



100% one-week return?

WntResearch's share price has dropped by more than 50% since the announcement of the current and ongoing public offering. In theory the share price should only have fallen some 10% so if the SEK 64 million offering is successful an increase in the share price from SEK 14.65 to SEK 29 is a real possibility. If that does not materialize we see good potential for a share price in the region of SEK 20 (+37%) within the next six months and SEK 25 (+71%) in 12-month time.

Unfounded drop makes huge return possible

The WntResearch share price prior to the announcement of the current offering was SEK 33.5. For each share the shareholders received an offer to buy ¼ of a new share for the price of SEK 15 and 1/16 of an option to buy a share in September 2018 for a price of SEK 22.5. This equates to a dilution of the share price from SEK 30.5 to approximately SEK 29. The drop in share price below the SEK 15 mark is, thus, unfounded. Hence, we see a potential for the share price to rebound to SEK 29 given a successful offering.

A successful offering in the making

The offering will if it is fully subscribed give WntResearch SEK 64 million in gross proceeds (SEK 53 million in net proceeds). Some 75% of the offering is guaranteed and with this round of funding together with the September 2018 offering potentially being the last before a deal is struck with Big Pharma, there should be a good possibility for the offering to be successful.

The last round of funding?

The proceeds from the offering will primarily be used to fully fund WntResearch's phase II trial of Foxy-5 – a drug with the potential of limiting metastases of cancer tumors and is, thus, a potential blockbuster drug (sales of more than USD 1 billion). Being a novel drug in limiting metastases a successful phase II trial should spur the interest of Big Pharma to acquire the project.

Market news to keep the stock going

The Foxy-5 phase II trial will be an open study meaning that information about the study will be floating to the market on a more continuous basis and not only when the final result of the study has been analyzed. Only 70 patients will be enrolled in the study and treated for 3-6 months. The patients will be followed during the following 12 months (in 3-months intervals) and again 24 months after the treatment. Hence, we see a relative good possibility of liquidity in the stock during the three years the entire study will last.

Foxy-5 has a good chance

Many research papers have concluded that low levels of the Wnt-5a protein in cancer tumors increases the likelihood of the cancer cells to spread which causes a very high number of cancer related deaths. Further the phase I study determined that Foxy-5 is not a toxic substance and that it had the "sticky effect". By enrolling only patients with a higher risk of cancer metastases there is a good possibility for the study to show the necessary efficacy.

The ever present risks

The risk of failure is ever present in biotech and ever so in a company like WntResearch being almost a one-project company. We perceive the primary uncertainty to be how Foxy-5 will function in the trials as it is administered – for the first time – together with FOLFOX a standard chemotherapy drug. This has an impact on the pricing of the stock.

Interesting fundamental upside

The peer group of small cap Swedish cancer biotech companies has in general witness sliding valuations. In that context we expect a share price in the level of SEK 20 once the first announcements of the phase II study materialize within the next couple of months, reaching the SEK 25-level in 12 months' time.

PRICE EXPECTATIONS

Price expectation 6 M	SEK	20
Price expectation 12 M	SEK	25
Share price	SEK	14,65

INVESTMENT CASE

The primary factors for the investment case are:

- Successful phase II studies of Foxy-5: Foxy-5 administered together with the FOLFOX chemotherapy reduces the spread of cancer cells (metastases)
- Divestment of Foxy-5 to Big Pharma
- Positive initial findings of the open phase II study within the 3-year period of the study.
- Foxy-5 showed efficacy in the phase I trials where it also showed no signs of toxicity
- Risk: no efficacy or adverse effects
- Risk: Foxy-5 has not been administered with FOLFOX chemotherapy

PRICE TRIGGERS

- **Q4 17:** Oversubscribed offering
- **Q1 18:** First patients enrolled in the Foxy-5 open phase II study
- **Q3 19:** First results from the first patients enrolled in the study
- **2019-2020** ongoing results from the study
- **Q4 20:** Final results of the phase II study

PRICE 12 MONTHS



Market value (MSEK)	251
No of shares (millions)	17,1

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.

Share price expectations

The potential of a rebound

Due to a drop in the share price from SEK 33.5 prior to the announcement of the SEK 64 million offering to fund Foxy-5 phase II trials to the SEK 15 level there is a potential for a rebound to the SEK 29 level.

The offering gives existing shareholders the opportunity for each WntResearch share to buy ¼ of a new WntResearch share at SEK 15 and to get a free option to buy 1/16 of a WntResearch share in September 2018 at a price of SEK 22.5. In other words, shareholders with 16 shares can buy 4 new shares for a price of SEK 15 each and receive one option to buy 1 share in September 2018 for SEK 22.5.

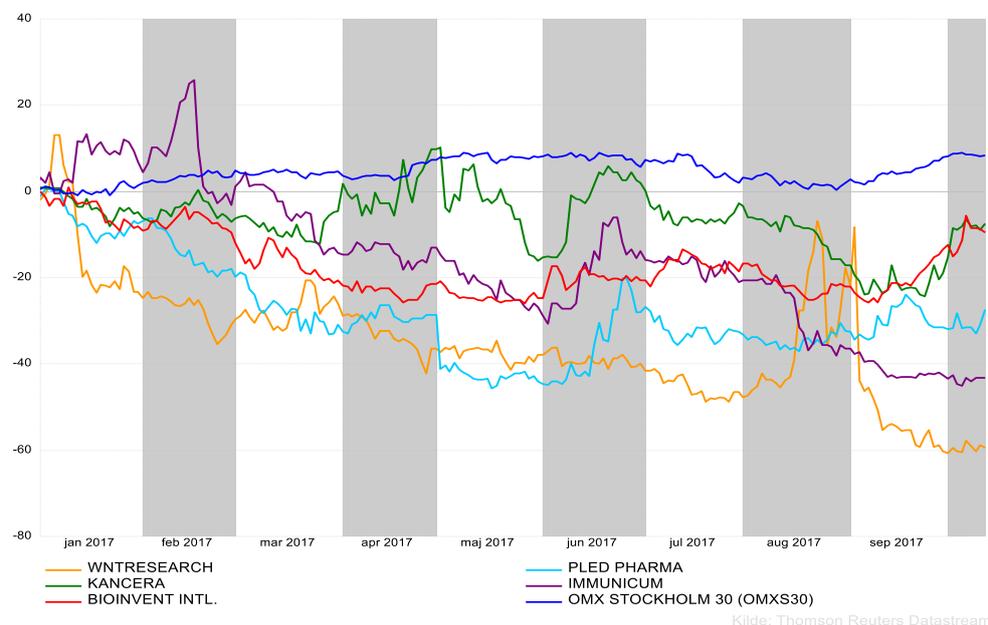
As the offering is at a lower price than the price before the announcement, the offering in itself has an impact on the theoretical price after the completion of the offering. The new theoretical share price is approximately SEK 29 indicating that the share price has fallen too much given the offering is successful. There is, thus, a potential for the share price to rebound to approximately SEK 29 once the offering is completed.

The fundamental price expectation

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 when the company communicates about the start of the phase II trials and the first enrollment of patients - expected in Q1 2018. In 12-months' time we expect a share price in the region of SEK 25 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 suffered declining valuations and share prices this year. Hence, all the companies have delivered negative returns this year and returns substantial below OMS S30.

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



The current market cap of WntResearch is SEK 251 million and the enterprise value is in the SEK 240 million level which relatively to the peer group is a low-to-fair price. We believe, however, that the price is low in consideration of the progress the company has made with Foxy-5 and the huge economical potential if Foxy-5 becomes a marketable drug. But with the general depressed valuation of the peer group we do not expect a general rebound of valuations. 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 SEK million	Pipeline		
		Phase I	Phase II	Phase III
WntResearch	240	1	-	-
Pledpharma	315	-	1	-
Kancera	340	-	-	-
Immunicum	310	1	-	-
Bioinvent	680	3	-	-

Kapital Partner estimates

The first news from the company will be the result of the current offering. As a total of 75% of the offering is guaranteed or pre-subscribed for WntResearch will as a minimum receive SEK 48 million which is enough to start the clinical trials. Total subscriptions below SEK 64 million can, we believe, have a negative impact on the share price – probably in the region of 10%. An oversubscription can, however, be the first of positive news that have a positive influence on the share price.

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 these news, expected in Q1 2018, will increase the market value of WntResearch in the region of SEK 100-110 million or SEK 5 per share.

Other news from the trials will include: completion of first treatment (6 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. These news have a potential of raising the company value with another SEK 100 million, increasing the share price to SEK 25-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 8 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.

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 only include patients that have had their tumor removed and start chemotherapy. This is a very significant market, but Foxy-5 has an even larger market potential. 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.

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 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 beginning of 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 showed 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 the case: low levels of Wnt-5a limits the spread of cancer while high levels increases the spread. 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. Approximately 4% or some SEK 2.5 million out of the offering's SEK 64 million will be used to further develop Box-5.

The primary objective of the unit/share offering is to finance the entire Foxy-5 phase II study. The study is to commence in Q1 2018 and will include only 70 patients with colon/rectum cancer who have undergone surgical removal of their (primary) tumor and who have cancer DNA in their blood (increased risk of cancer metastases). The patients will be divided into two groups; the control ground that will be given FOLFOX chemotherapy for 3-6 months and the research group that will be given FOLFOX and Foxy-5 for 3-6 months. The patients will be monitored for a period of 12 months after the end of the treatment in 3-months intervals and then again 24 months after the treatment has ended.

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 Q3 2020 with final results being published in Q4 2020/Q1 2021.

The offering

The current public offering is a preemptive rights offering for shareholders that by October 5 were registered shareholders in the company. The offering is open for subscriptions from October 9 till October 23 while the trading in units closes October

19.

The offering consists of units enabling the shareholders to buy WntResearch shares for SEK 15 and a free option to buy WntResearch shares in the period September 3-17 2018 for a price of SEK 22.5. For each 16 shares the shareholders were in possession of on October 5 2017 the shareholders received 4 units that gives the right to buy 4 shares for SEK 15 and one option to buy 1 share for SEK 22.5 in September 2018.

Revenue from the offering of new shares is SEK 64 million if the offering is fully subscribed (SEK 53 million net after offering costs). If all the options are used to buy shares in 2018 WntResearch will receive an additional SEK 22.8 million (SEK 21.6 million net after offering cost) in September 2018.

The proceeds from the offering will be used as follows.

Usage of proceeds from the offerings

(MSEK)	Offering revenues 2017	Offering revenues 2018
Foxy-5	29	9
Box-5	2	3
Repayment of bridge loan	10	0
Other	12	10

As the strike price of the options is SEK 22.5 WntResearch will only receive the offering revenues in 2018 if the share price at the time is above SEK 22.5 as it else will be cheaper to buy the shares in the market than to use the options to buy a new issued share. Hence, there is a risk that WntResearch will not receive the SEK 22.8 million from the offering in 2018. If WntResearch at the time is not able to get alternative funding it could put the phase II trials at risk.

KEYFIGURES*

	2014	2015	2016	2017e	2018e	2019e
Investment ratios						
P/S	na	na	na	na	na	na
P/E (market value/net result)	-82	-28	-32	-9	-13	-13
K/I (market value/equity)	10	27	31	6	7	14
EV/Turnover	na	na	na	na	na	na
EV/EBITDA	-79,0	-27,1	-31,0	-7,5	-10,8	-12,3
EV/EBIT	-77,1	-26,9	-30,7	-7,5	-10,8	-12,3
Profitability ratios						
ROE (%)	-12,7	-95,6	-97,3	-70,1	-53,9	-106,0
ROIC (%)	-19,7	-51,2	-103,3	-100,4	-52,7	-69,3
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 (%)	98%	95%	92%	100%	100%	100%
Gearing (%)	-66%	-87%	-91%	-94%	-94%	-87%
Performance ratios						
Net result per share (EPS)	-0,5	-1,2	-1,2	-1,9	-1,2	-1,1
Dividend per share	0,0	0,0	0,0	0,0	0,0	0,0
Enterprise value (EV) (MSEK)	516	490	617	265	283	308
Market value	551	506	635	313	329	329
No. of shares (million)	15,5	15,6	16,9	21,4	22,4	22,4
Share price (end of year / actual)	35,5	32,5	37,5	14,65	14,65	14,65

* Based on fully subscribed offerings

P&L, BALANCE AND ESTIMATES

P&L (SEK millions)	2014	2015	2016	2017e	2018e	2019e
Turnover	8	0	0	0	0	0
EBITDA	-7	-18	-20	-36	-26	-25
EBITDA-margin (%)	na	na	na	na	na	na
EBIT	-7	-18	-20	-36	-26	-25
EBIT-margin (%)	na	na	na	na	na	na
Net financials	0	0	0	0	0	0
Result before tax	-7	-18	-20	-36	-26	-25
Result after tax	-7	-18	-20	-36	-26	-25
Net margin (%)	na	na	na	na	na	na
Balance (SEK millions)						
Intangible assets	18	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	1	0	1	0	0	0
Cash and liquid assets	35	17	19	48	45	20
Total assets	54	20	22	51	49	24
Equity	53	19	21	51	49	24
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	1	0	0	0
Other debt	0	0	1	0	0	0
Total liabilities	54	20	22	51	49	24



RESEARCH RESPONSIBLE

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