

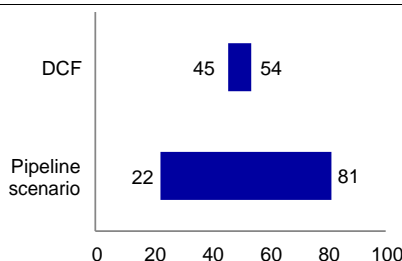
KEY DATA

Stock country	Sweden
Bloomberg	SANION SS
Reuters	SANION.ST
Share price (close)	SEK 17.64
Free Float	73%
Market cap. (bn)	EUR 0.05/SEK 0.51
Website	https://saniona.com/
Next report date	23 Nov 2019

PERFORMANCE



VALUATION APPROACH, SEK PER SHARE



Source: Nordea estimates

ESTIMATE CHANGES

Year	2019E	2020E	2021E
Sales	-86%	-21%	20%
EBIT (adj)	-41%	35%	-69%

Source: Nordea estimates

Nordea Markets - Analysts

Jesper Ilsøe
AnalystMichael Novod
Director, Sector Coordinator

Q2 uneventful – Tesomet PWS data up next

Saniona's Q2 report included few material updates. The key value driver is still datapoints on Tesomet in orphan indications. The next triggers we expect are ph IIa data in Prader-Willi syndrome in September 2019, ph IIa data in hypothalamic obesity in Q1 2020 and an approval decision by the Mexican regulators on Tesofensine in obesity in 2020.

Q2 numbers were – as usual – a non-event

Saniona's Q2 report was largely as expected, with revenue and costs following the same trends as seen in recent quarters. With the rights issue completed, funding should be in place to complete the important ongoing phase IIa studies with Tesomet in PWS and HO.

Equity story unchanged – pipeline driving value

We do not envision Saniona's typical biotech revenue and EBIT profile changing dramatically in the next one to two years, at least not until potential product sales from Tesofensine and Tesomet (pending successful development and market approvals) kick in. Pipeline progress with Tesomet, Tesofensine, and other pipeline programmes are what should drive value for the company.

Key pipeline news ahead

The next important updates related to Tesomet will be ph IIa data in Prader-Willi syndrome (September 2019) and ph IIa data in hypothalamic obesity (Q1 2020) – two key readouts. Timelines relating to Tesofensine have been slightly delayed as Saniona's partner (Medix) has yet to file a new drug application to the Mexican regulatory agency. We expect a filing in Q4 2019 and a marketing approval and launch in Mexico in 2020.

Valuation

We lower our revenue estimates for 2019 and 2020 and balance R&D costs between 2020E and 2022E to reflect expected trial timelines, but this has limited valuation impact. We up our DCF-derived valuation range to SEK 45-54 per share (SEK 44-52 per share previously) due to time value in the model. We base our valuation only on Tesofensine and Tesomet in PWS and obesity. Risks include pipeline failures, delays, regulatory hurdles, commercialisation hurdles and funding needs in the coming years.

SUMMARY TABLE - KEY FIGURES

SEKm	2015	2016	2017	2018	2019E	2020E	2021E
Total revenue	14	75	21	55	4	45	88
EBITDA (adj)	-27	5	-57	-54	-96	-80	-37
EBIT (adj)	-28	4	-57	-54	-96	-80	-37
EBIT (adj) margin	-206.0%	5.5%	-276.4%	-98.8%	n.m.	-175.5%	-41.7%
EPS (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EPS (adj) growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DPS (ord)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	n.a.	n.a.	n.a.	12.9	n.m.	11.2	6.3
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	19.3	9.8	-50.8	-13.1
Dividend yield (ord)	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	n.a.	n.a.	n.a.	-3.2%	-18.9%	-8.1%	-9.9%
Net debt	-47	-53	-22	-55	-46	-4	46
Net debt/EBITDA	1.7	-11.7	0.4	1.0	0.5	0.1	-1.3
ROIC after tax	n.m.	76.0%	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea estimates

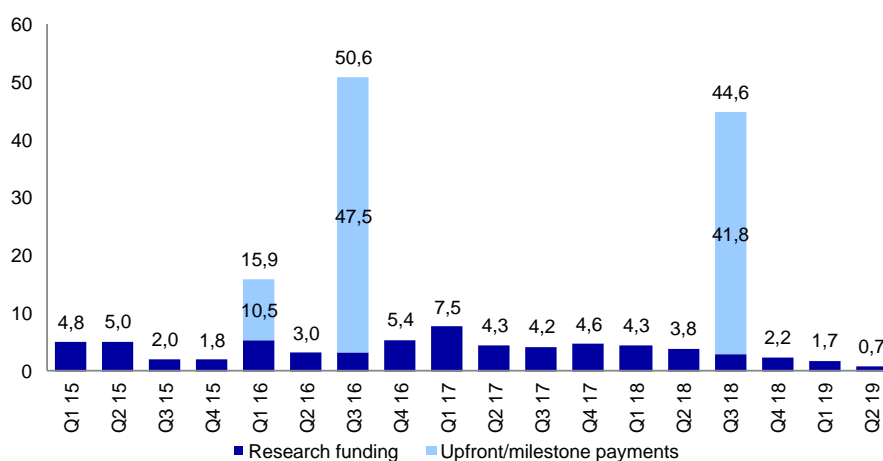
Q2 2019 highlights

Saniona's Q2 report contained limited updates, in our view. The next triggers will be ph IIa data on Prader-Willi syndrome in September 2019 and ph IIa data on hypothalamic obesity in Q1 2020 – two key readouts. We are still awaiting Medix to file a new drug application for Tesofensine to the Mexican regulatory agency, but now expect this to occur in Q4 2019, meaning Tesofensine could be approved and launched in 2020.

Few P&L surprises in Q2

Saniona's Q2 revenues were SEK 0.7m, reflecting research funding revenues from the agreement with Boehringer Ingelheim. Research funding revenues have declined in recent quarters (see chart below), but we do not consider this significant given the relatively low levels.

SANIONA REVENUE SPLIT PER QUARTER, SEKm



Source: Company data and Nordea estimates

Q2 EBIT was SEK -20.6m, taking H1 EBIT to SEK -49.7m, with costs primarily comprising development costs related to Tesomet – Saniona's key pipeline asset – followed by preclinical development costs in relation to SAN711 and the IK programme.

Based on H1 performance and timelines on Tesofensine and Tesomet, we implement a few estimate changes in our model:

- Revenue: We lower our research funding income and push the milestone payments from Medix related to Tesofensine market approvals forward by one year. The latter is explained by a slight postponement in Tesofensine timelines, as we had previously expected a filing in mid-2019. We expect Saniona to receive milestones once Tesofensine has been approved in Mexico (2020) and Argentina (2021).
- R&D costs: We balance the expected trial costs related to Tesomet between 2020 and 2021, as we now expect the costs to be expensed broadly equally in the two years. This also reflects the updated timelines on Tesomet, where we expect phase 3 to start in 2021.

While the relative estimate changes may seem high, we note that numbers are low and that the changes have a limited impact on valuation.

ESTIMATE CHANGES

SEKm	New estimates						Estimate changes					
	2019E	2020E	2021E	2022E	2023E	2024E	2019E	2020E	2021E	2022E	2023E	2024E
Total revenues	4	45	88	120	353	388	-86%	-21%	20%	0%	0%	0%
Product sales and royalties	0	30	73	120	245	388	n.a.	0%	0%	0%	0%	0%
Tesofensine, obesity	0	30	73	120	172	229	n.a.	0%	0%	0%	0%	0%
Tesomet, PWS	0	0	0	0	48	107	n.a.	n.a.	n.a.	n.a.	0%	0%
Tesomet, HO	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tesomet, obesity	0	0	0	0	25	52	n.a.	n.a.	n.a.	n.a.	0%	0%
NS2359, CNS	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other (milestones/PRV)	4	15	15	0	109	0	-86%	-44%	n.a.	n.a.	0%	n.a.
Gross profit	4	45	88	120	353	386	-86%	-21%	20%	0%	0%	0%
R&D costs	-65	-90	-90	-70	-50	-50	8%	-36%	80%	40%	0%	0%
S&D costs	0	0	0	0	-50	-30	n.a.	n.a.	n.a.	n.a.	0%	0%
Admin costs	-35	-35	-35	-35	-35	-35	0%	-13%	-22%	-22%	-22%	-22%
EBIT	-96	-80	-37	15	218	271	41%	-35%	69%	-40%	5%	4%
PTP	-96	-80	-37	15	218	271	41%	-35%	68%	-40%	5%	4%
Net profit	-75	-62	-29	12	170	212	41%	-35%	68%	-40%	5%	4%
Free cash flow	-97	-41	-51	12	184	215	53%	-49%	12%	-40%	4%	4%
Net cash	46	4	-46	-34	150	365	-42%	-494%	0%	30%	0%	2%

Source: Company data and Nordea estimates

Tesomet timelines on track – slight delay in Tesofensine

Saniona reported positive ph III data for Tesofensine in obesity in December 2018. We are still awaiting Saniona's partner (Medix) to file a new drug application to the Mexican regulatory agency – something we had previously expected to occur in mid-2019. Saniona announced in its Q2 report that Medix will meet with the Mexican regulatory agency in Q3 2019 and is planning to launch the product in 2020. We now expect a filing in Q4 2019.

The next important updates related to Tesomet will be ph IIa data in adolescent patients with Prader-Willi syndrome (expected in September 2019), as well as ph IIa data in hypothalamic obesity (expected in Q1 2020) – two key readouts during.

UPCOMING NEWS FLOW

Timeline	Project	Event	Indication	Description
Q3 2019	Tesomet	Ph 2a results	Prader-Willi syndrome	Results from ph 2a study with 0.25 mg dose (expected in September)
Q4 2019	Tesofensine	Filing	Obesity	We expect Medix to file an NDA in Mexico by Q4 2019
Q1 2020	Tesomet	Ph 2a results	Hypothalamic obesity	Data for 24 weeks study (enrollment started in Q1 2019)
Q2 2020	Tesomet	Ph 2b study initiated	Prader-Willi syndrome	We expect Saniona to start a ph 2b study in PWS
Q2 2020	Tesofensine	Approval decision	Obesity	We expect a regulatory approval decision within six months from filing
Q4 2020	Tesomet	Ph 2a results	Hypothalamic obesity	Data for 24 weeks extension study
2020/2021	Tesomet	Ph 2b study initiated	Obesity	Saniona may start a ph 2b study in obesity
2019/2020	Pre-clinical	Deal	-	Potential for partnership deals on pre-clinical programmes
2019/2020	Pre-clinical	Deal	-	Potential for spin-outs on pre-clinical programmes
2019/2020	Pre-clinical	Milestones	-	Progress and potential milestones under existing collaborations
2019/2020	Tesomet	Deal	Metabolic diseases	Potential for partnership deals on Tesomet in metabolic diseases

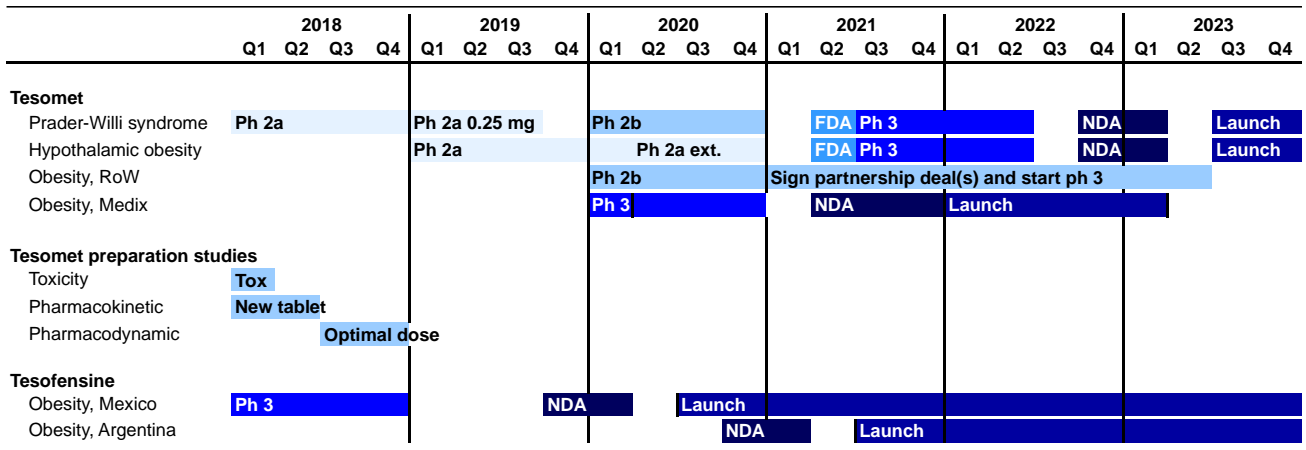
Competitors

Late 2019	Tesomet	Ph 3 data	Prader-Willi syndrome	Ph 3 topline data for DCCR by Soleno Therapeutics
H1 2020	Tesomet	Ph 3 data	Prader-Willi syndrome	Ph 2b/3 topline data for Livoletide by Millendo Therapeutics

Source: Company data and Nordea estimates

We illustrate potential timelines for Tesomet and Tesofensine below. These timelines are obviously subject to board decisions and financial planning, and may change, depending on trial outcomes and how smoothly enrolment evolves in clinical trials, discussions with regulators, etc.

SANIONA'S TIMELINES FOR TESOMET AND TESOFENSINE



Source: Company data and Nordea

Saniona: Revenue and P&L overview

REVENUE AND P&L OVERVIEW

SEKm	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total revenues	21	55	4	45	88	120	353	388	542	589	617	649	661	710
Growth	N.a.	165%	-93%	1094%	94%	36%	194%	10%	40%	9%	5%	5%	2%	7%
Product sales and royalties	0	0	0	30	73	120	245	388	542	589	617	649	661	710
Tesofensine, obesity	0	0	0	30	73	120	172	229	290	245	197	148	106	97
Tesomet, Prader-Willi syndrome	0	0	0	0	0	0	48	107	171	230	271	313	359	407
Tesomet, Hypothalamic obesity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tesomet, obesity	0	0	0	0	0	0	25	52	81	113	149	187	196	206
NS2359, CNS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (milestones/PRV)	21	55	4	15	15	0	109	0	0	0	0	0	0	0
Gross profit	17	51	4	45	88	120	353	386	540	587	614	645	658	706
Gross margin	84%	93%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%
R&D to revenue	191%	128%	1711%	198%	102%	58%	14%	13%	9%	8%	8%	8%	8%	7%
In SEK	-40	-70	-65	-90	-90	-70	-50	-50	-50	-50	-50	-50	-50	-50
S&D to revenue	0%	0%	0%	0%	0%	0%	14%	8%	6%	5%	5%	5%	5%	4%
In SEK	0	0	0	0	0	0	-50	-30	-30	-30	-30	-30	-30	-30
Admin & other costs to revenue	169%	64%	921%	77%	40%	29%	10%	9%	6%	6%	6%	5%	5%	5%
In SEK	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35
EBIT	-57	-54	-96	-80	-37	15	218	271	425	472	499	530	543	591
EBIT margin	-276%	-99%	N.a.	-176%	-42%	13%	62%	70%	78%	80%	81%	82%	82%	83%
PTP	-56	-48	-96	-80	-37	15	218	271	425	471	499	530	543	591
Net profit	-49	-41	-75	-62	-29	12	170	212	332	368	389	414	423	461
Free cash flow	-58	-24	-97	-41	-51	12	184	215	345	373	394	419	424	465
Net cash	22	55	46	4	-46	-34	150	365	710	1.083	1.477	1.896	2.320	2.785

Source: Company data and Nordea estimates

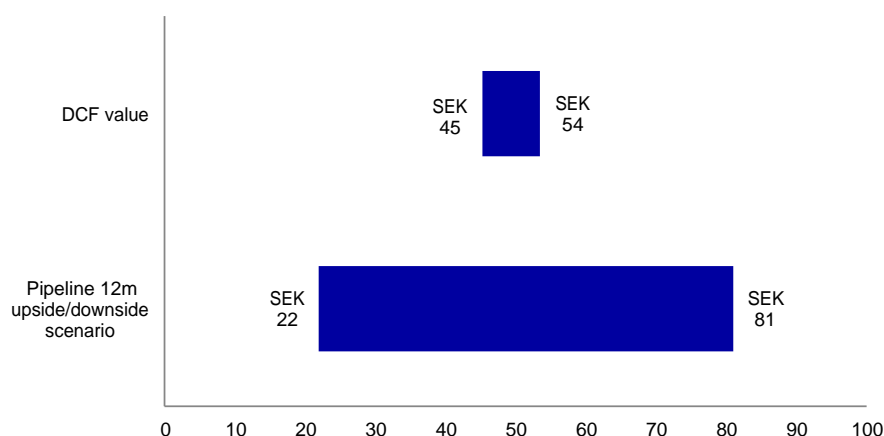
Valuation

We conduct a DCF valuation to fully capture Saniona's underlying fundamental equity value. We favour a bottom-up net present value (NPV) model comprising probability-adjusted NPVs for each key pipeline project. Based on our underlying valuation assumptions, estimates and pipeline scenarios for key events occurring over the next 12 months, we value Saniona at SEK 45-54 per share.

We value Saniona at SEK 45-54 per share

We value Saniona based on a discounted cash flow (DCF) approach, as we do with all other pharma and biotech companies. Based on our underlying valuation assumptions, estimates and pipeline scenarios – detailed in the following sections – we value Saniona at SEK 45-54 per share, taking into account a WACC between 12.5% and 14.5%, and downside and upside scenarios based on events that could drive the share over the coming 12 months.

VALUE PER SHARE, SEK



Source: Nordea estimates

SOTP valuation summary

Clinical achievements could have a significant impact on valuation in either direction

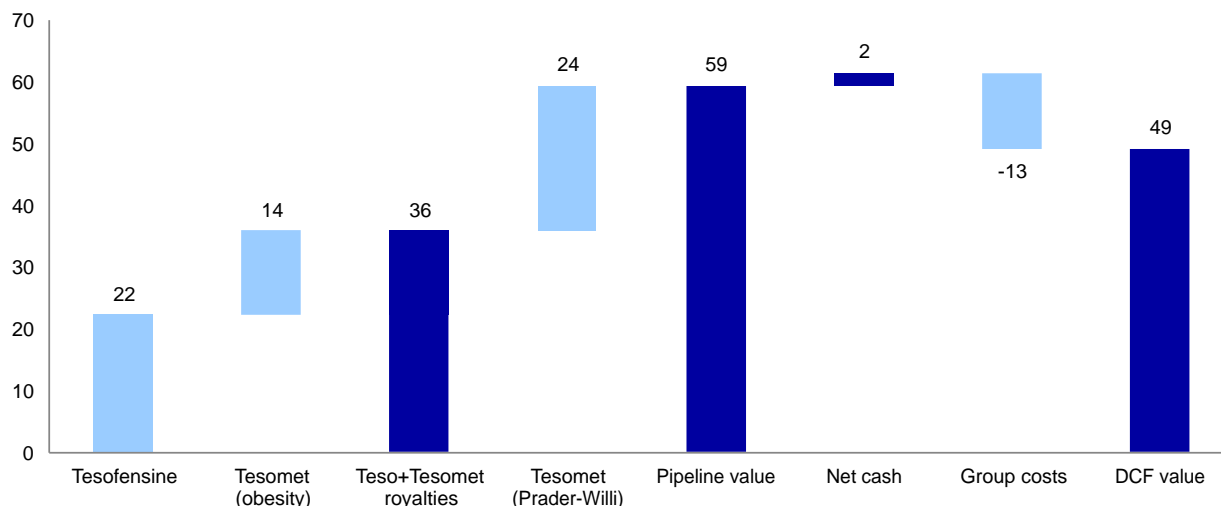
Our valuation model comprises probability-adjusted NPVs involving a DCF analysis to value each pipeline project individually. We adjust revenue and cash flow for the product candidates to reflect the probability we ascribe to successfully reaching the commercial phase. This implies that clinical achievements could have a significant impact on valuation in either a positive or a negative direction, depending on the outcome.

SANIONA: SOTP VALUATION – BASE CASE

Project	Indication	Peak sales (USDm)	Potential launch	NPV (SEKm)	Prob.	Adj. NPV (SEKm)	Adj. NPV per share	Adj. NPV share (%)
Tesofensine	Obesity	204	2020	718	90%	647	22	45%
Tesomet	Obesity	350	2023	986	40%	394	14	28%
Tesomet	Prader-Willi syndrome	362	2023	4,236	15%	635	22	44%
Priority Review Voucher	Prader-Willi syndrome	N.a.	2023	325	15%	49	2	3%
Tesomet	Hypothalamic obesity	155	N.a.	0	0%	0	0	0%
Tesomet	Type 2 diabetes	N.a.	N.a.	0	0%	0	0	0%
NS2359	Cocaine addiction	486	N.a.	0	0%	0	0	0%
Pre-clinical programs		N.a.	N.a.	0	0%	0	0	0%
Pipeline value				6,266		1,725	59	121%
Group costs not allocated to individual projects				-351	100%	-351	-12	-25%
Net cash/(debt)				55	100%	55	2	4%
SOTP valuation				5,969		1,429	49	100%

Source: Company data and Nordea estimates

We illustrate the valuation split below.

SANIONA: SOTP VALUATION

Source: Company data and Nordea estimates

With no marketed products, Saniona's cash flow is risky and the company is dependent on external financing

We apply a 13.5% discount rate (WACC) to our DCF value in the table above. To benchmark this level versus other biotech companies, it is ~3 pp higher than the WACC we use for Zealand Pharma (10.6%) and Bavarian Nordic (10.2%). We find this fair, as we deem Saniona's risk profile to be higher, given that it currently has no marketed products with which to finance its operations, unlike Bavarian Nordic (stockpiling smallpox vaccines for the US government). Zealand Pharma recently sold its GLP-1 royalty stream to Royalty Pharma, providing the company with approximately DKK 1.15bn in net cash by year-end 2018 while having two products in ph III; combined, these factors make Saniona's cash flow riskier and more dependent on external financing than the two biotech companies we compare it with.

The sensitivity table below shows how a higher or lower WACC would impact our DCF value.

VALUE PER SHARE (SEK): WACC SENSITIVITY

	11,5%	12,5%	WACC 13,5%	14,5%	15,5%
Base case scenario	58	54	49	45	42

Source: Nordea estimates

Our sensitivity analysis suggests that applying a WACC in line with the one we use for Zealand Pharma (11.5%) would take our DCF-based value up to SEK 58 per share. This highlights the potential value creation we envisage for Saniona when its pipeline advances through clinical trials, derisking the company (in addition to the higher approval probabilities on pipeline projects).

Upside and downside scenarios

When addressing upside and downside to our base-case valuation, we look at events that could drive the share price over the next 12 months. Three key pipeline programmes are expected to either read out or have regulatory feedback over this period: 1) Tesofensine approval decision in obesity; 2) Tesomet ph IIa data in Prader-Willi syndrome in adolescents (at the 0.25 mg dose); and 3) Tesomet ph IIa data in hypothalamic obesity. These events could have a significant impact on valuation in either direction, depending on their outcome, as highlighted below.

UPSIDE POTENTIAL AND DOWNSIDE RISK TO SOTP VALUATION

Event	Upside	SEK		Downside	SEK
		per share	per share		
Tesomet ph IIa trial in PWS (adolescents)	Positive safety and efficacy	9		PWS is abandoned	-24
Tesomet ph IIa trial in hypothalamic obesity	Positive safety and efficacy	21		Fails	0
Tesofensine in obesity	Marketing approval in Mexico	2		Launch postponed three years	-4
Potential upside/downside to base case		32			-27
Potential valuation		81			22

Source: Company data and Nordea estimates

Factors to consider when investing in Saniona

The equity story in Saniona is mainly about Tesomet, the company's franchise molecule addressing high unmet medical needs in obesity and rare obesity-associated diseases. The company also has other high-potential projects in the pipeline to secure long-term growth, value and news flow. These are funded by partnerships and cash until late 2020 – beyond important key pipeline catalysts. Saniona's share price performance will be highly dependent on clinical pipeline updates on its ongoing trials (mainly Tesomet and Tesofensine), posing a high risk to investors but also potentially great rewards.

The Saniona equity story

Saniona is a Denmark-based small cap biotech company listed in Sweden. It has a broad pipeline, with one product recently having reported positive ph III top-line results in obesity (Tesofensine) and three products in ph II, including Tesomet, the company's franchise molecule and key value driver, which may be used to treat several rare diseases related to obesity. An investment in Saniona could provide exposure to attractive market opportunities in the orphan drug space and several catalysts in the pipeline. But it is for investors who are willing to take on the common biotech risks associated with small cap companies that have pipeline projects but no marketed products – and thus exposure to a stock that is heavily dependent on clinical development, regulatory risk and volatile trading volumes.

We view the following to be key when considering an investment in Saniona

Factors to consider when investing in Saniona

- Saniona's late-stage pipeline programmes address small, rare diseases, meaning the company could go all the way to the market on its own. But there are also larger indications, such as obesity, that Saniona could take to market in a partnership approach with selected pharmaceutical companies.
- The high unmet medical needs in rare diseases have resulted in increased regulatory focus, with regulators in the US and EU (FDA and EMA) having implemented several financial incentives to invest in drug development in this area, creating attractive market opportunities.
- Saniona's lead asset, Tesomet, has been shown in trials to reduce both body weight and hyperphagia (insatiable appetite), providing patients with a novel treatment option with potential not only in obesity but also in multiple, rare obesity-associated disorders.
- Tesofensine and Tesomet could be favourably positioned to address the high unmet medical needs in obesity treatment in Mexico, Argentina and other RoW markets.
- Saniona's early-stage pipeline should provide investors with positive news flow, deals, sustainable growth prospects and valuation optionality over the long term.
- Funding should be sufficient until late 2020 – beyond important key pipeline catalysts.

We see the main risks in Saniona being:
1) pipeline failures, especially relating to Tesomet, delays or regulatory hurdles;
2) partners' and Saniona's ability to commercialise Tesofensine and Tesomet

Key risk factors and potential investor concerns in the case

- Clinical trials are risky, and despite promising results in earlier clinical studies, key projects (Tesofensine and Tesomet) may fail later-stage studies, be delayed in development or fail to gain approval from regulatory authorities.
- Medix and Saniona's ability to commercialise Tesofensine and Tesomet successfully, pending successful clinical development and regulatory approvals.
- Executing future out-licensing deals with Tesomet in metabolic diseases and with

TESOMET: FORECAST SUMMARY (RISK-ADJUSTED REVENUE)

SEKm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Prader-Willi (15% risk-adj)	48	107	171	230	271	313	359	407	458	474	491	247	124	85	45
- Growth (y/y)	N.a.	122%	59%	35%	17%	16%	14%	13%	13%	4%	4%	-50%	-50%	-32%	-47%
Hypothalamic obesity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Growth (y/y)	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.	N.a.
Total orphan disorders	48	107	171	230	271	313	359	407	458	474	491	247	124	85	45
- Growth (y/y)	N.a.	122%	59%	35%	17%	16%	14%	13%	13%	4%	4%	-50%	-50%	-32%	-47%
Obesity (40% risk-adj)	25	52	81	113	149	187	196	206	216	227	238	161	82	75	68
- Growth (y/y)	N.a.	110%	57%	40%	31%	26%	5%	5%	5%	5%	5%	-32%	-49%	-8%	-9%
Total Tesomet	73	159	252	344	419	500	555	613	674	701	729	408	206	160	114
- Growth (y/y)	N.a.	118%	58%	37%	22%	19%	11%	10%	10%	4%	4%	-44%	-49%	-22%	-29%
Share of total sales	30%	41%	46%	58%	68%	77%	84%	86%	88%	90%	91%	88%	82%	82%	83%
Share of total sales growth	59%	60%	60%	198%	270%	256%	422%	118%	118%	157%	158%	97%	95%	80%	79%

Source: Nordea estimates

At present, we do not include explicit forecasts for hypothalamic obesity in our valuation; this remains as potential upside to our valuation.

Early pipeline to generate positive news flow, deals and upside

Saniona's early-stage (ph I and preclinical) pipeline projects are developed in-house using its technology platform. The company is focused on developing Tesomet in orphan diseases, while it finances most other lead and preclinical assets through partnerships or research grants – a key strategy that ensures a low cash burn rate.

SANIONA'S EARLY-STAGE PIPELINE

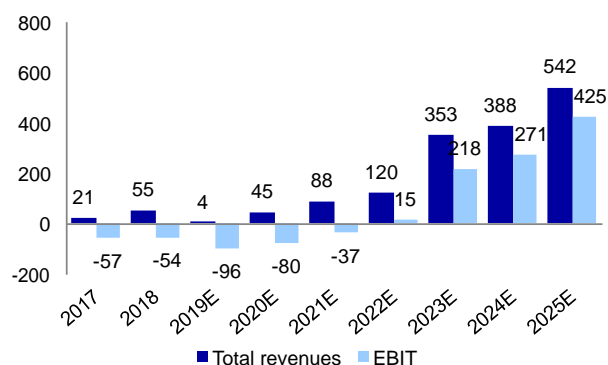
Project	Indication	Pre-clinical Research	Pre-clinical Development	Phase 1	Phase 2a	Rights	Next steps
CAD-1883	Essential tremors	[Progress bar]				Cadent Therapeutics	Ph 2a results
CAD-1883	Ataxia	[Progress bar]				Cadent Therapeutics	Start ph 2a
NS2359	Cocaine Addiction	[Progress bar]				Saniona	Ph 2a results
SAN711	Neuropathic pain and itching	[Progress bar]				Saniona	Move into ph 1
BI program	Schizophrenia	[Progress bar]				Boehringer Ingelheim	Move into ph 1
SAN903	Inflammatory bowel disease	[Progress bar]				Saniona	Move into ph 1
Kv7	Pain, epilepsy and UI	[Progress bar]				Saniona	Preclinical dev.
Nicotinic a6	Parkinson's disease	[Progress bar]				Saniona	Preclinical dev.

Source: Company data and Nordea

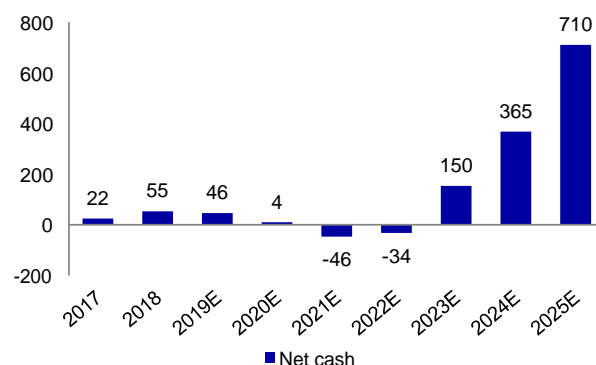
We do not attach any value to Saniona's early-stage pipeline in our valuation, but it offers valuation optionality and crystallises value as projects develop to the clinical stage or when entering potential partnerships deals, thus securing long-term growth and positive news flow.

Funded until late 2020 – beyond important key pipeline catalysts

We expect funding to be sufficient to fund operations and cash burn until late 2020, thanks to net cash, partnership agreements, and the recently completed rights issue. By that time, numerous late-stage clinical catalysts should provide potential opportunities to crystallise value, including Tesofensine marketing approval in Mexico and ph II readouts for Tesomet in Prader-Willi syndrome and hypothalamic obesity.

SANIONA: REVENUE AND EBIT FORECASTS, SEKm

Source: Company data and Nordea estimates

SANIONA: NET CASH FORECASTS, SEKm

Source: Company data and Nordea estimates

Our model assumes that Saniona turns profitable and cash flow positive in 2022/23 thanks to Tesomet sales starting to kick in.

SANIONA: REVENUE AND P&L OVERVIEW

SEKm	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total revenues	21	55	4	45	88	120	353	388	542	589	617	649	661	710
Growth	N.a.	165%	-93%	1094%	94%	36%	194%	10%	40%	9%	5%	5%	2%	7%
Product sales and royalties	0	0	0	30	73	120	245	388	542	589	617	649	661	710
Tesofensine, obesity	0	0	0	30	73	120	172	229	290	245	197	148	106	97
Tesomet, Prader-Willi syndrome	0	0	0	0	0	0	48	107	171	230	271	313	359	407
Tesomet, Hypothalamic obesity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tesomet, obesity	0	0	0	0	0	0	25	52	81	113	149	187	196	206
NS2359, CNS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (milestones/PRV)	21	55	4	15	15	0	109	0	0	0	0	0	0	0
Gross profit	17	51	4	45	88	120	353	386	540	587	614	645	658	706
Gross margin	84%	93%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%
R&D to revenue	191%	128%	1711%	198%	102%	58%	14%	13%	9%	8%	8%	8%	8%	7%
In SEK	-40	-70	-65	-90	-90	-70	-50	-50	-50	-50	-50	-50	-50	-50
S&D to revenue	0%	0%	0%	0%	0%	0%	14%	8%	6%	5%	5%	5%	5%	4%
In SEK	0	0	0	0	0	0	-50	-30	-30	-30	-30	-30	-30	-30
Admin & other costs to revenue	169%	64%	921%	77%	40%	29%	10%	9%	6%	6%	6%	5%	5%	5%
In SEK	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35
EBIT	-57	-54	-96	-80	-37	15	218	271	425	472	499	530	543	591
EBIT margin	-276%	-99%	N.a.	-176%	-42%	13%	62%	70%	78%	80%	81%	82%	82%	83%
PTP	-56	-48	-96	-80	-37	15	218	271	425	471	499	530	543	591
Net profit	-49	-41	-75	-62	-29	12	170	212	332	368	389	414	423	461
Free cash flow	-58	-24	-97	-41	-51	12	184	215	345	373	394	419	424	465
Net cash	22	55	46	4	-46	-34	150	365	710	1.083	1.477	1.896	2.320	2.785

Source: Company data and Nordea estimates

We assume that the company will prioritise driving drugs through clinical development and towards the market over near-term profitability. In our view, this strategy seems prudent, as success with early-stage pipeline projects and subsequent advancement into ph II clinical studies will drive value for the company, as will pipeline progress with Tesomet in PWS and hypothalamic obesity.

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net revenue	n.a.	n.a.	13	22	14	75	21	55	4	45	88
Revenue growth	n.a.	n.a.	n.a.	63.0%	-37.2%	449.7%	-72.4%	165.2%	-93.1%	n.m.	94.4%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0	0	-1	-7	-27	5	-57	-54	-96	-80	-37
Depreciation and impairments PPE	0	0	0	-1	-1	0	-1	-1	0	0	0
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	0	0	-2	-8	-28	4	-57	-54	-96	-80	-37
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	n.a.	n.a.	-2	-8	-28	4	-57	-54	-96	-80	-37
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	1	-1	1	1	0	0	0	0
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	-2	-8	-29	5	-56	-54	-96	-80	-37
Reported taxes	0	0	0	2	6	-3	7	7	21	18	8
Net profit from continued operations	0	0	-1	-6	-23	2	-49	-47	-75	-62	-29
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	0	-1	-6	-23	2	-49	-47	-75	-62	-29
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DPS	0.00	0.00	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	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	0.00	0.00

Profit margin in percent

EBITDA	n.a.	n.a.	-9.1%	-34.5%	-200.4%	6.1%	-273.7%	-97.6%	n.m.	-175.5%	-41.7%
EBITA	n.a.	n.a.	-12.5%	-38.0%	-206.0%	5.5%	-276.4%	-98.8%	n.m.	-175.5%	-41.7%
EBIT	n.a.	n.a.	-12.5%	-38.0%	-206.0%	5.5%	-276.4%	-98.8%	n.m.	-175.5%	-41.7%

Adjusted earnings

EBITDA (adj)	0	0	-1	-7	-27	5	-57	-54	-96	-80	-37
EBITA (adj)	0	0	-2	-8	-28	4	-57	-54	-96	-80	-37
EBIT (adj)	0	0	-2	-8	-28	4	-57	-54	-96	-80	-37
EPS (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Adjusted profit margins in percent

EBITDA (adj)	n.a.	n.a.	-9.1%	-34.5%	-200.4%	6.1%	-273.7%	-97.6%	n.m.	-175.5%	-41.7%
EBITA (adj)	n.a.	n.a.	-12.5%	-38.0%	-206.0%	5.5%	-276.4%	-98.8%	n.m.	-175.5%	-41.7%
EBIT (adj)	n.a.	n.a.	-12.5%	-38.0%	-206.0%	5.5%	-276.4%	-98.8%	n.m.	-175.5%	-41.7%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32.7%	-29.4%	27.2%	3.3%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-63.1%	-77.3%	n.m.	n.m.	n.m.
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-61.1%	-75.6%	n.m.	n.m.	n.m.

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.86	n.m.	11.20	6.34
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-3.2%	-18.9%	-8.1%	-9.9%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-3.2%	-18.9%	-8.1%	-9.9%
Payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Intangible assets	0	0	0	0	0	0	0	0	0	0	0
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	0	0	0	0	0
of which goodwill	0	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	1	1	1	1	1	2	2	2	2
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	7	7	7	7
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	0	1	1	1	1	6	4	0	0	0
Total non-current assets	0	0	2	2	2	3	8	12	8	8	8
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	1	3	8	14	18	14	1	12	23
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	1	0	1	1	2	0	1	1
Cash and bank	0	0	1	10	47	53	22	55	46	4	-46
Total current assets	0	0	2	13	55	68	41	71	47	18	-22
Assets held for sale	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	0	0	4	15	58	71	48	83	55	26	-14
Shareholders equity	0	0	-3	9	53	54	38	39	52	-10	-39
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	0	0	-3	9	53	54	38	39	52	-10	-39
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0	0
Short-term provisions	0	0	0	0	0	2	0	0	0	0	0
Accounts payable	0	0	2	2	3	6	5	7	1	6	12
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	5	4	2	9	6	36	3	30	13
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	0	0	7	7	5	17	11	44	3	36	25
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	0	4	15	58	71	48	83	55	26	-14
Balance sheet and debt metrics											
Net debt	0	0	-1	-10	-47	-53	-22	-55	-46	-4	46
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	0	0	-6	-3	4	0	8	-28	-2	-23	-1
Invested capital	0	0	-4	-1	6	3	15	-15	6	-14	7
Capital employed	0	0	-3	9	53	54	38	39	52	-10	-39
ROE	n.m.	n.m.	86.9%	n.m.	-74.4%	4.1%	n.m.	n.m.	n.m.	n.m.	n.m.
ROIC	n.m.	n.m.	72.9%	n.m.	n.m.	76.0%	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	n.a.	n.a.	57.2%	-94.1%	-53.0%	7.7%	n.m.	n.m.	n.m.	n.m.	94.3%
Net debt/EBITDA	n.m.	n.m.	0.8	1.3	1.7	-11.7	0.4	1.0	0.5	0.1	-1.3
Interest coverage	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	-73.0%	56.8%	91.8%	76.7%	77.8%	47.5%	94.5%	-38.9%	275.9%
Net gearing	n.m.	n.m.	31.5%	-110.4%	-88.8%	-98.2%	-59.3%	-138.6%	-87.7%	43.5%	-118.9%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EBITDA (adj) for associates	0	0	-1	-7	-27	5	-57	-54	-96	-80	-37
Paid taxes	0	0	0	0	0	0	0	0	21	18	8
Net financials	0	0	0	0	0	0	0	0	0	0	0
Change in provisions	0	0	0	0	0	2	-2	0	0	0	0
Change in other LT non-IB	0	0	-1	0	-1	0	-5	2	4	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	0	0	-5	0	1	-2	7	-1	0	0	0
Funds from operations (FFO)	0	0	-7	-7	-27	5	-56	-52	-71	-62	-29
Change in NWC	0	0	3	0	-2	3	-1	29	-26	21	-22
Cash flow from operations (CFO)	0	0	-4	-8	-29	8	-57	-23	-97	-41	-51
Capital expenditure	0	0	-2	-1	0	-1	-1	-1	0	0	0
Free cash flow before A&D	0	0	-5	-9	-29	7	-58	-24	-97	-41	-51
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	0	0	-5	-9	-29	7	-58	-24	-97	-41	-51
Free cash flow bef A&D, lease adj	0	0	-5	-9	-29	7	-58	-24	-97	-41	-51
Dividends paid	0	0	n.a.	n.a.	n.a.	0	0	0	0	0	0
Equity issues / buybacks	0	0	0	18	67	0	33	41	88	0	0
Net change in debt	0	0	0	0	0	0	0	0	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	6	0	0	0	-6	10	0	0	0
Change in cash	0	0	1	9	37	6	-31	32	-9	-41	-51
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	31.7%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/Sales	n.a.	n.a.	12.2%	3.7%	1.8%	1.1%	3.4%	2.0%	0.0%	0.0%	0.0%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32	18	18	18
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	760	513	513	513
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	706	467	508	559
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	0.0	0.0	0.0	21.9	23.8	29.1	29.1	29.1

Source: Company data and Nordea estimates

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This report has not been reviewed by the Issuer prior to publication.

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