A1M Pharma

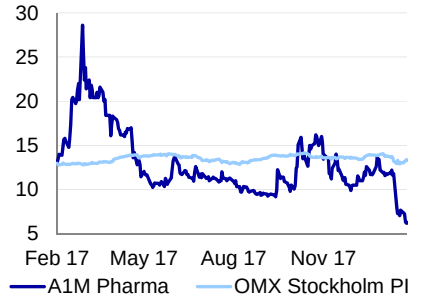
Healthcare | Sweden

KEY DATA

Country	Sweden
Bloomberg	A1M SS
Reuters	A1M.ST
Share price	6.25
Free float	n.a.
Market cap (m)	SEK 52
Website	www.a1m.se
Next report date	23 May 2018

Source: FactSet and Bloomberg

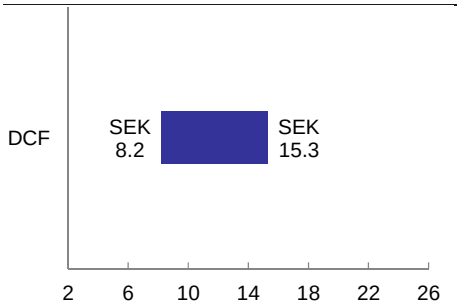
ABSOLUTE & RELATIVE PERFORMANCE



	-1M	-6M	-12M	YTD
Absolute	-48%	-42%	-53%	-43%
Relative	-44%	-45%	-59%	-44%

Source: FactSet and Bloomberg

VALUATION APPROACH



Source: Nordea Markets

Nordea Markets - Analysts

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Start of clinical study imminent

Lower costs in Q4

A1M Pharma reported Q4 2017 sales of SEK 0m and operating income of SEK -15.0m. This is an improvement on the SEK -21.7m in operating income seen during the same quarter of 2016 and was also better than our SEK -18.3m estimate. The improvement is likely attributable to lower R&D spending and cost restraint during the quarter.

Raising funds to enter the clinic

On 5 February, A1M Pharma announced a rights issue, which upon full subscription will provide the company with SEK 83m. The offering has subscription and guarantee commitments of SEK 62.3m, corresponding to 75% of the issue.

The rights issue was expected, considering the company's cash position, and should be sufficient to cover expenses upon preliminary phase I results, expected in H2 2018.

ROSgard on the verge of entering the clinical phase

On 31 January, A1M announced that it has submitted an application to the Swedish Medical Products Agency to conduct a clinical phase I study with ROSgard. The company expects a decision from the regulator to be imminent and will initiate the study promptly upon approval. It will also present more details on the study design at this point.

Preliminary data expected during the autumn

Upcoming triggers relate to the initiation of clinical studies, with phase I expected to start imminently, followed by preliminary data during H2 2018. Other triggers include strengthening of the patent portfolio and potential partner discussions.

SUMMARY TABLE - KEY FIGURES

SEKm	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	0	0	0	0	0	31	52
- growth		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	-14	-30	-54	-67	-81	-30	-3
- margin		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS	-9.66	-15.90	-19.07	-8.15	-3.25	-1.21	-0.10
- growth		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EV/EBIT	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EV/Sales	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
RoE	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-16.6%	-15.4%	-43.8%	-75.2%	-54.8%	-23.3%	-5.9%
ND/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea Markets

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Quarterly review

A1M Pharma reported Q4 2017 sales of SEK 0m and operating income of SEK -15.0m. This was an improvement on the SEK -21.7m in operating income seen during the same quarter of 2016 and was also better than our expectation of SEK -18.3m. The improvement was likely a result of lower R&D spending and cost restraints during the quarter. The company is currently undertaking a SEK 83m rights issue to strengthen its cash position and take it beyond the preliminary phase I results, expected in H2 2018. We make very limited changes to our estimates and look forward to initiation of the company's first clinical study with ROSgard.

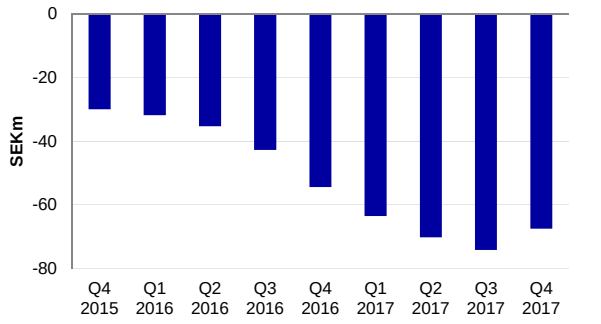
A1M Pharma reported Q4 2017 sales of SEK 0m and operating income of SEK -15.0m. This was an improvement on the SEK -21.7m in operating income seen during the same quarter of 2016.

Costs were lower than we had anticipated

The relatively subdued operating costs of SEK 15.0m during the quarter were lower than our expectation of SEK 18.3m. This likely came as a result of lower research spending during the quarter, as Q4 saw the successful completion of the preclinical programme and focus turned to completing an application to initiate a clinical study with ROSgard. It was also likely a result of intense cost focus by the company, considering its cash position of SEK 7.6m at the end of the year.

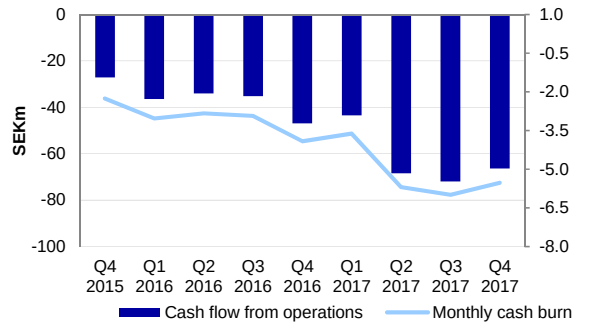
For 2017, operating income came in at SEK -67.6m, an increase from the SEK -54.4m seen in 2016. The increasing costs for the full year are attributable to the company's intensified activity.

OPERATING INCOME - ROLLING LTM AS OF Q4-17



Source: Company data and Nordea Markets

CASH FLOW OPERATIONS - ROLLING LTM AS OF Q4-17



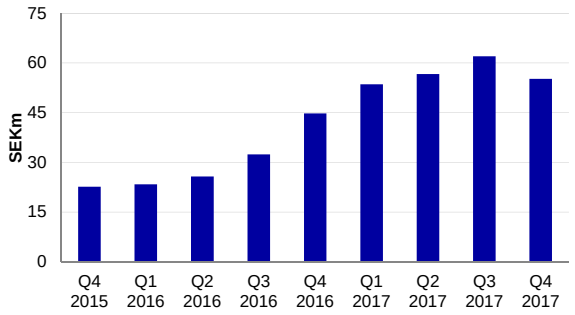
Source: Company data and Nordea Markets

Lower R&D activity main explanation behind lower costs in the quarter

Looking at the R&D component of operating costs, it came in at SEK 12.6m in the quarter compared to SEK 19.4m in the same period in 2016. The 2017 R&D cost was reported at SEK 55.2m, an increase on the SEK 44.8m seen in 2016 and attributable to the intensified development activity during 2017.

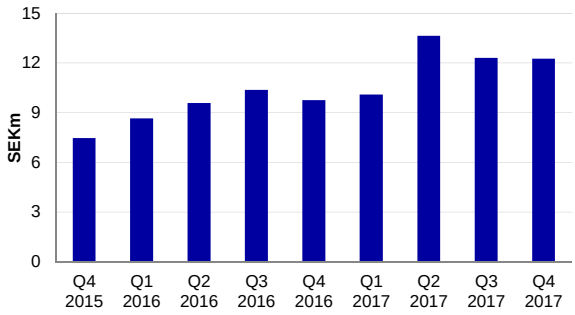
As for SG&A, in which we include cost of sales and administrative costs, it was reported at SEK 2.4m for the quarter and SEK 6.1m for the full year, compared to SEK 2.5m and SEK 4.9m, respectively, for the corresponding periods in 2016.

R&D COSTS - ROLLING LTM AS OF Q4-17



Source: Company data and Nordea Markets

SG&A COSTS - ROLLING LTM AS OF Q4-17



Source: Company data and Nordea Markets

SEK 83m rights issue announced on 5 February

Rights issue of SEK 83m announced at the beginning of February

On 5 February, A1M Pharma announced a rights issue, which upon full subscription will provide the company with SEK 83m. Under the terms of the issue, one share entitles the holder to a subscription right for two new shares at a price of SEK 5.00 per share. The subscription period is 7-21 March.

75% of the issue is guaranteed

The offering has commitments from members of the board, executive management and Fredrik Olsson – partner in the main shareholder Baulos – representing 5.1% of the total amount. In addition, there are guarantee commitments bringing the total to SEK 62.3m, corresponding to 75% of the issue. Guarantors will receive a remuneration of 10% of the guaranteed amount, equivalent to approximately SEK 5.8m.

The rights issue was expected considering the company's cash position and should be sufficient to cover expenses upon preliminary phase I results, expected in H2 2018. In order to fund daily operations until the offering has been completed, the company has raised SEK 7.5m in bridge financing, which will be repaid from the proceeds of the rights issue.

ROSgard's entry into the clinic imminent

Awaiting reply to application to initiate clinical trials

On 31 January, A1M announced that it has submitted an application to the Swedish Medical Products Agency to conduct a clinical phase I study with ROSgard. The company expects a decision from the regulator to be imminent and will initiate the study promptly upon approval. It will also present more details on the study design at this point.

In addition, on 5 January, the company announced that it has entered into a research collaboration to investigate the harmful effects of PRRT treatment, the results of which will be continuously evaluated and used to enhance the upcoming PRRT phase I/II study.

Preliminary data expected during the autumn

Preliminary data from the study is expected in H2-18

Upcoming triggers relate to the initiation of clinical studies, with phase I expected to start imminently, followed by preliminary data during H2 2018. Other triggers include strengthening of the patent portfolio and potential partner discussions.

Estimate changes

We make limited revisions to our estimates

We make very limited changes to our estimates, as the report was largely in line with our expectations. We lower costs slightly for 2018E, as Q4 2017 costs were lower than we had expected, and we also revise costs to be more back-end loaded in 2018E due to a minor delay in the phase I study compared to our previous expectation.

Until the financing situation clears, we take a more cautious view on the valuation

In our view, the low exercise of warrants and weak share performance have increased the financing risk. Although a large portion of the upcoming share issue is guaranteed, we believe SEK 62m is a bit on the low side and might imply a weak negotiating position with partners upon positive clinical data. We therefore take a more cautious view and take that into account in our valuation range. If the situation clears and the company delivers on its clinical milestones, there is potential for valuation upside.

Factors to consider when investing in A1M Pharma

A1M Pharma is on the path to transforming from a university research project to achieving its long-term ambition of building a treatment platform based on the endogenous A1M protein. Preclinical trials have indicated that the company's lead product candidate ROSgard could restore impaired kidney function by repairing damaged tissue and protecting against oxidative stress, which could potentially be useful in multiple indications. It currently targets two indications, kidney protection in PRRT for NETs and pre-eclampsia, and seeks to start an adaptive phase I/II study in radiation-induced kidney damage in 2018. Its commercial strategy is to form strategic partnerships to take ROSgard to market.

We have identified a number of key themes describing the investment case in A1M Pharma

We consider the following factors key when evaluating an investment in A1M Pharma:

- A1M Pharma is on a journey to build a treatment platform based on the product candidate ROSgard that could potentially be used in multiple settings to protect cells and tissue from damage induced by oxidative stress and other toxic substances.
- The company is currently focusing on kidney protection in radiation therapy (PRRT) and pre-eclampsia (toxaemia in pregnancy), areas with unmet medical needs due to a lack of treatment options, and which thus represent promising market opportunities. We estimate the market opportunity in PRRT to be in the range of USD 560-1,960m and in pre-eclampsia at USD 1,200-3,200m.
- The nature of the ROSgard product candidate, as a recombinant drug based on the endogenous protein A1M, could offer potential safety benefits in coming clinical trials. ROSgard is also based on a solid scientific foundation with more than 40 years of research underpinning the mechanism of action.
- A new clinical strategy could facilitate a more optimal path to show clinical proof of concept and later expand ROSgard into other indications with support from strategic partners.
- 2018 represents a paradigm shift for the company as it enters clinical trials with its product candidate ROSgard after timely execution of its preclinical development plan.

Key risk factors:

- Dependent on regulatory approvals and successful commercialisation of the product candidate ROSgard.
- Clinical trials are risky and have no guarantee of success, despite promising results in a preclinical setting.
- The company is in the preclinical stage and the value of preclinical assets is often hard to assess.
- A1M Pharma is in need of additional funding to complete its planned activities over the next 12 months. The company is currently planning a rights issue of SEK 83m before costs to address this issue.
- The company is highly dependent on a number of key employees.

Powerful protective and regeneration stimulating properties

Properties of the A1M protein could enable it to be used across multiple medical applications

A1M Pharma hopes to fulfil its long-term ambition of establishing a treatment platform based on the natural endogenous A1M protein that can be found in all vertebrates. Its lead product candidate is called ROSgard, due to its potential to protect against reactive oxygen species (ROS), a recombinant version of the A1M protein.

In different preclinical settings, it has been indicated that the product candidate could have the potential to protect the body against harmful oxidative stress in the organs and other tissues. If the company were able to establish the protective and healing effects in a clinical setting, it could potentially be applied in a broader sense across other indications.

New clinical strategy to optimise long-term ambitions

New clinical strategy introduced in 2016

A1M Pharma was founded in 2008 with the intention of focusing its activities on pre-eclampsia, an area of significant unmet medical need for which there is no cure today other than symptomatic treatment and termination of the pregnancy. In 2016, the company initiated a strategic review and decided to alter its clinical strategy and chose kidney protection in PRRT for NETs as the first indication to enter clinic with ROSgard. This means that A1M Pharma is developing ROSgard for two indications, both areas with unmet medical needs.

PRRT initially seen as a quicker way to validate the platform

In PRRT, the treatment potential with radioactive isotopes is limited by its harmful effect on the kidneys and bone marrow and ROSgard's protection of these organs could therefore improve the efficacy of the current treatment regime.

It also represents a meaningful market opportunity on its own merits

Although PRRT was initially seen as a means to speed up and facilitate ROSgard's path through the clinical stage, the PRRT indication itself represents a significant market opportunity. In November 2017, the company announced that, in addition to its protective effect on the kidneys, preclinical studies on ROSgard also indicate a protective effect on bone marrow during radiation treatment. If this dual protection against two of the most central damaging effects from radiation treatment can be replicated in clinical trials, it could generate interest and potentially fuel licensing discussions.

PRRT offers a well-specified patient population, which could facilitate patient recruitment

Another key benefit of the strategy shift is that PRRT has a small and well-specified patient population. This facilitates recruitment for a clinical study, a factor that posed a potential issue in a pre-eclampsia clinical study where the patient population consists of pregnant women. The adaptive phase I/II study in PRRT could also generate safety data that could potentially be used in future pre-eclampsia studies.

MARKET OPPORTUNITY WITHIN PRRT	
NETs prevalence in the US and Europe	200,000 - 350,000
PRRT potential patient pool	70,000 - 122,500
ROSGard treatment cost	USD 2,000 - 4,000
Value per patient	USD 8,000 - 16,000
Market opportunity	**USD 560m - 1,960m**

Source: Nordea Markets

MARKET OPPORTUNITY WITHIN PRE-ECLAMPSIA	
Annual pre-eclampsia incidence in the US and Europe	300,000 - 400,000
ROSGard treatment cost	USD 2,000 - 4,000
Value per patient	USD 4,000 - 8,000
Market opportunity	**USD 1,200m - 3,200m**

Source: Nordea Markets

Pre-eclampsia and PRRT alone offers major market opportunities

We estimate the market opportunity for kidney protection in PRRT for NETs at USD 560-1,960m. Assuming a market share for ROSgard of 35%, this yields market potential of USD 196-686m. For pre-eclampsia, we estimate market potential of USD 1,200-3,200m.

Replicating a natural process

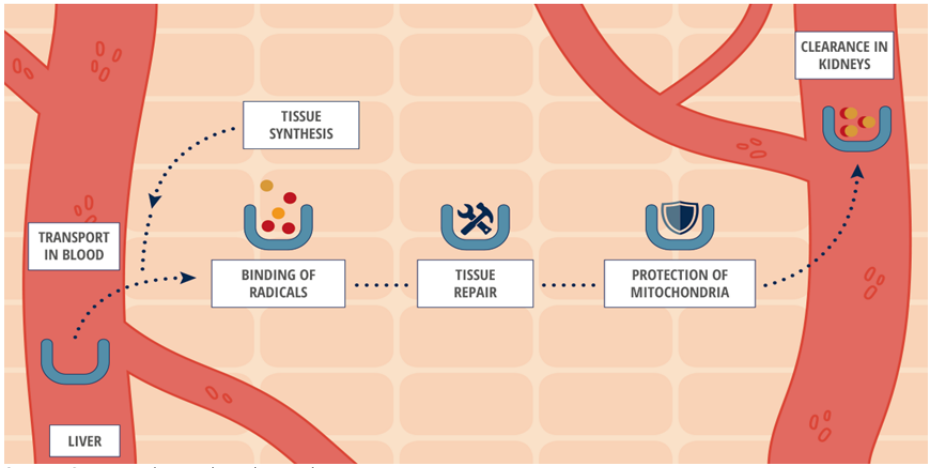
A1M is a natural endogenous protein found in all vertebrates

A1M Pharma's product candidate ROSgard is a recombinant version of the natural endogenous A1M protein. Its mechanism of action can best be described as a "circulating wastebasket" that plays a key role in the body's defence against oxidative stress and toxic substances. With ROSgard, A1M Pharma is thus essentially replicating and amplifying nature's own defence mechanism. The natural A1M protein has the following main mechanisms:

- It binds and transports radicals and heme.
- It repairs oxidation damage and stimulates the healing processes.
- It protects the mitochondria – the cells' built-in power plants.

The A1M protein can be illustrated as a circulating waste bin

THE A1M PROTEIN'S MECHANISMS OF ACTION



Source: Company data and Nordea Markets

ROSgard could potentially exhibit a strong safety profile

As ROSgard is based on an endogenous protein, ie is generated by the body itself, it could generate a strong safety profile. A1M Pharma has so far been able to demonstrate this in preclinical studies in six different species. This safety aspect is especially important in the pre-eclampsia indication, where the patient population consists of pregnant women.

Extensive background research on the properties of A1M

The research on the A1M protein was initiated in 1974 by one of the company's founders, Bo Åkerström, who was assigned the protein as a doctoral project. It has since occupied much of his career and more than 40 years of background research underpins the potential applications for ROSgard.

Entering a new phase in 2018

Transforming from a university research project to clinical research company

A1M Pharma has evolved from essentially an externally funded research group to a clinical research company in quite a short period of time. The company has so far delivered on the final stages of preclinical development without setbacks and is expected to enter the clinic at the beginning of 2018.

Expected to enter clinic in PRRT at the beginning of 2018

Its clinical strategy for the development of ROSgard is to adopt an adaptive phase I/II study design in PRRT. Depending on the outcome of the PRRT study, a phase I or II study in pre-eclampsia is scheduled to start in the second half of 2019.

Followed by pre-eclampsia studies in 2019

A1M Pharma's commercial strategy is to formulate strategic partnerships to facilitate later-stage research and help to bring the product to market. Such agreements could provide a validation of the ROSgard platform and bring shareholder value relatively

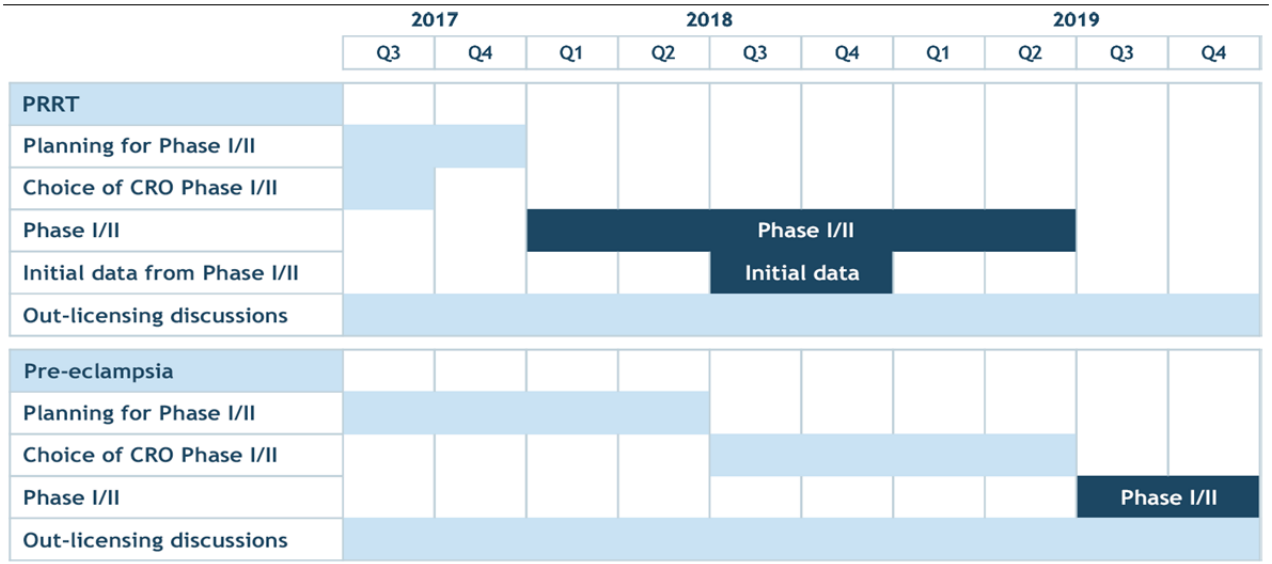
early in the process, as opposed to the riskier and financially more demanding path of going through the entire clinical process by itself.

Commercial strategy licenses the technology to strategic partners

The company plans to have ongoing partnership discussions during the clinical work and initial data from the PRRT phase I/II study is expected in the second half of 2018. An early deal could act as a validation of the technology platform and would mitigate the need for additional funding. There is a trade-off, however, between the timing of a deal and its size, with the size increasing as a function of a product's progression in clinical development.

Financing, inherent in the nature of an early-stage life science company with no sales and resource-demanding research activities, is a recurring issue. On 5 February, the company announced a SEK 83m rights issue with guarantee commitments amounting to 75% of the total. The equity issue was very much expected, considering the cash position, and the company states that the SEK 62.3m in commitments will cover the capital need during the coming 12 months. In the event of less than full subscription in the rights issue, the company will focus on its phase I study in kidney protection for PRRT and postpone its preparations for a clinical study in pre-eclampsia.

PRRT AND PRE-ECLAMPSIA DEVELOPMENT PLAN



Source: Company data and Nordea Markets

Risk factors

A full description of the risk factors we find most relevant for A1M Pharma can be found on pages 21-22

A1M Pharma is dependent on regulatory approvals and the successful commercialisation of its product candidate ROSgard. Failure to receive approval for one or several product candidates could affect the prospects of strategic collaborations and funding, as well as limit the future earnings potential.

Clinical trials are risky and there are no guarantees they will be successful despite promising results in previous trials. Even in the event of positive results, there is a risk that regulatory bodies, such as the FDA and EMA, might have another interpretation of the results. Trials are time-consuming, expensive and require certain expertise. It can take several years to complete a trial, and regulatory bodies may delay or terminate trials at any time.

ROSgard has just finalised the preclinical phase, and the value of assets at this early stage of development is often difficult to assess. The benefits still need to be confirmed in a clinical setting and as the product is still years from potentially reaching the market, it is difficult to predict pricing and demand for the product candidate.

A1M Pharma is still in a development phase and is currently not generating any positive cash flows. As such, the company will need to rely on external funding to take it through the commercial stage, eg in the form of rights issues.

The company's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior scientists as well as senior management. We provide a full description of the main risk factors we find relevant for A1M Pharma on pages 21-22.

Further information

We provide a more in-depth description of the company's technology platform, underlying markets, strategy and historical financials in our initiation report published in November 2017. The full report can be accessed via this link.

Valuation

Based on a fundamental discounted cash flow (DCF) approach and assuming a weighted average cost of capital (WACC) of 10-12%, we derive an equity value range of SEK 8.2-15.3 per share. Note that the valuation is based on a long-term analysis and is not linked to a near-term assessment of the performance of the company.

Our valuation approach is primarily based on a DCF framework

One of the most common ways to value the attractiveness of an investment opportunity is the discounted cash flow (DCF) method. A DCF model discounts all available cash flows for equity, bond and non-equity holders at the weighted average cost of capital (WACC). In other words, WACC represents a blended cost of capital for all invested capital in the company. In fundamental terms, a DCF framework is built on three parts:

- Discounting the company's free cash flow at WACC.
- Identifying the value of debt and other non-equity claims on the enterprise value.
- Deducting all claims to determine the value of the common equity. The fair value per share is then simply calculated by dividing the equity value by the number of outstanding shares.

A DCF valuation is commonly considered among academics and practitioners to be the best way to capture the underlying fundamental drivers of a company such as cost of capital, growth rates, reinvestment rates etc. If applied correctly, it represents the best way to approximate the true intrinsic value of a company. The main appeal of a DCF framework compared with other valuation methodologies is that it also focuses on streams of cash rather than accounting earnings. Its main disadvantage is its relative sensitivity to changes in input values.

We derive an equity value of SEK8.2 to SEK 15.3 per share for A1M Pharma

Based on a DCF framework, we derive an equity valuation range of SEK 8.2-15.3 per share for A1M Pharma. Our forecast model is based on risk-adjusted NPV, where cash flows for the product candidates are adjusted to reflect the probability at each phase of clinical development. This implies that clinical achievements could have a significant impact on the valuation, positively or negatively.

Near-term valuation triggers

A number of near-term events could impact the valuation of the company

A1M Pharma is on the verge of entering the clinic with its product candidate ROSgard in PRRT. The next potential near-term trigger would be preliminary phase I/II data in PRRT, with expected read-out in second half of 2018, followed by final data at year-end.

Preliminary data from PRRT study expected in H2 2018

Potential licensing discussions would likely be ongoing during the period and could provide some financial relief given positive data read-out and allow for further studies in other indications, primarily pre-eclampsia. In line with management communication, we expect clinical studies in pre-eclampsia to commence in the second half of 2019.

UPCOMING VALUATION TRIGGERS

Event	Expected
Initiation of phase I/II study in PRRT	Q1 2018 - Q2 2018
Completion of rights issue	Q2 2018
Initial data from phase I/II study in PRRT	Q3 2018 - Q4 2018
Final data from phase I/II study in PRRT	Q2 2019 - Q3 2019
Potential out-licensing discussions	Q3 2018 - Q2 2019
Initiation of clinical studies in pre-eclampsia	H2 2019

Source: Company data and Nordea Markets

Valuation distribution

Our valuation only incorporates the potential in PRRT and pre-eclampsia

On an indication level, our valuation of the company is based on PRRT and pre-eclampsia. Note that successful clinical proof of concept could validate the treatment platform and allow for expansion into new indications, potentially offering valuation upside. These potential indications include cardiovascular diseases (hardening of the arteries) and eye diseases. Radiation therapy in a broader sense, such as PRRT in treatment of prostate cancer, could also offer further applications of ROSgard. We do not assign any value to other indications apart from pre-eclampsia and PRRT in NETs in our current numbers.

Relative valuation and benchmarking

Difficulties finding relevant peers as it is a novel treatment

While it is generally advisable to attempt to provide a relative valuation approach, as a sanity check if nothing else, the early stage and the nature of the business that A1M Pharma is active in makes it very difficult to find a suitable peer group. The valuation for such a company is highly dependent on company-specific factors such as long-term market potential and probability of reaching that market, something that differs greatly between different medicinal focus areas. Considering the pioneering nature of A1M Pharma's platform against oxidative stress, we will therefore value the company solely on its own merits.

Fundamental valuation

Our DCF valuation range is based on variations in sales, EBIT margin and WACC assumptions

In the table below, we set out the general assumptions that we use to calculate our DCF value. Based on the assumption that A1M Pharma can deliver broadly in line with our forecasts, with variations in sales growth, EBIT margin and WACC assumptions, we arrive at a fair equity value range of SEK 8.2-15.3 per share. In the terminal period, we model WACC equal to ROIC and 2.5% growth.

DCF VALUATION

DCF value	Value	Per share
NPV FCFF	193-368	7.8-14.8
(Net debt)	8	0.3
Time value	4-6	0.1-0.2
DCF Value	**204-381**	**8.2-15.3**

Source: Nordea Markets

AVERAGES & ASSUMPTIONS

Averages and assumptions	2017-30	2031-37	2038-42	2043-47	Sust.
Sales growth, CAGR	n.a	-25.0%	-20.0%	2.5%	
EBIT-margin, ex. associaties	56.9%	52.8%	48.0%	38.0%	
Capex/depreciation, x	1.5	1.0	1.0	1.0	
Capex/sales	5.7%	3.0%	3.0%	2.5%	
NWC/sales	13.5%	5.0%	5.0%	5.0%	
FCFF, CAGR	n.m.	-18.5%	-23.0%	-14.6%	2.5%

Source: Nordea Markets

To highlight the sensitivity of the DCF valuation, we also provide sensitivity matrices modelling variations in revenue growth, margin assumptions and cost of capital.

WACC

We apply a range of cost capital (WACC) of 10-12% as the input for our DCF valuation. The assumptions behind our WACC are outlined in the following table.

We apply a WACC range of 10%-12%

WACC ASSUMPTIONS	
WACC components	
Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking equity beta	1.6-1.9
Cost of equity	10%-12%
Cost of debt	10.0%
Tax-rate used in WACC	22.0%
Equity weight	100%
WACC	**10.0%-12.0%**

Source: Nordea Markets

DCF sensitivity

In the following table, we provide a sensitivity analysis of the DCF valuation, with varying EBIT margins and sales growth rates.

Our DCF value with varying EBIT margins and sales growth rates

SALES GROWTH VS EBIT MARGIN						
				Sales growth change		
		-7.0pp	-3.5pp		+3.5pp	+7.0pp
EBIT margin change	+7.0pp	10.1	10.7	11.5	12.5	13.8
	+3.5pp	9.9	10.5	11.2	12.1	13.3
		9.7	10.2	10.9	11.7	12.9
	-3.5pp	9.4	9.9	10.6	11.4	12.4
	-7.0pp	9.2	9.7	10.3	11.0	12.0

Source: Nordea Markets

We also illustrate how the equity value varies with changes in WACC and sales growth.

Our DCF value with different WACC and sales growth assumptions

WACC VS SALES GROWTH						
				WACC		
		10.0%	10.5%	11.0%	11.5%	12.0%
Sales gr. change	+7.0pp	15.3	14.1	12.9	11.8	10.8
	+3.5pp	13.9	12.8	11.7	10.8	9.9
		12.8	11.8	10.9	10.0	9.2
	-3.5pp	12.0	11.1	10.2	9.4	8.6
	-7.0pp	11.3	10.5	9.7	8.9	8.2

Source: Nordea Markets

In addition, we provide a sensitivity table illustrating how the equity value varies with changes in EBIT margin assumptions and WACC.

Our DCF value with different WACC and EBIT margin assumptions

WACC VS EBIT MARGIN						
				WACC		
		10.0%	10.5%	11.0%	11.5%	12.0%
EBIT margin change	+7.0pp	13.5	12.5	11.5	10.6	9.7
	+3.5pp	13.2	12.1	11.2	10.3	9.4
		12.8	11.8	10.9	10.0	9.2
	-3.5pp	12.5	11.5	10.6	9.7	8.9
	-7.0pp	12.1	11.1	10.3	9.4	8.7

Source: Nordea Markets

Estimates

We use a royalty-based revenue model to estimate A1M Pharma's earnings potential. Our estimates are based on the assumption that the company achieves its goal of finding a strategic partner that can support the commercialisation of ROSgard and share the clinical development costs. We see non-risk-adjusted royalty sales of SEK 518m and SEK 941m in PRRT and pre-eclampsia, respectively, in 2030E. However, adjusting for the risks inherent at the clinical stage, we calculate total risk-adjusted royalty sales for the company of SEK 223m in 2030E.

A1M Pharma aims to commercialise products through partnerships

A1M Pharma's operational strategy is to become a lean development organisation that can commercialise its products through strategic partnerships. The first step in the process is to enter the clinical stage and show proof of concept in PRRT to attract interest and later expand into other indications, primarily pre-eclampsia in the short term.

We use a royalty-based revenue model to estimate earnings potential

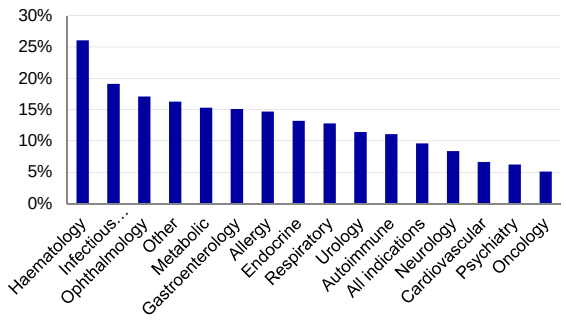
To estimate the earnings potential, we use a royalty-based revenue model that assumes the company is able to find a strategic partner. The design of such partnership deals depends on numerous factors, such as market potential, competition, relative bargaining power and the stage of development. Generally, there is a balance between signing an early deal to de-risk operations and validate the technology, and a deal at a later stage that could induce a higher value. Deal structure can also vary, being either front-end loaded, including a high upfront payment and a low royalty rate, or back-end loaded, including a low upfront payment and a high royalty rate. Milestone payments can also be included, with payment upon certain conditions being met.

Estimates are based on the market potential of the two current indications

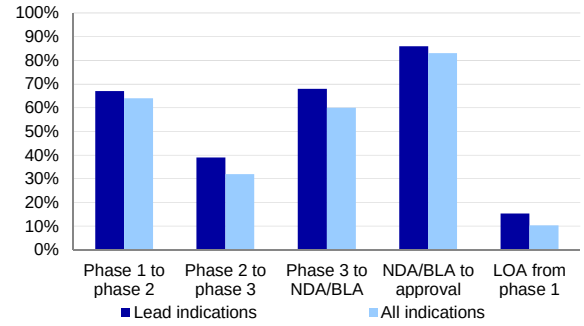
Our estimates are based on the market potential within PRRT and pre-eclampsia. Hence, we do not assign any value to other potential applications for A1M. We use risk-adjusted sales, adjusting sales to reflect the probability of approval. This implies that clinical results could alter the valuation.

Studies in the US estimate that the likelihood of approval from phase I to market authorisation is about 10% across all indications, while it is slightly higher for the lead indication of the drug candidate (15%). Depending on the type of indication, the likelihood of approval is about 5-26%. The biggest threshold is between phase II and phase III, as the majority of the drug candidates do not make it to the final stage of clinical trials.

LIKELIHOOD OF APPROVAL FROM PHASE I BY FIELD



PROBABILITY OF SUCCESS IN THE CLINICAL STAGE



Source: "Clinical Development Success Rates 2006-2015", Hay et. al (both graphs) and Nordea Markets

Kidney protection in PRRT

We estimate clinical studies to start in 2018, with phase III in mid-2019

Below, we list the main assumptions behind our sales forecasts within PRRT. We expect A1M Pharma to commence clinical studies in 2018, enter phase III in mid-2019 and possibly have an approved product on the market by 2023. We assign a likelihood for approval of 15% (phase I upon market authorisation) based on ROSgard being a biological drug candidate.

The market opportunity in PRRT is estimated at USD 0.6-2.0bn, based on our assumptions

We estimate the addressable market in PRRT at USD 560-1,960m, based on a price for ROSgard in PRRT of USD 2,000-4,000 per cycle and NETs prevalence of 200,000-350,000 patients in the US and the EU. We assume four treatment cycles, implying a value per patient of USD 8,000-16,000. This would represent a meaningful increase in the cost of a PRRT treatment, but we find it warranted given that it addresses two of the most central damaging effects from radiation therapy. As such, ROSgard could improve the efficacy and applicability of PRRT, ie by allowing for more therapy sessions in a shorter amount of time, resulting in a more effective treatment. We use the midpoint as the baseline scenario in our forecasts, yielding an addressable market of USD 1,260m.

MAIN ASSUMPTIONS - PRRT	
Number of treatments	4
Price in USD	3,000
Royalty	10%
Patient growth	**3%**
Price inflation	3%
Treated	30%

Source: Nordea Markets

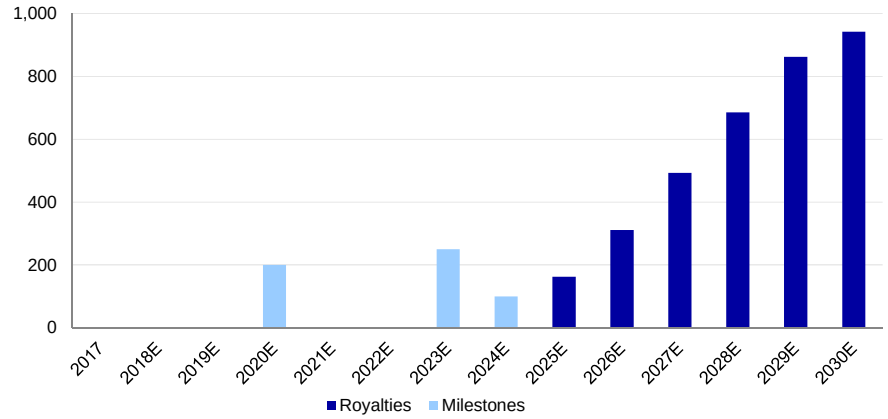
Orphan drug designation and biological exclusivity could further strengthen a favourable patent situation

In 2016, A1M Pharma applied for a substance patent regarding the A1M protein and protection of the kidneys in radionuclide therapy. In addition, it has been assigned orphan drug designation in the EU in pre-eclampsia, allowing for ten years' market exclusivity for the molecule upon approval. The company could also apply for orphan drug status in the US and Japan, which provides seven years' exclusivity. Since the molecule is biological, there could also be an opportunity to gain biological exclusivity, granting 12 years' protection in the US and a decade's in Europe. The company is currently evaluating the possibilities of gaining orphan drug designation in the US and the EU for PRRT. Overall, we view the patent situation as favourable, implying potential peak sales beyond 2028. We forecast a peak market share of 35% in the target population.

We see a potential to reach sales of SEK 528m (non-risk-adjusted) in 2030E

Based on the assumptions that the company can deliver on our forecasts, we see potential for it to reach royalty-based sales of SEK 518m (non-risk-adjusted) in 2030E, assuming a 10% royalty rate. Our estimates include an upfront payment of SEK 200m upon final phase I/II data at the beginning of 2019 and milestone payments of SEK 250m and SEK 100m, respectively, upon completion of phase III trials in 2022E and subsequent market authorisation in 2023E. In the potential phase III study, we assume research collaboration between A1M Pharma and a potential partner with a 50/50 cost split. Milestones are risk-adjusted to reflect the success probability at each clinical stage of development.

PRRT ROYALTIES AND MILESTONES - NON-RISK-ADJUSTED



Source: Nordea Markets

PRRT	16	17	18E	19E	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
NETs prevalence in the US & EU ('000s)	275	283	292	300	310	319	328	338	348	359	370	381	392	404	416
PRRT potential patient pool (000's)	96	99	102	105	108	112	115	118	122	126	129	133	137	141	146
Global market, USDm	1,155	1,190	1,225	1,262	1,300	1,339	1,379	1,421	1,507	1,552	1,599	1,647	1,696	1,747	1,799
A1M market share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	13.0%	21.0%	28.0%	33.0%	35.0%	35.0%	35.0%
A1M sales, USDm	-	-	-	-	-	-	-	71	196	326	448	543	594	611	630

Source: Nordea Markets

PRRT - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES (SEKm)

		Royalty rate				
		8%	9%	10%	11%	12%
Price (USD)	1,000	251	282	314	345	376
	2,000	502	565	627	690	753
	3,000	753	847	941	1,035	1,129
	4,000	1,004	1,129	1,255	1,380	1,506
	5,000	1,255	1,412	1,568	1,725	1,882

Source: Nordea Markets

Pre-eclampsia

We estimate the market opportunity in pre-eclampsia at USD 1.2-3.2bn, based on our assumptions

In line with management communication, we expect clinical studies in pregnancy-related kidney damage to be initiated in H2 2019. As a baseline for our patient population, we use the midpoint of the estimated annual incidence rate of 300,000-400,000 in the US and the EU. Based on the potential direct savings from A1M of about SEK 0.1m per patient, not including factors such as long-term effects and patient wellbeing, we see potential for a price in the region of USD 2,000-4,000. We assume two treatment cycles, which yields a value per patient of USD 4,000-8,000 and a market opportunity of USD 1,200-3,200m. We use the midpoint as the baseline scenario in our forecasts.

MAIN ASSUMPTIONS - PRE-ECLAMPSIA

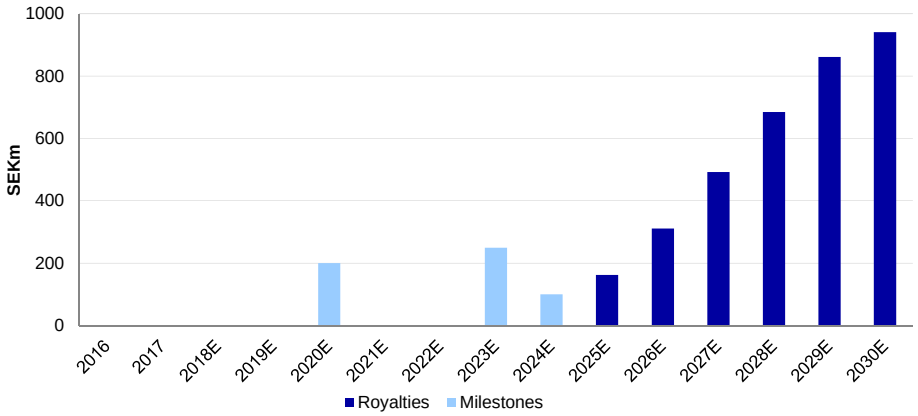
Number of treatments	2
Price in USD	3,000
Royalty	10%
Patient growth	**3%**
Price inflation	3%
Treated	50%

Source: Nordea Markets

We see potential to reach sales of SEK 941m (non-risk-adjusted) in 2030E

Based on our forecasts, we see potential to reach royalty-based sales (non-risk-adjusted) of SEK 941m in 2030E, based on a royalty rate of 10%. Our estimates include an upfront payment of SEK 200m and milestone payments of SEK 250m and SEK 100m, respectively, upon potential successful phase III and subsequent market approval. Note that these forecasts are based on a partnership deal and the company being successful in raising new funds to finalise its research activities. Milestones are risk-adjusted to reflect the success probability at each clinical stage of development.

PRE-ECLAMPSIA ROYALTIES AND MILESTONES - NON-RISK-ADJUSTED



Source: Nordea Markets

PRE-ECLAMPSIA	16	17	18E	19E	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Incidence in the US & EU (000's)	350	361	371	382	394	406	418	430	443	457	470	484	499	514	529
Global market, USDm	2,100	2,163	2,228	2,295	2,364	2,434	2,508	2,583	2,660	2,822	2,907	2,994	3,084	3,176	3,272
A1M market share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.0%	13.0%	20.0%	27.0%	33.0%	35.0%
A1M sales, USDm	-	-	-	-	-	-	-	-	-	198	378	599	833	1,048	1,145

Source: Nordea Markets

PRE-ECLAMPSIA - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES (SEKm

Price (USD)	Royalty rate 8%	9%	10%	11%	12%
1,000	138	155	173	190	207
2,000	276	311	345	380	414
3,000	414	466	518	569	621
4,000	552	621	690	759	828
5,000	690	776	863	949	1,035

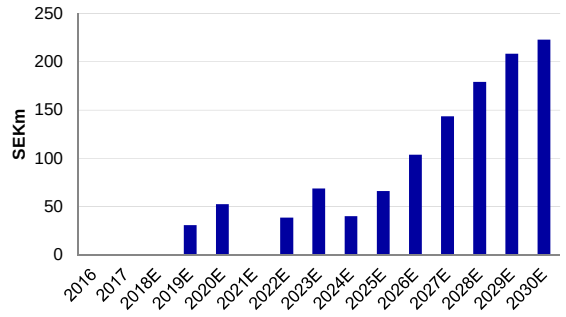
Source: Nordea Markets

Group estimates

We calculate risk-adjusted sales of SEK 223m in 2030E

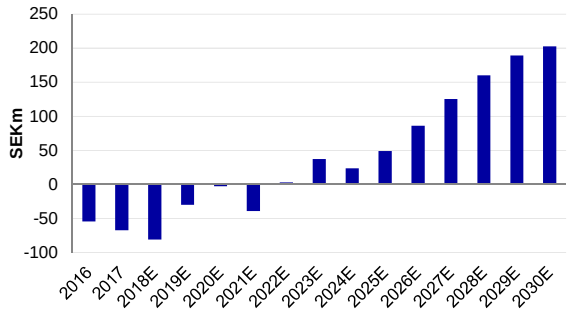
Based on our forecasts, we calculate risk-adjusted royalty sales of SEK 223m on the group level, yielding EBIT of SEK 203m in 2030E. Our estimates imply that PRRT sales constitute 35% of 2030E group sales, with pre-eclampsia representing the remaining 65%. As A1M Pharma has incurred losses during its development phase, we expect taxes carried forward to be used to minimise tax payments. In 2018E, we calculate accumulated losses to amount to about SEK 281m.

A1M PHARMA ESTIMATED SALES



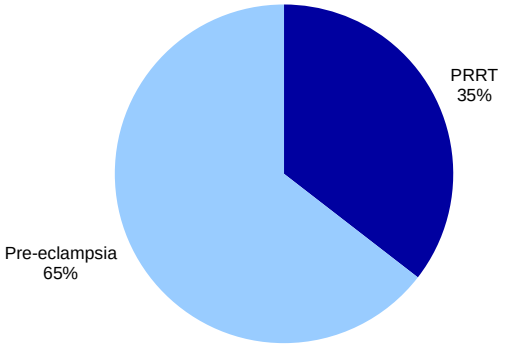
Source: Nordea Markets

A1M PHARMA ESTIMATED EBIT



Source: Nordea Markets

2030E SALES SPLIT



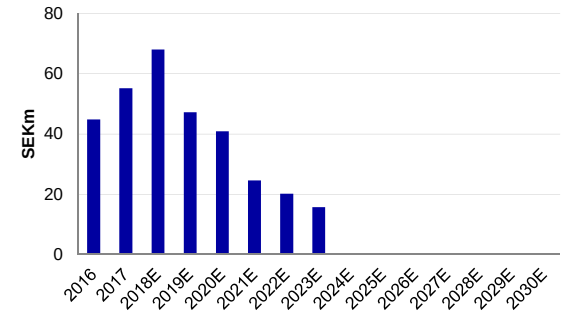
Source: Nordea Markets

Group costs

We estimate operational costs to increase from SEK 67m in 2017 to SEK 81m in 2018E

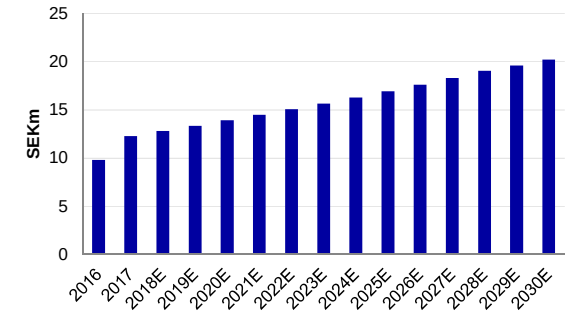
In order for the company to scale up operations and enter the clinical phase, we estimate operational costs will increase from SEK 67m in 2017 to SEK 81m in 2018E. We attribute the main proportion of the cost increase to R&D spending, which we estimate could rise from SEK 55m in 2017 to SEK 68m in 2018E. We also see scope for increased sales and administrative costs to scale up operations and prepare for clinical trials, albeit from a low starting point.

A1M PHARMA ESTIMATED R&D COST



Source: Nordea Markets

A1M PHARMA ESTIMATED S&GA COST



Source: Nordea Markets

Cash flow

The company is currently raising more funds but may need additional funds to take it to a partnership agreement

The company ended Q4 2017 with SEK 7.6m in cash. This means that it does not have sufficient funds for its planned research activities in the coming 12 months. To remedy this, A1M Pharma is currently undertaking a SEK 83m rights issue. The issue, which has guarantee commitments amounting to 75% of the total, was expected and will strengthen the company's cash position. The company states that the commitments will cover the capital need during the coming 12 months.

Our estimates include upfront and milestone payments from a potential partnership deal, which are dependent on positive clinical data. These payments are also risk-adjusted to reflect the probability in each research phase.

Detailed estimates

A1M PHARMA - P&L QUARTERLY AND ANNUAL ESTIMATES

SEKm	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018E	Q2 2018E	Q3 2018E	Q4 2018E	2017	2018E	2019E
Sales	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**31**
growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA	**-15**	**-18**	**-18**	**-15**	**-18**	**-19**	**-21**	**-22**	**-65**	**-78**	**-28**
margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	**-16**	**-18**	**-18**	**-15**	**-18**	**-19**	**-21**	**-22**	**-67**	**-81**	**-30**
margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net financials	0	0	0	0	0	0	0	0	0	0	0
EBT	**-16**	**-18**	**-18**	**-15**	**-18**	**-19**	**-21**	**-22**	**-68**	**-81**	**-30**
Taxes	0	0	0	0	0	0	0	0	0	0	0
Net income	-16	-18	-18	-15	-18	-19	-21	-22	-68	-81	-30

Source: Company data and Nordea Markets

Risk factors

Below, we list the main risk factors we find relevant for A1M Pharma. The purpose of this is not to provide a comprehensive picture of all of the risks that the company may be subject to, but instead to highlight those that we find most relevant. The main risks we identify relate to the success of clinical trials, regulatory uncertainty, the financial position and the limited commercial history of the company.

Success of its key product candidate

A1M Pharma is dependent on the success of its product candidate

A1M Pharma is dependent on regulatory approvals and the successful commercialisation of its product candidate ROSgard. Failure to receive approval for one or several product candidates could affect the prospects for strategic collaborations and funding, and limit future earnings potential. Risk factors affecting commercial and development success include, but are not limited to, completion of preclinical and clinical trials, regulatory and market approvals from central agencies such as the EMA and FDA, protection and maintenance of intellectual property, competition from other treatments, and licensing discussions with potential partners.

Clinical studies are risky and time-consuming, and require resources

Clinical trials are risky and time-consuming

Clinical trials are risky and there are no guarantees that they are successful despite promising results in earlier trials. Even in the event of positive results, there is a risk that regulatory bodies, such as the FDA and EMA, might have another interpretation of the results. Trials are also time-consuming and expensive, and require certain expertise. It can take several years to complete a trial, and regulatory bodies may delay or terminate trials at any time.

Value of preclinical assets difficult to assess

Preclinical assets are difficult to assess

ROSgard has just finalised the preclinical phase and the value of assets at this early stage of development is often difficult to assess. Its benefits still need to be confirmed in a clinical setting, and as the product is still years from potentially reaching the market, it is difficult to predict pricing and demand for the product candidate.

Regulatory approvals

Regulatory outcomes are uncertain and differ between regions

Regulatory processes are also uncertain, demanding substantial time and resources from management. In addition, the requirements might differ between different countries and additional studies could be required to obtain approvals. In the event of approval, products will still undergo continual regulatory overviews covering all parts of the manufacturing process, labelling, packing, distribution, etc. Failure to comply with current regulations could lead to marketing restrictions being imposed and recalls, among other things. Another risk is that the current policies may change in the future.

Manufacturing

Pharmaceutical products are governed by strict regulation

Manufacturing of A1M Pharma's product candidates requires compliance with the EMA, FDA and other international standards, such as current Good Manufacturing Practice (cGMP). If the company fails to meet these standards, this could cause production disruptions, which could delay clinical trials. Increased requirements in the future could also cause disruptions and lead to increased investments.

In addition, A1M Pharma is dependent on third-party manufacturers such as Richer-Helm Biologics GmbH & Co KG, a contract manufacturing organisation which will be responsible for the production of ROSgard.

Competition

A1M Pharma could face competition from companies with extensive experience and resources

The market for pharmaceutical products is highly competitive and A1M might face multiple competitors for its products and product candidates including major pharmaceutical companies, speciality pharma companies and biotechnology companies. Apart from established treatments, A1M Pharma might also face competition from new novel treatments currently under development.

Several of the current and potential competitors also have significant advantages in terms of experience, resources and established market positions. In addition, early-stage companies might also prove to be a threat, through strategic collaborations with larger players.

Adverse events

Products could cause severe side effects

There is a risk that the company's products and product candidates could cause serious and/or unexpected side effects. If these were to occur, they could cause a delay or stop to clinical trials, lead to negative outcomes in market approval processes, induce labelling requirements, or be the source of legal disputes and reputational damage.

Financial position and capital needs

A1M Pharma might not have sufficient funds to reach the commercial phase

A1M Pharma is still in a development phase and is currently not generating any positive cash flows. As such, the company will need to rely on external funding to take it through the commercial stage, eg in the form of rights issues.

The company is continually working with several different financing options, eg licensing deals, to ensure that it has enough liquidity until its products are registered and can generate revenue streams. The company believes its prospects of receiving funding are good, but if it was not to receive sufficient funds, it would be difficult for A1M Pharma to continue as a going concern.

Limited operational history to assess long-term viability

Limited history makes it difficult to predict the long-term viability of the business

A1M Pharma has been an active company since 2008, but operations have so far been limited to early-stage development activities such as identifying product candidates, raising capital and conducting preclinical studies. In order to take the next step by entering the clinical stage and later commercialising the product, the company might need to recruit personnel with new areas of competence.

Hiring/maintaining qualified personnel

A1M Pharma depends on key personnel, including scientists

A1M Pharma's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior scientists as well as senior management. Loss of key individuals could lead to delays to or prevention of the successful development of its product candidates. As previously mentioned, the company might also need to add new capabilities to engage in commercial activities; failure to do so could limit its future success.

Patent

Intellectual property is key to the future success of its product candidates

Intellectual property is crucial in pharmaceutical development and A1M Pharma has a broad portfolio of issued, pending and published patents covering many of the major markets. However, if A1M Pharma is not able to adequately defend its IP, this could affect the future success of its product candidate. The company might also be forced into litigation or it could itself be subject to allegations of patent infringements by a third party.

Glossary

Adaptive study: A study that evaluates a medical device or treatment by observing participant outcomes (and possibly other measures, such as side effects) on a prescribed schedule, modifying parameters of the trial protocol in accordance with those observations.

Clinical phase: Tests of drug candidates on humans (or animals in a veterinary context)

- phase I: test of a drug on a limited number of healthy volunteers (25-100 people) for dose-ranging
- phase II: test of a drug on patients (50-300 people) with the disease to determine efficacy and side effects
- phase III: test of a drug on a larger group of patients (300-3,000 people) with the disease to determine efficacy, side effects and safety profile compared with the current standard treatment
- phase IV: Upon market launch, the drug is monitored with respect to rare side effects.

Contract research organisation (CRO): An organisation that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis.

EMA: The European Medicines Agency is the EU's medical authority.

FDA: The Food and Drug Administration is the US medical authority.

Free radical: An oxygen-containing molecule that has one or more unpaired electrons, making it highly chemically reactive with other substances. Free radicals can cause serious cellular damage through oxidative stress.

Good Laboratory Practice (GLP): A quality system of management controls for research laboratories and organisations to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical (including pharmaceuticals) non-clinical safety tests.

Good Manufacturing Practice (GMP): The practices required to conform to the guidelines recommended by agencies that control authorisation and licensing for the manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public.

Haemoglobin molecule or heme: The iron-containing protein in the red blood cells of all vertebrates. The haemoglobin carries oxygen from the respiratory organs (lungs) to the rest of the body. Heme is the iron-containing component of haemoglobin, which binds the oxygen molecule and gives the blood its red colour. Upon combustion in the cells, a few percent of the used oxygen turn into free oxygen radicals.

Mitochondria: Organelles, or parts of a eukaryote cell that are found in the cytoplasm, outside of the nucleus of a cell. The most prominent role of mitochondria is to produce ATP, a molecule that the cells use as a source of energy, in a process called cellular respiration. In addition to supplying cellular energy, mitochondria are involved in a range of other processes, such as signalling, cellular differentiation, cell death, as well as the control of the cell division cycle and cell growth.

NETs or neuroendocrine tumours: The generic term for a type of hormone-producing tumour that most commonly occurs in the intestine or the lungs.

Orphan drug designation (ODD): Market exclusivity obtained for a product after market approval even if the relevant patent has expired. ODD gives exclusivity for ten years within the EU from the time of market approval.

Oxidative stress: Imbalance between the production of free radicals and the ability of the body to counteract or detoxify their harmful effects through neutralisation by antioxidants. Oxidative stress occurs when the body produces a surplus of harmful free radicals, or when substances that cause damage enter the body, eg substances in cigarette smoke. The most important antioxidants that protect the body from oxidative stress are produced in the body itself. One of these is the protein alpha-1-microglobulin, A1M.

Pre-clinical phase: A stage before tests on humans (clinical trials). Identification of drug candidates, study of feasibility and assessment of products' safety profiles.

Peptide Receptor Radionuclide Therapy (PRRT): A form of molecular targeted therapy used to treat neuroendocrine tumours. In PRRT, a cell-targeting protein (or peptide) is combined with a small amount of radioactive material, creating a special type of radiopharmaceutical called a radiopeptide. When injected into the patient's bloodstream, this radiopeptide travels to and binds with neuroendocrine tumour cells, delivering a high dose of radiation to the cancer.

Proof of concept: A method to evaluate the efficacy of a treatment.

Reactive oxygen species (ROS): A number of reactive molecules and free radicals derived from molecular oxygen.

Recombinant: Modified version of an endogenous protein, for example, such as alpha-1-microglobulin (A1M), of which ROSGard is a recombinant.

Reductase: An enzyme that catalyses a reduction reaction.

Toxicology study: A study performed in animals to determine the dose level recommended for the treatment of a disease with a drug. This method enables the identification of potential adverse effects following repeated daily ingestion of a drug.

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Net revenue	**0**	**0**	**0**	**0**	**0**	**31**	**52**	**0**	**38**
Revenue growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	71.0%	n.a.	n.a.
EBITDA	-14	-29	-52	-65	-78	-28	0	-36	6
Depreciation and impairments PPE	-0	-0	-0	-0	-0	-0	-0	-0	-0
EBITA	-14	-29	-52	-65	-78	-28	-0	-36	6
Amortisation and impairments	0	-1	-2	-2	-2	-2	-2	-3	-3
EBIT	-14	-30	-54	-67	-81	-30	-3	-39	3
of which associates	0	0	0	0	0	0	0	0	0
Associates excl. from EBIT	0	0	0	0	0	0	0	0	0
Net financials	-0	-0	-0	-0	0	0	0	0	0
Pre-Tax Profit	**-14**	**-30**	**-54**	**-68**	**-81**	**-30**	**-3**	**-39**	**3**
Reported taxes	0	0	2	0	0	0	0	0	0
Net profit from cont. operations	-14	-30	-52	-68	-81	-30	-3	-39	3
Discontinued operations	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0
Net profit to equity	-14	-30	-52	-68	-81	-30	-3	-39	3
EPS	**-9.66**	**-15.90**	**-19.07**	**-8.15**	**-3.25**	**-1.21**	**-0.10**	**-1.57**	**0.12**
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent									
EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.2%	n.a.	15.8%
EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.1%	n.a.	15.3%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-4.9%	n.a.	7.9%
Adjusted earnings									
EBITDA (adj.)	-14	-29	-52	-65	-78	-28	0	-36	6
EBITA (adj.)	-14	-29	-52	-65	-78	-28	-0	-36	6
EBIT (adj.)	-14	-30	-54	-67	-81	-30	-3	-39	3
EPS (adj.)	-9.66	-15.90	-19.07	-8.15	-3.25	-1.21	-0.10	-1.57	0.12
Adjusted profit margins in percent									
EBITDA (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.2%	n.a.	15.8%
EBITA (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.1%	n.a.	15.3%
EBIT (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-4.9%	n.a.	7.9%
Performance metrics									
CAGR last 5 years									
Net revenue	n.a.	n.a.	n.a.	n.a.	-58.3%	n.a.	n.a.	n.a.	n.a.
EBITDA	n.a.	n.a.	n.a.	n.a.	54.8%	-1.4%	n.a.	-13.6%	n.a.
EBIT	n.a.	n.a.	n.a.	n.a.	55.8%	0.0%	-53.4%	-12.8%	n.a.
EPS	n.a.	n.a.	n.a.	n.a.	-23.9%	-47.5%	-72.9%	-33.8%	n.a.
DPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average EBIT margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average EBITDA margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea Markets

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	51.5
EV/EBITDA (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1187.9	n.m.	25.6
EV/EBITA (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	26.3
EV/EBIT (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	51.0
Valuation ratios/reported earnings									
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	51.5
EV/Sales	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	3.3
EV/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1187.9	n.m.	25.6
EV/EBITA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	26.3
EV/EBIT	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	51.0
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF yield	-16.6%	-15.4%	-43.8%	-75.2%	-54.8%	-23.3%	-5.9%	-28.1%	0.1%
Payout ratio	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea Markets

BALANCE SHEET									
SEKm	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
Intangible assets	25	29	32	33	33	36	38	41	43
of which R&D	25	29	32	33	33	36	38	41	43
of which other intangibles	0	0	0	0	0	0	0	0	0
of which goodwill	0	0	0	0	0	0	0	0	0
Tangible assets	1	1	1	1	1	1	1	1	1
Shares associates	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0
Other non-int. bearing assets	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0
Total non-current assets	**26**	**30**	**33**	**34**	**34**	**37**	**39**	**41**	**44**
Inventory	0	0	0	0	0	0	0	0	0
Accounts receivable	0	1	0	0	1	8	8	8	10
Other current assets	1	1	2	2	2	2	3	2	2
Cash and bank	4	19	7	8	5	54	45	1	1
Total current assets	**5**	**21**	**9**	**10**	**8**	**63**	**55**	**11**	**13**
Assets held for sale	0	0	0	0	0	0	0	0	0
Total assets	**31**	**51**	**42**	**44**	**42**	**100**	**94**	**53**	**56**
Shareholders equity	**25**	**43**	**30**	**32**	**34**	**89**	**87**	**48**	**51**
of which preferred stock	0	0	0	0	0	0	0	0	0
of which Equity of hyb. debt	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0
Total Equity	25	43	30	32	34	89	87	48	51
Deferred tax	2	2	0	0	0	0	0	0	0
Long term int. bearing debt	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0
Total non-curr. liabilities	**2**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Short-term provisions	0	0	0	0	0	0	0	0	0
Accounts payable	1	3	10	8	5	9	5	5	4
Other current liabilities	2	3	3	4	3	2	3	0	2
Short term interest bearing debt	0	0	0	0	0	0	0	0	0
Total current liabilities	**4**	**6**	**12**	**12**	**8**	**11**	**8**	**5**	**6**
Liab.for assets held for sale	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**31**	**51**	**42**	**44**	**42**	**100**	**94**	**53**	**56**
Balance sheet and debt metrics									
Net debt	-4	-19	-7	-8	-5	-54	-45	-1	-1
Working capital	-3	-5	-10	-10	-5	-2	3	5	6
Invested capital	23	25	23	24	29	35	42	46	49
Capital employed	27	45	30	32	34	89	87	48	51
ROE	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
ROIC	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
ROCE	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	80.1%	83.4%	71.4%	73.2%	81.0%	89.3%	91.7%	90.5%	89.8%
Net gearing	-16.6%	n.m.	-23.1%	-23.8%	-15.7%	-60.8%	-51.9%	-2.4%	-2.5%

Source: Company data and Nordea Markets

SEKm	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
EBITDA (adj.) for associates	-14	-29	-52	-65	-78	-28	0	-36	6
Paid taxes	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	0	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0
Other adj. to reconcile to cash flow	8	0	-1	-1	0	0	0	0	0
Funds from operations (FFO)	**-6**	**-29**	**-52**	**-66**	**-78**	**-28**	**0**	**-36**	**6**
Change in NWC	-1	2	5	0	-5	-3	-4	-2	-1
Cash flow from op. (CFO)	-7	-27	-47	-66	-83	-31	-4	-39	5
Capital Expenditure	-12	-5	-5	-3	-2	-5	-5	-5	-5
Free Cash Flow before A&D	**-18**	**-33**	**-52**	**-69**	**-85**	**-36**	**-9**	**-44**	**0**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Free cash flow	-18	-33	-52	-69	-85	-36	-9	-44	0
Dividends paid	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	33	48	40	69	83	85	0	0	0
Net change in debt	0	0	0	0	0	0	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	-10	0	0	0	0	0	0	0	0
Change in cash	4	15	-12	1	-2	49	-9	-44	0
Cash flow metrics									
Capex/D&A	n.a.	n.a.	201%	206%	89%	211%	195%	183%	172%
Capex/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Key information									
Share price year end (current)	3.9	5.6	2.2	11.0	6.3	6.3	6.3	6.3	6.3
Market cap	112	212	119	91	156	156	156	156	156
Enterprise value	107	192	112	84	150	101	111	154	154
Diluted no. of shares, year-end (m)	1.4	1.9	2.7	8.3	24.9	24.9	24.9	24.9	24.9

Source: Company data and Nordea Markets

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