

BerGenBio

Resolution of Rigel arbitration reduces uncertainty

1 March 2019

- The final decision by three Canadian Arbitrators clarifies the rights and obligations of the original Licensing Agreement with Rigel Pharmaceuticals.
- This decision is binding and effectively means that Rigel would not be entitled to a share of the proceeds if BerGenBio were to be sold in its entirety. Resolution of this issue removes a degree of uncertainty that had been over-hanging the shares.
- The understanding of the original Licensing Agreement has been clarified: if BerGenBio were to sell its assets or sell shares to a third-party such that control is transferred, or it out-licenses bemcentinib, then Rigel is entitled to a share of the consideration received.
- Importantly, the amount payable would only relate to the proportion of the consideration that relates to AXL inhibitors licensed under the Agreement, specifically bemcentinib (BGB324), and would also be further reduced to reflect BerGenBio's investment in its development.
- However, if a third party were to acquire the whole of the company then Rigel would not be entitled to a share of those proceeds, but would instead simply receive the milestones and royalty payments as originally agreed (as of 20th July 2011).

Price	NOK26.70
Market Cap	NOK1,464m
Primary exchange	Oslo
Sector	Healthcare
Company Code	BGBIO
Corporate client	Yes

Company description:

BerGenBio is a clinical-stage, drug development company based in Bergen, Norway and Oxford, UK. It is developing innovative anti-cancer therapies that act on the promising Axl signalling pathway. The lead oncology compound, bemcentinib, is in a number of Phase II trials.

Trinity Delta view: The arbitration with Rigel Pharmaceuticals has been both an unnecessary distraction for management and an overhang on the share price. The resolution by the Arbitrators clarifies that the payments to Rigel on corporate actions, other than the sale of BerGenBio, would be reduced to reflect the amount of development work performed and would depend on the maturity of bemcentinib at the time of the transaction. Confirmation that there will be no additional payments to Rigel on an outright acquisition should also increase the attractiveness of BerGenBio as an acquisition target.

Although not a near-term consideration, we view the removal of this uncertainty positively. Our valuation of BerGenBio remains NOK3.14bn (\$370m), or NOK57.45/share; however, this assumes a full 35% potential royalty to Rigel (this would be reduced by an amount to be determined at the point of any transaction), and excludes any consideration of bemcentinib potential in fibrosis.

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