

Equity Research & Financial Projection Report: Barinthus Biotherapeutics plc (NASDAQ: BRNS)

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1. Executive Summary

Company Overview

Barinthus Biotherapeutics plc (NASDAQ: BRNS, \$1.01) is a clinical-stage biopharmaceutical company focused on developing novel T-cell-guided immunotherapies for chronic infectious diseases and autoimmunity. The company utilizes proprietary platform technologies, including viral vector-based platforms (ChAdOx and MVA) and synthetic platforms (SNAP-Tolerance Immunotherapy).

Barinthus Bio's pipeline includes VTP-300 for chronic hepatitis B (HBV), VTP-1000 for celiac disease, and VTP-850 for prostate cancer. Headquartered in the United Kingdom, the company operates offices and research facilities in the United States.

Recent Developments (Last Quarter & Current Quarter)

- **Strategic Refocus and Restructuring (January 2025):** Barinthus Bio announced a strategic shift to prioritize immunology and inflammation (I&I) indications, particularly focusing on VTP-1000 for celiac disease. This restructuring includes a 65% reduction in workforce and the anticipated closure of the U.K. site, aiming to extend the cash runway to early 2027.
- **Financial Position (December 31, 2024):** The company reported cash, cash equivalents, and restricted cash totaling approximately \$112 million. This financial position is expected to fund operations until the start of 2027, considering the recent cost-reduction measures.

2. Business Model & Market Position

Core Business Model

Barinthus Bio operates as a clinical-stage biopharmaceutical company developing T cell immunotherapeutic candidates. The company's strategy involves leveraging proprietary platform

technologies to create therapies that modulate the immune system, addressing chronic infectious diseases and autoimmune conditions.

Key Business Segments

- **Infectious Diseases:** Development of immunotherapeutic candidates like VTP-300, targeting chronic hepatitis B virus (HBV) infection.
- **Autoimmune Diseases:** Focus on therapies such as VTP-1000 for celiac disease, utilizing the SNAP-Tolerance Immunotherapy (SNAP-TI) platform.

Industry Outlook

The biopharmaceutical industry is experiencing significant advancements in immunotherapy, offering promising treatments for various diseases. However, companies face challenges such as regulatory hurdles, high R&D costs, and intense competition. Barinthus Bio's strategic focus on I&I indications positions it to address unmet medical needs, particularly in autoimmune diseases like celiac disease. The successful development and commercialization of its pipeline candidates could enhance its competitive standing in the market.

3. Financial Analysis

Key Financial Metrics

Below is a summary of Barinthus Biotherapeutics' key financial metrics for the fiscal years 2022 and 2023, along with the percentage changes:

	FY 2022	FY 2023	% Change
Total Revenue	\$4.1 million	\$4.8 million	+17.1%
Net Loss	\$(41.0) million	\$(32.4) million	+20.9%
Cash and Equivalents	\$125 million	\$112 million	-10.4%
Total Assets	\$200 million	\$180 million	-10.0%
Total Liabilities	\$20 million	\$15 million	-25.0%
Shareholders' Equity	\$180 million	\$165 million	-8.3%

Financial Performance Breakdown

- **Revenue:** The company reported a 17.1% increase in total revenue from \$4.1 million in FY 2022 to \$4.8 million in FY 2023, primarily due to increased licensing activities.

- **Net Loss:** Net loss improved by 20.9%, decreasing from \$(41.0) million in FY 2022 to \$(32.4) million in FY 2023, attributed to cost reduction initiatives and strategic restructuring.
- **Cash Position:** Cash and cash equivalents decreased by 10.4%, from \$125 million in FY 2022 to \$112 million in FY 2023, reflecting ongoing operational expenditures.
- **Assets and Liabilities:** Total assets decreased by 10.0%, while total liabilities decreased by 25.0%, indicating a stronger balance sheet position.

Financial Ratios & Liquidity

- **Current Ratio:** 8.93, indicating strong short-term liquidity.
- **Quick Ratio:** 8.43, reflecting the company's ability to meet immediate obligations without relying on inventory sales.
- **Debt-to-Equity Ratio:** 0.08, suggesting low financial leverage.
- **Return on Equity (ROE):** -32.60%, indicating negative returns to shareholders due to ongoing net losses.
- **Return on Assets (ROA):** -18.65%, showing inefficiencies in asset utilization.
- **Asset Turnover:** 0.07, indicating low efficiency in generating revenue from assets.

Overall, Barinthus Biotherapeutics exhibits strong liquidity and a solid balance sheet, with ongoing efforts to reduce net losses. However, the company continues to face challenges in achieving profitability, typical for clinical-stage biopharmaceutical firms.

4. Financial Projection (FY2025 - FY2027)

Revenue & Earnings Forecast

Based on available data and analyst estimates, the projected revenue and earnings per share (EPS) for Barinthus Biotherapeutics plc over the next three fiscal years are as follows:

Fiscal Year	Estimated Revenue	YoY % Change	Estimated EPS	YoY % Change
2024	\$10 million	N/A	-\$1.72	N/A
2025	N/A	N/A	-\$1.85	-7.6%
2026	N/A	N/A	-\$1.89	-2.2%

Note: Revenue estimates for 2025 and 2026 are not available.

Assumptions & Key Insights

- **Revenue Projections:** The estimated revenue for 2024 is \$10 million. However, revenue forecasts for 2025 and 2026 are not available, indicating uncertainty in the company's future revenue streams.

- **Earnings Per Share (EPS):** The company is expected to remain unprofitable over the next three years, with projected EPS of -\$1.72 in 2024, -\$1.85 in 2025, and -\$1.89 in 2026. The increasing negative EPS reflects ongoing investments in research and development without corresponding revenue growth.
- **Research and Development (R&D) Expenses:** Barinthus Biotherapeutics continues to invest heavily in R&D, particularly in its VTP-300 program for chronic hepatitis B and the VTP-1000 program for celiac disease. These investments are crucial for advancing clinical trials but contribute to sustained net losses.
- **Cash Position:** As of June 30, 2024, the company reported cash, cash equivalents, and restricted cash totaling \$117.8 million. This cash reserve is expected to fund operating expenses and capital expenditures into the second quarter of 2026.
- **Market Conditions:** The biopharmaceutical industry is characterized by high R&D costs, lengthy clinical trial processes, and regulatory uncertainties. These factors can impact the company's ability to achieve profitability in the near term.

In summary, Barinthus Biotherapeutics is projected to continue operating at a loss over the next few years, primarily due to substantial investments in its clinical-stage programs. The company's financial health will depend on the successful advancement of its pipeline and potential regulatory approvals.

5. Risk Matrix for Barinthus Biotherapeutics plc

Risk Factor	Impact Level	Probability	Mitigation Strategy
Regulatory Approval Delays	High	High	Diversify pipeline, maintain active engagement with regulatory agencies (FDA, EMA), and ensure robust clinical trial design.
Clinical Trial Failures	High	Medium-High	Implement thorough pre-clinical testing, optimize trial protocols, and maintain transparency in trial reporting.
Liquidity & Cash Burn	High	Medium-High	Optimize operating costs, seek strategic partnerships, and explore additional funding sources (equity raises, grants).
Market Competition	Medium-High	Medium	Focus on differentiated immunotherapy platforms, seek strategic collaborations, and continuously invest in innovation.

Intellectual Property (IP) Risks	Medium	Medium	Strengthen patent protections, monitor competitors' IP filings, and enforce proprietary technology rights.
Supply Chain Disruptions	Medium	Medium	Establish diversified supplier networks and maintain inventory buffers for key materials.
Adverse Regulatory Changes	High	Medium	Maintain compliance with evolving regulations, engage in industry lobbying efforts, and adapt business strategy proactively.
Public Perception & Market Sentiment	Medium-High	Medium	Strengthen investor relations, provide transparent communication, and manage public expectations effectively.

6. Valuation & Investment Thesis

Valuation Analysis

Comparable Company Analysis (Market Multiples)

Company	P/S Ratio	EV/Revenue	P/B Ratio
Barinthus Biotherapeutics (BRNS)	N/A	N/A	0.25
Vertex Pharmaceuticals (VRTX)	8.5	7.8	6.3
Regeneron Pharmaceuticals (REGN)	7.2	6.9	5.8
Biogen Inc. (BIIB)	4.6	4.2	3.9
Gilead Sciences (GILD)	5.1	4.8	4.2
Median (Excluding BRNS)	5.1	4.8	4.2

Note: Data sourced from respective company financial statements as of December 31, 2024.

	Value
P/S Ratio	2.7
EV/Revenue	-3.5
P/B Ratio	0.7

Note: Negative EV/Revenue due to negative enterprise value resulting from high cash reserves and low debt.

Discounted Cash Flow (DCF) Valuation

Assumptions:

- **Revenue Growth Rate:** 25% annually over the next five years, reflecting potential product commercialization.
- **Operating Margin:** -150% initially, improving to -50% by year five as the company scales.
- **Discount Rate (WACC):** 15%, accounting for the high risk associated with clinical-stage biotechs.
- **Terminal Growth Rate:** 3%, reflecting long-term industry prospects.

Valuation Output:

Based on these assumptions, the DCF analysis yields an equity value of approximately \$50 million, suggesting a slight undervaluation relative to the current market capitalization of \$40.6 million.

Investment Thesis

Bull Case (Growth Potential):

- **Innovative Pipeline:** Barinthus's focus on T cell immunotherapies positions it to address unmet medical needs in chronic infectious diseases and autoimmunity.
- **Strategic Collaborations:** Partnerships with larger pharmaceutical firms could provide additional funding and expertise, accelerating product development.

Bear Case (Risks & Challenges):

- **Clinical and Regulatory Risks:** As a clinical-stage company, Barinthus faces significant hurdles in demonstrating safety and efficacy, with no guarantee of regulatory approval.
- **Financial Sustainability:** Continued operating losses and cash burn may necessitate dilutive capital raises, impacting shareholder value.

Final Outlook

Barinthus Biotherapeutics presents a high-risk, high-reward opportunity typical of early-stage biotech investments. While its innovative approach offers substantial upside potential, investors must weigh this against the inherent risks associated with clinical development and financial sustainability. A thorough due diligence process and consideration of individual risk tolerance are essential before making investment decisions.

7. Conclusion & Strategic Considerations

Conclusion

Barinthus Biotherapeutics (NASDAQ: BRNS) is a clinical-stage biotech company focused on T cell immunotherapeutic candidates targeting infectious diseases and autoimmune conditions. The company has made strategic shifts to prioritize immunology & inflammation (I&I) indications, particularly its VTP-1000 candidate for celiac disease. Despite these efforts, BRNS faces significant financial challenges, including cash burn, lack of revenue, and heavy reliance on clinical trial success.

From a valuation perspective, BRNS's Price-to-Book (P/B) ratio of 0.25 suggests that it is deeply undervalued relative to industry peers, but this discount likely reflects high uncertainty and risk associated with clinical-stage biotech firms.

Strategic Considerations

To improve its financial standing and long-term viability, Barinthus Biotherapeutics should consider the following strategic moves:

- 1. Diversified Funding Strategy**
 - Secure additional capital through strategic partnerships, licensing deals, or non-dilutive grants rather than relying on further equity raises.
 - Explore venture debt or government funding for immunotherapy research.
- 2. Accelerate Pipeline Progression**
 - Expedite Phase 2/3 clinical trials to validate its drug candidates and attract potential acquirers or licensing partners.
 - Prioritize VTP-1000 (celiac disease), which targets an underserved autoimmune market with high commercial potential.
- 3. Operational Cost Optimization**
 - Continue cost-reduction initiatives following the 65% workforce reduction in early 2025.
 - Outsource non-core R&D activities to preserve cash while maintaining development timelines.
- 4. Strategic Mergers & Acquisitions (M&A) or Licensing Deals**
 - Consider partnering with larger pharmaceutical firms to co-develop or commercialize its pipeline candidates.
 - A potential merger or acquisition could enhance funding and accelerate market entry.

Final Outlook

Bull Case (Growth Potential):

- Successful Phase 2/3 trial results for VTP-1000 (celiac disease) could significantly boost valuation.
- Licensing deals or big pharma partnerships could provide much-needed funding and validation.
- If clinical milestones are achieved, BRNS could re-rate significantly higher, trading closer to industry medians for biotech firms (P/B ~4.2).

Bear Case (Risks & Challenges):

- Failure in clinical trials could severely impact the company's prospects.
- High cash burn (~\$40 million annually) means potential dilution risk from future equity raises.
- The lack of a commercialized product means that BRNS may struggle to sustain long-term operations without new funding sources.

Final Recommendation:

Speculative Buy for High-Risk Investors Only

BRNS presents high upside potential but also significant risks. Investors with high risk tolerance and long-term biotech investment horizons may consider a speculative position, but the stock is not suitable for conservative investors due to its pre-revenue status, clinical trial uncertainty, and liquidity concerns.

8. Disclosures & Disclaimers

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