

Press release update

DANCANN PHARMA A/S

Danish DanCann Pharma provides medical cannabis. The company's strategy is to (i) cultivate and export cannabis raw materials, (ii) import and distribute cannabis products, and (iii) in-licensing approved medical cannabis products.

CEO: Jeppe Rasmussen
 CB: Carsten Trads
 www.dancann.com

Bloomberg: DANCAN:SS
 Refinitiv Eikon: DANCAN.ST
 Market place: Spotlight DK
 Last share price: DKK 0.73
 Market cap: MDKK 44

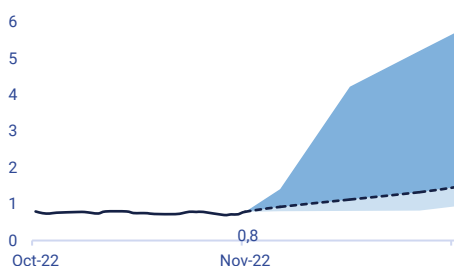
SHARE PRICE DEVELOPMENT



	12M	YTD	3M	1M
Share perf. (%)	-87.6	-90	-18	-8.9

Source: S&P Capital IQ

VALUATION INTERVAL



	BEAR	BASE	BULL
Value per share	0.9	1.8	2.6
Up-/downside (%)	38	76	299

Source: S&P Capital IQ and Carlsquare Estimates

CARLSQUARE EQUITY RESEARCH

Carlsquare does not take a position in the discussion on whether medical cannabis should be legal or not. The research report is based on information from sources that Carlsquare considers credible.

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Crucial approval reduces a layer of risk

On 2 December, DanCann announced that they will formally obtain EU-GMP certification for its production facility Biotech Pharm1 at the end of 2022. Lacking the certification has been the key-threshold in initiating its production phase for cannabis Bulk-products and API's. Hence, we view that obtaining the approval for the certification reduces a layer of risk in the commercialisation trajectory. We adjust the overall risk in DanCann by removing the risk attributable for the approval.

By combining our DCF and the multiple-method in an average, we calculate a fair price per share of DKK 1.77 (DKK 1.5 per share). In our DCF, we calculate a fair value per share of DKK 1.91 (DKK 1.8 per share), and in our multiples-based valuation, we use an EV/Sales 2023 multiple of 2.6x, resulting in a fair value per share of DKK 1.63 (DKK 1.1 per share).

Why is the EU-GMP approval crucial?

DanCann's business model includes three key sources of revenue streams:

- 1) Production and exports of Cannabis bulk and API's from own facility.
- 2) Imports and distribution of medicinal cannabis products on the local Danish market, as well as neighboring countries.
- 3) In-licensing of approved medicinal cannabis products.

Since its founding, DanCann has always envisioned production and exportation of internally developed cannabis bulk-products and API's as the main growth prospect for the company. With the approval soon in place, the company is now able to produce its first commercial batches. Within the pipeline for DanCann's exportation business, the company has binding agreements with a total value of DKK 81 million or more, including the recently signed deal with StorkPharm worth DKK 41 million and the deal with WEECO worth DKK 40 million. In addition to the binding agreements, DanCann has also signed a LOI-agreement with Swedish Aerum Pharma pertaining exclusive rights to distribute DanCann Pharma's own products on the Swedish market, worth SEK 37 million at minimum.

With the approval in place at the end of 2022, DanCann is now able to begin shifting focus to capitalizing on its agreements. According to the founder and CEO Jeppe Krog Rasmussen, sales from the company's own facility is expected to convert the binding agreements into revenues of DKK 80 million by 2025.

Carlsquare published the latest update on DanCann Pharma on 7 November 2022, with a justified value of DKK 1,5 per share. Read the full research update [here](#).

Key figures (MDKK)

	2020	2021	2022E	2023E	2024E	2025E
Riskadjusted Net sales	0	1	6	19	41	56
Gross profit	0	2	4	10	21	31
EBITDA	-1	-14	-14	-9	0	6
EBIT	-1	-15	-16	-11	-2	3
EBT	-1	-15	-17	-12	-3	2
Earning per share	n.m	-0,413	-0,359	-0,183	-0,053	0,026
Growth, tot. revenue	n.m	n.m	n.m	236,0%	122,9%	36,7%
EBITDA-margin	neg.	neg.	neg.	neg.	0%	9,9%
EBIT-margin	neg.	neg.	neg.	neg.	neg.	5,4%
EV/Sales	n.m	n.m	7,9x	2,3x	1,0x	0,8x

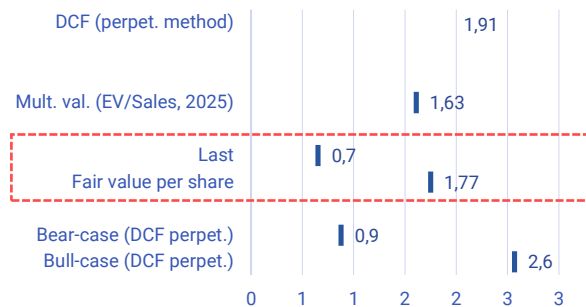
Sales and associated costs are risk-adjusted. Source: Company information and Carlsquare estimates

Fair value per share (DKK), base scenario

Multiple valuation (EV/Sales, 2025)	1,634
DCF valuation	1,915
Fair value per share	1,77
Potential up-/downside	162%
Shares outstanding, fully financed, and diluted	65,0
Shareholder value	115,4
Cash, pro forma	18,1
Debt, pro forma	10,0
PV cash from equity financing	13,6
EV	93,7

Source: Carlsquare estimates

Fair value per share within an interval (DKK)



Source: Carlsquare estimates

DCF-valuation, Summary of base scenario

DCF valuation	Discount rate	Assumptions
PV(UFCF)	8,2	Risk free rate 1,9% CAGR, 2022-2031 53,4%
PV(TV)	109,3	Market risk premium 6,7% EBITDA-margin, 2031 17,7%
Enterprise value	118	Size premium 3,0% EBIT-margin, 2031 16,0%
Net cash(31-Dec)	-6,6	Beta 1,2x Tax rate 22,0%
Shareholder value	111	Req. return on equity 13,5%
PV(equity financing proceeds)	14	
Shareholder value, after financing	125	
Shares outstanding after financing and dilution	65,0	
Value per share	1,9	
		Implied multiples
	Tax adjust. interest on debt 5,5%	EV/Sales, NTM NA
	Leverage 0,0%	EV/Sales 2022 21,4x
	WACC 13,5%	EV/EBITDA, NTM NM
		EV/EBITDA 2022 NM
	Company spec. premium 0,0%	EV/EBIT NTM NM
	Discount rate 13,5%	EV/EBIT, 2022 NM

Source: Carlsquare estimates

Multiple valuation, base scenario

	HQ	Mcap (SEKm)	EV/Sales. LTM	EV/Sales, 2023P
Trulieve Cannabis Corp.	US	19 760	2,7x	2,6x
Little Green Pharma Ltd	AU	224	4,1x	NA
Tikun Olam-Cannbit Pharmaceuticals Ltd	IL	130	2,0x	NA
Tilray Brands, Inc.	CA	20 239	4,8x	3,7x
Stenocare A/S	DK	116	73,0x	NA
Organigram Holdings Inc.	CA	2 556	2,5x	1,6x
Median		1 390	3,4x	2,6x
Average		7 171	14,8x	2,6x

Median	
Median Multiple, 2023	2,6x
Discount	0,0
Applied EV/Sales multiple	2,6x
Expected Sales 2025	56,4
Fair Value EV	146,5x
Discount rate	13,5%
Discount period	3,1
PV (Fair Value EV)	99,2
Cash, last rep. Q	3,4
Interest bearing debt, last. Q	10,0
Shareholder value	92,6
Shares outstanding	28,5
Fair value share price	3,3
PV (from equity financing)	13,6
Shareholder value including cash from equity financing	106,2
Shares outstanding, fully diluted after financing	65,0
Fair value share price after financing and dilution	1,6

Source: Capital IQ and Carlsquare estimates

Financial accounts and key figures

Income statement (risk adjusted) (DKKm)

	2020	2021	2022E	2023E	2024E	2025E
Net Sales	0	1	6	19	41	56
COGS	0	-1	-4	-11	-23	-28
Gross profit	0	2	4	10	21	31
Tot. op. exp, excl. COGS & dep. and amort.	-1	-15	-18	-19	-21	-25
EBITDA	-1	-14	-14	-9	0	6
Dep. and amort.	0	-1	-2	-2	-2	-2
EBIT	-1	-15	-16	-11	-2	3
Net finances	-1	-15	-17	-12	-3	2
EBT	-2	-30	-33	-23	-6	5
Tax	1	3	0	0	0	0
Net profit/loss	0	-12	-17	-12	-3	2
EPS	-	-0,41	-0,36	-0,18	-0,05	0,03
Shares, EoP		28,5	65,0	65,0	65,0	65,0
Average		28,5	46,7	65,0	65,0	65,0
Growth	2020	2021	2022E	2023E	2024E	2025E
Net Sales	NA	NM	529%	236%	123%	37%
Gross profit	NA	NM	154%	124%	121%	45%
EBITDA	NA	NM	-4%	35%	99%	4366%
EBIT	NA	NM	-10%	30%	79%	231%
EBT	NA	NM	-11%	29%	71%	163%
Net profit/loss	NA	NM	-43%	29%	71%	150%
EPS		NM	-13%	-49%	-71%	-150%
Margins	2020	2021	2022E	2023E	2024E	2025E
Gross profit	NA	73%	54%	46%	49%	52%
EBITDA margin	Neg.	Neg.	Neg.	-50%	0%	10%
EBIT margin	Neg.	Neg.	Neg.	-61%	-6%	6%
EBT margin	Neg.	Neg.	Neg.	-125%	-14%	9%
Profit margin	Neg.	Neg.	Neg.	-64%	-8%	3%

Source: Company information and Carlsquare estimates

Balance sheet (risk adjusted) (DKKm)

	2020	2021	2022E	2023E	2024E	2025E
Tot. Intangible assets	0	41	43	43	43	42
Tot. Tangible assets	4	10	10	10	11	11
Financial non-current assets	0	0	0	0	0	0
Tot. Fixed assets	4	51	53	54	54	53
Inventories	0	0	1	3	8	10
Accounts receivables	0	1	1	3	5	7
Other receivables	0	2	2	2	2	2
Cash and Cash equivalents	21	8	3	0	8	10
Total current assets	0	18	13	19	33	37
Sum Assets	0	69	66	73	87	89
Share capital	0	1	5	5	5	5
Reserve for development costs	0	23	41	55	71	71
Retained Earnings	0	30	13	1	-2	-1
Sum Equity	0	53	59	61	74	75
Debt to Creditors	0	0	0	0	0	0
Total long-term liabilities	0	0	0	0	0	0
Leasing liabilities	0	0	0	0	0	0
Accounts Payables	0	3	1	3	4	6
Corporation tax payable	0	0	0	0	0	0
Other current liabilities	0	11	6	7	8	7
Total Short Term Debt	0	15	7	11	13	13
Total Debt	0	15	7	11	13	13
Total Equity and Debt	0	69	66	73	87	89

	2020	2021	2022E	2023E	2024E	2025E
Liquidity						
Current ratio	n.m	120%	192%	177%	262%	281%
Cash ratio	n.m	53%	40%	3%	61%	79%
Leverage						
Net debt(-)/Net cash(+)	11	-2	-22	-40	-33	-30
Net debt/EBITDA	n.m	n.m	n.m	n.m	n.m	5,4x
Net debt/Equity	n.m	4%	37%	66%	44%	40%
Equity/Total Assets	n.m	77%	88%	84%	84%	84%
Efficiency						
ROA	n.m	Neg.	Neg.	Neg.	Neg.	1,9%
ROE	n.m	Neg.	Neg.	Neg.	Neg.	2,3%
ROIC	Neg.	Neg.	Neg.	Neg.	Neg.	4,2%

Source: Company information and Carlsquare estimates

Cash flow (risk adjusted) (DKKm)

	2021	2022E	2023E	2024E	2025E
CF, operating activities before delta WC	-14,05	-15	-10	-1	4
Delta operating capital	2,06	-8	-4	-5	0
CF. Operating Activities	-11,99	-23	-14	-6	4
CF. Investing Activities (CAPEX)	-32,25	-4	-3	-2	-1
CF. Financing Activities	30,64	22	15	16	0
Cash flow	-13,60	-5	-2	7	2
Cash, BoP	21,33	8	3	0	8
Cash, EoP	7,74	3	0	8	10
Key ratios	2021	2022E	2023E	2024E	2025E
CF. Operating Activities/Net Sales	n.m	n.m	n.m	-15%	6%
CF. Operating Activities/EBITDA	0%	130%	17932%	-252%	-81%

Source: Company information and Carlsquare estimates

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