

## Buy

PT: CHF68.00

## Key data

| Ticker                     | XLS SW      |
|----------------------------|-------------|
| Price (18 January 2023)    | CHF35.80    |
| Upside to Price Target (%) | 89.9        |
| Market Cap (m)             | 186         |
| Next Reporting Date        | Apr 20 2023 |
| No. of Shares (m)          | 5.19        |
| 1mth perf (%)              | 25.6        |
| 3mth perf (%)              | 13.7        |
| 12mth perf (%)             | -           |
| 12mth high-low (CHF)       | 52 - 23     |

## Key financials

(In CHF M)

| Year to Dec        | 2021A   | 2022E   | 2023E  |
|--------------------|---------|---------|--------|
| Group revenue      | 0.8     | 0.8     | 0.8    |
| EBITDA (rep.)      | (5.2)   | (4.2)   | (4.2)  |
| EBIT (rep.)        | (5.23)  | (12.35) | (4.35) |
| EPS (adj.)         | (24.92) | (1.42)  | (0.58) |
| DPS                | 0.00    | 0.00    | 0.00   |
| Net debt/(cash)    | 61.0    | 62.4    | 63.9   |
| ROCE (NOPAT) (%)   | (0.8)   | (1.8)   | (0.6)  |
| EPS (adj.) y/y (%) | (218.2) | (94.3)  | (58.8) |
| Net debt/EBITDA    | (11.8)  | (14.9)  | (15.2) |
| EV/Sales           | 235.7   | 247.2   | 248.8  |
| EV/EBITDA (adj.)   | (36.8)  | (47.5)  | (47.8) |
| EV/EBIT (adj.)     | (36.3)  | (16.1)  | (46.1) |
| P/E (adj.)         | (1.4)   | (25.2)  | (61.2) |
| Dividend yield (%) | 0.0     | 0.0     | 0.0    |
| Free CF yield (%)  | (3.1)   | (1.3)   | (2.6)  |
| EV/CE              | 0.4     | 0.4     | 0.4    |

Prices are as of close 18 January 2023

Completed: 19 January 2023 12:02EST

Disseminated: 19 January 2023 12:02EST

All sources unless otherwise stated: Company data, FactSet, Stifel estimates

## Share price performance (indexed)



## Initiation of coverage: Pure-play early-stage life science incubator

## Summary

- We initiate coverage on Xlife Sciences with a Buy rating and CHF 68.00 price target.
- Xlife sciences is one of the few listed European life sciences incubator & accelerators. It is currently invested in 25 project companies and has a strong network with ~20 business partners such as universities or scientific institutions. Xlife enters three to five new early-stage project companies each year with a clearly defined exit strategy via either a licence deal, trade sale or IPO.
- Up to four exits are planned in 2023 and, in total, 10-11 until year-end 2024. Such exits will be key catalysts for value creation.

## Key Points

**High Biotech & Medtech exposure:** the two segments account for 75% of the portfolio value (Biotech 64%; Medtech 11%) and the other two segments contribute 21% (Technology platforms) and 4% (AI). The early stage character of the portfolio is mirrored by the fact that the bulk of the projects (59%) is in the proof of concept phase or already through that phase. All four core areas provide a good diversification of the portfolio.

**Key share price catalyst:** exits from projects serve as a catalyst for the share price. The company plans 10-11 exits until year-end 2024 with potential value creation of between CHF100-150m.

**Early-stage focus:** We regard Xlife Sciences as a rare investment opportunity, giving investors access to early-stage life science research projects from universities and other institutions. Competition is limited at this stage, hence the company can choose among the best projects.

**Competent team across the lines:** a highly-experienced Advisory Board evaluates the projects and the most promising candidates are submitted to the Board of directors. Once selected, a portfolio company gets the full support of the active management team in terms of company incorporation, financials, staffing etc.

**Strategic review:** a process to review strategic options was initiated in November 2022 with the goal of accelerating the business development and increase value for stakeholders. It could involve a recalibration of ownership or a change in listing profile.

**Valuation:** valuing Xlife Sciences is complex, with few comparable peers in similar early stage phases. However, we have plugged in an average 28% discount (average of listed peers) to the already conservatively derived rNPV valuation approach. Hence, the CHF 95.00 per share fair value based on the rNPV methodology gives us a CHF 68.00 per share with the applied average discount.

## Exhibit 1: NAV per share per project company

| NAV per share contributions | 28% discount |
|-----------------------------|--------------|
| alytas therapeutics GmbH    | 24.1         |
| inflamed pharma GmbH        | 15.7         |
| Quadira Biosciences AG      | 9.4          |
| Veraxa Biotech AG           | 9.3          |
| Inventum Genetics GmbH      | 9.2          |
| Lysal Pharma GmbH           | 6.5          |
| FUSE-AI GmbH                | 4.4          |
| Synimmune Biotech AG        | 3.2          |
| Avenoll Life Sciences AG    | 2.7          |
| Xsight Optics GmbH          | 2.6          |
| x-nuclear diagnostics GmbH  | 2.3          |
| Baliopharm AG               | 1.6          |
| saniva diagnostics GmbH     | 1.3          |
| palleos healthcare GmbH     | 0.8          |
| x-kidney diagnostics GmbH   | 0.5          |
| Laxxon Medical Corp.        | 0.4          |
| xarma life sciences GmbH    | 0.4          |
| Ix Therapeutics GmbH        | 0.3          |
| clyxop devices GmbH         | 0.2          |
| Vitruvia Medical AG         | 0.2          |

Total 95 68

Source: Stifel estimates

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