August 14, 2024

Zacks Small-Cap Research

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Evaxion Biotech (EVAX-NASDAQ)

EVAX: Dual-income, AI-Biotech Company Attracting Interest

EVAX is using well-developed AI technology in the pursuit of important treatments. We value EVAX at $7.25 using discounted cash flow analysis with a 10% discount rate.

Current Price (08/09/24)	$2.55
Valuation	**$7.25**

OUTLOOK

EVAX is a clinical stage company that has proprietary AI models designed to more efficiently and more accurately target much-needed treatments. The company has two streams of possible revenue: from the treatments themselves and from the licensing of the AI technology.

2Q financials show the company has solid cash and is attracting interest from potential partners. The company aims to be cash-flow neutral in 2024 and continues to develop relationships with major pharmaceutical companies, while also pushing treatments through the FDA approval process.

SUMMARY DATA

52-Week High	**$11.70**
52-Week Low	**$2.30**
One-Year Return (%)	**-73.31**
Beta	**-0.28**
Average Daily Volume (sh)	**26,059**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$15**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**11**
Insider Ownership (%)	**42**
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 2024 Estimate	**N/A**
P/E using 2025 Estimate	**N/A**

Risk Level	**Above Avg.**
Type of Stock	**Biotech**

ZACKS ESTIMATES

Revenue
(in thousands of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	NA	NA	NA	NA	73 A
2024	51 A	100 E	185 E	204 E	540 E
2025	155 E	175 E	205 E	195 E	730 E
2026	275 E	350 E	415 E	420 E	1,460 E

Earnings per Share (USD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	NA	NA	NA	NA	-0.81 A
2024	0.03 A	-0.12 A	-0.12 E	-0.12 E	-0.33 E
2025	-0.12 E	-0.12 E	-0.13 E	-0.10 E	-0.47 E
2026	-0.10 E	-0.11 E	-0.12 E	-0.14 E	-0.47 E

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Update

Evaxion (EVAX) is a clinical stage company that is making AI useful in the current environment by using the technology to develop new cancer-fighting vaccines. The company notes that it has demonstrated that it can identify, through the company's AI models, novel targets within days, rather than the traditional years it commonly takes with standard drug discovery methods. The use of AI also allows the company to decrease the risk of failure as the technology filters out those results that may result in low efficacy or unacceptable toxicity.

One of the major concerns investors have about clinical-stage companies is whether the company is going to have sufficient funding to get to the point of generating revenue. This is another thing that excited us about Evaxion—they aren't trying to go it alone and hope that funding comes through and leaving the important potential treatments at risk. During 2023, the company's strategy was changed, and management put a stronger focus on "value realization and execution". The core of the Evaxion strategy is the AI-Immunology platform, which the company has been continuously developing and improving over the past 15 years. This has provided Evaxion with a unique position within the AI-led target discovery arena as well as the design and development of vaccine candidates. We are further encouraged by the reiteration by management during the company's 2Q earnings call that leadership continues to believe the company can generate enough business development cash to equal the cash burn, excluding financing activities, in 2024—something very unique and impressive for a clinical stage company.

Additionally, the company released financial results for 2Q 2024 that showed cash rose from $5.6 million at the end of 2023 to $8.0 million at the end of 2Q. We also continue to be pleased with the cost discipline we've seen from company management as both research and development costs and general and administrative expenses were lower than the year-ago period.

The company also updated investors on upcoming events that could prove important for investors. As mentioned above, the company is always updating its AI models and plans to launch a new version of its EDEN model in the next month or two. Also expected in 3Q2024 is a proof-of-concept for EVX-B2-mRNA and a readout on the Phase 2 study of it EVX-01 product.

EVX-01 is the company's personalized cancer immunotherapy intended for the first-line treatment of metastatic and unresectable cancer patients. According to the company, each therapy is designed using the Pioneer model and will engage each patient's immune system to fight off cancer by mounting a targeted response against tumors. During the company's Phase 1/2a clinical trial of EVX-01 data showed that six of nine patients (67%) benefitted from EVX-01 in combination with a PD-1 inhibitor (KEYTRUDA) for treating metastatic melanoma, compared to the historical data of only 33-40% benefitting from a PD-1 inhibitor alone.

Lastly, the company noted that it continues to talk to potential partners, which we believe has the potential to be a major revenue source for Evaxion as major pharmaceutical companies attempt to bolster their pipelines and gain access to cutting-edge AI technology.

We believe Evaxion is at an inflection point. Moving from a cash burn company to one that is at least cash neutral, while seeing important trial results that should validate the company's process and AI technology. If events for Evaxion continue to proceed along the lines as we've seen to this point, EVAX should start to rise in concert with the improving prospects. We urge investors with a modestly higher risk tolerance to take a look at EVAX at the current time, before the potential market-moving news gets announced.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Evaxion Pharmaceuticals Income Statement and Balance Sheet							
		(In thousands, except per share data)					
		2023A	**1Q2024A**	**2Q2024A**	**3Q2024E**	**4Q2024E**	**2025E**	**2026E**
Revenue		73	51	154	185	204	730	1,460
Operating Costs:								
Research and Development		(11,916)	(2,836)	(2,752)	(2,807)	(2,863)	(12,035)	(12,156)
General and Admistrative		(10,354)	(1,611)	(1,983)	(2,023)	(2,063)	(8,252)	(8,665)
Total Operating Gain/(Loss)		(22,197)	(4,396)	(4,581)	(4,645)	(4,723)	(19,558)	(19,361)
Finance Income		963	5,618	220	222	224	898	943
Finance Expenses		(1,681)	(246)	(2,036)	(2,056)	(2,077)	(8,308)	(8,723)
Other Income/(Expenses)		-	-	-	-	-	-	-
Income Tax Benefit		790	218	199	201	203	812	853
Net Gain/(Loss)		(22,125)	1,194	(6,198)	(6,278)	(6,372)	(26,156)	(26,288)
Basic and diluted loss per share		(0.81)	0.03	(0.12)	(0.12)	(0.12)	(0.47)	(0.47)
Common Shares Outstanding		27,335,829	48,638,239	53,787,469	54,325,344	54,868,597	55,417,283	55,971,456
Assets								
Current Assets								
Cash and cash equivalents		5,583	11,731	7,993	8,073	8,154	8,235	8,318
Other Assets		7,306	10,923	7,238	7,310	7,383	7,457	7,532
Total Assets		12,889	22,654	15,231	15,383	15,537	15,693	15,849
Liabilities and SH deficit (equity)								
Total Liabilities		17,618	20,050	13,978	14,118	14,259	14,402	14,546
Share Capital		5,899	7,964	8,244	8,326	8,410	8,494	8,579
Other Reserves		99,946	109,602	105,983	107,043	108,113	109,194	110,286
Accumulated Deficit		(107,860)	(112,033)	(112,974)	(114,104)	(115,245)	(116,397)	(117,561)
Effect from der. Liab. From warrants		(2,714)	(2,929)	0	0	0	0	0
Total SH deficit/(equity)		(4,729)	2,604	1,253	1,266	1,278	1,291	1,304
Total Liabilities and SH deficit/(equity)		12,889	22,654	15,231	15,383	15,537	15,693	15,849

HISTORICAL STOCK PRICE



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