



Athenex – Q3 Financials Brief

Falling revenues, stalled operations, flat R&D.



November 7, 2019 – This report is a brief on Athenex’s Q3 results announcement. Viceroy will provide a further, more in depth update upon the release of Athenex’s 10-Q.

- Athenex revenues continue to fall Q/Q, and has guided to do so in Q4, despite Athenex’s raised guidance. This is primarily due to higher than anticipated sales in Q1 & Q2 for Vasopressin, which has been pulled due to FDA ruling brought about by a lawsuit against Athenex by its largest customer, AmerisourceBergen.
- Athenex COO, Jeffrey Yordon, states the FDA’s decision regarding Vasopressin “did not come unexpected”. Either this is a lie, or the Athenex had been consciously illegally selling as much Vasopressin as possible before the FDA undoubtedly came knocking.
- Address of financials persists on using YOY figures to hide the fact that the company has suffered declining revenue in the last two quarters.
- Q3 Update confirms API production is still suspended.
- Cost of sales have conversely slightly increased Q/Q.
- R&D expenditure is flat YOY, excluding one-time-costs, despite an increase in drugs in development. This suggests to us that Athenex have curbed spending.
- As previously reported, Athenex have not only **committed >US\$1.5b** expenditure at their Dunkirk site across the next ten years but are also **on the hook for excess development costs for the facility**, whose floorplan has expanded by 28% on-the-fly and falling significantly behind schedule. We are curious to see the cash burn in relation to this facility in Athenex’s 10-Q.
- Athenex’s new **China-funded plant must also generate unrealistic revenues of almost US\$1b within 5 years of opening, despite turning over only \$160m across the last 5 years combined.**
- **There has been no change to Athenex’s massive cash burn this year, with losses accelerating to \$102m in the 9 months leading to Q3, 2019.** To manage its cash burning commitments to major facilities and R&D, Athenex has issued dilutive equity, and incredulously borrowed US\$50m from major investor, Perceptive, at a punitive rate of 11%.

Athenex		
Exchange		NASDAQ
Ticker		ATNX
Shares Outstanding	m	77.3
Share Price	US\$	11.12
Market Cap	US\$m	859.6
Net Cash	US\$m	78.7
NCI	US\$m	11.7
EV	US\$m	769.2
NTA	US\$m	131.6
Licensing Revenue	US\$m	87.2
Revenue Multiple	X	1.0
Viceroy Valuation	US\$m	218.8
Viceroy Price Target	US\$	2.83
Downside	%	-75%
*As at close of market - Oct 28, 2019		
NB: LTM/balance from Jun 30, 2019		

Athenex management "stand behind the integrity of its management team and board" and will refuse to address us, according to Mr. Lau on this morning's conference call. This is laughable considering half the board has evaporated billions in prior frauds.

We have *already* highlighted **management’s involvement in Sino Forest, GCL Silicon/Poly, Suntech, Chelsea Therapeutics, the world’s largest illegal taxol smuggling operation, LyphoMed, Gensia and Sagent.** It is mind blowing that Athenex investors would continue to associate with any one of these farces, let alone a collection such as this.

Considering the quantum of issues Viceroy have highlighted, it is alarming to shareholders that Athenex have not addressed a single point of our work. Opting instead to simply state we have published “inaccurate information”. Other commentators have begun to back-test our work¹.

Where are the inaccuracies, Athenex?

We will provide a more updated brief upon the release of Athenex’s 10-Q.



Report 1: <https://viceroyresearch.org/2019/10/22/athenex-too-little-too-late/>

Report 2: <https://viceroyresearch.org/2019/10/23/athenex-where-theres-smoke/>

Report 3: <https://viceroyresearch.org/2019/10/24/athenex-no-integrity/>

Report 4: <https://viceroyresearch.org/2019/10/25/athenex-bonus-round/>

Report 5: <https://viceroyresearch.org/2019/10/28/athenex-rehash/>

Report 6: <https://viceroyresearch.org/2019/10/29/athenex-unpopular-operating-officer/>

Report 7: <https://viceroyresearch.org/2019/11/04/athenex-financial-situation/>

Other Coverage: <https://seekingalpha.com/instablog/38002746-denniskneale/5369151-cancer-conflicts-interest>

Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Athenex, its affiliates or any other entity to file a report with the appropriate regulatory body. We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers. You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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