

Initiator Pharma A/S performs directed issue and suggests fully guaranteed rights issue with the aim of completing a Phase IIa clinical trial with IP2018

Initiator Pharma A/S ("Initiator Pharma" or "the Company") today announces that the Board of Directors has decided, with the support of an authorization from the Annual General Meeting 2019, to carry out a directed share issue of approximately SEK 3 million and a directed issue of warrants that can provide the Company with additional capital at a later stage. The directed issues are directed to Formue Nord Markedsneutral A/S. The Board of Directors has also decided, subject to approval by the Annual General Meeting on May 22, 2020, to carry out a rights issue of units of initially approximately SEK 7 million. The directed share issue and the rights issue thus initially provides Initiator Pharma a total of about SEK 10 million (before issue costs). In addition, through the issues, warrants are issued which during Q4 2020 can provide Initiator Pharma with a total of approximately SEK 16.4 million, of which approximately SEK 10.4 million pertains to warrants issued through the rights issue. With regards to the rights issue, the Company has received subscription commitments of approximately SEK 1.3 million and issue guarantees (top-down) of approximately SEK 5.7 million, corresponding to a total of 100 percent of the initial issue proceeds. The public is also given the opportunity to subscribe for units in the rights issue. The total issue proceeds from both the directed issue, the rights issue and warrants thus amount to approximately SEK 26.4 million (before issue costs). In addition, Initiator Pharma has entered into an agreement on a loan facility that gives the Company the right to lend up to SEK 10 million, as a security if the warrants are not exercised. The capital from the directed issue, the rights issue and the warrants intends to secure the funding needed to develop the drug candidate IP2018 through a Phase IIa clinical trial and conduct partner discussions for the same, as well as expand and develop the Company's existing pipeline with IPED2015 and additional candidates for clinical trials. Notice of Annual General Meeting is intended to be published shortly.

Background and motive

The capitalization is executed in order to finance the development of the Company's drug candidate IP2018 through a Phase IIa clinical study to generate Proof-of-Concept. In preclinical studies, Initiator Pharma has shown that IP2018 has effects on both depression and erectile function, which is a clear differentiation from existing antidepressant drugs on the market at present. Together with the drug candidate IPED2015, a first-class compound for the treatment of erectile dysfunction, which recently received positive phase II results, IP2018 complements the Company's research portfolio. Obtaining Proof-of-Concept will place IP2018 as a new type of treatment for the large number of patients who, due to serious side effects, do not want to use existing marketed drugs. Positive results will also facilitate attractive agreements with major pharmaceutical companies active in the field of depression. In addition to costs related to the clinical work with IP2018, the issue proceeds from the capitalization will also finance costs for IPED2015 as well as costs related to examination of further indications. The costs for IPED2015 will be business development related-

CEO Claus Elsborg Olesen comments

"IP2018 has great potential to become a new and better treatment method for patients with sexual dysfunction and depression, who do not find adequate treatment with existing drugs. Through the capitalization, we now plan to – as soon as possible, when the situation with regards to COVID-19 has 'normalized' – conduct a Phase IIa clinical trial to achieve Proof-of-Concept for our drug candidate IP2018. With promising results for IP2018 together with recently obtained positive results for IPED2015, we are increasing the commercial value and opportunities for attractive agreements for Initiator Pharma", says CEO Claus Elsborg Olesen.

Rasmus Viggers, Formue Nord Markedsneutral A/S, comments

"Initiator Pharma has been on our radar for a long time and it is a pleasure to now be a part of the investor base in the Company and as an investor get to be a part of the development and progress of the drug candidates", says Rasmus Viggers, Formue Nord Markedsneutral A/S.

Directed issue of shares and loan facility in short

- Directed issue of shares, which is to be fully subscribed for by Formue Nord Markedsneutral A/S, consists of 555,555 shares with a subscription price of SEK 5.40 per share, which gives a gross liquidity of SEK 2,999,997. The subscription price in the directed share issue corresponds to a premium of approximately 5% on the volume weighted average price of the Company's share on Spotlight Stock Market during the last ten (10) trading days prior to the issue decision.
- The reason for the deviation from the shareholders' preferential right is mainly to carry out capital raising in a time- and cost-efficient manner.
- Through the directed issue of shares, the number of shares in the Company will increase by 555,555 shares to 24,146,930 shares and the share capital will increase by DKK 58,333.275 to DKK 2,535,427.65. The directed issue of shares will result in a dilution of approximately 2 % for the existing shareholders based on the number of shares in the Company after the directed issue of shares.
- The Company has also entered into an agreement on a loan facility with Formue Nord Markedsneutral A/S, which gives Initiator Pharma the right to lend up to SEK 10 million (the "loan facility"). The loan facility is entered into as a security if the warrants are not exercised and will run at a market rate and with a maturity of six (6) months (with possibility of extension of three months at a time). In case the Company chooses to call on the loan facility, the loan amount that is activated can be repaid in cash or – to the extent possible – by an offset for shares.

Directed issue of warrants in short

- The directed issue of warrants, which is to be fully subscribed by Formue Nord Markedsneutral A/S, comprises a total of 1,224,490 warrants of the same series and under the same conditions as in the rights issue (see below). The reason for the deviation from the shareholders' preferential rights was mainly to carry out capital raising in a time- and cost-efficient manner. The warrants from the directed issue of warrants are expected to be admitted to trading on the Spotlight Stock Market at the same time as the warrants from the rights issue.

The suggested rights issue in short

- The rights issue consists of a maximum of 710,203 units. One unit consists of two shares and three warrants of series TO 2.
- The subscription price in the rights issue, which amounts to SEK 9.80 per unit (corresponding to SEK 4.90 per share), corresponds to approximately 5 % discount on the volume weighted average price of the Company's share on Spotlight Stock Market during the last ten (10) trading days before the issue decision.
- Initiator Pharma has received subscription commitments and a guarantee commitment (top-down) of approximately SEK 7 million, which corresponds to 100 % of the rights issue. The subscription commitments correspond to approximately SEK 1.3 million (about 17.5 % of the total issue proceeds). Guarantee commitments in the rights issue correspond to approximately MSEK 5.7 (about 82.5 % of the total issue proceeds). Subscription commitments and guarantee commitments have not been secured through advance transaction, bank guarantee or similar. Cash premium compensation of 10 % is paid for the guarantee commitment.
- Initiator Pharma's shareholders have the right to subscribe for one (1) new unit per thirty-four (34) existing shares, i.e. to a subscription ratio of 1:34. Each unit consists of two (2) shares and three (3) warrants of series TO 2.
- The public is also given the right to subscribe in the rights issue.
- The record date for participation in the rights issue is May 27, 2020. The last day of trading including the right to participate in the rights issue is May 25, 2020. The first day of trading excluding the right to participate in the rights issue is May 26, 2020.
- The subscription period runs from June 2, 2020 to June 16, 2020.
- Trading with unit rights will take place on the Spotlight Stock Market during the period from June 2, 2020 through June 14, 2020.
- Trading with BTU (Betald Tecknad Unit) will take place on the Spotlight Stock Market during the period from June 2, 2020 until registration of the rights issue with the Erhvervsstyrelsen, which is expected to take place on June 30, 2020.
- Once the rights issue is registered with Erhvervsstyrelsen, BTU will be converted into shares and warrants.

Terms and conditions for warrants of series TO 2 in short

- Each warrant of series TO 2 entitles the holder to subscribe for one (1) new share in Initiator Pharma at a subscription price of SEK 4.90 per new share, which corresponds to the subscription price in the rights issue.
- The exercise period for warrants of series TO 2 will take place from November 24, 2020, to December 15, 2020.
- Assuming a fully subscribed directed issue and a fully subscribed rights issue and provided that all the warrants of the TO 2 series are exercised, this will result in a total dilution of approximately 12 % for the existing shareholders based on the number of shares in the Company after warrant exercise.

The capitalization

A total of 1,975,961 shares will be issued in the Company through the directed share issue and the initial part of the rights issue. Thus, the initial capitalization will provide Initiator Pharma with approximately SEK 10 million (before issue costs) during Q2 2020. Full exercise of the warrants of series TO 2 can provide the Company with a total of approximately SEK 16.4 million (before issue costs) during Q4 2020. The total issue proceeds from the capitalization is thus approximately SEK 26.4 million (before issue costs).

IP2018

IP2018 is a monoamine reuptake inhibitor that inhibits the synaptic reuptake of serotonin, norepinephrine and dopamine. IP2018 preferably inhibits serotonin followed by reuptake of dopamine, while it has significantly less effect on norepinephrine reuptake. IP2018 has an antidepressant effect in animal models of depression and effect on erectile function. In addition, there is a robust preclinical data package, a phase I study, and a positive emission tomography (PET) study in patients showing binding to serotonin reuptake and dopamine reuptake transporters.

IPED2015

IPED2015 is a small molecule that in vitro inhibits the dopamine transporters (DAT), the noradrenaline transporter (NAT), and the sodium-dependent serotonin transporters (SERT). IPED2015 binds in vivo preferentially to DAT. IPED2015 is a potent inhibitor of DAT and has been found to increase dopamine in the synapses and to induce an erection in male rats. Besides, IPED2015 has been found to act through a peripheral pathway in erectile tissue, where increases in dopamine concentrations lead to the relaxation of erectile smooth muscle.

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This information is the type of information that Initiator Pharma (Ltd.) is obligated to publish pursuant to the EU Market Abuse Regulation. The information was provided by the contact person above, to be published on 27th of April 2020.

About Initiator Pharma

Initiator Pharma is a biotechnology company based in Aarhus, Denmark. The company's main asset, IPED2015, is a candidate drug intended for patients with erectile dysfunction. The treatment is expected to improve the quality of life for a growing number of patients who are not responding to or cannot be treated with existing drugs on the market. Read more on www.initiatorpharma.com.

About erectile dysfunction

ED is a sexual dysfunction characterised by the inability to achieve or maintain an erection during sexual intercourse. More than 150 million men around the world suffer from ED; a number that is expected to increase to more than 320 million by 2025 due to an ageing population and an increased incidence of lifestyle illnesses such as diabetes. ED entails an impaired quality of life in patients due to various psychosocial factors, such as low self-esteem, depression, sadness, anger, frustration, anxiety and relationship problems (1, 2, 3).

1. Shabsigh R, et al. (1998) Increased incidence of depressive symptoms in men with erectile dysfunction. *Urology*52(5):848–852.
2. McCabe MP, Althof SE (2014) A systematic review of the psychosocial outcomes associated with erectile dysfunction: Does the impact of erectile dysfunction extend beyond a man's inability to have sex? *J Sex Med*11(2):347–363.
3. Nguyen HMT, Gabrielson AT, Hellstrom WJG (2017) Erectile Dysfunction in Young Men—A Review of the Prevalence and Risk Factors. *Sex Med Rev*5(4):508–520.