Cyxone AB

Sweden / Biotechnology
Nasdaq First North
Bloomberg: CYXO SS
ISIN: SE0007815428

9M 2020 results
& pipeline update

RATING	**BUY**
PRICE TARGET	**SEK 16.00**
Return Potential	281.0%
Risk Rating	Speculative

STRENGTHENED FINANCIAL POSITION, RABEXIMOD EXPANDED TO COVID-19

Cyxone published 9M/20 results. EBIT came in at SEK -37.0m and weaker than our estimate of SEK -33.9m (9M/19: SEK -26.1m) chiefly due to higher spending in the development pipeline. The two lead R&D programmes, Rabeximod for rheumatoid arthritis (RA) and T20K for multiple sclerosis (MS), have made substantial progress. The six-month toxicology study for Rabeximod in RA reported positive results, clearing the way for the phase IIb clinical trial. However, the design of this trial is being reassessed by the company's recently expanded team of experts who see potential to raise product value (e.g. by identifying patients that will benefit the most from the product). Phase IIb trial initiation has thus been postponed to H2/21 (previously: Q1/21). The company also revealed that Rabeximod is the previously undisclosed programme due to undergo clinical development in COVID-19 using Dr Kask's licensed technology. On 8 December, the regulatory authority in Poland approved the initiation of this phase II trial, and enrolment may start within the next few weeks. Further countries, including Slovakia, may be added soon. The results are scheduled for Q3/21. Rabeximod's IP asset base has also strengthened with five recently filed patent applications, four of them in RA and one in COVID-19. If approved, these could provide patent protection until 2041. T20K is set to start its phase I study in H2/21. The company had raised a total of SEK 41m by the end of November to fund pipeline development in the three targeted indications. Based on this news, our revised SOTP valuation model results in a higher price target of SEK 16.00 (previously: SEK 12.70). We reiterate our Buy rating.

EBIT and net income weaker than projected chiefly due to higher development-related spending Cyxone generated no sales and achieved EBIT of SEK -37.0m (FBe: SEK -33.9m; 9M/19: SEK -26.1m). In 9M/20, Cyxone incurred higher spending in its pipeline, which among others allowed for the unexpected expansion of Rabeximod to the COVID-19 indication, as well as strengthening this drug candidate's IP with five new filed patents. Net income for the period was the same as EBIT. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (SEK m)	0.00	0.00	0.03	0.00	0.00	178.00
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (SEK m)	-8.82	-31.78	-35.17	-49.52	-74.17	97.87
EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income (SEK m)	-8.82	-31.78	-35.17	-49.52	-74.17	97.87
EPS (diluted) (SEK)	-0.50	-1.41	-0.86	-0.98	-1.17	1.42
DPS (SEK)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (SEKm)	-11.37	-43.49	-36.22	-47.72	-72.51	99.33
Net gearing	n.a.	n.a.	-86.1%	-87.0%	-81.6%	-96.2%
Liquid assets (SEK m)	33.36	38.72	61.76	54.99	28.82	128.17

RISKS

Risks include, but are not limited to development, regulatory, competition and financing risks.

COMPANY PROFILE

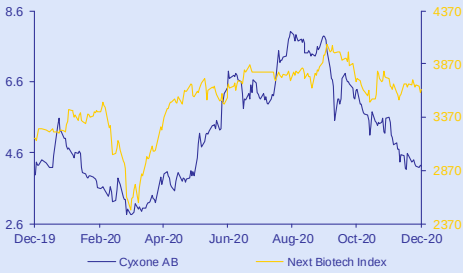
Cyxone AB is a Swedish biotech company focused on the research and development of new drugs to treat autoimmune diseases. The company's proprietary discovery technology is generating drug candidates which belong to a new class of drugs called Cyclotides. Cyxone currently has one drug in a phase I trial for multiple sclerosis and a second drug at the phase II stage for rheumatoid arthritis.

MARKET DATA

As of 16 Dec 2020	
Closing Price	SEK 4.20
Shares outstanding	58.06m
Market Capitalisation	SEK 243.87m
52-week Range	SEK 2.85 / 8.00
Avg. Volume (12 Months)	248,783

Multiples	2019	2020E	2021E
P/E	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2020	
Liquid Assets	SEK 44.59m
Current Assets	SEK 45.57m
Intangible Assets	SEK 10.55m
Total Assets	SEK 57.10m
Current Liabilities	SEK 15.07m
Shareholders' Equity	SEK 36.61m

SHAREHOLDERS

As of 30 Sep 2020	
Accequa AB	12.1%
Avanza Pension	6.6%
Jan Ivar Nordqvist	4.3%
OxyPharma AB	3.9%
Freefloat and other	73.2%

Analyst: Christian Orquera, Tel. +49 30 80 93 96 93

Table 1: 9M/20 results vs FBe and prior year

in SEK'000	9M/20	9M/20E	Delta	9M/19	Delta
Revenue	0	0	-	0	-
EBIT	-36,978	-33,900	n.m.	-26,122	n.m.
margin	*n.m.*	*n.m.*	-	*n.m.*	-
Net income	-36,978	-33,900	n.m.	-26,122	n.m.
margin	*n.m.*	*n.m.*	-	*n.m.*	-

Source: First Berlin Equity Research, Cyxone AB

Revising forecasts following 9M/20 results In light of the higher OPEX (i.e. development expenses) in 9M/20 partly driven by the newly added COVID-19 programme which is due to start its phase II study in Q4/20, we have revised our financial forecasts. These changes led to higher OPEX, plus a lower operating result and net income in FY/20E - FY/22E. We have summarised the main changes in table 2 below.

Table 2: Changes to our forecasts (KPIs)

	2020E			2021E			2022E		
in SEK'000	old	new	Delta	old	new	Delta	old	new	Delta
Sales	30	0	*-100.0%*	30	0	*-100.0%*	30	0	*-100.0%*
Milestone & Upfront payments	0	0	-	0	0	-	178,000	178,000	*0.0%*
EBIT	-42,781	-49,519	-	-47,522	-74,171	-	129,922	97,871	*-24.7%*
Margin (%)	-	-	-	-	-	-	-	-	-
Net income	-42,781	-49,519	-	-47,522	-74,171	-	129,921	97,871	*-24.7%*
EPS diluted (SEK)	-0.87	-0.98	-	-0.89	-1.17	-	2.26	1.42	*-37.2%*

Source: First Berlin Equity Research estimates

9M/20 cash position of SEK 44.6m, expanded by the recently raised SEK 41m, provides robust financial latitude for the upcoming pipeline development On 1 October, the company announced that it raised the full amount of SEK 21.8m (in three tranches) from the investment option in connection with the licensing agreement with Dr Kalev Kask. He is the inventor of the technology which will be used in Rabeximod's COVID-19 programme. As agreed, the company issued 4.9m shares at the price of SEK 4.45. According to management, these funds will cover the majority of the expenses required for the planned phase II study.

On 10 November, Cyxone raised SEK 19.2m by placing 4.1m shares at SEK 4.70 with selected investors. The placement was accompanied by the issue of free of charge warrants to all shareholders. The new investors will receive one TO4 warrant per share, while the existing shareholders will receive one TO4 warrant per 28 shares held. The company will issue a total of 6m warrants, thereof 1.9m warrants for the current shareholders. This action intends to partly compensate the existing shareholders for the dilution effects of the capital measure. The TO4 warrants entitle the holders to subscribe to new shares during the period 17-28 May 2021 at a 30% discount to the volume-weighted average share price during the period 29 April to 12 May 2021. The subscription price per share must be within the SEK 2.00 – 7.05 range. Assuming all warrants are exercised, Cyxone can raise additional funds of SEK 12m to 42m.

At the end of 9M/20, the company reported cash of SEK 44.6m, which added to the SEK 41m raised in the two capital increases boosts cash to SEK 85.6m. Further funds of up to SEK 42m may be added through the conversion of the warrants in May 2021. Cyxone thus has the financial latitude required to finance the majority of its development expenses planned for 2021 and 2022, which include Rabeximod's phase II studies in COVID-19 and RA, as well as the investigations being conducted to obtain an optimal oral formulation of T20K and the product's subsequent evaluation in a phase I study.

PIPELINE UPDATE

EXISTING PROGRAMMES

Rabeximod to initiate the phase IIb study in RA by H2/21 The company reported positive results from Rabeximod's toxicology six-month studies in animals. This study confirmed the product's favourable safety profile in long-term treatment, enhancing Rabeximod's potential treatment period from the hitherto available data of three months. This clears the way for the phase IIb study. However, Cyxone's recently hired experts team comprising Christin Arrhenius Bokedal, Dr Sally Abdelmoaty, Dr Maarten Kraan and Professor Rikard Holmdahl (co-discovered Rabeximod at its originator company OxyPharma) bring a highly valuable drug development, regulatory and RA expertise. They want to invest more time in fine-tuning the trial protocol. The recent innovation in the RA area can provide new findings (e.g. personalised medicine - making it possible to identify patients that would benefit the most from the drug) applicable to the phase IIb study which could maximise the drug's efficacy and value. As a result, Cyxone postponed initiation of the phase IIb study from previously Q1/21 to H2/21. A batch containing sufficient GMP Rabeximod's API for the upcoming clinical studies has been produced and encapsulated.

Rabeximod's IP in RA strengthened by four filed patents which could additionally have an extended exclusivity Cyxone has filed four patents involving recent innovations in manufacturing and formulation processes for Rabeximod in RA indication. If granted, these patents can provide protection and market exclusivity until 2041. The company additionally filed for extended patent protection of Rabeximod at the European Patent Office (EPO). This application will be expanded to other territories at the appropriate time. The company will disclose more details on the EPO filing in April 2022 (18 months after the application).

T20K's phase I study for the treatment of MS planned to start in H2/21 The latest in-vitro and in-vivo preclinical studies investigating the substance's dissolving and absorption properties in the gastrointestinal tract have demonstrated the high stability required for oral administration. Cyxone is now conducting additional preclinical and formulation studies which will support obtaining the optimal formulation of the product. The result can either confirm the hitherto pursued oral administration or show new alternatives such as subcutaneous injection. The company intends to start T20K's phase I study using the final formulation in H2/21.

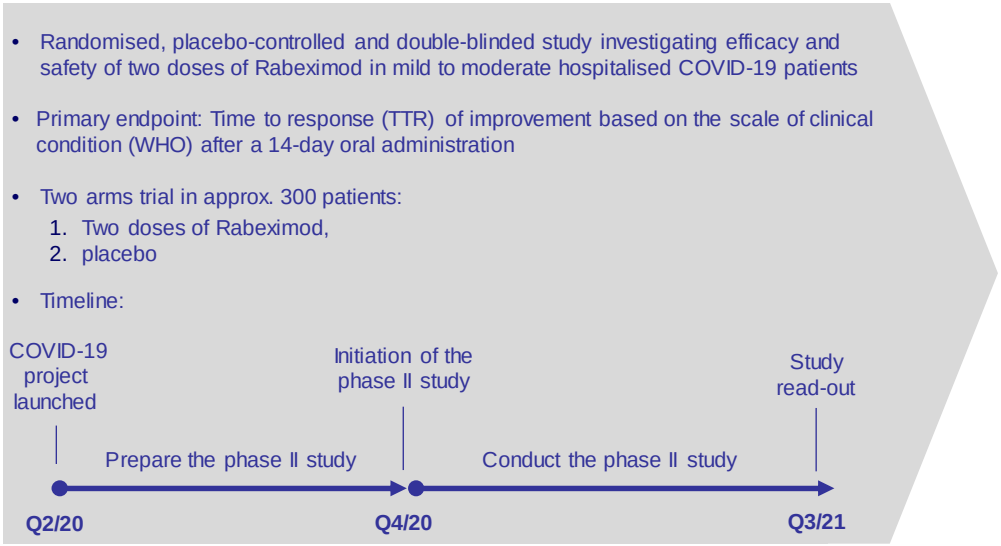
NEW COVID-19 PROGRAMME

Rabeximod's indication expanded to moderate COVID-19, phase II study due to start within the next few weeks in Poland In June 2020, Cyxone acquired exclusive rights to a patent-protected technology which can be used in Rabeximod to treat COVID-19 from the US-based researcher and entrepreneur Dr Kalev Kask. Considering that Rabeximod has proven to be safe for human use in the RA Phase I study, the company aims to initiate directly with the phase II study in COVID-19 by Q4/20. This randomised, placebo-controlled and double-blinded study will investigate the efficacy and safety of two doses of Rabeximod for the treatment of approximately 300 hospitalised patients with moderate COVID-19 disease. The primary endpoint of the clinical study is time to response (TTR) of improvement according to the established "scale of clinical condition" (WHO) after a 14-day oral treatment.

On 8 December, Cyxone received approval by the Ethics Committee and the regulatory authority in Poland to start the trial. The company is contracting the clinical sites and inclusion of the first patients will begin within the next few weeks. An approval to initiate the study in Slovakia is also expected soon, and further countries may be added during the news few months. These measures should allow the company to complete the study and publish results in Q3/21. We give an overview of the planned COVID-19 study in figure 1 below.

Importantly, Rabeximod's oral administration is highly convenient for early treatment of mild to moderate COVID-19. The intervention during this disease stage is relevant to avoid that the patients, particularly the ones at risk, develop severe symptoms. This approach would prevent hospitalisations. Moreover, if the drug candidate shows positive effects in moderate COVID-19, the company sees good chances that it is also efficacious in other virally induced acute respiratory disorders such as influenza. This could expand the sales potential of the product substantially.

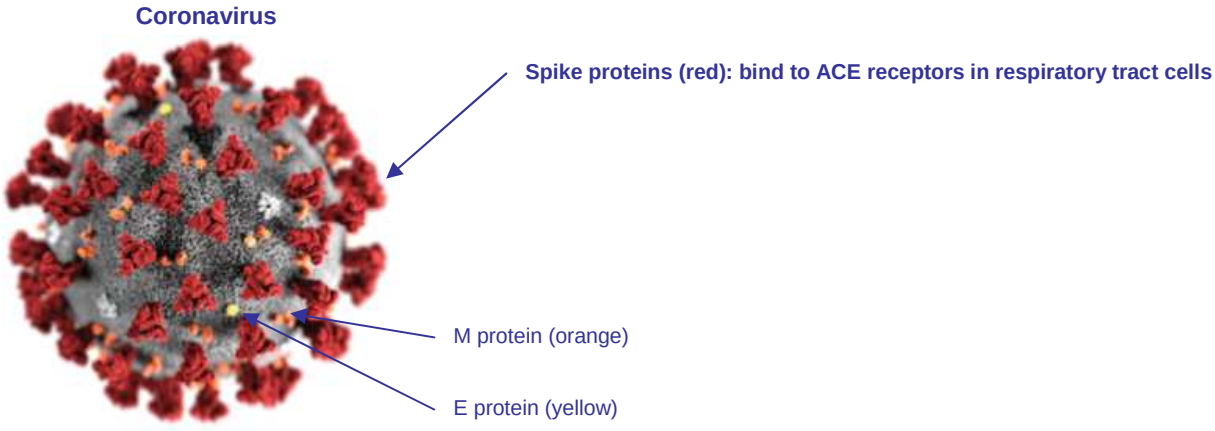
Figure 1: Anticipated trial design of Rabeximod's phase II study in COVID-19



Source: First Berlin Equity Research, Cyxone

SARS CoV-2, a highly contagious virus causing the COVID-19 disease The novel coronavirus SARS CoV-2 causes the severe respiratory disease called coronavirus disease 2019 (COVID-19), also known as severe acute respiratory syndrome (SARS). SARS COV-2 is an RNA virus which belongs to the coronavirus family and is similar to SARS COV-1 transmitting swine flu in 2002-2003. The SARS COV-2 has four distinct structural proteins: the spike protein (S), the matrix protein (M), the nucleocapsid protein (N), and the envelope protein (E). N-proteins, as well as S-proteins, have been identified as promising targets for aptamers in diagnostic and therapeutic applications (sources: Chen et al., 2020; Song et al., 2020; Cleri et al., 2020). Notably, the S-proteins have a central role for viral infectivity, as they help the virus to penetrate the host cells. Through these proteins, the virus can recognise and bind to certain receptors on human cells such as the ACE2 (particularly abundant in the respiratory tract), allowing the virus to fuse to the host cell. (see illustration in figure 2).

Figure 2: Illustration of the SARS-CoV-2 virus



Source: FZ-Juelich, CDC/ Alissa Eckert, MS; Dan Higgins, MAMS

COVID-19 appeared in December 2019 in Wuhan, China. The disease is highly contagious and has spread quickly to the rest of the world. In March 2019 the WHO declared the outbreak a pandemic. The virus has an incubation time of 2-14 days following exposure, time after which the subjects will show the first symptoms. Depending on the severity of the disease, people with COVID-19 have had a wide range of symptoms ranging from no symptoms, to mild (flu-like symptoms such as fever, coughing, fatigue, headaches, chills, loss of taste and/or smell) and in severe cases (trouble breathing, persistent chest pain or pressure, confusion, blue lips or face). In the severe cases, the virus can lead to pneumonia (severe, life-threatening acute inflammatory condition of the lung affecting primarily the microscopic air sacs known as alveoli), multiple organ failure and death. Typical risk factors are age and the existence of chronic medical conditions (sources: Mayo clinic, Tanu Singhal, 2020).

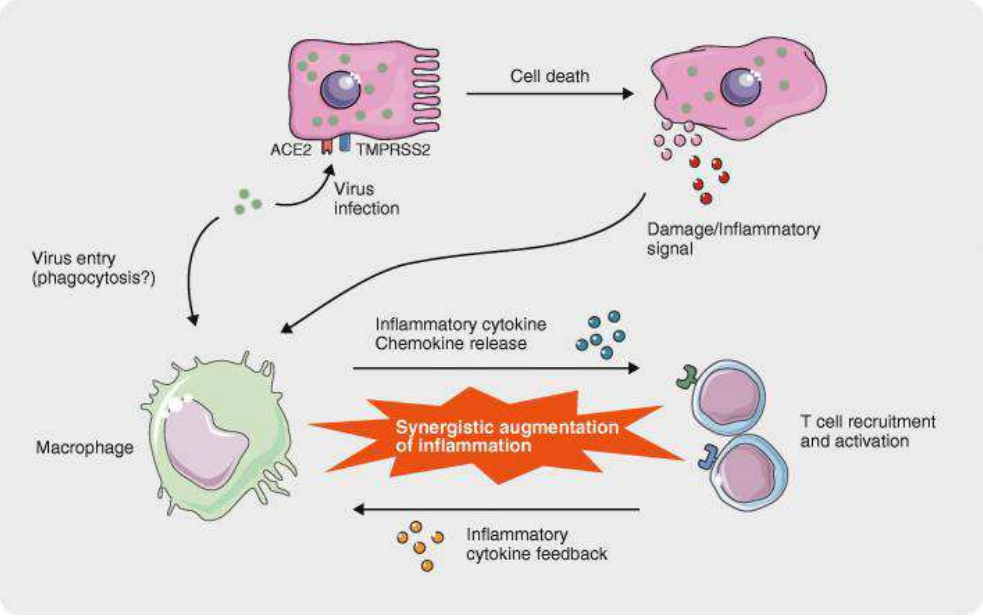
COVID-19 mortality is still uncertain Epidemiologists note that the mortality rate of COVID-19 is particularly challenging to estimate. Based on the European Centre for Disease Prevention and Control statistics, the worldwide death rate averaged 2.6% by early November 2020 (1.2m deaths from 47.1m cases), down from about 6% by May 2020 (peak of the first wave). However, the death rate can be skewed, depending on how much testing is done. Partly due to the shortage of diagnostic tests, but also because there are many people with mild or no symptoms, whose infection has been undetected, there may be many unidentified cases which means that mortality may be lower. Studies are estimating that in many countries, mortality may be around 0.5% – 1.0% (source: Nature, June 2020). However, many countries are not testing the deceased for COVID-19. A substantially higher overall mortality compared to the previous years suggests that the COVID-19 mortality rate could be higher. Also, it is estimated that 5% of the infected population will develop advanced disease requiring intensive care, often requiring extracorporeal organ support therapies. The mortality rate among this critically ill subgroup is high at 40 to 50% (source: Ronco C. et al., 2020).

Rabeximod can potentially address the cytokine storm which triggers severe COVID-19 In vitro and in vivo studies have suggested that Rabeximod inhibits the body's inflammatory process by blocking the activation of inflammatory cells called macrophages. SARS-CoV-2 typically activates macrophages at the infection site, spreading rapidly to the entire lung where the receptors ACE2 and TMPRSS2, which allow the virus to infect cells, are abundant. The strong activation of macrophages, called macrophage activation syndrome (MAS), has been particularly studied, as MAS is believed to be involved in the process of hyperinflammatory responses. Macrophage cells exist in several different subpopulations with various functions, such as destroying surrounding tissue, directing

healing responses, presenting antigens to T-cells and triggering an immune-mediated inflammatory response. The macrophage is a key cell in immune presentation of antigens and contributes considerably to both the initiating phase of the inflammation as well as the perpetuation of the inflammatory process (Kinne et al., 2000). Macrophages also produce a number of inflammatory cytokines such as TNFα, IL-1, IL-2, IL-6, IL-7, IL-10, MIP-1α (also known as CCL3), CXCL10, MCP1 and MIP-1β, which have been abundantly found in the blood of hospitalised patients with severe COVID-19. These findings suggest that the main cause of death of COVID-19 is associated with MAS and cytokine storms. (source Hoiyo et al., 2020).

Cytokine storm is a status of the immune system whereby various immune cells are excessively activated, producing large amounts of cytokines leading to systemic hyperinflammation. This complex process results in a serious reduction of oxygen uptake in the lung and an acute respiratory distress syndrome (ARDS), eventually leading to sepsis and general organ failure. Rabeximod selectively targets the hyperactivated macrophages to suppress them, inhibiting this way the release of multiple cytokines. The company expects that this approach may yield a higher efficacy in COVID-19 compared to targeting single cytokines. Cyxone also believes that by treating the disease early, it is possible to prevent the progression towards an immune overreaction and ARDS. Importantly, Rabeximod does not suppress the general immune system, allowing it to keep fighting the viral infection.

Figure 3: Macrophage activation and its synergistic increase of inflammation in COVID-19



Source: Otsuka et al, Macrophage activation syndrome and COVID-19, 2020

The first wave of therapeutic treatment is chiefly emerging from repurposed drug candidates On 15 June 2020, the European Medicines Agency mentioned that it was in discussion with companies developing a total of 132 potential COVID-19 treatments. The current research focus for COVID-19 is particularly on drugs which are already in development or have been approved for the treatment of another disease and can be repurposed for COVID-19. Such a drug candidate can be developed faster. At present, the repurposed drug candidates chiefly belong to one of the following four groups:

- **Antiviral drugs** originally developed for Ebola, hepatitis C, influenza, the two other coronavirus diseases SARS or MERS (e.g. remdesivir, chloroquine/hydroxychloroquine). They prevent the viruses from entering or multiplying in body cells.

- **Cardiovascular drugs** developed to treat blood clots or heart disease (e.g. low-molecular-weight heparins, anticoagulants such as edoxaban or rivaroxaban). They intend to prevent complications from COVID-19.
- **Attenuating immunomodulators** developed against RA or inflammatory bowel disease (e.g. dexamethasone, Rabeximod, TNF-alpha inhibitors adalimumab, infliximab or otilimab, JAK-inhibitors baricitinib or ruxolitinib). They are designed to control the excessive inflammatory process (cytokine storm) so that it does not cause more damage than the virus itself.
- **Drugs for lung diseases** (e.g. aviptadil against ARDS or solnatide for acute lung failure). They aim to protect the patient's lungs.

Two main therapeutic options for severe COVID-19 available under Emergency Use Authorisation (EUA) There are currently two main drugs available for the treatment of COVID-19. In October 2020, the FDA approved the EUA for the antiviral drug remdesivir (originally developed for EBOLA infections) to treat hospitalised patients with COVID-19. According to the NIAID study including 1,063 patients, the product could reduce the average healing time from 15 to 11 days and lower the mortality rate by 8%, compared to placebo. However, the SOLIDARITY trial (interim, non-peer-reviewed report) conducted in 11k patients under the WHO sponsorship questioned the product's efficacy, stating that it appeared to have little or no effect on hospitalised COVID-19 patients. The second product recommended for COVID-19 is the corticosteroid anti-inflammatory drug dexamethasone. Based on the RECOVERY trial, dexamethasone was able to reduce the risk of death against placebo in severe patients who required either oxygen (23.3% vs 26.2% in the placebo group) or invasive mechanical ventilation (29.3% vs 41.4%). These results were encouraging, and scientists view this product as the standard of care for seriously ill COVID-19 patients. The study suggested that dexamethasone might increase mortality in moderate hospitalised patients who were not receiving oxygen (17.8% vs 14.0%).

New neutralising-antibody cocktails have received EUA in mild patients in the US Eli Lilly's drug bamlanivimab, which reduced visits to the hospital from 6.0% to 1.7%, and REGN-COV-2 from Regeneron (one of the drugs President Trump received), which reduced symptoms and viral loads, have both received EUA for their COVID-19 antibody drugs in the US. Both drugs are approved for mild patients who are not hospitalised, but the risk that the disease progresses to severe symptoms is high (e.g. people over 65 years of age, obese or with a chronic disease). These products comprise basically antibodies capable of blocking the spike protein of the SARS-CoV-2, avoiding viral reproduction and severe disease. However, antibodies are inconvenient (require injection), expensive and difficult to produce, which limits sales potential of these two high-dosage drugs (2.4 to 8 grams of antibodies). We thus see good prospects for Rabeximod administered orally in this mild to moderate patient setting.

Pricing and sales potential of current COVID-19 treatments Wall Street analysts were projecting that remdesivir would have a course-price of USD 5,000 and achieve peak sales of USD 7.6bn in 2022 (nearly half of it from stockpiling). However, once approved, the company determined a lower list price of USD 3,120 for the five-day treatment course in the US, while for governments and developed countries will pay a price of USD 2,340 per course. The price seems reasonable, considering that the earlier discharge of 4 days from hospitals will save the health system about USD 12,000 per patient in the US. Current sales estimates for the product amount to USD 3.1bn in 2021 and USD 2.5bn in 2022 (source: Statista).

Market share pressure due to success of vaccines The positive results from the cheap anti-inflammatory drug dexamethasone, combined with the excellent protection being achieved by vaccines (Pfizer/Biontech 90% - requires storage at -70ºC, Moderna 95%, requires storage at -20ºC, AstraZeneca 70-90% depending on dosage) set newcomers under pricing, timing and market share pressure - the first companies to arrive the market will capture the largest share -, undermining sales potential of their COVID-19 therapeutic drugs. However, widespread adoption of the vaccines may be hindered by several limiting factors such as logistics and supply, scepticism and distrust from certain potential users, little experience of the real long-term protection as well as risks of virus mutations. We thus believe that future COVID-19 management will involve an optimised combination of active testing, vaccination and effective treatment. At present, several experts see vaccination coupled with treatments for early COVID-19 symptoms as the main pillars for the successful fight and end of the pandemic (source Kim et al., December 2020).

Sales potential of Rabeximod in COVID-19 We estimate 34m COVID-19 cases in the main US and European markets in the full year of 2020 (24.7m cases on 23 November). We have conservatively assumed an average ex-factory price for the two-week treatment course USD 1,500 (SEK13,050). Our assumed price applies a significant discount to remdesivir and takes into account Rabeximod's lower production costs. This should enable the product to penetrate the market faster. If the product shows positive efficacy, we believe the drug's convenient oral administration would provide it a highly competitive profile.

Assuming positive results in Q3/21, we project a potential EUA approval and market launch in H1/22. We expect Cyxone to achieve a penetration rate of 1.0%, leading to peak sales of USD 510m (SEK 4.4bn) by 2022. We believe that sales beyond 2022 would have a declining trend as new vaccines and therapies reach the market. We have assumed that Cyxone will out-license the drug following successful phase II trials to a pharmaceutical partner, leading to a gross royalty rate of 18% of sales. The partner will conduct phase III development to obtain full approval and carry out commercialisation. Taking 10% of the profit to which the originator, OxyPharma, is entitled into consideration, as well as our assumption that Dr Kask will receive a royalty of about 8% of Cyxone's net booked sales, we arrived at a net PACME royalty rate of 15%. We used these assumptions in our SOTP valuation model (see table 3 overleaf)

VALUATION MODEL

Buy recommendation reiterated at higher price target While dilutive, the recent capital increases provide Cyxone with the required financial latitude to fund the majority of its pipeline development planned for 2021and 2022. The 6m warrants due to being converted during the period 17-28 May 2021 can further strengthen the company's financial position. Given the indication expansion of Rabeximod into COVID-19 and the imminent initiation of its phase II study, we have included this programme in our SOTP valuation model. Chiefly driven by this pipeline expansion, our price target for Cyxone shares increased to SEK 16.00 (previously: SEK 12.70). We reiterate our Buy rating.

Table 3: "Sum-of-the-parts" valuation model

Compound	Project[1)]	Present Value	Patient Pop (K)	Treatment Cost (SEK)	Market Size (SEKM)	Market Share (%)	Peak Sales (SEKM)	PACME Margin[2)] (%)	Discount Factor (%)	Patent Life[3)] (years)	Time to Market (years)
Rabeximod	RA	SEK 444.0M	470K	104,400	49,068.0M	9%	8,430.1M	16%	21.5%	16	6
Rabeximod	COVID-19	SEK 442.9M	34,000K	13,050	443,700.0M	1%	4,437.0M	15%	21.5%	20	1.5
T20K	MS	SEK 235.7M	850K	208,800	177,480.0M	5%	12,425.7M	18%	21.5%	9	7
PACME PV		SEK 1,122.6M			670,248.0M		25,292.9M				
Costs PV[4)]		SEK 231.0M									
NPV		SEK 891.6M									
Milestones PV		SEK 82.4M									
Net cash (pro-forma)		SEK 111.1M									
Fair Value		SEK 1,085.0M									
Share Count (fully diluted)		67,747K									
Price Target		SEK 16.00									

1) A project typically refers to a specific indication or, where necessary or relevant, a combination between indication and geographic market

2) PACME (Profit After Costs and Marketing Expenses) reflects the company's profit share on future revenues. This share may be derived in the form of royalties (outsourced marketing/manufacturing) or operating EBITDA margin (in-house model), or some mix of both (depending on the specific parameters of partnership agreements)

3) Remaining patent life after the point of approval

4) Includes company-level R&D, G&A, Financing Costs and CapEx; COGS and S&M are factored into the PACME margin for each project

INCOME STATEMENT

All figures in SEK '000	2017	2018	2019	2020E	2021E	2022E
Revenue & other income	**0**	**1**	**27**	**0**	**0**	**0**
Upfront & milestone payments	**0**	**0**	**0**	**0**	**0**	**178,000**
Total revenue & other income	**0**	**1**	**27**	**0**	**0**	**178,000**
Personnel Costs	2,287	2,231	5,252	5,515	5,570	5,626
Other external costs	6,515	28,597	28,010	42,000	66,500	72,300
Depreciation & Amortization	22	956	1,794	1,864	1,957	2,055
Operating income (EBIT)	**-8,824**	**-31,783**	**-35,165**	**-49,519**	**-74,171**	**97,871**
Net financial result	0	0	0	0	0	0
Pre-tax income (EBT)	**-8,824**	**-31,784**	**-35,165**	**-49,519**	**-74,171**	**97,871**
Income taxes	0	0	0	0	0	0
Net income / loss	**-8,824**	**-31,784**	**-35,165**	**-49,519**	**-74,171**	**97,871**
Diluted EPS (SEK)	**-0.50**	**-1.41**	**-0.86**	**-0.98**	**-1.17**	**1.42**
Ratios						
EBIT-Margin on total revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA margin on total revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Margin on total revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expenses as % of Revenues						
Personnel Costs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other external costs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Y-Y Growth						
Total revenue & other income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Operating income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income/ loss	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

BALANCE SHEET

All figures in SEK '000	2017	2018	2019	2020E	2021E	2022E
Assets						
Current Assets, Total	**33,499**	**39,268**	**62,420**	**55,716**	**29,624**	**129,056**
Cash and Cash Equivalents	33,357	38,715	61,756	54,986	28,821	128,172
Accounts Receivable & others	142	553	664	730	803	884
Non-Current Assets, Total	**7,565**	**13,498**	**12,696**	**11,131**	**9,674**	**8,419**
Capitalised development costs*	6,554	0	0	0	0	0
Other intangibles (patents, licenses)	1,011	13,498	11,741	10,176	8,719	7,464
Other Assets	0	0	955	955	955	955
Total Assets	**41,064**	**52,766**	**75,115**	**66,847**	**39,298**	**137,475**
Shareholders' Equity & Debt						
Current Liabilities, Total	**3,932**	**5,121**	**3,378**	**3,677**	**3,959**	**4,265**
Accounts Payable	3,079	4,026	1,694	1,711	1,797	1,887
Other current liabilities	853	1,095	1,684	1,965	2,162	2,378
Longterm Liabilities, Total	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders Equity	**37,132**	**47,645**	**71,737**	**63,171**	**35,339**	**133,210**
Total Consolidated Equity and Debt	**41,064**	**52,766**	**75,115**	**66,847**	**39,298**	**137,475**
Ratios						
Current ratio (x)	8.52	7.67	18.48	15.15	7.48	30.26
Quick ratio (x)	8.52	7.67	18.48	15.15	7.48	30.26
Net gearing	n.a.	n.a.	-86.1%	-87.0%	-81.6%	-96.2%
Book value per share (€)	2.09	2.12	1.75	1.25	0.56	1.93
Net debt	-33,357	-38,715	-61,756	-54,986	-28,821	-128,172
Equity ratio	90.4%	90.3%	95.5%	94.5%	89.9%	96.9%

**The company stopped capitalising development costs at the financial statement of FY/19; FY/18 figures were also adjusted retroactively.*

CASH FLOW STATEMENT

All figures in SEK '000	2017	2018	2019	2020E	2021E	2022E
Net income	**-8,824**	**-31,784**	**-35,165**	**-49,519**	**-74,171**	**97,871**
Interest, net	0	0	0	0	0	0
Tax provision	0	0	0	0	0	0
EBIT	**-8,824**	**-31,783**	**-35,165**	**-49,519**	**-74,171**	**97,871**
Depreciation and amortization	22	956	1,794	1,864	1,957	2,055
EBITDA	**-8,802**	**-30,827**	**-33,371**	**-47,654**	**-72,214**	**99,926**
Changes in working capital & others	3,426	778	-1,854	232	209	209
Cash interest net	0	0	-1	0	0	0
Other Adjustments	0	0	0	0	0	0
Operating cash flow	**-5,376**	**-30,049**	**-35,226**	**-47,422**	**-72,005**	**100,135**
CapEx	-5,990	-13,444	-991	-300	-500	-800
Free cash flow	**-11,366**	**-43,493**	**-36,216**	**-47,722**	**-72,505**	**99,335**
Cash flow from investing	**-5,990**	**-13,444**	**-991**	**-300**	**-500**	**-800**
Debt Financing, net	0	0	0	0	0	0
Equity Financing, net	23,125	48,851	59,257	40,953	46,340	0
Cash flow from financing	**23,125**	**48,851**	**59,257**	**40,953**	**46,340**	**0**
Net cash flows	**11,759**	**5,358**	**23,041**	**-6,770**	**-26,165**	**99,335**
Cash, start of the year	21,598	33,357	38,715	61,756	54,986	28,821
Cash, end of the year	**33,357**	**38,715**	**61,756**	**54,986**	**28,821**	**128,172**

Y-Y Growth						
Operating Cashflow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Free cashflow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/share	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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Anschrift:
First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680
Fax: +49 (0) 30-80 93 9 687
E-Mail: info@firstberlin.com

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First Berlin Equity Research GmbH

Authored by: Christian Orquera, Analyst
All publications of the last 12 months were authored by Christian Orquera.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	30 October 2018	SEK2.09	Buy	SEK13.50
2	3 December 2018	SEK2.17	Buy	SEK13.50
3	1 July 2019	SEK3.32	Buy	SEK13.50
4	6 September 2019	SEK5.75	Buy	SEK13.50
5	26 June 2020	SEK6.79	Buy	SEK12.70
6	8 September 2020	SEK7.31	Buy	SEK12.70
7	Today	SEK4.20	Buy	SEK16.00

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