Zacks Small-Cap Research

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BiondVax Pharmaceuticals, Ltd. (BVXV-NASDAQ)

BVXV: Secures $22 Million Loan Agreement with European Investment Bank…

Based on our probability adjusted DCF model that takes into account potential future revenues from M-001 as a universal flu vaccine, BVXV is valued at $18/share. This model is highly dependent upon continued clinical success of M-001 and will be adjusted accordingly based upon future clinical results.

Current Price (07/06/17)	$8.00
Valuation	**$18.00**

OUTLOOK

On June 19, 2017, Biondvax Pharmaceuticals, Ltd. announced it entered into a $22 million (€20 million) loan agreement with the European Investment Bank (EIB) under Horizon 2020, which is a program established by the European Commission and the EIB to help innovative firms access finance more easily.

The non-dilutive financing agreement between the EIB and Biondvax will be structured as a 0% fixed interest loan available for up to 36 months with a variable remuneration based on royalties of net sales of M-001 following commercialization. In addition, the arrangement provides funding for half of the planned Phase 3 clinical program for M-001.

SUMMARY DATA

52-Week High	**$8.85**
52-Week Low	**$3.25**
One-Year Return (%)	**128.57**
Beta	**0.55**
Average Daily Volume (sh)	**21,383**
Shares Outstanding (mil)	**4**
Market Capitalization ($mil)	**$35**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**6**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2016 Estimate	**N/A**
P/E using 2017 Estimate	**N/A**

Risk Level	**Average,**
Type of Stock	**Small-Value**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2017	0.0 A	0.0 E	0.0 E	0.0 E	0.0 E
2018					0.0 E
2019					0.0 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	-$0.00 A	-$0.01 A	$0.00 A	-$0.00 A	-$0.03 A
2017	-$0.02 A	-$0.00 E	-$0.00 E	-$0.01 E	-$0.03 E
2018					-$0.02 E
2019					-$0.03 E

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WHAT'S NEW

Financial Update

On June 19, 2017, BiondVax Pharmaceuticals, Ltd. announced it entered into a $22 million (€20 million) loan agreement with the European Investment Bank (EIB). The loan is a part of Horizon 2020, which is a research and innovation program established by the EU with over €80 billion of funding available over 7 years (2014-2020). The goal of Horizon 2020 is to drive economic growth and create jobs, while allowing innovative firms the chance to access capital more easily.

The non-dilutive financing agreement is structured as a 0% fixed interest rate loan. The funds will be made available in three tranches, up to 12, 24, and 36 months following the date of the agreement. Amounts between €4-6 million will be disbursed in tranches 1 and 2, with the remainder of the funds available in tranche 3.

Disbursement is dependent on the achievement of specified milestones. For tranche 1, it must be on or before the 12-month anniversary of signing the loan agreement and the company must have funds available to it (either from its own resources or from an agreement with a third party) that are equal to the disbursement. For tranche 2, it must be on or before the 24-month anniversary of signing of the loan agreement, the company must have funds equivalent to tranche 2, and manufacturing of the first clinical batch of M-001 for Phase 3 clinical trials must have been completed. For tranche 3, it must be on or before the 36-month anniversary of signing of the loan, the company must have funding equal to tranche 3, and the company must have authorization to begin Phase 3 clinical trials for M-001.

Once drawn, each tranche must be paid back on the five-year anniversary from the date of drawdown. The funds are due in a lump sum payment, however all or a part of each tranche may be prepaid at any time. A variable remuneration will be due to the EIB each year following commercialization equal to 3% of any annual revenues from the sale of M-001 up until the bank has received 2.8x the amount borrowed by BiondVax.

The end result of this financing arrangement for BiondVax is that the company now has up to half of the funding necessary for the Phase 3 program for M-001, although the ultimate cost of the Phase 3 program is still unknown as the company is still in the planning stages.

As of March 31, 2017, BiondVax had cash, cash equivalents, and marketable securities of $9.6 million. On January 2, 2017, BiondVax announced that Angels High Tech Investments Ltd., which is owned by Marius Nacht (co-founder of Check Point Software Technologies Ltd. [Nasdaq: CHKP]), agreed to invest approximately $2.83 million in the company in exchange for 844,000 Nasdaq listed ADS, with a two-year lock-up. Following the transaction, Angels Investments held 19.99% of all issued and outstanding shares of the company. An investment such as this is important as it shows a level of confidence in both M-001 and the BiondVax management team as well as providing the company with much needed capital to continue development of M-001 into Phase 3 clinical trials. Additionally, Mr. Nacht, as founder of Check Point, has broad industry contacts and can provide BiondVax with added value support beyond the investment, as well as the ability to backstop BiondVax, providing further capital to BiondVax when and if needed. Lastly, the added financial stability provided by the investment could make it easier for the company to pursue grants and other non-dilutive funding sources.

BiondVax Approved for Grant to Help Construct Manufacturing Facility

On March 30, 2017, BiondVax Pharmaceuticals Ltd. (BVXV) announced that the Israeli Ministry of Economy and Industry approved a grant to cover 20% of a NIS 20 million budget for the construction of a manufacturing facility for M-001. The facility will be used to produce sufficient quantities of vaccine for Phase 3 clinical trials and commercialization. BiondVax is planning to construct a mid-sized facility in Jerusalem that could potentially one day produce tens of millions of doses of M-001. We note that Teva Pharmaceuticals (TEVA), the world's leading generic drug manufacturer, also has a facility in the same area.

Data From Phase 2 Study of M-001 Expected Soon

M-001 is currently being studied in a Phase 2b clinical trial that is funded through a grant from the European Union and is being conducted in conjunction with the European UNISEC Consortium. The trial consists of 219 adults (age 18-60) and is designed to evaluate the safety and immunogenicity of M-001 when used as a primer to the H5N1

avian influenza vaccine. Based on the time it takes to create a new pandemic influenza vaccine (approximately five months based on the H1N1 Swine flu pandemic in 2009), the results from this trial could show the potential for M-001 to be stockpiled and used immediately in the event of any new pandemic while a strain specific vaccine was being manufactured.

On November 29, 2016, Biondvax Pharmaceuticals, Ltd. (BVXV) announced positive preliminary safety results from the BVX-007 trial. Since the data is still blinded, the distribution of adverse events amongst the total of 219 participants who completed the study in the control and experimental groups is unknown. However, only three moderate adverse events were considered to be possibly or probably related to treatment and no treatment-related serious adverse events were reported.

The company has been informed that blood sample analysis (to test for immunogenicity) was recently completed by a member of the Consortium and that statistical analysis of the results will begin shortly. We note that this analysis is completely out Biondvax's control, and while we had thought the data would be available by the end of the second quarter of 2017 it appears a bit more time is needed. However, the results are expected in the near term.

Conclusion

BiondVax has had a great first half of 2017 with a number of important announcements, including the $22 million (€20 million) non-dilutive funding agreement with the EIB, the strategic investment from Marius Nacht, and the grant to support the construction of a manufacturing facility for M-001. All of these announcements show that a number of different groups are supportive of M-001 and understand the necessity and importance of bringing a universal influenza vaccine to market. We are looking forward to the results from the Phase 2b study conducted in Europe that could lend further support to its continued development. The stock has responded favorably to the news flow from this year, rising over 100% thus far, however we feel the stock still has room to run, as our valuation is currently at $18/share.

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PROJECTED FINANCIALS

BiondVax Pharmaceuticals, Ltd.
Income Statement

BiondVax Therapeutics, Ltd.	2016 A	Q1 A	Q2 E	Q3 E	Q4 E	2017 E	2018 E	2019 E
M-001 (Elderly Primer)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-			
M-001 (Pandemic Primer)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-			
M-001 (Universal Vaccine)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-			
Grants & Collaborative Revenue	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-			
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-			
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-			
Research & Development	$2.0	$0.5	$0.5	$0.5	$0.6	$2.1	$3.5	$4.0
General & Administrative	$1.1	$0.3	$0.2	$0.3	$0.3	$1.1	$1.4	$1.7
Other Expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($3.1)	($0.8)	($0.7)	($0.8)	($0.9)	($3.2)	($4.9)	($5.7)
Operating Margin	-	-	-	-	-			
Non-Operating Expenses (Net)	$0.7	($2.4)	$0.0	$0.0	$0.0	($2.4)	$0.0	$0.0
Pre-Tax Income	($2.4)	($3.2)	($0.6)	($0.8)	($0.9)	($5.6)	($4.9)	($5.7)
Income Taxes Paid	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($2.4)**	**($3.2)**	**($0.6)**	**($0.8)**	**($0.9)**	**($5.6)**	**($4.9)**	**($5.7)**
Net Margin	-	-	-	-	-			
Reported EPS	**($0.02)**	**($0.02)**	**($0.00)**	**($0.00)**	**($0.01)**	**($0.03)**	**($0.02)**	**($0.03)**
YOY Growth	-	-	-	-	-			
Basic Shares Outstanding	135.1	162.5	170.0	170.0	170.0	168.1	200.0	220.0
Basic ADS Outstanding	3.4	4.1	4.3	4.3	4.3	4.2	5.0	5.5

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

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