



PRESS RELEASE

## Moberg Pharma divests its OTC-business for USD 155 million and secures new funding for MOB-015 in transformational transaction

STOCKHOLM, February 12<sup>th</sup>, 2019. Moberg Pharma AB (publ) (“Moberg Pharma” or the “Company”) (OMX: MOB) today announces that it has entered into agreement with a holding company owned by RoundTable Healthcare Partners and Signet Healthcare Partners (the “Purchaser”) to divest MPJ OTC AB and Moberg Pharma North America LLC, which at closing will hold Moberg Pharma’s entire OTC-business, for a cash consideration of USD 155 million (equivalent of SEK 1,431 million<sup>1</sup>) adjusted for working capital, resulting in a capital gain of approximately SEK 500 million and multiples of 3.3x sales, as well as 14.1x EBITDA and 11.6x EBITDA for commercial operations. The Company intends to use the cash consideration to redeem its outstanding bonds and to distribute approximately SEK 43–45 per share to its shareholders. In addition, the Purchaser has undertaken to provide financing to the Company with a total amount USD 5 million (equivalent of SEK 46 million), of which half is subscription for newly issued series B shares in the Company, at a price of SEK 35.16 per share, and the remaining half is a loan to the Company with pertaining warrants. The combined value to Moberg Pharma’s shareholders of the transaction equals approximately SEK 78–80 per share, based upon the expected payment to shareholders and Purchaser’s subscription in the Company. The transaction enables Moberg Pharma to further focus resources on the MOB-015 pipeline program and distribute significant value to its shareholders. The transaction is among other things conditional upon shareholder approval at a general meeting in Moberg Pharma.

### Summary of the transaction and its overall effects

- The Company has entered into the following agreements regarding the divestment of the OTC-business and the funding of the MOB-015 pipeline program:
  - a share purchase agreement, whereby all shares in MPJ OTC AB and all units in the Company’s American subsidiary, Moberg Pharma North America LLC – which together at closing will hold Moberg Pharma’s entire Global Consumer Health Business comprising both direct and distributor sales under the over-the-counter brands Kerasal<sup>®</sup>, Kerasal Nail<sup>®</sup>, New Skin<sup>®</sup>, Dermoplast<sup>®</sup>, Domeboro<sup>®</sup>, Emtrix<sup>®</sup> and Zanmira<sup>®</sup>, including all assets and liabilities related to such business (the “**OTC-business**”) – will be transferred from the Company to the Purchaser for a cash consideration of USD 155 million (equivalent of SEK 1,431 million), to include a customary working capital adjustment to be determined upon closing (the “**Cash Consideration**”). The transaction is expected to result in a capital gain of approximately SEK 500 million. Since the transaction involves the divestiture of subsidiaries it is not expected to be subject to taxation. The Cash Consideration will be used by the Company to redeem its outstanding SEK 600 million bonds and make a payment to its shareholders of approximately SEK 43–45 per share;
  - an investment and subscription agreement, whereby the Purchaser undertakes to subscribe for newly issued series B shares, which will constitute a new class of shares, in the Company for an aggregate subscription amount of USD 2.5 million (equivalent of SEK 23 million) at a subscription price of SEK 35.16 per share, valuing MOB-015 at approximately SEK 630 million (equivalent of USD 70 million) (the “**New Shares**”); and
  - an investment and warrant instrument undertaking, whereby the Purchaser undertakes to (i) subscribe for 659,421 newly issued warrants in the Company, each of which gives the holder a right to subscribe for one ordinary share in the Company at a subscription price of SEK 35.16 per share, (the “**Warrants**”)

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<sup>1</sup> All equivalent amounts based on a preliminary USD/SEK exchange rate of 9.23. However, the Company will enter into a forward contract or a similar hedging arrangement, securing the exchange rate applicable to the Company per Closing to approximately 9.23.



and (ii) provide a loan to the Company with a principal amount of USD 2.5 million (equivalent of SEK 23 million) (the "**MOB-015 Loan**").

- In addition, the Company will prior to or upon closing of the transaction enter into:
  - an asset transfer agreement, whereby the OTC-business of Moberg Pharma will be separated and transferred to the special purpose vehicle MPJ OTC AB; and
  - a transitional services agreement, whereby Moberg Pharma will provide certain services to MPJ OTC AB with respect to the OTC-business.
- Completion of the divestment of the OTC-business ("**Closing**"), including the steps described above, is expected by the end of March 2019, but conditional upon:
  - the passing at a general meeting in Moberg Pharma of a resolution to approve the contemplated transaction and any other steps related thereto, passed with the relevant required majority;
  - the waiting period (and any extension thereof) applicable to the share purchase agreement and the transaction under the HSR Act (Hart-Scott-Rodino Antitrust Improvements Act) shall have been terminated or shall have expired;
  - certain fundamental warranties under the share purchase agreement being true, accurate and not misleading on Closing; and
  - the Purchaser having received debt financing on certain specified terms.
- The parties have agreed on a termination fee and reimbursement of expenses on a mutual basis, entailing that Moberg Pharma is entitled to a termination fee of USD 6 million (equivalent of SEK 55 million) if Closing does not take place solely due to the Purchaser's failure to receive the relevant debt financing according to the abovementioned closing condition, whereas the Purchaser is entitled to reimbursement from the Company of any direct external expenses incurred in connection with the transaction if the transaction is not approved by the general meeting in Moberg Pharma.
- The Company intends to announce a notice for an extraordinary general meeting in Moberg Pharma to approve the proposed transaction and any other steps related thereto. Such general meeting is expected to be held on or about March 15<sup>th</sup>, 2019 (the "**Extraordinary General Meeting**"). In due time before the Extraordinary General Meeting, the Company intends to make public an information document containing information regarding the transaction and its effects for Moberg Pharma.
- Shareholders representing approximately 39% of the voting rights in the Company have entered into voting undertakings in which they commit to, at the Extraordinary General Meeting, vote in favour of the transaction as well as of electing a person suggested and nominated by the Purchaser as an ordinary board member of the Company for the period from Closing up to and including the next annual general meeting in Moberg Pharma.
- The Company intends to use part of the Cash Consideration to redeem its outstanding SEK 600 million bonds due 2021 with ISIN SE0007953989 (the "**Bonds**") in full in accordance with the terms and conditions for the Bonds.
- The Company further intends to use the remaining part of the Cash Consideration net of the Company's transaction expenses and cash retained for the MOB-015 development program to make a payment to its shareholders, which may include a formal dividend distribution, share split and redemption of split shares, reduction of the share capital or similar events (the "**OTC-dividend**").
- The combined value to shareholders of the transaction equals approximately SEK 78–80 per share and can be calculated as follows:
  - The OTC-dividend which is expected to be approximately SEK 43–45 per share to be distributed to shareholders.
  - Subscription in the Company for USD 2.5 million at a subscription price of SEK 35.16 per share.



- Post-Closing, the Company will be well funded by the USD 5 million from the New Shares and the MOB-015 Loan as well as a portion of the proceeds.

#### Rationale for the transaction

- **Realizes compelling value for the OTC-business:** The Cash Consideration of USD 155 million (equivalent of SEK 1,431 million) allows shareholders to recognize the value the Company has created in developing its OTC-business over the last years. The OTC-business generated sales of SEK 434 million. The transaction implies a multiple for the entire Moberg Pharma group of 3.3x sales and 11.6x EBITDA for commercial operations (14.1x EBITDA for total Moberg Pharma).
- **Provides continued funding for MOB-015 at an attractive implied value:** The Company will receive USD 5 million (equivalent of SEK 46 million) to support on-going development of MOB-015. This will include USD 2.5 million (equivalent of SEK 23 million) received from newly issued series B shares at a subscription price of SEK 35.16 per share, implying a value for MOB-015 of approximately SEK 630 million (equivalent of USD 70 million).
- **Offers shareholders meaningful near-term liquidity and preserves future upside:** The transaction will allow the Company to both redeem the Bonds and distribute substantial proceeds to shareholders. In addition, the Company and Management will be focused on development and commercialization of the pipeline, with a focus on MOB-015. Shareholders will continue to benefit from future value creation associated with the MOB-015 program.

Peter Wolpert, CEO Moberg Pharma, says:

*"We are excited to announce this transformational transaction. The transaction delivers exceptional value for the OTC-business and further validates the significant potential in MOB-015. The proceeds from this transaction offer near-term liquidity to our shareholders while preserving future upside. I would like to commend and thank our team for all of their hard work. Over the last few years we have acquired, built and generated superior performance for the company, and those efforts are reflected in this transaction."*

#### Recommendation

The transaction is, *inter alia*, conditional upon shareholder approval at a general meeting in the Company. Against the background provided in this press release, the Board of Directors of the Company consider the terms of the transaction to be fair and reasonable and in the best interests of the Company and its shareholders. Accordingly, the Board of Directors unanimously recommend that the Extraordinary General Meeting approves the transaction by voting in favour of proposed resolutions to be included in the notice for the Extraordinary General Meeting. The recommendation by the Board of Directors is supported by a diligent auction process conducted by the Company's financial advisor Sawaya Partners LLC aimed at providing the Company and the shareholders with the best possible transaction outcome in terms of value and deal certainty, where multiple third party transaction proposals and offers were evaluated, and where this transaction was compared with similar transactions, of which this transaction was determined by the Board of Directors to offer the shareholders the best value and highest level of deal certainty. The Board of Directors, accordingly, based on this process, found the current transaction to be fair and reasonable and in the best interests of the Company and its shareholders.

Thomas Eklund, Chairman of the board at Moberg Pharma, added:

*"After a thorough process, the board is convinced that the proposed transaction is the most attractive and brings significant value to the shareholders. The combination of a premium consideration for the OTC-business, specialized U.S. Healthcare investors entering at a premium valuation, while repaying outstanding debt, is highly attractive. Shareholders benefit from receiving a significant dividend while retaining the considerable upside of the MOB-015 program."*

#### Use of Cash Consideration for Bond redemption and OTC-dividend

The Company intends to use the increased liquidity following Closing and the receipt of the Cash Consideration to redeem the Bonds in full and pay the OTC-dividend to its shareholders. Information regarding the contemplated redemption of the



Bonds is expected to be announced through a press release and sent by mail to the bondholders on or about the date of Closing.

Payment of the OTC-dividend will require that the Company has adopted an annual report for the current financial year in order to demonstrate sufficient distributable earnings. In order to carry out the OTC-dividend in 2019, the Company plans to shorten the current financial year to the period January 1<sup>st</sup> – June 30<sup>th</sup>, 2019. The resolution to change the Company's financial year is expected to be passed at the Extraordinary General Meeting. Furthermore, the payment of OTC-dividend will be subject to shareholder approval at the annual general meeting for the shortened financial year January 1<sup>st</sup> – June 30<sup>th</sup>, 2019. For these reasons, and according to the Company's current time plan, completion of the OTC-dividend is expected by the end of October 2019. It is the Company's current estimate that the OTC-dividend is expected to amount to approximately SEK 43–45 per ordinary share in the Company. However, the actual and final amount of the OTC-dividend is subject to change and dependent on several different factors, such as transaction costs, expected milestone payments received, expected research and development investments, business development and administrative expenses for completing the MOB-015 development program, changes in exchange rates as well as other factors affecting the Company's financial position at the actual time of the payment of the OTC-dividend. The final amount of the OTC-dividend will be announced at the latest when the notice for the annual general meeting for the shortened financial year is announced.

In accordance with the parties' agreement, the Purchaser will be excluded from the OTC-dividend. As a result, the New Shares will be issued as a new class of shares (class B shares) in the Company that will not be entitled to receive the OTC-dividend. The New Shares may be converted to ordinary shares in the Company after the payment of the OTC-dividend.

#### **Funding obtained for the MOB-015 pipeline program**

Subject to Closing taking place, the Purchaser shall subscribe and pay for the New Shares and subscribe for the Warrants in the Company and issue the MOB-015 Loan to the Company.

The total subscription amount for the New Shares will amount to USD 2.5 million (equivalent of SEK 23 million), corresponding to approximately 3.6% of all shares in the Company and entailing a valuation of the Company's MOB-015 business at SEK 35.16 per share and a total value of the MOB-015 business of approximately SEK 630 million (equivalent of USD 70 million).

The MOB-015 Loan, with a principal amount of USD 2.5 million (equivalent of SEK 23 million), will be advanced to the Company promptly following Closing. The proceeds from the MOB-015 Loan will be used to fund the MOB-015 pipeline program. The MOB-015 Loan will accrue PIK interest at a rate of 3 months LIBOR + 5.50% and the loan will mature on 31 March 2023. If, prior to 31 March 2023, the Company receives milestone payments, royalties and any other similar payments from partners in excess of USD 10 million (equivalent of SEK 92 million) plus any amounts actually received from partner agreements signed to date (for the avoidance of doubt, not including payments received to cover fees, expenses and other costs), the Company will use such excess funds to repay any amount outstanding under the MOB-015 Loan in full or in part.

The principal amount outstanding under the MOB-015 Loan may be reduced by way of set off against the exercise price in connection with the exercising of the Warrants to subscribe for ordinary shares in the Company. The Warrants will not be issued against payment, *i.e.* no subscription price will be paid in connection with the issuance and allocation of the Warrants. Each Warrant will entitle the holder to subscribe for one ordinary share in the Company at a price of SEK 35.16 per share. However, no Warrant may be exercised prior to the payment of the OTC-dividend.

The Purchaser shall subscribe for such number of New Shares, at a subscription price of SEK 35.16 per share, to be issued for an aggregate subscription amount of USD 2.5 million by applying the exchange rate reported by Bloomberg one business day prior to Closing. With an application of the exchange rate reported as of February 8<sup>th</sup>, 2019 (9.27), the number of shares and votes in the Company would accordingly upon Closing increase by 656,286 from 17,440,762 to 18,097,048



shares and votes<sup>2</sup>. This would imply a dilution of approximately 3.6 percent of the shares and votes in the Company. In case all 659,421 Warrants are exercised, an additional 659,421 shares may be issued, corresponding to an additional dilution of approximately 3.5 percent, implying a total dilution of 7.0 percent of the shares and votes in the Company.

#### **Overall financial effects of the transaction for Moberg Pharma**

The transaction will yield gross proceeds of USD 155 million (equivalent of SEK 1,431 million) for the OTC-business and a capital gain<sup>3</sup> of approximately SEK 500 million. The Purchaser's undertaking to subscribe for newly issued series B shares in the Company will generate USD 2.5 million (equivalent of SEK 23 million) and MOB-015 Loan will generate USD 2.5 million (equivalent of SEK 23 million). These funds will be used for MOB-015.

The Company intends to use part of the Cash Consideration to redeem its outstanding SEK 600 million Bonds. The Company intends to use remaining part of the Cash Consideration net of the Company's transaction expenses and cash retained for the MOB-015 development program to make a payment to its shareholders.<sup>4</sup>

Following the transaction, Moberg Pharma's operations will change from selling products to focusing on MOB-015. The business will be operated with an organization dedicated to research and development, regulatory matters and business development. The Company's assets following the transaction will primarily consist of balanced research and development assets, while the classes of assets data systems, goodwill, acquired product rights and stock are divested in connection with the transaction. Accounts receivable and other receivables will decrease substantially while the Company's leverage will be significantly reduced when the Bonds are repaid. In addition, the Company's assets will comprise cash retained from the divestment of the OTC-business, the share issue to the Purchaser and the MOB-015 Loan.

As regards the Company's revenue streams following the transaction, the revenue from the current product sales will stop, and the revenue will initially comprise milestone payments, royalties and similar payments from existing and new license partners. The Company's costs following the transaction will be primarily comprised of research and development, business development and administrative expenses.

Detailed information on the financial effects of the transaction, including certain financial information for 2018 prepared on a pro forma basis, will be included in the information document that the Company intends to make public in due time before the Extraordinary General Meeting.

#### **Indicative high-level timetable for the transaction**

February 12 <sup>th</sup> , 2019	Announcement of transaction
February 15 <sup>th</sup> , 2019	Notice of Extraordinary General Meeting (Notice is announced on February 13 <sup>th</sup> , 2019)
March 15 <sup>th</sup> , 2019	Extraordinary General Meeting
End of March 2019	Closing, including that the Purchaser (i) pays the Cash Consideration, (ii) extends the MOB-015 Loan and (iii) subscribes for the New Shares and the Warrants
	Notice of redemption of Bonds
End of April 2019	Redemption of Bonds
June 30 <sup>th</sup> , 2019	Last day of shortened financial year
End of September 2019	Annual general meeting for shortened financial year resolving on among other things payment of the OTC-dividend to shareholders
End of October 2019	Payment of OTC-dividend to shareholders

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<sup>2</sup> Excluding treasury shares held by the Company.

<sup>3</sup> The capital gain is not expected to be subject to taxation.

<sup>4</sup> The payment may be effected through formal dividend distribution, share split and redemption of split shares, reduction of the share capital or similar events.



**On February 12<sup>th</sup>, 2019 at 9:00 am (CET), investors, analysts and journalists are hereby invited to participate in an information meeting with the Management of the Company at the offices of Gernandt & Danielsson to receive additional detail about the transaction. Participants may also dial in to the meeting.**

To participate in the meeting, please visit the following address before the start of the meeting:  
Gernandt & Danielsson Advokatbyrå KB  
Hamngatan 2  
111 47 Stockholm

To participate in the conference, please dial in on any number below before the start of the call:  
SE: +46 8 566 427 03  
US: +1 646 722 49 57

**On February 12<sup>th</sup>, 2019, at 3:00 pm (CET), Moberg Pharmas's CEO Peter Wolpert will present the Year-end report 2018 and the transaction in a teleconference. The presentation will be held in English.**

To participate in the conference, please dial in on any number below before the start of the call:  
SE: +46 8 505 583 53  
US: +1 646 722 49 57

#### **Advisors to Moberg Pharma**

Sawaya Partners has been engaged as financial advisor regarding the transaction. Hansen Law has been engaged as legal advisor regarding the transfer and sale of the OTC-business and Gernandt & Danielsson has been engaged as legal advisor regarding the MOB-015 funding, public and corporate law aspects of the transaction and the redemption of the Bonds.

#### **Advisors to Purchaser**

Sidley Austin LLP and Roschier have been engaged as legal advisors to the Purchaser in respect of the acquisition of the OTC-business and the investment in Moberg Pharma and the MOB-015 funding.

#### **For additional information, please contact:**

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#### **About this information**

This information is information that Moberg Pharma AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact persons set out above, at 01.00 am (CET) on February 12<sup>th</sup>, 2019.

#### **About RoundTable Healthcare Partners**

RoundTable Healthcare Partners, based in Lake Forest, IL, is an operating-oriented private equity firm focused exclusively on the healthcare industry. RoundTable partners with companies that can benefit from its extensive industry relationships and proven operating and transaction expertise. RoundTable has established a successful track record of working with owner/founders, family companies, management teams, entrepreneurs and corporate partners who share a vision and believe in the value creation potential of its partnership model. RoundTable has raised USD 2.75 billion in committed capital, including four equity funds totalling USD 2.15 billion and three subordinated debt funds totalling USD 600 million. More information about RoundTable Healthcare Partners can be found at [www.roundtablehp.com](http://www.roundtablehp.com).

#### **About Signet Healthcare Partners**

Signet Healthcare Partners is an established provider of growth capital to innovative healthcare companies. Signet invests in commercial-stage healthcare companies that are revenue generating or preparing for commercial launch. The firm's focus has primarily been on the pharmaceutical sector and medical technology companies. Signet maintains a disciplined,



yet flexible investment approach. As an active investor, Signet partners closely with its companies to build their value including facilitating activities between portfolio companies. During Signet's 18-year history, it has developed a strong reputation and track record of successful investments. Signet has raised four funds with total capital commitments of over USD 400 million and has invested in more than 45 companies. For more information, visit [www.signethehealthcarepartners.com](http://www.signethehealthcarepartners.com).

### **About MOB-015 and Onychomycosis**

Approximately 10% of the general population suffer from onychomycosis and a majority of those afflicted go untreated. The global market opportunity is significant with more than hundred million patients worldwide and a clear demand for better products. Moberg Pharma estimates the annual world-wide peak sales potential for MOB-015 to be in the range of USD 250-500 million.

MOB-015 is an internally developed topical formulation of terbinafine based on Moberg Pharma's experience from its leading OTC product Kerasal Nail®/Emtrix®. Oral terbinafine is currently the gold standard for treating onychomycosis but associated with safety issues, including drug interactions and liver damage. For many years, developing a topical terbinafine treatment without the safety issues of oral terbinafine has been highly desirable, but unsuccessful due to insufficient delivery of the active substance through the nail.

In a previous phase 2 study, MOB-015 demonstrated delivery of high microgram levels of terbinafine into the nail and through the nail plate into the nail bed. Mycological cure of 54% and significant clear nail growth was observed in patients who completed the phase 2 study. The results are remarkable, particularly when taking into account the severity of the nails included in the study – on average approximately 60% of the nail plate was affected by the infection. Plasma levels of terbinafine with MOB-015 were substantially lower than after oral administration, reducing the risk of liver toxicities observed with oral terbinafine.

MOB-015 is currently being evaluated over 52 weeks in two randomized, multicenter, controlled Phase 3 studies, including in total approximately 800 patients in North America and Europe. The primary endpoint in both studies is the proportion of patients achieving complete cure of their target nail. Topline results from the North American study are expected in the fourth quarter of 2019, followed by results in Europe in 2020.

### **About BUPI and oral mucositis**

BUPI is intended for pain relief for patients suffering from oral mucositis (OM), a serious complication of cancer treatment. OM affects approximately 400,000 patients annually in the US and may hinder completion of cancer treatment and result in expensive hospital care. BUPI is an innovative, patented formulation of the proven substance bupivacaine, in the form of a lozenge, for the treatment of pain in the oral cavity. In January 2016, Moberg Pharma reported positive results from a Phase 2 study in which BUPI was evaluated for cancer patients with oral mucositis. Based on external analysis, Moberg Pharma estimates the annual sales potential for BUPI to USD 100-200 million, assuming successful commercialization in oral mucositis and at least one further indication. Planning of regulatory development programs as well as partner discussions are ongoing.

### **About Moberg Pharma, [www.mobergpharma.com](http://www.mobergpharma.com)**

Moberg Pharma AB (publ) is a rapidly growing Swedish pharmaceutical company with OTC sales operations in the U.S. and a distributor network in more than 30 countries. The company's portfolio includes the OTC brands Kerasal®, Kerasal Nail®, New Skin®, Dermoplast® and Domeboro®. Kerasal Nail® (Emtrix®, Zanmira® or Nalox™ in certain markets) is a leading OTC treatment of nail disorders in the U.S., Canada as well as in several markets in EU and Southeast Asia. The company is growing organically as well as through acquisitions. Internal development programs focus on innovative drug delivery of proven compounds and include two assets in late-stage clinical development, MOB-015 (onychomycosis) and BUPI (pain management in oral mucositis). Moberg Pharma has offices in Stockholm and New Jersey and the company's shares are listed on the Small Cap list of the NASDAQ OMX Nordic Exchange Stockholm (OMX: MOB).