September 26, 2024

Zacks Small-Cap Research

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Evaxion Biotech (EVAX-NASDAQ)

EVAX: Expanded Deal with MSD Boosts Prospects

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.

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.

The company announced an agreement with MSD to two preclinical vaccines that provides upfront payments and potential substantial revenue in the future.

Current Price (09/25/24)	$2.83
Valuation	**$7.25**

SUMMARY DATA

52-Week High	**$11.70**
52-Week Low	**$2.30**
One-Year Return (%)	**-66.27**
Beta	**-0.27**
Average Daily Volume (sh)	**55,557**
Shares Outstanding (mil)	**6**
Market Capitalization ($mil)	**$16**
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.

The company announced that it has entered into an option and license agreement with MSD (which is the tradename of Merck & Co., Inc, Rahway, NJ) for two preclinical vaccine candidates. The company has collaborated with MSD in the past and we are pleased to see the relationship expand—as it will benefit both the company and potential patients. Under the terms of the agreement, Evaxion grants MSD the option to exclusively license two preclinical vaccine candidates: EVX-B2 and EVX-B3—the former of which is a protein-based candidate for gonorrhea and the latter targeting an undisclosed infectious agent. In return, Evaxion will receive an upfront payment of between $3.2 million and $10 million in 2025, the payment amount dependent on MSD exercising it option to license one or both candidates. The company also announced it will be eligible for development, regulatory and milestone payments with a potential value up to $592 million per product, as well as being able to receive royalties on net sales.

This announcement provided Evaxion with a cash infusion, while also further validating the company’s research and business models, which have been convinced of for some time.

We continue to believe Evaxion is at an inflection point and these announcements further indicate to us that the company is turning the corner, and we are starting to see the beginnings of what we believe will be a flow of positive data. Moving from a cash burn company, as we’ve discussed in previous writings, to one that is at least cash neutral, while seeing important trial results and collaboration announcements that validate the company’s process and AI technology should induce investors to start paying attention. 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 even more 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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