



Pearls on a string...

WntResearch has had troublesome times, but now everything seems to fall into place. With a new CEO in charge the phase II trials close to commencing in a new and improved design and good news coming like pearls on a string. More good news are on the way and our former 6-month share price expectation of SEK 20 is within short term reach. Within 12-months' time the first news from the phase II trial should surface and if positive have the potential of lifting the share price to the SEK 25-30 level.

A wonder cancer drug in the making?

WntResearch's Foxy-5 compound has the potential of limiting the spread of cancer cells (metastasis) which currently is the primary cause of cancer related deaths. That puts WntResearch in a quite unique position if the potential is swapped to effectiveness and an approved novel drug. That is what the upcoming phase II trial is to give the first real hints about.

Re-ignition of the share price by new trial design

The WntResearch share price has bounced back and that is due to: 1) a new design of the phase II trial and 2) the near commencement of the trial.

The phase II trial should have commenced early this year, but the new CEO changed the design of the trial from administering Foxy-5 after surgery and in combination with FOLFOX chemotherapy to a trial where Foxy-5 is administered from the time of diagnose through surgery until the start of chemotherapy. We see this as a significant improvement to the original trial design and well worth the postponement of the trial start from Q1 2018 till Q4 2018.

News to further spur the share price

After the postponement of the phase II trial the news flow has been limited, but recently things have changed, and we believe that the positive news flow will continue its momentum with a positive share price effect the next 6 months.

There has been significant news lately, among them:

- Patent application for Foxy-5 as a means of limiting cancer stem cells which are thought to be chemotherapy resistant as they are dormant thus not affected by chemotherapy that attacks fast growing cells.
- Findings that Foxy-5 can be administered with immunotherapy – a new class of checkpoint inhibitors block proteins that stop the immune system from attacking cancer cells.
- Findings that Foxy-5 can prevent metastases even if administered after the primary tumor has been removed and even if there are tumor cells in the blood.
- A manufacturing patent application which significantly can improve the length of the protection of Foxy-5 which currently is based mainly upon marketing and data exclusivity.
- Faster phase II trial readout by during the trial measuring circulating tumor DNA (ctDNA) in the blood and, thus, detecting metastases up to 36 months sooner than current technology.
- Exploring the potential for using Thymidin Kinase for selecting the patients that will benefit the most from the Foxy-5 treatment.

The trial

The phase II trial is expected to commence in Q4 2018 with the enrollment of the first patients and with the firsts news from the trial some nine months after.

Funding should not be a problem

The delay of the phase II trial has had a postponing effect on the share price which currently is still below the SEK 22.5 strike price of the options issued last year. The options must be exercised during the period September 3–17 which will be a close call. However, with the current performance of the company we believe that WntResearch can raise new capital (probably SEK 30-40M) without a discount once the trial has begun.

PRICE EXPECTATIONS

Price expectation 6 M	SEK	20-25
Price expectation 12 M	SEK	25-30
Share price	SEK	19,0

INVESTMENT CASE

- The primary factors for the investment case are:
- Successful phase II studies of Foxy-5: Foxy-5 administered before surgery to show limitation of metastases (the spread of cancer cells).
 - Positive initial findings of the open phase II study within the 3-year period of the study.
 - Research regarding Foxy-5 and its ability to limit the spread of cancer cells, limit the number of cancer stem cells, its usage with chemotherapy or other findings.
 - Long term: Divestment of Foxy-5 to Big Pharma
 - Risk: no efficacy or adverse effects
 - Risk: Funding for the entire phase II trial is not secured

PRICE TRIGGERS

- **Q4 18:** First patients enrolled in the Foxy-5 open phase II study
- **Q2-Q3 19:** First results from the first patients enrolled in the study
- **2019-2020** ongoing results from the study
- **2021:** Final results of the phase II study

PRICE 12 MONTHS



Market value (MSEK)	406
No of shares (millions)	21,4

COMPANY PROFILE

WntResearch is a biotech company with a pipeline of two projects within cancer. Foxy-5, a project about to start phase II studies, is a novel product that limits the spread of most common forms of cancer (metastasis). Box-5, a pre-clinical project, which limits the spread of skin cancer (malignant melanoma).

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THE COMPANY'S EXPECTATIONS

The company has not issued any expectations.

WntResearch & pipeline

WntResearch was founded in 2007 based upon the research of Wnt-5a and the development of Foxy-5 lead by professor Tommy Andersson, member of WntResearch’s board of directors. The company was listed on Aktietorget (now Spotlight) in 2010 and raised SEK 7 million in the IPO. The first patient was enrolled in the phase Ia clinical study in 2013 which ended in 2015. A phase Ib study was conducted from 2016 to 2017 and lead to the phase II study to commence late 2018.

WntResearch’s pipeline consists of two drug candidates: Foxy-5 and Box-5. Foxy-5 is about to enter phase II clinical trials while Box-5 is still in pre-clinical development.

Pipeline

Product/Project	Indication	Pre-clinical research	Pre-clinical development	Clinical phase I	Clinical phase II
Foxy-5	Cancer metastases				
Box-5	Skin cancer metastases				

Research has shown that low levels of Wnt-5a in the primary tumor increases the spread of cancer cells in several of the most common types of cancer. However, in skin cancer (malignant melanoma) and some other types of cancer the opposite is the case. This has led to the development of Box-5 that limits the spread of cancer cells by mirroring the effect of low levels of Wnt-5a.

The primary objective of WntResearch is to develop Foxy-5. The phase II trial is to commence in Q4 2018 and will include high-risk patients with colon cancer. Treatment will start before they have undergone surgical removal of their primary tumor, through surgery and until start of chemotherapy. The patients will be monitored for ctDNA in blood for a period of 24 months after surgery in 3-months intervals. Patients receiving Foxy-5 will be compared with a non-treated control group that have low level of Wnt5a in the primary tumor.

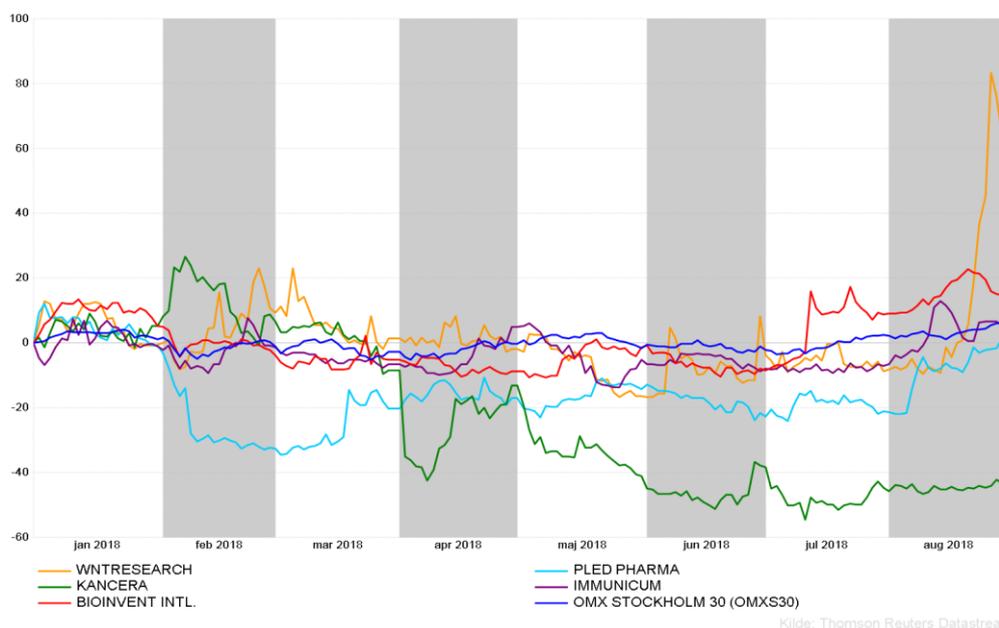
The study is an open study. Hence, WntResearch can inform the stock market with data from the study before it has been finalized and all the data analyzed. Depending on the time until the last patient has been enrolled, the phase II trials should end in late 2020 with final results being published in 2021.

Share price

Compared to the current pricing of small cap Swedish cancer biotech companies we expect a share price of WntResearch in the region of SEK 20-25 when the company communicates about the start of the phase II trial and the first enrollment of patients - expected in Q4 2018. In 12-months’ time we expect a share price in the region of SEK 25-30 backed by very preliminary findings from the phase II trials.

The WntResearch peer group consisting of Swedish small cap biotech companies within treatment of cancer has had a mixed development this year with WntResearch coming out on top. With continued positive news flow we could envisage this being the case also at the end of the year.

WntResearch peer group share price development (%) year to date



The current enterprise value of WntResearch is in the SEK 350 million region which relatively to the peer group is a fair price. Changes in the share price is, thus, expected only to be linked to news from the company

Peer group EV and clinical pipeline

Company	Enterprise value	Pipeline		
	SEK million	Phase I (I/II)	Phase II	Phase III
WntResearch	370	1	-	-
Pledpharma	600	-	1	-
Kancera	150	1	-	-
Immunicum	230	1	-	-
Bioinvent	680	3	-	-

Kapital Partner estimates

Entering into phase II trials by enrollment of the first patients is a major step for the company and for its valuation. We believe that this news, expected in Q4 2018, will increase the market value of WntResearch in the region of up to SEK 100 million or up to SEK 5 per share.

Other news from the trials will include: completion of first treatment (3 months after first patient has started treatment), enrollment of the last patient, initial data from the studies and final conclusions of the studies. Within the next 12 months the news will include enrollment of last patient and potentially initial data from the first patients. This news has the potential of raising the company value with another SEK 100 million, increasing the share price to SEK 25-30 level.

Foxy-5 and the market

Treatment of cancer is one of the biggest medical markets with multibillion in drugs sales every year. Successful cancer drugs, thus, have blockbuster potential with yearly sales of more than one billion USD (more than SEK 9 billion). We believe WntResearch has blockbuster potential as it addresses the largest forms of cancer, has a general usage and is a novel, one-in-a-kind, therapy – and thus without any current competition.

Foxy-5 is expected to have a positive effect on several of the most common types of cancer including prostate, breast and colon/rectum cancer, but not on skin cancer (malignant melanoma) and some other types of cancer where Wnt-5a has the opposite effect by promoting cancer cells to spread (tumor progression). The initial

targets for Foxy-5 are the major types of cancer being: breast cancer, prostate cancer and colon/rectum cancer.

Colon cancer is the third most common form of cancer in the world and is often incurable if the cancer has spread. In 2012 there were 1.4 million new cases globally and 720.000 people dying from colon cancer. In 2013 drugs sales for colon and rectum cancer was USD 8.3 billion (SEK 67 billion). It is WntResearch's expectation that the addressable market is 40-50% of the colon and rectum cancer patients.

Prostate cancer is the most common form of cancer for men with 1.1 million new cases in 2012 and it is the second most common cause of death in the industrial world. In 2014 drug sales were USD 7.6 billion (SEK 62 billion). Breast cancer is the most common form of cancer for women with 30% of all cancer cases among women. In 2012 the global number of new breast cancer cases was 1.8 million and the same year 0.5 million people died of the disease. The drug market size is estimated to be USD 18 billion (SEK 145 billion) by 2023.

A major part of people dying of cancer die as a consequence of the primary tumor spreading to other parts of the body. While there are a variety of treatments to combat cancer there are currently no treatment that stops or limits the spread of cancer cells from the (primary) tumor. Foxy-5 has been developed by WntResearch to stop the spread of cancer cells by getting the cancer cells to "stick" to their original place. In this respect, Foxy-5 is a novel treatment and thus a one-in-kind drug. Further studies have shown that Foxy-5 may have the effect of reducing the number of cancer stem cells which are dormant and, thus, are not attacked by chemotherapy, and other studies demonstrate that already released circulating cancer cells are prevented from sticking, thus reducing the risk for metastases.

WntResearch discovered and several studies have since confirmed that low levels of the Wnt-5a protein in tumors lead to a spread of the cancer cells. Foxy-5 has been developed to mirror the effects of Wnt-5a, making the cancer cells stick. The phase I (toxicity) clinical studies have shown that even high doses of Foxy-5 has no negative/toxic effect and also that it had the "sticky effect".

The phase II trials include patients from diagnosis until start chemotherapy after they have their tumor removed (approximately three month of treatment). This is a very significant market, but Foxy-5 has an even larger market potential being a potential add on treatment. Surgery has the potential of spreading the cancer cells and the sooner Foxy-5 treatment is started, the lower the risk is that the cancer cells spread. Hence, there is the possibility that Foxy-5 will be administered as a precaution – increasing its usage as a first in line drug to a significant portion of the millions of global cancer cases.

KEYFIGURES

	2015	2016	2017e	2018e	2019e	2020e
Investment ratios						
P/S	na	na	na	na	na	na
P/E (market value/net result)	-28	-32	-7	-11	-16	-20
K/I (market value/equity)	27	31	6	105	-19	-10
EV/Turnover	na	na	na	na	na	na
EV/EBITDA	-27,1	-31,0	-5,8	-11,2	-17,2	-22,5
EV/EBIT	-26,9	-30,7	-5,7	-11,2	-17,2	-22,5
Profitability ratios						
ROE (%)	-95,6	-97,3	-86,3	-932,4	118,4	48,6
ROIC (%)	-51,2	-103,3	-116,0	-168,7	313,8	65,6
Yield (%)	0,0	0,0	0,0	0,0	0,0	0,0
Payout ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0
Balance ratios						
Equity ratio (%)	95%	92%	95%	100%	100%	100%
Gearing (%)	-87%	-91%	-94%	-37%	-112%	-106%
Performance ratios						
Net result per share (EPS)	-1,2	-1,2	-1,8	-1,7	-1,2	-0,9
Dividend per share	0,0	0,0	0,0	0,0	0,0	0,0
Enterprise value (EV) (MSEK)	490	617	193	405	430	450
Market value	506	635	231	406	406	406
No. of shares (million)	15,6	16,9	21,4	21,4	21,4	21,4
Share price (end of year / actual)	32,5	37,5	10,80	19,00	19,00	19,0

* Based on fully subscribed offerings

P&L, BALANCE AND ESTIMATES

P&L (SEK millions)	2015	2016	2017e	2018e	2019e	2020e
Turnover	0	0	0	0	0	0
EBITDA	-18	-20	-34	-36	-25	-20
<i>EBITDA-margin (%)</i>	na	na	na	na	na	na
EBIT	-18	-20	-34	-36	-25	-20
<i>EBIT-margin (%)</i>	na	na	na	na	na	na
Net financials	0	0	-1	0	0	0
Result before tax	-18	-20	-35	-36	-25	-20
Result after tax	-18	-20	-35	-36	-25	-20
<i>Net margin (%)</i>	na	na	na	na	na	na
Balance (SEK millions)						
Intangible assets	3	3	3	3	3	3
Tangible assets	0	0	0	0	0	0
Financial assets	0	0	0	0	0	0
Inventories	0	0	0	0	0	0
Receivables	0	1	2	0	0	0
Cash and liquid assets	17	19	38	1	-24	-44
Total assets	20	22	42	5	-20	-40
Equity	19	21	40	4	-21	-41
Minority interests	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Long-term debt	0	0	0	0	0	0
Short-term debt	0	0	0	0	0	0
Trade payables	1	1	2	0	0	0
Other debt	0	1	1	0	0	0
Total liabilities	20	22	42	4	-21	-41

RESEARCH RESPONSIBLE

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SHARE PRICE EXPECTATIONS

Prior to this research report our share price expectations were:

Short term: SEK 20 (October 2017)
Long term: SEK 25 (October 2017)

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