptions include less than 2% market share, WACC 10% and market growth below the consensus range.

- FDA orphan drug status on mAb flagship Pritumumab;
- Pritumumab positive therapeutic effect in low dose Japan study;
- PI trials for Pritumumab ready to go;
- Covid-19 Pritumumab vaccine collaborations announced;

Other oncology drug candidate CLNH5 and MultiPharm platform.



## Investment Case

**A clinical stage company targeting a \$4bn plus market by 2035.** Nascent Biotech is a biopharmaceutical company based in the US and listed on the OTC market. We currently **conservatively** forecast **long run FCF margins around 10%**. Nascent is focused on developing monoclonal antibodies (mAbs), which can be used for the treatment of cancer in humans, in particular brain, lung, breast and pancreatic cancer.

Pritumumab must undergo clinical trials before commercialisation. Using Pritumumab, NBIO is collaborating with Syracuse university and Manhattan BioSolutions to develop a **potential vaccine targeting Covid-19 and other viral infections**.

**NBIO flagship mAb oncology drug candidate - Pritumumab**, is targeted at **CNS gliomas** (brain cancer) but other cancers share a common molecular target, vimentin and NBIO aims to assign **other cancer treatment indications** to Pritumumab as a result.

NBIO's flagship mAb is a "fully natural human IgG antibody" that is intended to treat epithelial cancers (which include lung, breast, colon, brain and pancreas).

Pritumumab works by attaching to a molecule called **ectodomain vimentin** on the outer surface of the abnormal cells, thereby stimulating various immune responses - including anti-idiotypic, apoptosis, antibody-dependent cellular cytotoxicity and complement-dependent cytotoxicity – that will potentially kill the cancer cells.

Following the **approval of its Investigational New Drug (IND) application** from the FDA, Nascent is **set to begin its phase 1 clinical trials**. And if successful, the Company can then seek to develop the Pritumumab monoclonal antibody (mAb) drug candidate for commercial use (the Company has given no guidance on how long the trial will take or when the drug can be brought to market).

Alongside Pritumumab, NBIO has other drug candidates CLNH5 and MultiPharm platform, also targeting the oncology market.

## Catalyst

Resumption of clinical trials permissions in the US. Pre-clinical testing; clinical trial developments; US Regulations and approval process speed-up in the light of Covid-19; EU Regulation; US Pricing Reform, fund raising. Covid-19 vaccine efficacy results leading to new indications for Pritumumab

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	40.0	40.0
Implied Intrinsic Price	0.43	0.43
Value Range Low	0.41	0.41
Value Range High	0.46	0.46
AIM	NBIO	
Financial YE	31-Mar	
Reporting Currency	USD	
NoSh (m)		40
NoSh (m) expected dilution (Exp D)		40
NoSh (m) full dilution (FD)		40
<b>Key Metrics</b>	<b>\$</b>	<b>adj.</b>
MCAP (m)	4.8	4.8
Net Debt (Cash) (m)	(0.74)	(0.74)
EV (m)	4.1	4.1
52 Wk Hi	0.35	0.35
52 Wk Lo	0.05	0.05
Free Float	66%	66%

## Operational Strategy

To date, Nascent has no drug asset in the market and as a result, the Company has historically been generating operating losses. Moreover, based on management's guidance, its drug candidate (Pritumumab) is not expected to be marketed for a number of years (we do not expect revenues before YE 2025); as a result, we are anticipating significant negative operating cash flow before YE25E.

Much like most early stage companies, NBIO has no marketing or sales operations in-place. However, the Company does have global commercialisation rights to its pipeline assets – which the Company will be able to capitalise on if its drug candidates get approved for sale.

**Development strategy** – Nascent's focus is to get Pritumumab toward regulatory approval (via completion of phase I/ II clinical trials) and ready for commercialisation. The Company is targeting the metastatic treatment option, which it believes is underserved by current treatment protocols - and should give NBIO a competitive edge over its peers

**Indication strategy** – In addition to broadening the oncology (cancer) indications, the Company is aiming to expand the scope of Pritumumab as a diagnostic too and to develop it into an effective carrier protein for other anti-cancer drugs. The carrier protein pathway is a cocktail approach in which an anti-cancer drug is attached to an antibody. The tactical principle of using a cocktail approach has worked successfully for other hard-to-beat conditions.

## Management Team

➤ **Chief Executive Officer, Sean Carrick.**



Sean has over 30 years of experience in the life sciences space. He comes with a sales and marketing background and has significant experience of building healthcare companies from venture to mid-cap. He has a BS Degree in Economics and Business Administration from the Duquesne University.

➤ **Chief Financial Officer, Lowell Holden.**



Lowell joined Nascent in 2014. Lowell has owned and operated his company, LS Enterprises, Inc., since 1983. He also has experience in assisting companies in meeting their auditing and SEC reporting requirements. He has a Bachelor's of Science degree from Iowa State University.

## Valuation - DCF

### Exhibit 1: WACC

NBIO	
Pre-tax cost of debt	12.0%
ETR	20.0%
After-tax cost of debt	9.6%
Current Leverage	15.5%
Debt/(Cash)	74.3%
Equity	480.0%
Target Leverage	50.0%
D / (D+E)	15.5%
ACF $\beta$ adj levered	-0.8
rf	0.55%
ERP	5.23%
Cost of equity	8.40%
Risk adj.	1.60%
WACC	10%

Source: ACF Equity Research Estimates

### Exhibit 2: Implied return

#### Valuation Range

Pritumumab	17.3	
NPV FCF (\$m)	17.3	
Net Debt/(Cash)	0.0	
Fair Value (\$m)	17.3	
NoSh (m)	40	
NoSh (diluted) (m)	N/A	
Intrinsic Value Per Share (\$m)	0.43	
Close Price USD	0.12	
<b>VR (low - high)</b>	<b>0.41</b>	<b>0.46</b>
VR Spread	5.00%	
Implied VR Return (low - high)	243%	279%

Source: ACF Equity Research Estimates

*Note: We assume the conservative Debt / Equity target mix 50%. However, in the current interest rate environment 50-60% is more likely.*

*Note: Close price on front page of this ACF research note is based on shares in issue (NoSh) on 31/07/2020 of 40,000,000. Options and warrants strike prices are currently above the close price.*

*Implied VR Return 240-280%*

## Sensitivity Analysis

Exhibit 3: WACC/Market Share % shows long-term valuation potential

NBIO Equity Value 15 Yr DCF

Change to US market share only

Market Share %	16%	14%	12%	10%	8%	
	2.6%	13.02	16.26	20.43	25.84	32.90
	2.4%	12.37	15.44	19.41	24.55	31.26
	2.2%	11.72	14.63	18.38	23.25	29.61
	2.0%	11.06	13.82	17.36	21.96	27.96
	1.8%	10.41	13.00	16.34	20.66	26.31
	1.6%	9.76	12.19	15.31	19.37	24.66
1.4%	9.11	11.37	14.29	18.08	23.02	

Source: ACF Equity Research Estimates; Companies reports; Factset.

Exhibit 4: WACC/FCF Margin % shows long-term valuation potential

NBIO Equity Value 15 Yr DCF

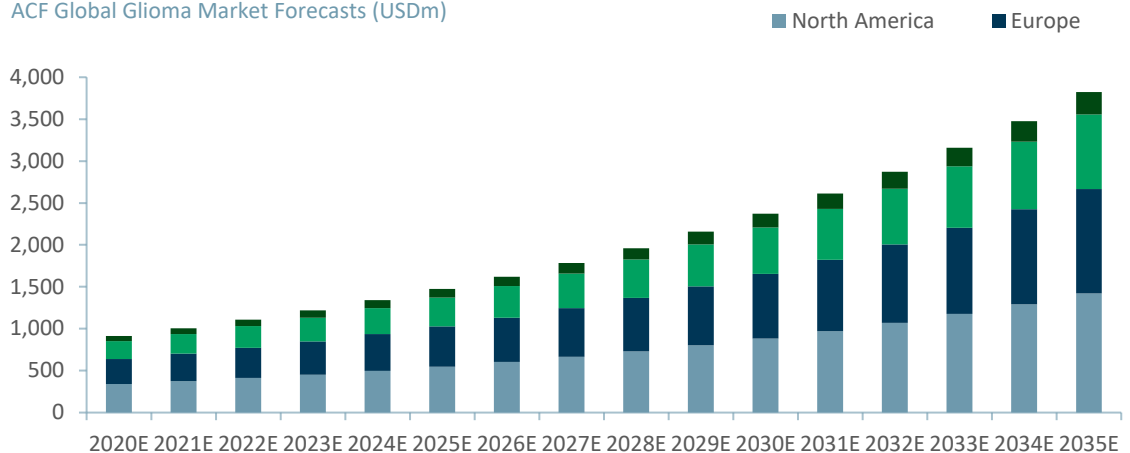
Change to Pritumumab only

FCF M %	16%	14%	12%	10%	8%	
	14%	14.08	17.58	22.09	27.95	35.59
	13%	13.08	16.33	20.52	25.95	33.04
	12%	12.07	15.07	18.94	23.95	30.50
	11%	11.06	13.82	17.36	21.96	27.96
	10%	10.06	12.56	15.78	19.96	25.42
	9%	9.05	11.30	14.20	17.97	22.88
8%	8.05	10.05	12.63	15.97	20.33	

Source: ACF Equity Research Estimates; Companies reports; Factset.

Exhibit 5: Market forecast value

ACF Global Glioma Market Forecasts (USDm)



Source: ACF Equity Research Estimates

## Valuation – Trading Multiples

Exhibit 6: Trailing peer group metrics – income statement

Trailing 19A Metrics / Company Name	Market	EV (m)	Div %	EBITDA / M%	EV / REVS	EV / EBITDA	EV / NI
Nascent Biotech	OTC	4.96	N/A	N/A	N/A	N/A	N/M
Repligen Corp	NasdaqGS	7630.00	N/A	23.24%	25.23x	108.53x	246.61x
Codexis	NasdaqGS	637.00	N/A	-19.59%	9.43x	N/M	N/M
Abcam PLC	LSE	3287.47	0.93%	36.90%	9.58x	32.59x	60.37x
<b>Average</b>			<b>0.93%</b>	<b>13.52%</b>	<b>14.75x</b>	<b>70.56x</b>	<b>153.49x</b>
<b>Median</b>			<b>N/A</b>	<b>23.24%</b>	<b>9.58x</b>	<b>70.56x</b>	<b>153.49x</b>

Source: ACF Equity Research Estimates

Exhibit 7: Trailing peer group metrics – balance sheet

Trailing 19A Metrics / Company Name	Market	MCAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	RoI %
Nascent Biotech	OTC	4.83	4313.70%	N/A	-3199.30%	N/A	N/M
Repligen Corp	NasdaqGS	7,890.00	18.61%	N/A	2.27%	3.13%	2.66%
Codexis	NasdaqGS	698.19	17.49%	N/A	-7.55%	-19.23%	-13.79%
Abcam PLC	LSE	3,488.23	0.00%	0.01	7.91%	11.47%	10.20%
<b>Average</b>			<b>0.12%</b>	<b>0.01%</b>	<b>0.88%</b>	<b>-1.54%</b>	<b>0.00%</b>
<b>Median</b>			<b>0.17%</b>	<b>0.01%</b>	<b>2.27%</b>	<b>3.13%</b>	<b>0.03%</b>

Source: ACF Equity Research Estimates

## Peer Group Selection

Repligen Corporation (**RGEN, NasdaqGS**) is a biotechnology company that develops and manufactures biological products for the biopharmaceutical industry. Its ISO 9001 bioprocessing technologies are cost efficient for its clients. RGEN's business activities are comprised of four key franchises, Chromatography, Filtration, Process Analytics and **Proteins**. Its bioprocessing technologies can be applied to gene therapy, **vaccines**, **protein therapeutics**, macro molecules, **antibody drug conjugates**, etc.

Codexis Inc. (**CDXS: NasdaqGS**) is a biotechnology company that uses its CodeEvolver platform technology to develop and manufacture biocatalysts for use in pharmaceuticals, chemicals, **biotherapeutics**, food & beverage and agriculture. CDXS's **platform is used to discover novel biotherapeutic drug candidates**, as well as molecular biology and in-vitro diagnostic enzymes.

Abcam PLC (**ABC.L: LSE**) is a biotechnology company that develops and sells protein research tools for use in clinical products in particular in-vitro diagnostics (IVD), **companion diagnostics**, immunoassays and biological therapeutics. It offers a range of research products including, **antibodies**, cell and tissue imaging tools, and lysates in the UK, China, Germany and internationally. ABC products are used in the areas of **cancer**, cell biology, cardiovascular, neuroscience, epigenetics and signal transduction etc.



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