

# Xlife Science AG

## A budding Life Sciences incubator

### PROS:

- Owns a diversified portfolio of projects targeting high-potential and growing therapeutic areas like oncology, neurological disorders, and advanced treatment frontiers like DNA repairing and artificial intelligence.
- Highly experienced founders / management team, which should support the all-important portfolio commercialisation initiatives; management has already proved its pedigree with a couple of successful deals in the last two years.
- Provides an attractive option of investing in a number of promising / diverse lifesciences projects under one umbrella.

### CONS:

- Considering Xlife's focus of investing in very early-stage projects / firms, cash burn is likely to continue; funding constraints may result in leverage build-up and / or (further) equity dilution.
- Due to European centrality, business plans could be severely impacted by ongoing macro-economic / geopolitical crises in the region; also, the European healthcare market's commercial terms are less attractive than in the US.
- Operates in a highly competitive and disruptive life sciences sector; faces competition from both more-specialised early-stage biotechs and big firms with enviable economic muscle.

## Business & Trends

Xlife Sciences AG (hereafter referred as 'Xlife') is a Zurich-based company builder firm, with a market capitalisation of c. CHF 185M (as on 12 September 2022). The firm is focused on development and commercialisation of early-stage life sciences research projects of universities and other research institutions with the end objective of offering solutions to cater to unmet medical needs and improve the overall quality of life. Xlife was listed on the Munich stock exchange in September 2019 due to the absence of an entry-level segment in the Swiss stock exchange (SIX). However, after SIX established a segment for SMEs (called Sparks), it moved back to its home country, with SIX listing in February 2022.

## A brief background

The firm's founders (i.e. David L. Deck and Gilbert Schöni) have nearly three decades of investing experience in the Life Sciences sector, and have over the years built a solid network with over fifteen research centres in the DACH region – mostly with universities and other research institutions. Driven by the success of their prior investments (which includes 14 exits), the founders established Xlife in 2018.

Renders early support for innovators Xlife has always invested in early-stage life sciences firms / projects. Typically, it makes its investments after an invention is disclosed by a research centre and then leads the projects through the proof-of-concept (POC) stage. It helps its (potential) investees by (providing): 1/ much-needed funding support to complete the POC stage; 2/ guidance (both scientific and deal-making-related) from its highly-experienced board, advisory board, and management team—details in the 'Governance' section; 3/ help in securing commercialisation deals through its vast industry network; and 4/ also encourages investee firms to support each other in development through collaborations or by purchasing services. Through these initiatives, investees not only get much-needed top-line support before commercialisation but also secure key supplies from trusted partners. Interestingly, entering at an early stage of the product development cycle (illustrated below) helps Xlife in saving significant upfront payment(s). Remember, median upfront payments for disclosed deals have risen >50% in the last five years. Also, through this, the group can shape the development of the product better by guiding the investee right from the start.

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Opinion **BUY**

Upside (%) 102

Price (CHF) 34.5

Target Price (CHF) 69.8

Bloomberg Code XLS SW

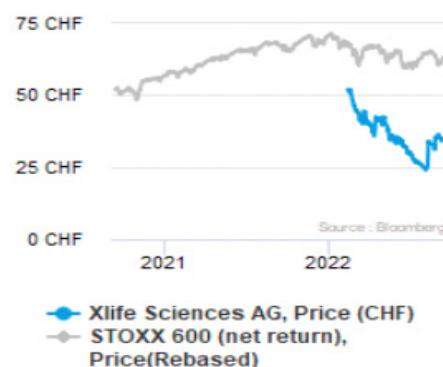
Market Cap (CHFM) 185

Enterprise Value 180

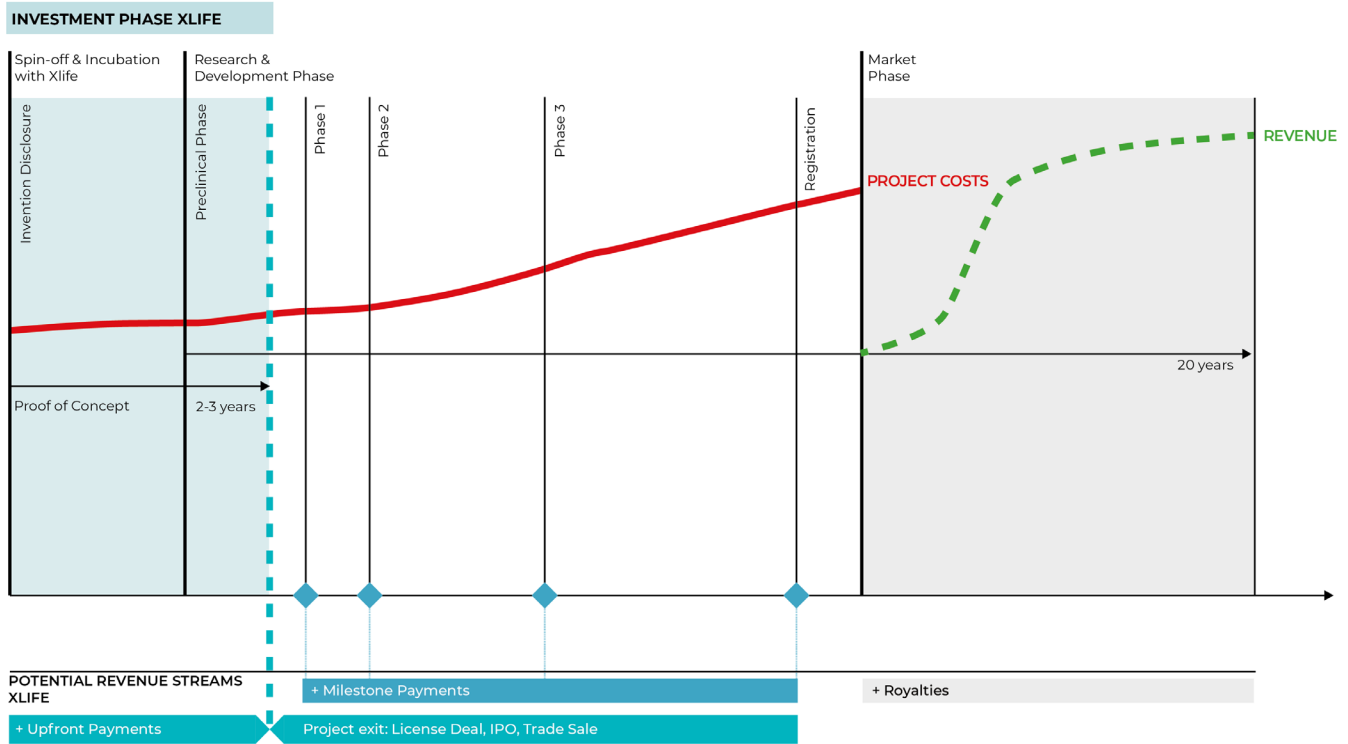
Momentum Good

Fundamental Strength 0/10

Sustainability 4/10



## Innovation Life-Cycle



After investment, Xlife aims to monetise its stake within the next three-to-five years (depending upon market conditions) through various exit options, including an outright sale, an IPO, and / or through an out-licensing deal. On the positive side, the sharing of costs and the reduction of overall execution risk – associated with the failure of the project at a later stage – are sizeable benefits. However, in this approach, the firm loses (significantly) from the potential benefit(s) from the future success of the out-licensed / sold products. Although it is partly compensated by upfront payments, milestone-based compensation, and royalties on those products.

### ... resulting in an intriguing portfolio

Xlife's project portfolio caters to diverse medical needs, including high-potential areas like oncology (medium-term growth expectations: high-single-to-low-double-digit; includes projects like Ix Therapeutics, Quadira Biosciences and Synimmune Biotech), tough to treat areas like neuroscience (high-single-digit; Saniva Diagnostics – a detection device for the diagnosis of neurological disorders like Alzheimer's and Parkinson's), and emerging areas like obesity (double-digit; alytas therapeutics) and non-steroidal anti-inflammatory drugs (high-single-digit; inflamed pharma). Also, the group lays special emphasis on being ready for the future by focusing on advanced technologies like artificial intelligence (AI; includes projects like Fuse-AI – an AI-assisted software for the diagnosis of tumours such as in prostate cancer; target market size of \$8 bn by 2027), and treatment frontiers like DNA repair (Inventum Genetics; \$25 bn by 2030) and screening technologies for antibodies (Veraxa Biotech; targets diverse markets). Interestingly, given the close overlay between the target segments, as drugs and diagnostics are typically driven by similar / same underlying factors, Xlife can extract sizeable synergies from its projects.

### A well-defined approach ...

Currently, Xlife has invested in >20 projects. The group strictly makes investments in four different but inter-connected areas:

1. Biotech and Therapies (share of total deal count: c. 43%);
2. Medical Technology and Diagnostics (c. 38%);
3. Technology Platforms (c. 14%);
4. Artificial Intelligence (c. 5%).

In terms of portfolio value, according to company-compile estimates as of December 2021, Biotech and Therapies led the pack, with a value share of c. 64%, followed by Technology Platforms (c. 21%), Medical Technology (c. 11%), and Artificial Intelligence (c. 4%). The highest share being in the Biotech sector is largely due to both the highest number of projects and the high value associated with this segment.