



Strong Potential: NS2359, substance dependence treatment & Tesofensine, obesity and type 2 diabetes

Saniona is a late stage clinical pharmaceutical company based out of Copenhagen, Denmark focusing on drugs for diseases of the central nervous system, autoimmune diseases and metabolic diseases. At present, the company has 3 clinical stage candidates for obesity, metabolic diseases and cocaine addiction along with a significant portfolio of potential drug candidates at preclinical & clinical stage. The company also boasts of world-class research team focused on ion channels with over 25 years of experience. Also, Saniona has ongoing collaboration agreements with Boehringer Ingelheim GmbH, BenevolentAI Ltd., ProductosMedix, S.A de S.V and Cadent Therapeutics Inc.

Saniona is conducting a Phase 2 study together with University of Penn for NS2359, which is a potential first drug for cocaine addiction. The company expects to report interim results over the upcoming summer. NS2359 is a triple monoamine reuptake inhibitor, which blocks the reuptake of dopamine, norepinephrine, and serotonin in a similar manner to cocaine. Furthermore, human trials with NS2359 have shown that NS2359 has little or no abuse potential and does not have adverse interactions with cocaine. This has made NS2359 a promising clinical candidate for the treatment of cocaine dependence. With steps being taken by UNODC (United Nations Office on Drugs & Crime), NS2359 is expected to be used by various countries in their programs for substance dependence treatment & medical care and rehabilitation.

Moreover, the company has reported topline results for Phase 2a interim study of Tesomet in Prader-Willi syndrome, indicating clinical meaningful reduction in weight and hyperphagia.

The company has also scheduled completion of the phase 3 trial of Tesofensine, which is positioned for obesity in 2018.

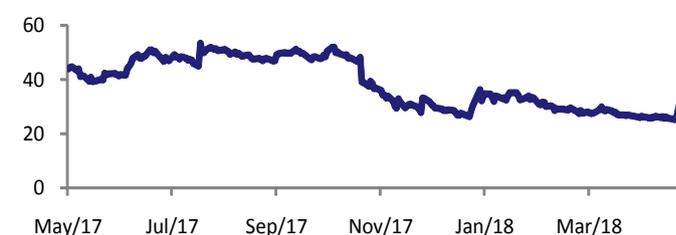
With best-in-class potential, we are estimating a market share of 30% by 2025. Saniona AB has a broad and mature pipeline of internal and partnered pharmaceutical programs in indications with significant medical need where we believe it has good opportunities to create value for its shareholders.

Saniona AB (OMX: SANION)

BUY-SIDE PORTFOLIO SELECTION

Share price	SEK 29.45		
BidBookIQ Value© (Target Price)	SEK 97.77		
Alpha Deal Sweet Spot© (Valuation Gap)	232%		
Market cap (SEKm)	644		
Net cash (SEKm)	41		
Enterprise value (SEKm)	603		
No. of shares (m)	21.86		
Average daily vol ('000, -3m)	37		
Dividend yield (%)	0		
PER at Target price (Y1)	n/a		
Price/book	17.03		
12 month high/low (SEK)	55.00/24.75		
(%)	1m	3m	12m
SANION	12.0	(11.3)	(26.7)
S&P 500 Index	0.7	0.5	10.8

Price chart



Source: Reuters

Share Price as at close: May 4, 2018

Key Financial	Dec/15	Dec/16	Dec/17
SEK'000			
Net Sales	13,630	74,921	20,692
Net Income (Loss)	(22,947)	2,219	7,086
Cash	47,005	53,261	22,313
Total Assets	57,674	70,768	48,374

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Investment Highlights

- Saniona is a research and development company focused on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain. The company has a significant portfolio of potential drug candidates at preclinical and clinical stage. Among these, Tesofensine monotherapy for Obesity, Tesomet for Type 2 diabetes & Prader-Willi syndrome and NS2359 for Cocaine addiction are in advance stages of development.
- Saniona reports topline results from interim analysis of the Phase 2a study for Tesomet in adult patients with Prader-Willi syndrome, indicating clinical meaningful reduction in weight and hyperphagia. Saniona is planning to develop Tesomet in the metabolic field such as obesity and type 2 diabetes. According to Data monitor, it is expected that the type 2 diabetes market will grow from \$23.3bn in 2014 to \$43bn in 2023.
- The clinical testing of Tesofensine have reached phase 3 trials. The global obesity treatment market is expected to reach \$15.6bn by 2024 and the current market for prescription medicine for obesity in Mexico is about \$250m.
- Saniona and BenevolentAI extend research collaboration. Apart from Tesomet, which the company intends to develop internally within orphan indications such as Prader Willi syndrom, Saniona has a business model of partnerships and commercializing its research efforts, either by internal development of programs before out-licensing or through early stage R&D collaboration with pharma companies or JV/ spin-outs.
- Strong research team with over 25 years of experience in the field. Jorgen Drejer, the CEO has co-founded several other biotech companies. Palle Christophersen, the CSO, has authored more than 60 peer-reviewed articles.

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Recent Development

During March, the registered number of shares and votes in Saniona AB (publ) ("Saniona") has increased due to conversion of convertible notes issued pursuant to the convertible notes funding agreement that Saniona entered into with Nice & Green S.A. on December 29, 2017. As of March 29, 2018, the registered number of shares and votes in Saniona amounts to 22,057,335.

The Company's collaboration partner, Cadent Therapeutics, has initiated Phase 1 trial for CAD-1883 for the treatment of spinocerebellar ataxia (SCA) & essential tremor, which has a significant market potential in neurological movement disorders. Sourced from the company's ion channel research platform, CAD-1883 is the first program from Saniona's research portfolio to enter clinical development. We believe that this research platform provides potential long-term value creation in the company as these programs enter clinical development. The company now have four programs in clinical development, with the most advanced program for obesity in Phase 3.

The Company has initiated the trial for Phase 1 pharmacokinetic study of Tesomet by dosing the first 10 participants using the new patented single tablet formulation. The trial will comprise a total of 60 volunteers. The trial reports on the same are expected in the second quarter 2018. The primary objective of this Phase 1 study is to evaluate the pharmacokinetic profile and bioavailability of a single dose of the Tesomet fixed-dose combination tablet (containing both tesofensine and metoprolol) compared to the co-administration of separate tesofensine and metoprolol tablets.

Established Equity Financing

Saniona has entered into a convertible notes funding agreement with Nice & Green S.A. Under the terms of the agreement, Nice & Green has committed to subscribe up to SEK 72 million in convertible notes in individual tranches of SEK 6 million each over a 12-month period subject to prolongation by Saniona. The convertible notes may be converted into shares at an 8% discount to market price. Further, Nice & Green will receive a commitment fee for each tranche paid to Saniona whereas Saniona will receive a percentage of the net capital gain made by Nice & Green related to their investment. The estimated net costs for Saniona is 3-4% for each tranche excluding legal and administrative costs. Saniona has the right to extend the convertible notes funding agreement with Nice & Green for an additional SEK 72 million with the same terms, totalling SEK 144 million over a two-year period. The equity financing of up to SEK 144 million will be sufficient to fund planned activities until 2020

Preclinical Candidate in GABAA α 2/ α 3 program

A small molecule program which is designed to positively modulate (PAM) GABAA α 2 and GABAA α 3 ion channels, which are expressed in various central and peripheral neurons and are believed to be key mediator in the control of pain signalling and the control of anxiety. Saniona has selected preclinical candidate in GABAA α 2/ α 3 program for neuropathic pain and chronic itching. The nomination is consistent with Saniona's strategy to progress innovative products from its internal research pipeline towards clinical development prior to partnering.

Received grant from the Michael J. Fox Foundation for Parkinson's Research

In Quarter 4, 2017, Saniona received final milestone payment under the grant from Michael J. Fox foundation for Parkinson's research, a private non-profit US company, for a total of USD 590,700 (about SEK 5.2 M) which specializes in research solutions tailored to the treatment of Parkinson's disease. The Foundation targets people's high-risk, "translational" research—the work of translating basic scientific discoveries into simple treatments with definition to benefit the estimated five million people living with Parkinson's disease today.

Saniona's partner Cadent Therapeutics receives milestone payment from Novartis

Cadent Therapeutics (former Luc Therapeutics), has earned a milestone payment from Novartis for the initiation of a Phase 1 clinical study for one of its pipeline programs. On March 12, 2018, Saniona announced that its collaboration partner, Cadent Therapeutics, has initiated Phase 1 trial for CAD-1883 for the treatment of spinocerebellar ataxia (SCA) and essential tremor. CAD-1883 was discovered in a joint research program between Saniona and Cadent Therapeutics. For patients with spinocerebellar ataxia and essential tremor, the firing pattern of neurons in the cerebellum have become dysregulated, resulting in the loss of motor control that impacts mobility and fine motor function. By changing the calcium sensitivity of small conductance calcium-activated potassium channels (SK), CAD-1883 causes potassium current to flow at lower calcium concentrations, potentially restoring neuronal firing regularity and improving motor function.

Announced its annual results, ending 30th Dec 2017

Total revenues during the 12 months of 2017 were SEK 27 Mn. In 2017 revenues comprised research funding under the agreements with Boehringer Ingelheim and BenevolentAI whereas in the fourth quarter of 2016 revenues comprised research funding under the agreement with Boehringer Ingelheim, BenevolentAI and Cadent Therapeutics. The company recognized an operating loss of SEK 49.2mn for the full year of 2017. The company recognized operating expenses of SEK 77.9 million (70.8) for the full year of 2017. External expenses amounted to SEK 51.4 million (51.1) and personnel costs amounted to SEK 22.7 million (17.8). In 2017, external expenses comprised primarily research and

development costs in relation to Tesomet followed by research and development costs in relation to the IK program and the GABAA $\alpha 2\alpha 3$ program and costs in relation to the listing on Nasdaq Stockholm Small Cap. In 2017, external expenses comprised primarily research and development costs in relation to Tesomet followed by administrative costs in relation to the listing on Nasdaq Stockholm Small Cap and research and development costs in relation to the GABAA $\alpha 2\alpha 3$ program and the IK program.

Saniona's Partner, Medix, Completes Recruitment of Phase 3 Obesity Study of Tesofensine in Mexico

In January 2018, Saniona's partner in Mexico, Medix completed recruitment for its Phase 3 clinical study of tesofensine in obesity. The trial is expected to be completed in 2018 and topline data is expected by early 2019.

In previous studies, tesofensine has demonstrated highly statistically and clinically significant weight loss in obese patients and the company is confident that this study will further validate tesofensine as a novel and effective obesity treatment. This pivotal Phase 3 clinical trial for tesofensine may pave the way towards the submission of an application dossier in 2019 and subsequent potential market approval in Mexico, where obesity represents a severe health problem.

This Phase 3 study includes a total of 372 patients at two sites in Mexico under the management of Medix. The patients are randomized into three arms with 124 patients in each arm receiving either 0.25 mg tesofensine, 0.5 mg tesofensine or placebo tablets once daily for 24 weeks.

In February 2016, Saniona entered collaboration with Medix about the development and commercialization of tesofensine and Tesomet in Mexico and Argentina. Medix has exclusive rights to develop and commercialize tesofensine and Tesomet in the two countries. Medix will finance the studies and be responsible for the clinical development and regulatory filings. Medix will pay Saniona regulatory milestone payments and double-digit royalties on product sales in Mexico and Argentina. Saniona retains all rights to tesofensine and Tesomet in the rest of the world including the exclusive rights to use the clinical data developed by Medix.

Saniona and BenevolentAI extend research collaboration

On January 26, 2018, Saniona announced that Saniona and BenevolentAI have initiated lead optimization in their ongoing drug discovery and development collaboration. Saniona and BenevolentAI entered into this drug discovery and development collaboration in the beginning of 2016. The collaboration is based on a unique Saniona ion channel program and focuses on research of new small molecule therapeutics for neurological disorders, using Saniona's expertise in ion channels and related technology platforms. BenevolentAI has exclusive

worldwide rights to develop, manufacture and commercialize medicines identified through the collaboration. Under the terms of the agreement, Saniona has received upfront and research funding during the research period. Furthermore, Saniona will receive milestone payments upon the achievement of certain research, development and regulatory milestones. The potential value of the milestone payments is up to US\$30 million. In addition, Saniona will receive tiered royalties on net sales of any potential products commercialized by BenevolentAI as a result of this collaboration.

Valuation

We have used a probability-adjusted cash flow model in which each individual project is valued over its anticipated possibility to generate revenues (SOTP). The net present value is calculated based on a WACC of 15.4%. Based on these projects, we calculate a fair value of Saniona AB SEK97.77 per share, which represents Equity Value (Market cap) of USD 250 Mn . In Our SOTP Valuation, the major contributors are Tesomet, Tesofensine, NS2359 and Boeringer Ingelheim. These four projects contribute approx. 75% of the total Valuation. Remaining 25% Value comes from IK Programme, BenevolentAI, Nic-a6, Cadent Therapeutics & SAN711.

Apart from Cash flow Model, we examine the Company through relative Valuation to a group of peer companies with clinical assets at the same stage as Saniona. The Company currently trades at a market cap of \$73m. We at Alpha Deal Group consider an investment in Saniona as a long-term wealth creation opportunity. The stock has the potential to move up on the back of positive news. The Company's stock is trading at a significant discount to its intrinsic value. We think the intrinsic value of the company is SEK 97.77 per share; this is an upside of 232% from the current market price of SEK 29.45 per share

Company	Tickr	HQ	Market Cap. (\$m)	Enterprise Value (\$m)	EV/Revenue (LTM)	EV/EBITDA (LTM)	P/E (LTM)
OPKO	NasdaqGS:OPK	US	1700.0	1780.0	1.7x	-11.0x	NM
Ironwood Pharmaceutical	NasdaqGS:IRWD	US	2390.0	470.0	8.3x	-26.3x	NM
Ligand Pharmaceuticals	NasdaqGM:LGND	US	3350.0	3310.0	23.4x	41.5x	298.4x
Lexicon Pharmaceuticals	NasdaqGS:LXRX	US	892.3	839.8	9.3x	-6.4x	NM
Zealand Pharma	CPSE:ZEAL	Denmark	473.0	425.8	16.7x	-9.6x	-9.6x
Alligator Bioscience	OM:ATORX	Sweden	210.7	163.7	23.1x	-21.9x	-28.1x
Xbiotech	NasdaqGS:XBIT	US	176.5	135.2	NM	NM	NM
Xoma	NasdaqGM:XOMA	US	173.1	145.2	2.8x	7.0x	28.5x
Viking Therapeutics	NasdaqCM:VKTX	US	239.9	239.9	NM	-10.7x	NM
Mean			1170.7	908.7	12.2x	-3.8x	72.3x
Median			682.6x	447.9x	9.3x	-9.6x	9.5x
Saniona AB	OM:SANION	Denmark	67.0	65.7	26.5x	-6.7x	NM

Source: Saniona AB, Alpha Deal Group, Yahoo Finance

Saniona AB (OMX: SANION) Financials

All numbers are in (SEK 000's)	Annual		
	Dec-15	Dec-16	Dec-17
Income Statement			
Net Sales	13,630	74,921	20,692
Total operating income	13,630	74,921	20,692
Expenses			
Raw materials and consumables	(2,050)	(1,476)	(3,263)
Other external costs	(23,926)	(51,098)	(51,387)
Personnel costs	(14,966)	(17,805)	(22,671)
Depreciation and write-downs	(763)	(384)	(561)
Total Expenses	(41,705)	(70,763)	(77,882)
Loss from Operations	(28,075)	4,158	(57,189)
Financial income	-	991	1,289
Financial expenses	(1,183)	(234)	(376)
Total financial items	(1,183)	757	913
Profit/loss after financial items	(29,258)	4,915	(56,276)
Tax on net profit	6,311	(2,696)	
Profit/loss for the year	(22,947)	2,219	7,086
Balance Sheet			
Current assets			
Cash and cash equivalents	47,005	53,261	22,313
Other current assets	8,369	14,804	18,256
Total Current Assets	55,374	68,065	40,569
Tangible assets	753	1,184	1,366
Financial assets	1,547	1,519	6,439
Total Assets	57,674	70,768	48,374
Liabilities			
Prepayments from customers	-	3,006	604
Trade payables	2,868	6,225	5,209
Other liabilities	1,862	7,286	4,934
Total Liabilities	4,730	16,517	10,747
Equity			
Share capital	1,042	1,042	1,088
Additional paid-in-capital	83,323	83,323	1,16,452
Others	(31,422)	(30,113)	(79,913)
Shareholders equity	52,943	54,252	37,627
Liabilities and Shareholders equity	57,674	70,769	48,374
Cash flow statement			
Operating activities			
Operating loss before financial items	(28,075)	4,156	(57,189)
Adjustments for non-cash items:			
Depreciation	763	384	918
Changes in working capital	(325)	2,656	(347)
Others	(1,183)	757	(722)
Cash flow from operating activities	(28,820)	7,953	(57,340)
Investing activities			
Investment in tangible assets	(242)	(816)	(708)
Investments in subsidiaries/associated companies	-	-	(331)
Investment in other financial assets	(732)	-	(4,931)
Cash flow from investing activities	(974)	(816)	(5,970)
Financing activities			
New share issue	66,693	-	33,175
Dividends paid	-	(403)	-
Cash flow from financing activities	66,693	(403)	33,175
Cash flow for the period	36,899	6,734	(30,135)
Cash at the beginning of the period	9,689	47,004	53,261
Exchange rate adjustments	417	(477)	(815)
Cash and cash equivalents at end of period	47,005	53,261	22,311

All numbers are in (SEK 000's)	Q4 Results	
	Dec-16	Dec-17
Income Statement		
Net Sales	5,411	4,621
Total operating income	5,411	4,621
Expenses		
Raw materials and consumables	(631)	(1,071)
Other external costs	(14,675)	(13,712)
Personnel costs	(5,021)	(6,277)
Depreciation and write-downs	(112)	(157)
Total Expenses	(20,439)	(21,217)
Loss from Operations	(15,028)	(16,596)
Financial income	225	343
Financial expenses	(47)	(50)
Total financial items	178	293
Profit/loss after financial items	(14,850)	(16,303)
Tax on net profit	-	-
Profit/loss for the year	(14,850)	(16,303)
Balance Sheet		
Current assets		
Cash and cash equivalents	22,313	53,261
Other current assets	18,256	14,804
Total Current Assets	40,569	68,065
Tangible assets	1,366	1,184
Financial assets	6,439	1,519
Total Assets	48,374	70,768
Liabilities		
Prepayments from customers	604	3,006
Trade payables	5,209	6,225
Other liabilities	4,934	7,286
Total Liabilities	10,747	16,517
Equity		
Share capital	1,088	1,042
Additional paid-in-capital	1,16,452	83,323
Others	(79,913)	(30,113)
Shareholders equity	37,627	54,252
Liabilities and Shareholders equity	48,374	70,769
Cash flow statement		
Operating activities		
Operating loss before financial items	(15,028)	(16,598)
Adjustments for non-cash items:		
Depreciation	112	157
Changes in working capital	5,304	(1,387)
Others	(306)	346
Cash flow from operating activities	(9,918)	(17,482)
Investing activities		
Investment in tangible assets	403	(43)
Investments in subsidiaries/associated companies	(502)	-
Investment in other financial assets	(245)	258
Cash flow from investing activities	(344)	215
Financing activities		
New share issue	-	-
Dividends paid	(403)	-
Cash flow from financing activities	(403)	-
Cash flow for the period	(10,665)	(17,267)
Cash at the beginning of the period	63,695	40,869
Exchange rate adjustments	231	(1,288)
Cash and cash equivalents at end of period	53,261	22,314

Target Price and Recommendation History

Target Price: SEK97.77

Saniona AB 1-Year Stock Performance



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