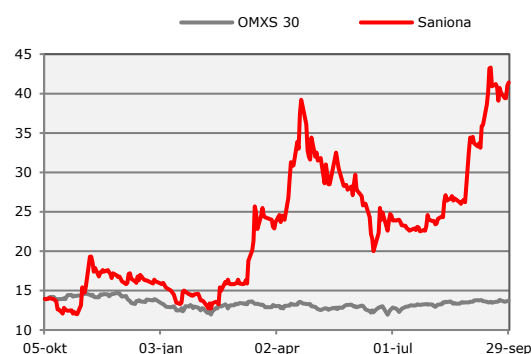


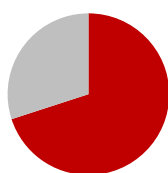
Summary
Saniona (Sanion.st)
Important data is coming soon

- Saniona has a strong 2016 behind it with three commercial agreements signed and one research collaboration so far. Besides another important validation of the research platform and the management's strength to deliver revenue-generating agreements, the latest with Boehringer Ingelheim provides a significant financial infusion that removes the immediate need to raise further capital.
- The agreement with Boehringer Ingelheim has a positive impact on the valuation of Saniona and we are therefore increasing our fair value estimate, in the basic scenario, to SEK 50 (38).
- The foremost driver of the value of the Saniona share is the main project Tesomet (diabetes/overweight) where the first data from the on-going Phase IIa study is expected at the beginning of next year. If the data is all good, it would result in an increased fair value estimate of SEK 70 per share while a setback would reduce it to SEK 34.

List: First North Premier
 Market Cap: 848 MSEK
 Industry: Biotech
 CEO: Jørgen Drejer
 Chairman: Claes Braestrup

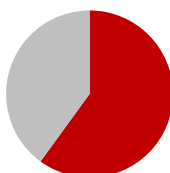

Redeye Rating (0 – 10 points)

Management



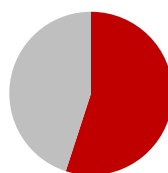
7.0 points

Ownership



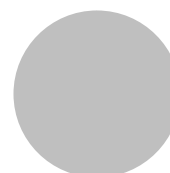
6.0 points

Profit outlook



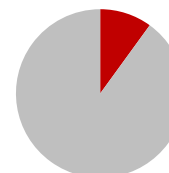
5.5 points

Profitability



0.0 points

Financial strength



1.0 points

Key Financials

	2014	2015	2016E	2017E	2018E	Share information	
Revenue, MSEK	22	14	70	112	99	Share price (SEK)	40.7
Growth	63%	-37%	416%	59%	-11%	Number of shares (m)	20.8
EBITDA	-8	-27	4	46	18	Market Cap (MSEK)	848
EBITDA margin	Neg	Neg	6%	41%	18%	Net debt (MSEK)	-72
EBIT	-8	-28	4	45	18	Free float (%)	80 %
EBIT margin	Neg	Neg	6%	40%	18%	Daily turnover ('000)	72
Pre-tax profit	-8	-29	4	45	18		
Net earnings	-5	-23	3	29	14		
Net margin	Neg	Neg	4%	26%	14%		
Dividend/Share	0.00	0.00	0.00	0.00	0.00	Analyst:	
EPS	-0.39	-1.10	0.13	1.39	0.67	Klas Palin	
P/E	Neg	Neg	244.7	23.3	48.2	klas.palin@redeye.se	
EV/S	4.2	21.3	8.6	5.3	5.6		
EV/EBITDA	Neg	Neg	141.3	12.9	31.2		

Important information: All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicity, and 8 – Forthcoming binary events.

Strong development in 2016

The recently advertised cooperation agreement with Boehringer Ingelheim is the year's third commercial agreement for Saniona, in addition to the research collaboration that was signed with the Michael J Fox Foundation. The agreement is a further validation of the company's business strategy and research platform and a significant financial infusion that gives the company a stable financial situation.

A new cooperation agreement in place

The agreement with Boehringer Ingelheim, which was announced on 29 August, was the high point of the year. The cooperation is focused on the indication area of schizophrenia and is probably a continuation of the research previously conducted by Janssen Pharmaceutical (a subsidiary of Johnson & Johnson) - AN470. If so, this means that the collaboration involves developing selective GABA_A5 substances. We note that there has been extensive research in the field over the years under Janssen's direction and that it has generated several interesting candidates available for evaluation. Consequently, we believe that it can be a relatively fast way forward to be able to choose a candidate drug (CD), which should be able to take place as soon as within 12-24 months with a possibility to begin clinical studies around a year later.

The agreement gives Saniona a cash payment from Boehringer of EUR 5 million (approximately SEK 47 million). There is a possibility of a further EUR 50 million (approx. SEK 480 million) in development related and regulatory compensation. Saniona is also entitled to increasing royalties from future sales (Redeye estimates at 5-7 percent) and sales-related compensation of up to EUR 35 million (approx. SEK 340 million). In our estimates for this year, we had already included an agreement for the AN470 programme, but the terms exceeded our expectations, which were USD 2 million in cash compensation and a total agreement package of USD 50 million.

Upcoming shareholder dividends

The next step in building value for the owners is to distribute the company's ownership in the newly started Initiator Pharma to the shareholders. An Extraordinary General Meeting to decide on this will be held on 13 October this year and an approval of the Board's proposals at the Meeting mean that the final day for trading in Saniona's shares, including a right to a dividend of shares in Initiator Pharma, is 19 October. For every share in Saniona held, one share in Initiator Pharma is received. The goal is then to list Initiator Pharma at the beginning of 2017 and in connection with that conduct a new share issue of around SEK 20 million to finance the continued operations. Saniona's ownership amounts to 60 percent of the shares in Initiator Pharma.

Initiator Pharma is based in Aarhus, Denmark, and was founded by Claus Olesen, Dan Peters, Ulf Simonsen and Mikael Thomsen. The founders, all of whom are active in the company, own the other 40 percent of the shares. Three projects were acquired by Saniona in exchange for ownership in the company, but it is the IPED2015 project that is the main project on which the resources will initially be focused. IPED2015 is a monoamine uptake inhibitor that is being developed in the indication of erectile dysfunction. Erectile dysfunction is an inability among men to achieve and maintain an erection. It is a large global problem that can strike up to 150 million men. An established treatment is medication that inhibits PDE5 with products on the market such as Cialis (tadalafil) from Eli Lilly, Viagra (sildenafil) from Pfizer and Levitra (vardenafil) from Bayer. However, a significant share of patients (perhaps up to 30-40 percent) do not respond to this kind of treatment and currently lack effective alternatives. It is this group of patients that Initiator is focusing on with IPED2015 and here, there are promising preclinical results from animal models, according to Saniona.

The raising of SEK 20 million that is planned prior to a listing on Aktietorget is assessed to cover costs for driving development forward until clinical studies can be begun, which we estimate should be able to take place within one to two years. The company's strategy is to drive IPED2015 through Phase I and Phase II on its own to show effect in humans and thereafter seek a partner to take the project through the last clinical phase and to market. There are additional capital requirements to get there. We have not done any valuation of Initiator Pharma, which is therefore also not included in our valuation of Saniona.

Study data for Tesomet soon available

The really large driver of the value of the Saniona share is results from the on-going Phase IIa study with Tesomet (tesofensine and metoprolol), where Tesomet is studied in overweight/obese patients with type-2 diabetes (T2D). Recruitment of patients to the study has gone faster than we had expected and full patient recruitment (n=60) was already reached at the beginning of August, which is why the first clinical data from the study shall be able to be presented at the beginning of next year (2017).

The Tesomet study is a double-blind Phase IIa study. The patients have been divided into an active arm that receives Tesomet (0.5 mg tesofensine and 100 mg metoprolol) daily and an arm that receives a placebo. The treatment takes place over three months with subsequent follow-up another 20 days. The primary target variable is a difference in heart rate compared with the initial value between the two treatment arms to find out if metoprolol neutralizes excessively high heart rate as noted in earlier studies with tesofensine. In addition to this, the effect on blood sugar levels, weight and liver fat is studied as secondary target variables.

In a clearly positive outcome where the primary target is achieved and the blood sugar levels indicate an improvement, our fair value estimate for Saniona increases to SEK 70, while a setback that indicates a discontinuation of the project yields a fair value estimate of SEK 34 (tesofensine in Mexico continues to be developed). Given the promising data presented to-date regarding the project, we expect interest in the project to continue to grow as we approach the study results in the first quarter of 2017.

Financial forecasts

As mentioned above, we had previously expected Saniona to be able to deliver one more agreement this year, where schizophrenia was the primary candidate. The better terms than we had expected in the agreement mean, however, that we had to adjust our forecast up for this year and now expect Saniona to present a profile for full-year 2016.

Estimates				
	2015	2016e	2017e	2018e
Revenue	13.6	70.3	112.0	99.5
Total Income	13.6	70.3	112.0	99.5
Raw materials and consumables	-2.1	-1.0	-1.9	-2.0
Other external costs	-23.9	-47.4	-45.7	-58.0
Personnel costs	-15.0	-17.3	-18.9	-21.6
Depreciation	-0.8	-0.3	-0.3	-0.3
Total costs	-41.7	-66.0	-66.8	-81.9
EBITDA	-27.3	4.6	45.5	17.9
EBIT	-28.1	4.3	45.2	17.6
Financial net	-1.2	0.2	-1.3	0.0
Pre-tax profit	-29.3	4.5	43.9	17.6
Tax	6.3	-1.6	-15.7	-3.9
Net earnings	-22.9	2.9	28.2	13.7

For next year, we expect Saniona's revenue to be able continue to increase to SEK 112 million. In this figure, we have included risk-adjusted cash compensation of SEK 68 million from agreements regarding Tesomet that corresponds to the 80 percent holding in the project. In addition to this, we have included a risk-adjusted milestone compensation from Boehringer Ingelheim of SEK 36 million from the selection of the candidate drug. In the forecast for 2018, we have included a risk-adjusted non-recurring item of SEK 83 million, which pertains to the sale of ownership in Ataxion to Biogen Idec. The above revenues are of a binary nature and may ultimately not materialize and thereby entail a markedly weaker outcome than we had counted on. It should also be mentioned that Saniona has indicated flexibility and has the possibility of being more restrained on the cost side if necessary than our basic scenario above.

After the agreement with Boehringer Ingenheim, the financial situation is better than ever with cash holdings of SEK 34 million as per 30 June. In addition to this, there is a tax asset of SEK 6 million that is expected to be paid out in November this year.

Even if we count on the operating costs rapidly dropping when the Tesomet study is concluded in the first quarter of next year, we have counted on increased costs next year as we expect the company to continue to invest in its projects with greater activity in the second half of 2017.

Valuation

Our valuation of Saniona is based on a probability-adjusted cash-flow model, where each individual project is valued over its anticipated possibility to generate revenues (SOTP). As a result of the deal with Boehringer Ingelheim, we have adjusted the expectations on AN470 upwards. In addition to this, the improved financial situation and expected earnings mean that the rating for profit outcomes is increased by 0.5 points and by 1.0 point for financial strength. The changes provide a lower required rate of return (WACC) that is reduced to 16.0 percent from an earlier 17.3 percent.

Fair value estimate
increased to SEK 50 (38)

The changes are the reason for an increased valuation of SEK 50 (38) per share in our basic scenario.

Saniona – cashflow valuation SOTP						
Project	Indication	Probability of launch	Royalty	Top-sales. (MUSD)	Estimated launch	NPV (MSEK)*
Tesofensine/Tesomet	Obesity/Type 2-diabetes	20%	13%	1300	2022	413
NS2359	Cocain addiction	12%	24%	500	2021	179
AN363-backup	Neuropatic pain	4%	14%	1500	2024	19
Ataxion-avtal**	Ataxia	10%	5%	1000	2024	51
AN346	IBD	8%	16%	1800	2024	135
AN470	Schizophrenia	9%	7%	1300	2024	163
Upsher-Smith	Neurological diseases	6%	5%	600	2025	35
Nic-a6	Parkinson's	4%	10%	1000	2026	44
Motivated technology value (MSEK)						1 036
Net cash (MSEK)						41
Accumulated adm. costs (MSEK)						-40
Motivated market value (MSEK)						1 038
Number of shares, full dilution (million)						20,8
Motivated share price (SEK)						50

* NPV is based on a SEK/USD cross of 8.5 SEK and a WACC of 16.0%

**Saniona has a ownership of 14%

Relative valuation

To provide a sense of how the valuation of Saniona compares to similar companies, we have compiled a table below where we compare the valuation of a number of listed Swedish research firms. We have concentrated the table on companies with projects in clinical Phase II and companies listed or on the way to being listed on Nasdaq OMX. The exception is Gabather, which is included as they are active in similar areas of research. It is primarily the technology value (EV) we use to create a view of the relative valuation of Saniona.

Relative valuation selection of swedish biotechs						
(SEK million)	Market Cap	Net cash	Technology value (EV)	Number of projects	Number of partners	Development stage
Bioinvent	693	224	469	5	6	Phase I-II
Gabather	202	33	169	1	0	Pre clinical
Hansa Medical	2,520	134	2,386	3	1	Phase II
Immunicum	696	146	550	3	0	Phase II
Saniona	848	88*	760	4	5	Phase II
Wilson Therapeutics	1,370	436	934	1	0	Phase II

Source: Redeye Research, *incl. Upfront Boehringer Ingelheim deal

Scenario analysis

In the next two years, Saniona is facing several critical events in its projects, the outcome of which will have a major impact on the valuation and the share. To illustrate the effects of these, we have sketched two scenarios concerning the primary drivers of the share's value: an optimistic Bull case and a pessimistic Bear case.

I vårt optimistiska **Bull Case-scenario** utgår vi ifrån var bolaget kan vara inom två år vid ett rimligt positivt utfall i utvecklingen av bolagets projekt:

- The on-going Phase IIa study for Tesomet is successful and provides a basis for continued development
- The development of Tesomet is driven further by partners and the project advanced to Phase IIb
- Medix has initiated a Phase III study with tesofensine
- The on-going Phase II study for NS2359 shows promising results
- The partnership with Ataxion develops positively and the projects advance to a Phase I study
- The project with Boehringer Ingelheim has developed well and a Phase I study has begun
- The collaboration with Upsher-Smith proceeds according to plan and an initial candidate drug has been chosen

Our fair value estimate in the Bull Case scenario amounts to **SEK 115**.

Our optimistic scenario provides a value of SEK 115 per share

In our pessimistic Bear Case scenario, we use the following starting points:

- The Phase IIa study for Tesomet does not achieve set targets and is discontinued
- The setback for Tesomet causes a ripple effect and Medix stops the continued development of tesofensine
- The Phase II study for NS2359 does not show results good enough to justify continued development
- AN346 is driven forward, but is delayed and has not yet advanced to clinical studies
- Boehringer Ingelheim continues to drive the project further and a drug candidate has been chosen, but the project is not yet in a preclinical Phase
- The collaboration with Upsher-Smith continues, but no drug candidate has been chosen yet
- The collaboration with Ataxion does not achieve set targets and the project is discontinued

*In our negative scenario,
the valuation amounts to
SEK 14*

Our fair value estimate in the Bear Case scenario amounts to SEK 14

Background – Schizophrenia

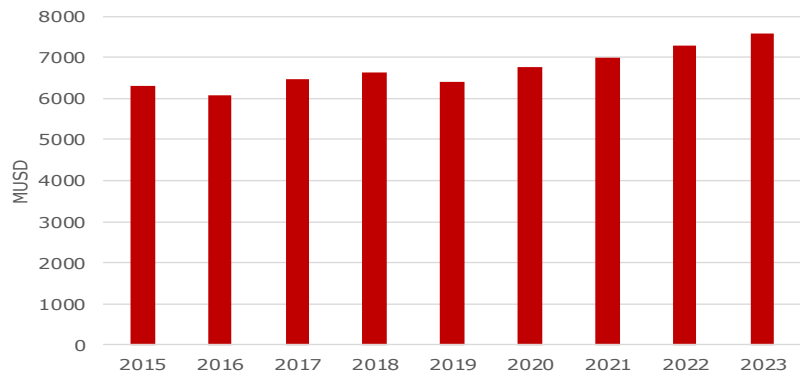
Schizophrenia is a serious psychiatric disease that can entail auditory hallucinations, delusions and changes to perceptions of reality. The disease is relatively common and around 1 percent of the population has the diagnosis. Research indicates a number of genes that contribute to increasing the risk of getting schizophrenia. The exact cause of the disease is unclear however, but heredity is seen as the foremost risk factor. It is a disease that can also be triggered in connection with major strains in life.

Today's treatments (antipsychotic medication) are focused on treating the positive symptoms (supplemental symptoms) such as hallucinations and delusions. These medications have side effects and have a negative effect on cognitive symptoms, learning difficulties, the ability to think and concentration. Negative disease symptoms (dropout symptoms) entail that characteristics are taken away. For example, the individual has difficulty experiencing pleasure, difficulty with relationships or finding motivation.

Antipsychotic medication has a limited effect on the disease, where nearly half of the patients experience a complete response to the treatment according to Datamonitor's survey of psychiatrists while around one sixth do not experience any response to the treatment at all. According to the same study, nearly half of these individuals are treated.

The market for medication against schizophrenia is estimated to amount to more than USD 6 billion in the seven largest pharmaceutical markets according to Datamonitor. Sales of pharmaceuticals in the area are expected to continue to grow in the next few years to exceed USD 7 billion in 2023.

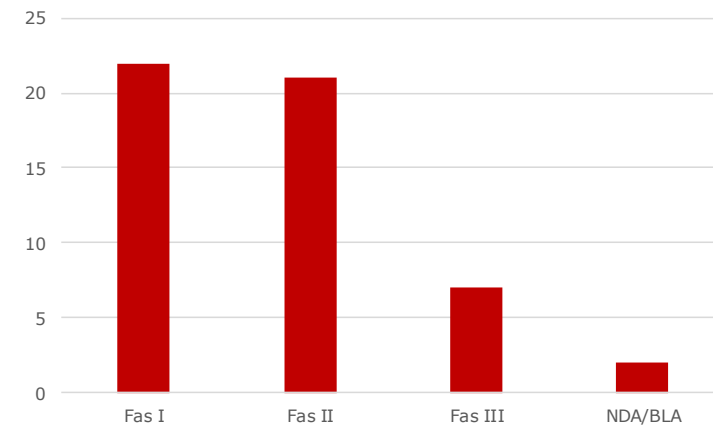
Forecast sales of schizophrenia medication in the seven largest markets, 2015-2023



Source: Datamonitor

The activity taking place in the area, with several projects in clinic development, is focused on cognitive and negative symptoms in particular. The challenge in understanding the underlying mechanisms upon cognitive changes contributes to the difficulty of developing effective new medication.

Number of projects under development - Schizophrenia



Source: Biomedtracker

Selection of clinical projects in Schizophrenia

Drug	Lead Company	Target	Drug Type	
Abilify/Proteus	Otsuka Holdings Co., ...	Alpha Adrenergic Receptors^ Dopa..	Small Molecule	NDA/BLA
Aristada (Two-Month)	Alkermes plc	Alpha Adrenergic Receptors^ Dopa..	Small Molecule	NDA/BLA
ALKS 3831	Alkermes plc	Alpha 1 Adrenergic Receptor^ Dopa..	Small Molecule	Phase III
EN-3342	Apple Tree Partners	Alpha 1 Adrenergic Receptor^ Alph..	Small Molecule	Phase III
Encenicline	FORUM Pharmaceuti..	Nicotinic Acetylcholine Receptor - a..	Small Molecule	Phase III
ITI-007	Intra-Cellular Therapi..	Dopamine^ Serotonin 5-HT2A rece..	Small Molecule	Phase III
Lu AF35700	H. Lundbeck A/S	Dopamine 1 (D1) Receptor^ Dopam..	Small Molecule	Phase III
Pomaglumetad methi..	Denovo Biopharma	Metabotropic Glutamate Receptor s..	Peptide	Phase III
RBP-7000	Indivior plc	Alpha 1 Adrenergic Receptor^ Alph..	Small Molecule	Phase III
APN1125	CoMentis, Inc.	Nicotinic Acetylcholine Receptors (n..	Small Molecule	Phase II
AQW-051	Vanda Pharmaceutica..	Nicotinic Acetylcholine Receptor - a..	Small Molecule	Phase II
AVN 211	Avineuro Pharmaceuti..	Serotonin 5-HT6 receptor	Small Molecule	Phase II
AVP-786	Otsuka Holdings Co., ...	NMDA Glutamate Receptor	Small Molecule	Phase II
BI 409306	Boehringer Ingelheim	Phosphodiesterase 9 (PDE 9)	Small Molecule	Phase II
BL-425809	Boehringer Ingelheim	Unknown	Not Specified	Phase II
Evenamide	Newron Pharmaceutic..	Sodium Channels	Small Molecule	Phase II
GWP42003	GW Pharmaceuticals ..	Cannabinoid-1 (CB1) receptor^ Can..	Not Specified	Phase II
Huperzine	Biomedisyn Corporati..	Cholinesterases	Small Molecule	Phase II
JNJ-40411813	Johnson & Johnson	Metabotropic Glutamate Receptor s..	Small Molecule	Phase II
Neboglamine	Mylan Inc.	NMDA Receptor - Glycine Site	Small Molecule	Phase II
Nuplazid	Acadia Pharmaceutic..	Serotonin 5-HT2A receptor	Small Molecule	Phase II
OMS824	Omeros Corporation	Phosphodiesterase 10a (PDE10a)	Small Molecule	Phase II
PNB02	PharmaNeuroBoost NV	Dopamine 4 (D4) Receptor^ Seroto..	Small Molecule	Phase II
Risperidone-ISM	Laboratorios Farmacé..	Alpha 1 Adrenergic Receptor^ Alph..	Small Molecule	Phase II
RP5063	Reviva Pharmaceutic..	Dopamine 2 (D2) Receptor^ Dopam..	Small Molecule	Phase II
SKL15508	SK Biopharmaceutical..	Unknown	Not Specified	Phase II
Syntocinon Nasal Sp..	Turing Pharmaceutica..	Oxytocin Receptor	Peptide	Phase II
TAK-063	Takeda Pharmaceutic..	Phosphodiesterase 10a (PDE10a)	Small Molecule	Phase II
Wakix	Grupo Ferrer Internaci..	Histamine H3 Receptor (HRH3)	Small Molecule	Phase II
ZY102	Zysis Ltd.	Alpha Adrenergic Receptors^ Dopa..	Small Molecule	Phase II
AMG 581	Amgen	Unknown	Small Molecule	Phase I
Aristada (Six-Week)	Alkermes plc	Alpha Adrenergic Receptors^ Dopa..	Small Molecule	Phase I
ASP-4345	Astellas Pharma, Inc.	Unknown	Small Molecule	Phase I
ATI-9242	Apple Tree Partners	Dopamine 2 (D2) Receptor^ Seroto..	Small Molecule	Phase I
AUT00206	Autifony Therapeutics..	Potassium channels	Not Specified	Phase I
AVL-3288	Anvyl LLC	Nicotinic Acetylcholine Receptor - a..	Small Molecule	Phase I
DSP-3748	Sumitomo Dainippon ..	Nicotinic Acetylcholine Receptor - a..	Small Molecule	Phase I
ENV8058	Takeda Pharmaceutic..	Serotonin 5-HT3 receptor	Small Molecule	Phase I
EVP-6308	FORUM Pharmaceuti..	Phosphodiesterase 10a (PDE10a)	Small Molecule	Phase I
ITI-002	Intra-Cellular Therapi..	Phosphodiesterase 1 (PDE1)	Small Molecule	Phase I
LY03004	Luye Pharma Group, ..	Alpha 1 Adrenergic Receptor^ Alph..	Small Molecule	Phase I
MK-8189	Merck & Co	Unknown	Small Molecule	Phase I
PF-04958242	Pfizer	AMPA-type glutamate receptor - all..	Small Molecule	Phase I
PF-06412562	Pfizer	Unknown	Small Molecule	Phase I
Relday	Zogenix, Inc.	Alpha 1 Adrenergic Receptor^ Alph..	Small Molecule	Phase I
RG7203	Roche	Phosphodiesterase 10a (PDE10a)	Small Molecule	Phase I
RO5545965	Roche	Unknown	Not Specified	Phase I
SEP-363856	Sumitomo Dainippon ..	Unknown	Small Molecule	Phase I
SUVN-502	Suven Life Sciences L..	Serotonin 5-HT6 receptor	Small Molecule	Phase I
TAK-041	Takeda Pharmaceutic..	GPR139	Small Molecule	Phase I
TAK-831	Takeda Pharmaceutic..	D-amino-acid oxidase (DAAO, DAO)	Small Molecule	Phase I
TAK-915	Takeda Pharmaceutic..	Phosphodiesterase 2 (PDE2)	Small Molecule	Phase I

Source: Biomedtracker

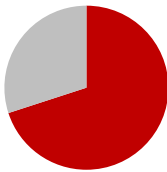
Summary Redeye Rating

The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

Rating changes in the report

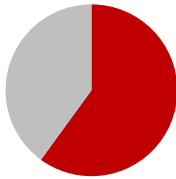
Raised score for profit outlook with 0.5 points and financial stability with 1.0 points

Management 7.0p



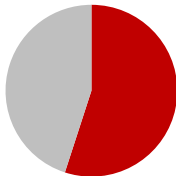
The company has a knowledgeable and experienced management group that rises above the average in the industry. The CEO has good insight into the competition in the ion channel area and should be able to forcefully drive strategic issues, not least with support from the extensive experience in the Board of Directors. Extensive involvement and integrity in compensation issues among both the management and Board are other pluses.

Ownership 6.0p



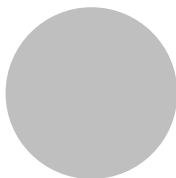
Saniona's management and Board have significant ownership in the company, which distinguishes the company positively in relation to many others in the industry. The management and Board of Directors thereby live up to the requirements we set on financial commitment. It can be noted that these people only marginally participated in the recent years' capital acquisitions and this pattern should continue in upcoming capital acquisitions. The absence of strong institutional owners can be pointed out as a challenge for the management and Board.

Profit Outlook 5.5p



Saniona suffers to a lesser extent than many other similar companies from a major dependence on few partners, but this is not to say that such a dependence is non-existent. The business model for small biotechnology companies has this inherent weakness. We also believe that the company's market position encounters competition from several directions even if patents offer good protection for the time being.

Profitability 0.0p



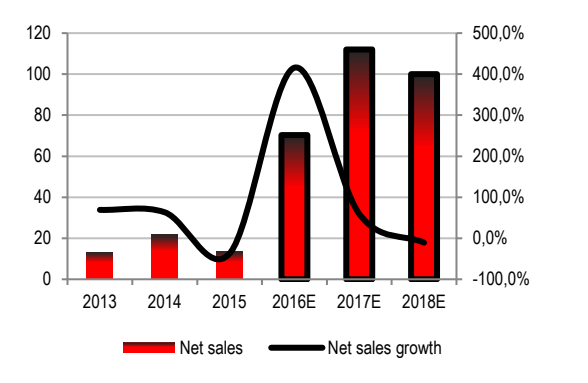
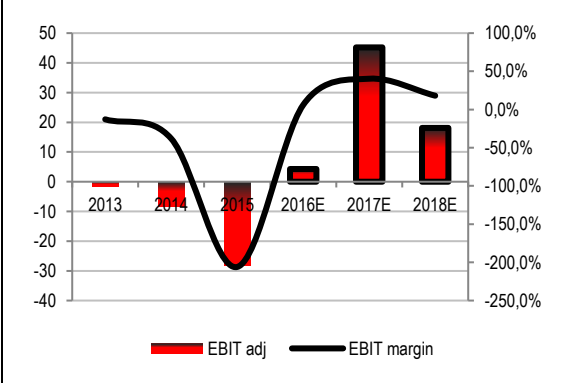
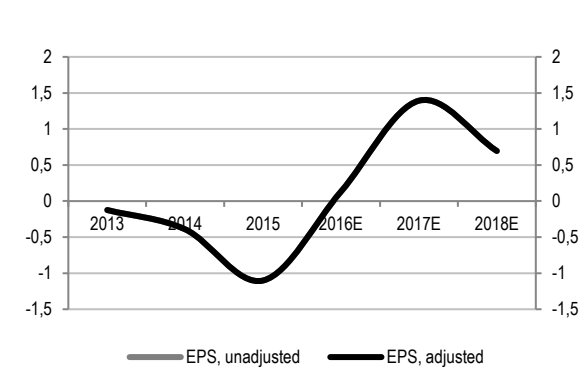
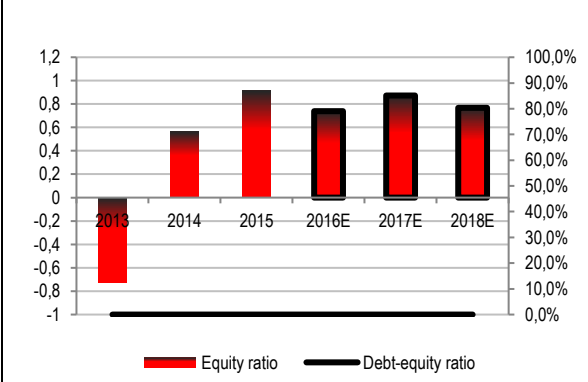
The company is several years away from achieving sustainable profitability. Like most other companies in this Phase of development, there is no history of profitability and this drives up the return requirements set by investors.

Financial strength 1.0p



The company's financial situation has improved considerably due to last year's new share issue and agreement with Boehringer Ingelheim. We see no need to raise further capital on the short term to be able to execute set goals.

Income statement						DCF valuation					
	2014	2015	2016E	2017E	2018E						
Net sales	22	14	70	112	99	WACC	17.3 %	Fair value e. per share, SEK			50.0
Total operating costs	-29	-41	-66	-66	-82						
EBITDA	-8	-27	4	46	18						
Depreciation	-1	-1	0	-1	0						
Amortisation	0	0	0	0	0						
Impairment charges	0	0	0	0	0						
EBIT	-8	-28	4	45	18						
Share in profits	0	0	0	0	0						
Net financial items	1	-1	0	0	0						
Exchange rate dif.	0	0	0	0	0						
Pre-tax profit	-8	-29	4	45	18						
Tax	2	6	-2	-16	-4						
Net earnings	-5	-23	3	29	14						
Balance						Profitability					
	2014	2015	2016E	2017E	2018E		2014	2015	2016E	2017E	2018E
Assets						ROE	0%	-74%	5%	41%	15%
Current assets						ROCE	-281%	-91%	8%	64%	19%
Cash in banks	10	47	72	87	119	ROIC	152%	2422%	55%	-211%	-545%
Receivables	1	0	4	6	3	EBITDA margin	-35%	-200%	6%	41%	18%
Inventories	0	0	0	0	0	EBIT margin	-38%	-206%	6%	40%	18%
Other current assets	1	2	0	0	0	Net margin	-25%	-168%	4%	26%	14%
Current assets	11	49	76	93	122						
Fixed assets						Data per share					
Tangible assets	1	1	2	3	6	EPS	-0.39	-1.10	0.13	1.39	0.67
Associated comp.	0	0	0	0	0	EPS adj	-0.39	-1.10	0.13	1.39	0.67
Investments	0	0	0	0	0	Dividend	0.00	0.00	0.00	0.00	0.00
Goodwill	0	0	0	0	0	Net debt	-0.70	-2.26	-3.46	-4.19	-5.70
Cap. exp. for dev.	0	0	0	0	0	Total shares	13.88	20.84	20.84	20.84	20.84
O intangible rights	0	0	0	0	0						
O non-current assets	1	2	1	1	1	Valuation					
Total fixed assets	2	2	3	4	7	EV	91.8	290.6	605.2	590.0	558.5
Deferred tax assets	2	6	0	0	0	P/E	-18.7	-14.7	244.7	23.3	48.2
						P/Sales	4.7	24.8	9.6	6.0	6.8
Total assets	15	58	78	97	129	EV/Sales	4.2	21.3	8.6	5.3	5.6
						EV/EBITDA	-12.1	-10.6	141.3	12.9	31.2
						EV/EBIT	-11.1	-10.4	141.3	13.1	31.8
						P/BV	11.6	6.4	12.2	8.0	6.9
Liabilities						Shareholder structure %					
	2014	2015	2016E	2017E	2018E		Capital				
Current liabilities						Jørgen Drejer	11.4 %				
Short-term debt	4	5	13	12	30	Thomas Feldthus	9.0 %				
Accounts payable	0	0	0	0	0	Avanza Pension	5.4 %				
O current liabilities	3	0	0	0	0	Palle Christophersen	3.9 %				
Current liabilities	7	5	13	12	30	Claus Brästrup	3.5 %				
Long-term debt	0	0	0	0	0	Nordnet Pensionsförsäkring	2.5 %				
O long-term liabilities	0	0	10	0	0	Janus Schreiber Larsen	2.1 %				
Convertibles	0	0	0	0	0	Jørgen Philip Kiär Ahning	1.9 %				
Total Liabilities	7	5	23	12	30	Karin Sandager Nielsen	1.7 %				
Deferred tax liab	0	0	0	0	0	Thomas Amos Jacobsen	1.4 %				
Provisions	0	0	0	0	0						
Shareholders' equity	9	53	56	85	99	Share information					
Minority interest (BS)	0	0	0	0	0	Reuters code				Sanion.st	
Minority & equity	9	53	56	85	99	List				First North	
						Share price, SEK				32.5	
Total liab & SE	15	58	78	97	129	Total shares, million				20.8	
						Market Cap, MSEK				677.3	
Free cash flow						Management & Board					
	2014	2015	2016E	2017E	2018E						
Net sales	22	14	70	112	99	CEO	Jørgen Drejer				
Total operating costs	-29	-41	-66	-66	-82	CFO	Thomas Feldthus				
Depreciations total	-1	-1	0	-1	0	IR					
EBIT	-8	-28	4	45	18	Chairman	Claes Braestrup				
Taxes on EBIT	2	6	-1	-11	-4						
NOPLAT	-6	-22	3	35	14	Financial information					
Depreciation	1	1	0	1	0	Q3 report	November 15, 2016				
Gross cash flow	-5	-21	3	35	14	FY 2016 Results	February 21, 2017				
Change in WC	2	-9	7	-2	20						
Gross CAPEX	-1	-1	0	-2	-3						
Free cash flow	-4	-31	9	31	32						
Capital structure						Analysts					
	2014	2015	2016E	2017E	2018E		Redeye AB				
Equity ratio	57%	92%	71%	87%	77%	Klas Palin	Mäster Samuelsgatan 42, 10tr				
Debt/equity ratio	0%	0%	0%	0%	0%	klas.palin@redeye.se	114 35 Stockholm				
Net debt	-10	-47	-72	-87	-119						
Capital employed	-1	6	-16	-3	-20						
Capital turnover rate	1.4	0.2	0.9	1.2	0.8						
Growth											
	2014	2015	2016E	2017E	2018E						
Sales growth	63%	-37%	416%	59%	-11%						
EPS growth (adj)	216%	181%	-112%	948%	-52%						

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (bars) and Net sales growth (line) from 2013 to 2018E. Net sales growth peaks at 400% in 2016E and reaches -100% in 2018E.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales</th> <th>Net sales growth</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>~15</td> <td>~10%</td> </tr> <tr> <td>2014</td> <td>~20</td> <td>~10%</td> </tr> <tr> <td>2015</td> <td>~15</td> <td>~0%</td> </tr> <tr> <td>2016E</td> <td>~70</td> <td>~400%</td> </tr> <tr> <td>2017E</td> <td>~110</td> <td>~100%</td> </tr> <tr> <td>2018E</td> <td>~100</td> <td>~-100%</td> </tr> </tbody> </table>	Year	Net sales	Net sales growth	2013	~15	~10%	2014	~20	~10%	2015	~15	~0%	2016E	~70	~400%	2017E	~110	~100%	2018E	~100	~-100%	 <p>EBIT adj (bars) and EBIT margin (line) from 2013 to 2018E. EBIT margin peaks at 50% in 2017E and reaches -200% in 2015.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj</th> <th>EBIT margin</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>~-5</td> <td>~20%</td> </tr> <tr> <td>2014</td> <td>~-10</td> <td>~10%</td> </tr> <tr> <td>2015</td> <td>~-30</td> <td>~-200%</td> </tr> <tr> <td>2016E</td> <td>~5</td> <td>~30%</td> </tr> <tr> <td>2017E</td> <td>~45</td> <td>~50%</td> </tr> <tr> <td>2018E</td> <td>~15</td> <td>~20%</td> </tr> </tbody> </table>	Year	EBIT adj	EBIT margin	2013	~-5	~20%	2014	~-10	~10%	2015	~-30	~-200%	2016E	~5	~30%	2017E	~45	~50%	2018E	~15	~20%
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<p>Conflict of interests</p> <p>Klas Palin owns shares in the company: No</p> <p>Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.</p>																																											

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Redeye Rating (2017-01-3003)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	42	40	20	9	18
3,5p - 7,0p	71	64	94	34	45
0,0p - 3,0p	10	19	9	80	60
Company N	123	123	123	123	123

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