

Initiator Pharma proposes directed issue and fully guaranteed preferential rights issue of a total of SEK 60 million to expand into new orphan indication

- led by long-term investors Linc AB and Adrigo

PRESS RELEASE

13 April 2021

Initiator Pharma A/S ("Initiator Pharma" or "the Company") today announces that the Board of Directors has decided to propose an Extra General Meeting ("EGM") to resolve a proposal enabling a capitalization of a total of SEK 60 million to finance the expansion of Initiator Pharma's clinical pipeline with its proprietary clinical program – IPTN2021 – targeting an orphan drug indication in severe neuropathic pain, Trigeminal Neuralgia. The proposal from the Board of Directors to the EGM is to resolve on a directed share issue of approximately SEK 30.0 million and a fully guaranteed preferential rights issue of approximately SEK 29.4 million. The directed issue is directed to long-term investors led by Linc AB and Adrigo Asset Management AB. The proposed terms for both issues include a subscription price of SEK 3.70 per new share, which corresponds to a discount of approximately 15 percent based on a VWAP counted five days back from the Board of Directors' decision. Provided that the EGM decides to approve the proposal, the directed issue will be executed directly after the EGM, and the preferential rights issue will be executed as soon as the prospectus has been reviewed and approved by the Danish FSA. Founders and management, representing 14 percent of the Company's shares have declared that they will vote for the suggested financing at the EGM. The preferential rights issue will be fully guaranteed by the new shareholders in the directed issue. The public is also given the opportunity to subscribe for new shares in the preferential rights issue. The notice for the EGM is intended to be published shortly.

Initiator Pharma invites to a webcast presentation tomorrow, Wednesday April 14, at 10.00 am CET (details below).

Background and motive

The major part of the capitalization will finance an expansion of Initiator's clinical pipeline with an additional indication. The new program will target the orphan neuropathic pain Indication Trigeminal Neuralgia, a rare disease with a prevalence of 10-20 per 100,000 where the female-to-male ratio is about 3:2 and the disease is more common above 50 years of age.

Trigeminal Neuralgia is a debilitating orofacial pain condition characterized by sudden onset of an extreme, short-duration yet debilitating pain, often referred to as suicidal pain. There is only one FDA-approved pharmacological treatment for Trigeminal Neuralgia available, Carbamazepine. The treatment only provides limited pain relief and is associated with a significant number of side effects. Therefore, the unmet need for a new efficacious, tolerable and safe treatment is exceptionally high. It is Initiator Pharma's ambition to develop a First-Line treatment for these patients.

Thus, Initiator Pharma will have a pipeline with three clinical programs going forward. The previously communicated priorities remain for the already ongoing and upcoming clinical trials in Phase 2 with IP2018 and IPED2015 for treatment of erectile dysfunction of psychogenic and organic origin, respectively.

The candidate drug – IPTN2021 is based on Initiator Pharma's IPED2015 assets that already have proven safe and tolerable in clinical trials and have demonstrated efficacy for erectile dysfunction. The preclinical data package for IPED2015 also consists of substantial effects in animal pain models and provides the scientific rationale for expanding into the pain field. The intent is to start with a Proof-of-Principle Pain IPTN2021 trial

in healthy volunteers with inflected pain and then follow up with a Phase 2 trial including Trigeminal Neuralgia patients.

A developmental benefit of Trigeminal Neuralgia is the opportunity to apply for Orphan Drug Designation and subsequent Fast Track designation or conditional approval by the FDA or EMA, respectively. The interaction with the regulatory authorities will provide valuable guidance for both the design of the first IPTN2021 trial in patients and for a potential subsequent registration trial.

The proceeds will finance the new Orphan Drug indication and secure a solid runway for Initiator Pharma well into 2023 covering both the Company's operational costs and the continuation of the already ongoing and upcoming clinical trials with IP2018 and IPED2015 for treatment of erectile dysfunction of psychogenic and organic origin, respectively.

CEO Claus Elsborg Olesen comments

"I am thrilled by the confidence in Initiator Pharma shown by the new investors, led by recognized specialist and long-term investors Linc and Adrigo. This financing enables us to add a third clinical program in an orphan indication to our already promising pipeline. We can now focus on the clinical development and I look forward to the coming quarters and years with a number of exciting value inflection events in our three clinical programs. says Initiator Pharma's CEO, Claus Elsborg Olesen. *The Orphan Drug candidate IPTN2021 for Trigeminal Neuralgia strongly complements our current clinical pipeline, supporting our ambition to bring functional medication to patients in need and to create value for our shareholders"*

Karl Tobieson, CEO Linc AB, comments

"We are excited to join the Initiator team as a long-term investor. The team has done a great job in positioning the company with a clear regulatory pathway, near term milestones and a substantial commercial potential. With the support from Linc, and other long-term investors, Initiator now has the financial stability to focus one hundred percent on the ongoing studies and business development activities."

says Karl Tobieson, CEO Linc AB.

The proposed directed issue of shares

The proposed directed issue of shares, amounting to approximately SEK 30 million, is agreed in writing between the Company and the below mentioned investors. The proposed subscription price in the directed issue is SEK 3.70 per share, which corresponds to 15 percent discount on the volume weighted average price of the Company's share on Spotlight Stock Market during the last five trading days prior to the issue decision.

Party	Number of shares	Amount (SEK)
Linc AB	4,729,729	17,499,997
Adrigo Asset Management AB	2,162,162	7,999,999
Mats Thóren	675,675	2,499,998
Jinderman & Partners AB	540,540	1,999,998
Total	8,108,106	29,999,992

The reason for the deviation from the shareholders' preferential right is mainly to attract the strategic investors presented in the table above and also to execute the issue in a time- and cost-efficient manner.

Provided that the EGM approves the Board of Directors' decision, the directed issue of shares will bring an increase in the number of shares in the Company by 8,108,106 shares, from 27,705,728 share to 35,813,834 shares. The share capital will increase by DKK 851,351.13 to DKK 3,760,452.57. The directed issue of shares will result in a dilution of approximately 23 percent for the existing shareholders based on the number of shares in the Company after the directed issue of shares.

The proposed preferential rights issue in short

Provided that the EGM decides to approve the Board of Directors' decision on a preferential rights issue, the preferential rights issue will consist of a maximum of 7,958,628 shares. The preferential rights issue will provide the Company with approximately SEK 29.4 million before issue costs.

Founders and management, representing 14% of shares have declared that they will vote for the suggested financing at the EGM.

The proposed subscription price in the directed issue is SEK 3.70 per share, which corresponds to 15 percent discount on the volume weighted average price of the Company's share on Spotlight Stock Market during the last five trading days prior to the issue decision.

Initiator Pharma has received subscription commitments and guarantee commitments corresponding to 100 percent of the preferential rights issue. The subscription commitments correspond to approximately SEK 6.7 million (23 percent of the total issue proceeds). Guarantee commitments in the preferential rights issue correspond to approximately SEK 22.7 million (77 percent 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 percent is paid for the guarantee commitment.

Initiator Pharma's shareholders have the right to subscribe for two (2) new shares per nine (9) existing shares, i.e. to a subscription ratio of 1:4.5. The public is also given the right to subscribe in the preferential rights issue.

The record date for participation in the preferential rights issue, as well as trading dates and the dates for the subscription period and other important dates will be communicated as soon as the Company has a more detailed overview of when the subscription period can take place.

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.

Investors, analysts, and media are invited to follow a webcast presentation tomorrow, Wednesday April 14, at 10.00 am CET

Webcast link:

<https://tv.streamfabriken.com/press-conference-2021-10>

No pre-registration is needed. The presentation will be held in English. Questions can be submitted in English during the webcast.

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About Initiator Pharma

Initiator Pharma is a clinical-stage biotechnology company based in Aarhus, Denmark. The company's main clinical Phase assets are IPED2015, intended for patients with erectile dysfunction, and IP2018, for the treatment of psychogenic erectile dysfunction. The treatments both represent First in Class treatments for psychogenic and organic ED, respectively, and are 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)

Erectile dysfunction is sexual dysfunction characterized by the inability to develop or maintain an erection of the penis during sexual activity. ED affects more than 150 million men worldwide and that number is expected to increase to more than 320 million by 2025, fuelled by aging demographics and increasing prevalence of lifestyle diseases such as diabetes, and performance anxiety. The number of ED patients is most likely grossly underestimated, particularly for Psychogenic patient segment. ED patients have decreased quality of life due to various psychosocial factors such as low self-esteem, depression, sadness, anger, frustration, anxiety, medication, and relationship problems (1,2,3). Erectile dysfunction can be divided into two main categories – Organic and Psychogenic ED – that requires different treatments. Initiator Pharma is developing IPED2015 and IP2018, respectively, for these similar but separate patient segments.

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.