



Nordic Life Science Sector Q2 23

Carlsquare Equity Research

22 September 2023



Carlsquare - investment banking and equity research with international presence

North America

Europe

Two offices with Life Science focused personnel

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M&A

Debt Advisory

Equity Capital Markets

Equity Research

Carlsquare Equity Research has been providing commissioned equity research on Nordic companies since 2013. We have covered over 250 companies from various sectors. We also do valuation assignments for private and public companies.

The Carlsquare Equity Research Life science team is headed by Niklas Elmhammer. The team has covered over 60 companies in the public Nordic life science space. For questions on the material in this sector report, please contact Niklas Elmhammer at niklas.elmhammer@carlsquare.com and/or Herman Kuntscher at herman.Kuntscher@carlsquare.com

Selection of companies covered

 Food supplements and distribution 	 Industrials 	 MedTech 	 Real estate 	 Life science 	 Healthcare provider
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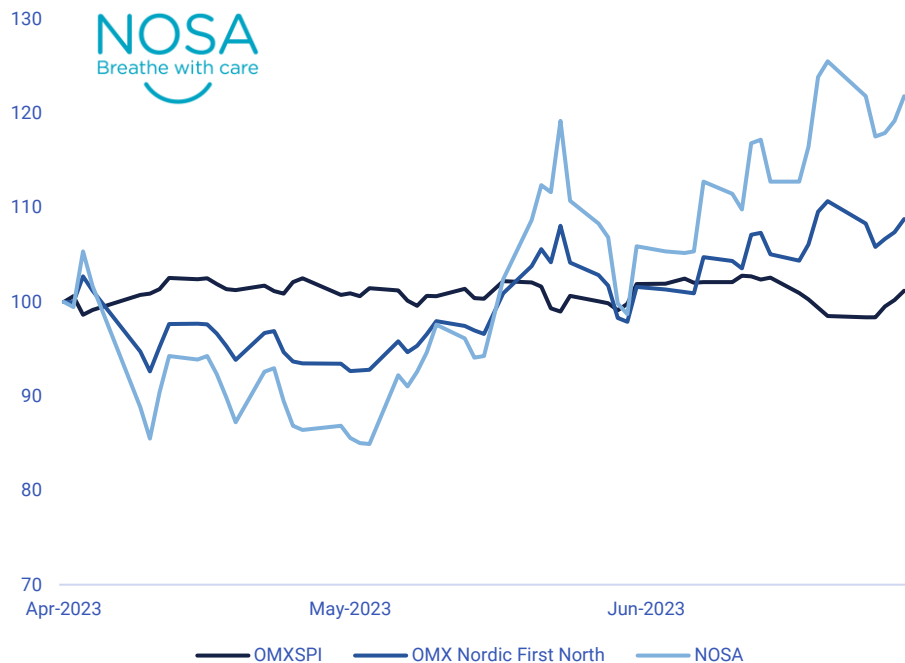
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Selection of Carlsquare Equity Research publications

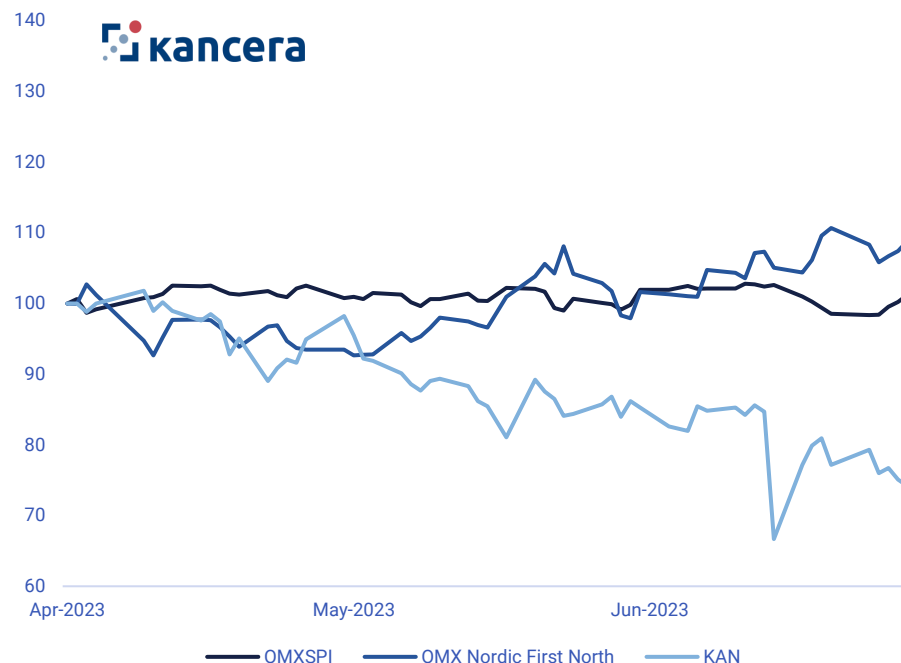
Nosa Plugs: Smelling success, plugging a hole in the market

- Carlsquare Equity Research initiates coverage of Nosa Plugs and identifies a MedTech company that develops, manufactures and sells nasal breathing devices. NOSA entered the Swedish stock exchange through a reverse merger in the first quarter of 2023. Nosa Plugs made it through the other side of the pandemic and has since continued on the strong growth curve they were on before it. We estimate a sales CAGR of 86% for 2023-2026 and expect new partnerships with distributors, meaning both new geographies and new customer bases. With a diverse customer base and the coming launch of Nosa smell training, we see substantial potential in Nosa Plugs and estimate a fair value of SEK 1.2 per share.
- Find the full report here: <https://carlsquare.com/initiation-of-coverage-nosa-plugs-smelling-success-plugging-a-hole-in-the-market/>



Kancera: Heart infarction results expected soon

- Top line results from the FRACTAL study in heart infarct patients are expected to be presented shortly (Q4). The clinical evidence for KAND567 is so far relatively limited. Overall, it is difficult to predict the outcome. The primary objective is safety, but the results will be scrutinized and assessed based on signs of clinically relevant effect that could justify further clinical development in myocardial infarction. If signals of a relevant effect are absent, we believe that the Kancera share will be severely punished (we predict a ~50 percent drop from current levels). Conversely, the upside in the stock is significant if the FRACTAL results show a promising trend for the clinical parameters infarct size and heart function. We reiterate the risk adjusted fair value in the base scenario of SEK 4.6 per share.
- Find the full report here: <https://carlsquare.com/sv/initiation-of-coverage-kancera-heart-infarction-results-expected-soon/>



(At least) two sides to every story

Lagging behind

- In Q2 2023, healthcare stocks lagged generally upbeat markets. Pharma was a weak performer, led by Pfizer and Moderna, as sales of COVID-19 vaccines dwindled. The brightest shining star in the sector, Lilly, gained on progress for its obesity and Alzheimer pipeline, respectively. Expectations for very significant future obesity and neurology drug markets are a positive driver in the healthcare space. At the same time, Big Pharma faces headwinds as price negotiations for Medicare coverage begin next year.

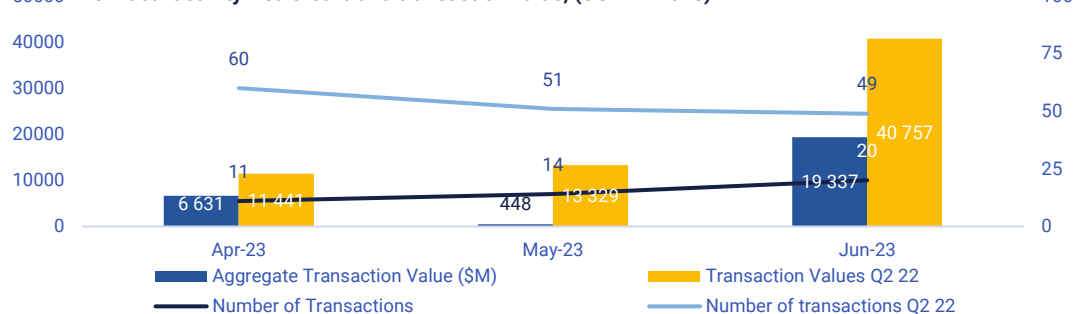
Big Pharma putting cash to work – MedTech M&A flatline

- Deals announced in Q2 included Novartis’s bid for Chinook Therapeutics, a late-stage developer of novel therapies for rare kidney diseases, for USD 3.2bn upfront. Also in the Orphan Drug space, Biogen launched a UD 7.3bn bid for Reata, which markets recently approved Scyclaris. The latter is a treatment for the neurology disorder Friedrich’s ataxia. We believe these biopharma buyouts underline a continued interest in Orphan Drugs and also that cash is burning in the pockets of some Big Pharma players. This could underpin small and mid-sized biotech stocks going forward. The increased scrutiny from competition authorities, e.g., FTC, is a concern, however. The Pfizer + Seagen USD 43bn deal announced at the beginning of the year is still under review.
- In the MedTech space, the deal activity is overall anaemic and the slowest in at least a decade, according to Evaluate. Some notable deals include Abbott acquiring Cardiovascular systems for USD 890m. In September, Globus Medical and Nuvasive also completed an all-stock merger in the orthopaedic space. The deal terms value the combined group at USD 3.1bn.
- Spinoffs are also a persistent trend in Life Science. In August, J&J’s consumer health business Kenvue was listed at a valuation of around USD 41bn, the largest IPO in the US in two years. 3M also plans to spin off its healthcare business at the beginning of next year. While the shares of spinoffs tend to perform poorly, the new companies are often active in consolidation.

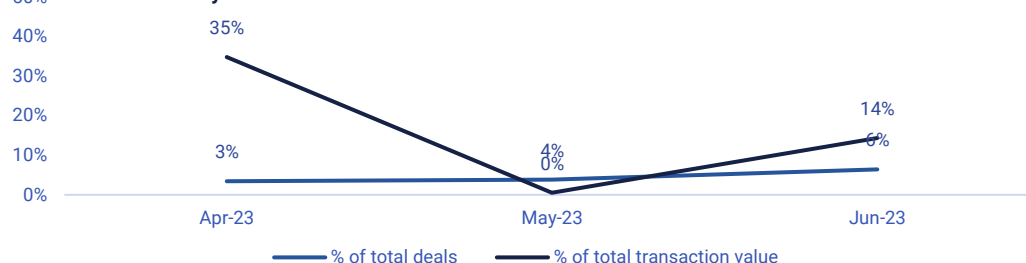
20 XLV-share price compared to indices, daily share & Index value price return (%)



50000 M&A deal activity Healthcare and transaction value, (USD millions)



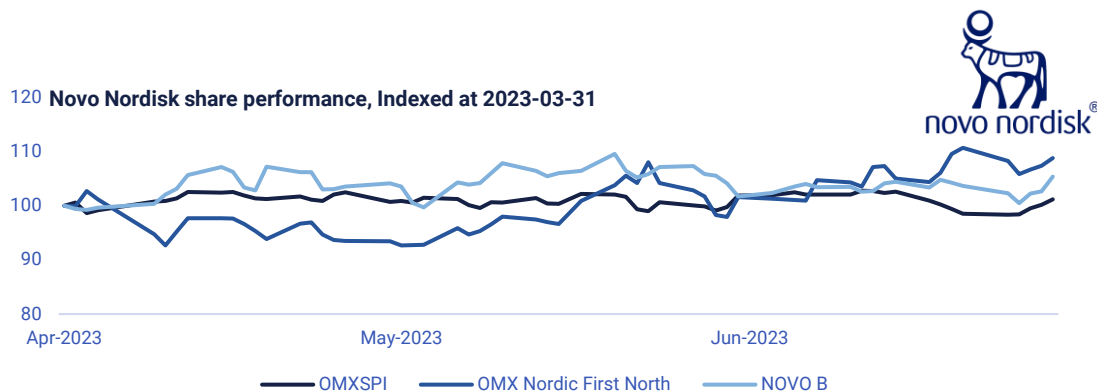
50% M&A deal activity and transaction value as % of total in all sectors



Novo Nordisk against obesity, Getinge in decline and regulatory tailwind for BioArctic

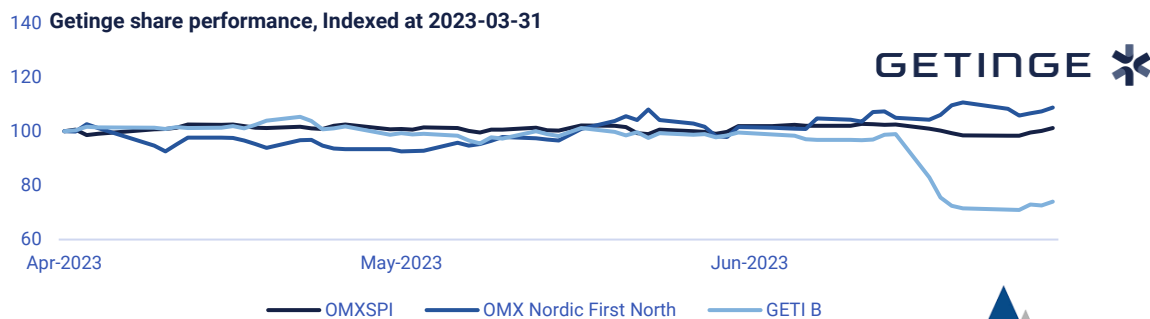
Novo Nordisk: Hearty market reception

- On 8 August, Novo Nordisk reported positive top-line results from the large cardiovascular outcomes trial SELECT in individuals treated for obesity with once-weekly semaglutide (Wegovy). Wegovy reduces the risk of major cardiovascular events by 20 per cent in a five-year follow-up. Although the full results have not yet been published, the outcome appears to be a major milestone for a possible wider acceptance among prescribing doctors and payors, and the shares rallied almost 20 per cent on the same day. In Q2, Novo also presented positive weight loss results in a late-stage trial with oral semaglutide.



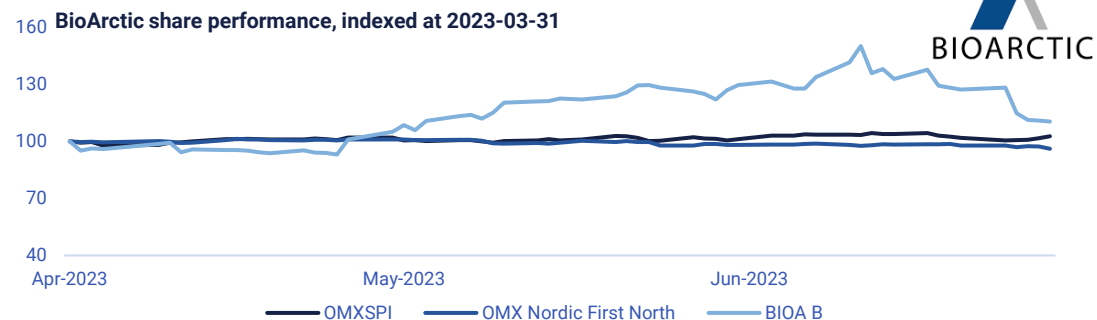
Getinge: Not able to deliver

- Getinge has been facing problems when it comes to shortages in input components. In particular, there has been problems related to acute care therapies in two product areas; cardiopulmonary and cardiac assist. Possible breaches in the sterile packaging of consumables for ECMO-therapy has led Getinge to try and develop new packaging. Furthermore, products have been recalled which will hurt the net sales for the full year 2023. In total, the effects of these problems resulted in Getinge warning of a SEK 400 million impact to EBITDA for the second quarter of 2023. The reaction of the stock market was to dump the share, causing over a 20% loss.



BioArctic: Full approval and Medicare coverage

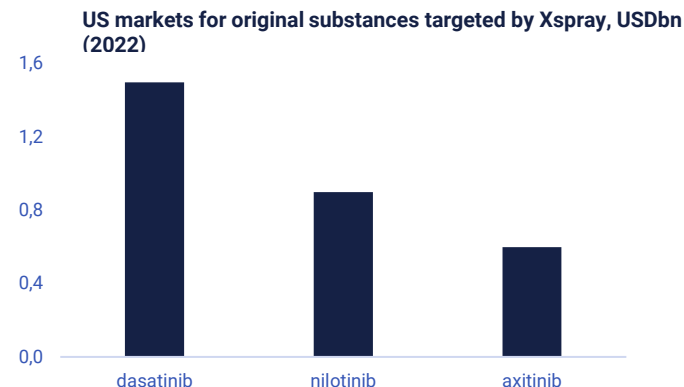
- In July Leqembi (co-developed with Eisai) became the first Alzheimer drug to receive full approval from the FDA. Also, the CMS approved Medicare coverage provided the patient is included in a registry. The absence of payer coverage has until now been a major hurdle for the commercialization of Alzheimer treatments.



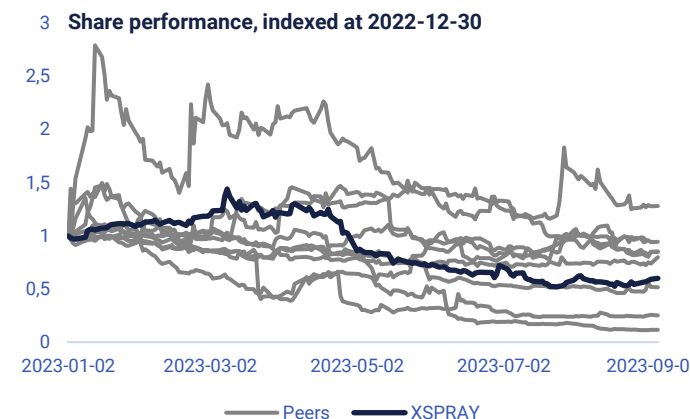
Xspray – clearing a legal milestone

US launch in 2024 likely

- Settlement ends patent litigation:** Xspray focuses on developing improved versions of already existing drugs that are facing patent expiry. The technology is based on a proprietary development platform HyNap. The current focus areas are oncology and protein kinase inhibitors, a very large class of small-molecule drugs. Patent litigation is part of the business model and last week Xspray settled with Bristol Myers Squibb (BMS) to allow the US launch of an improved version (Dasynoc) of the leukaemia drug Sprycel (dasatininb) in September 2024.
- Validation of company strategy:** Although BMS has not commented on the settlement, it is likely that the risk of an unfavourable outcome opening for an earlier launch of Dasynoc influenced the pharma giant's decision. For Xspray it removes uncertainty and costs related to the patent process. Arguably, the HyNap technology is also further validated since it has been scrutinized by the experts of Xspray's fiercest competitor, who subsequently chose to settle. The management of Xspray has been confident ever since BMS first sued at the beginning of 2022 and the outcome suggests the strategy stands the test of legal challenge.
- Important triggers ahead:** The share price increased dramatically on the news. However, the shares are still down on the year following the large share issue in the summer and the protracted approval process for Dasynoc (the FDA issued a CRL in July). Since the beginning of 2021, the market cap has more than halved to SEK 1.4bn. Arguably, the road to the market has been more winding than expected. In the near future, tentatively in November, the main focus is on the outcome of a possibly pivotal bioequivalence study for Xspray's next product candidate, XS003. This is the next likely major value inflection point for the project portfolio. There is also an opportunity for a SEK 125m capital injection from the subscription of outstanding warrants T05 that expires in November. Also, discussions with the FDA are ongoing, and Xspray expects US market approval for Dasynoc in the first half of 2024.



Note: Turnover in share as a % of MCAP is averaged over the periods found on the x-axis

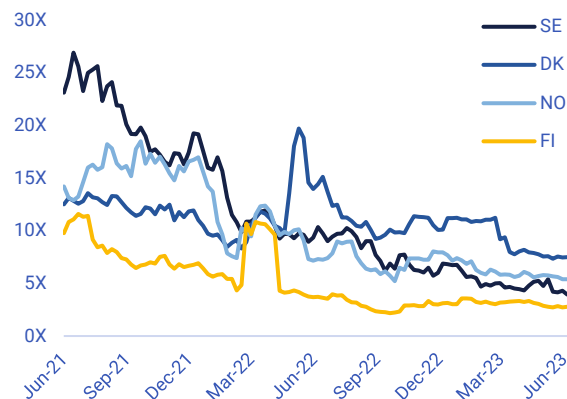


Denmark pulling away on sales. Diagnostic imaging falling behind.

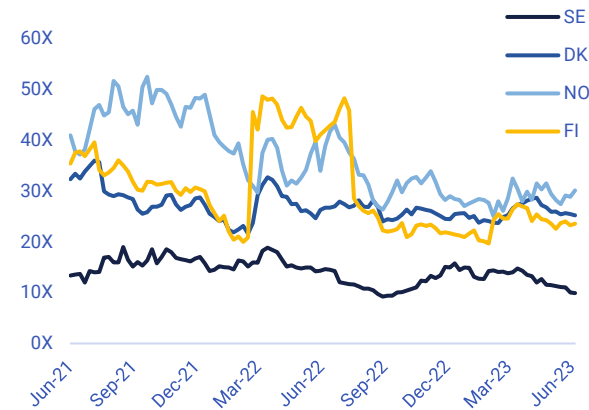
Summary

- Denmark still holds the highest median EV/sales multiple in spite of a decrease during Q2, Finland remained the lowest. Norway remained slightly above Sweden.
- Norway was still the highest valued in terms of EV/EBITDA, with Denmark losing ground during the early summer. Finland maintained its lead over Sweden, reaching 18.0X vs 10.1X.
- Diagnostic imaging, remained a leader of EV/Sales at 7.5X with Drug Delivery Devices and Healthcare IT falling substantially. In Vitro Diagnostics saw a recovery, boosted by Prolight Diagnostics. In terms of EV/EBITDA healthcare IT remained the highest, although this is thanks to an outlier in Zenicor. The runner-up was Diagnostic imaging, pushing past both More than one classification and the Other categories, reaching 30.2X compared to 11.9X and 20.0X respectively.

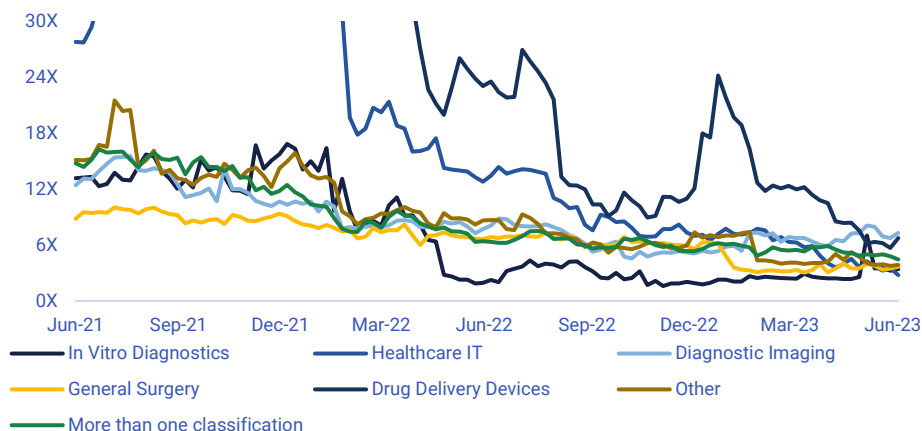
EV/Sales



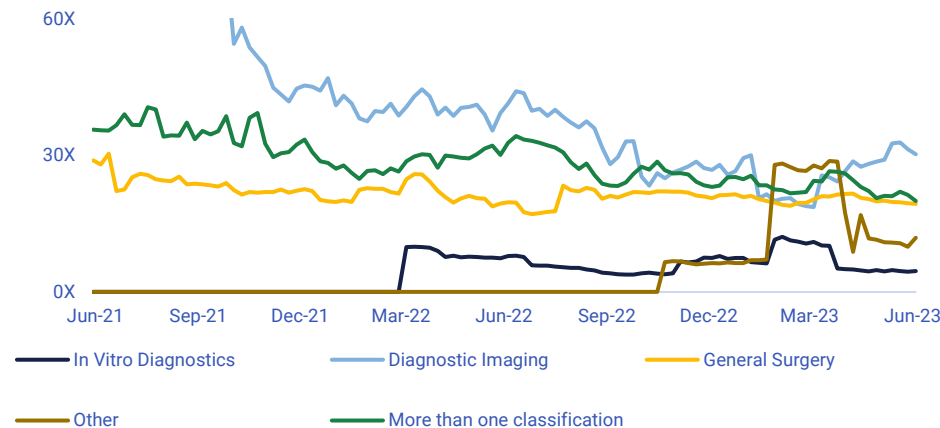
EV/EBITDA



EV/Sales



EV/EBITDA



Valuations (SEKm): Denmark still holding the lead

Medtech valuations with Denmark in the lead

- **Danish** Medtech companies were, on average, valued highest, with **Sweden** in a distant second and with both **Norway** and **Finland** closely after.
- **Coloplast**, **XVIVO** and **Arjo** helped push **general surgery** to the highest median valuation. **More than one classification** was on average valued most highly, boosted by many strong performers, including **ADDvise** and **Elekta**.

Biotech valuations, allergy and neurology pushing forward

- **Phase-III companies** were naturally valued the highest. **Pre-clinical** companies surprised however, reaching higher valuations than **Phase-I** companies in terms of median EV.
- **Alk-Abelló** sets the **allergy** indication highest in terms of EV, but **endocrine** has seen gains thanks to **Zealand Pharma**.

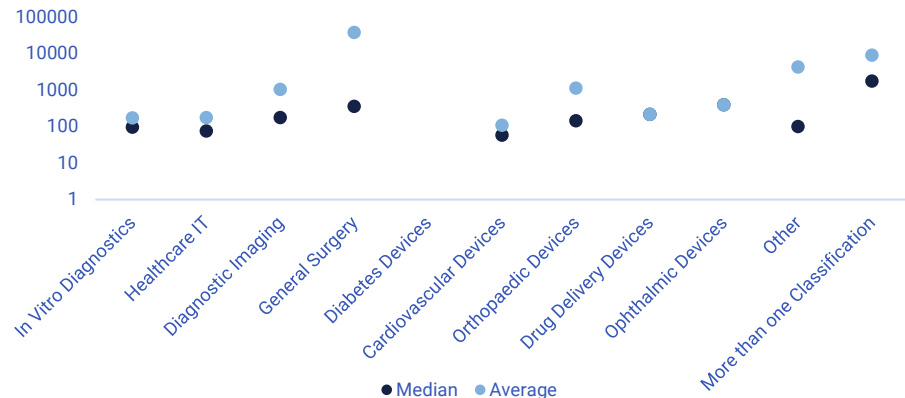
Enterprise value by country (SEKm log scale)



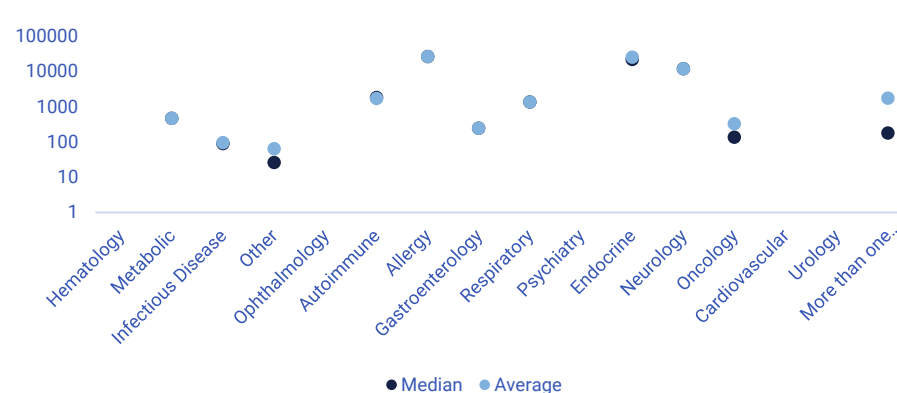
Enterprise value by phase (SEKm log scale)



Enterprise value by vertical (SEKm log scale)



Enterprise value by indication (SEKm log scale)



Share performance (%): MedTechs feeling the hurt during Q2

Proof of concept and cost cutting

- **Prilight Diagnostics** came out as a clear winner following the proof-of-concept of the single molecule detection system for troponin protein. In the bottom, **QLIFE** struggles to cut costs and **CLS** that was a rocket in the previous quarter came crashing back down.

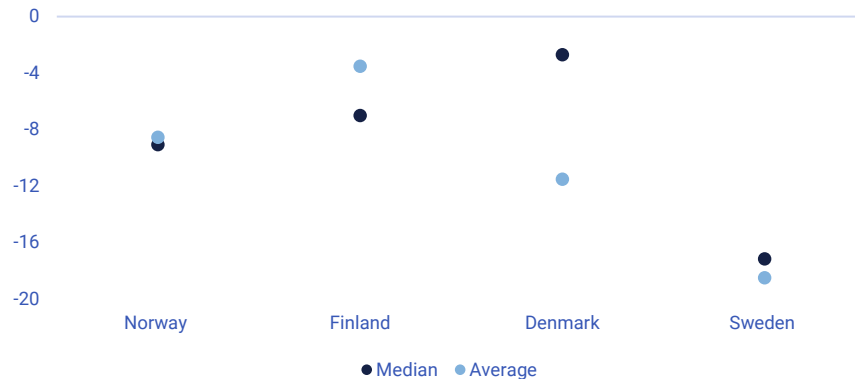
Strong quarter for Finland

- While **Finland** was the strongest performer on average, **Denmark** won out in terms of median share performance. All country groups posted losses, with **Sweden** in the bottom at -18.6% on average.

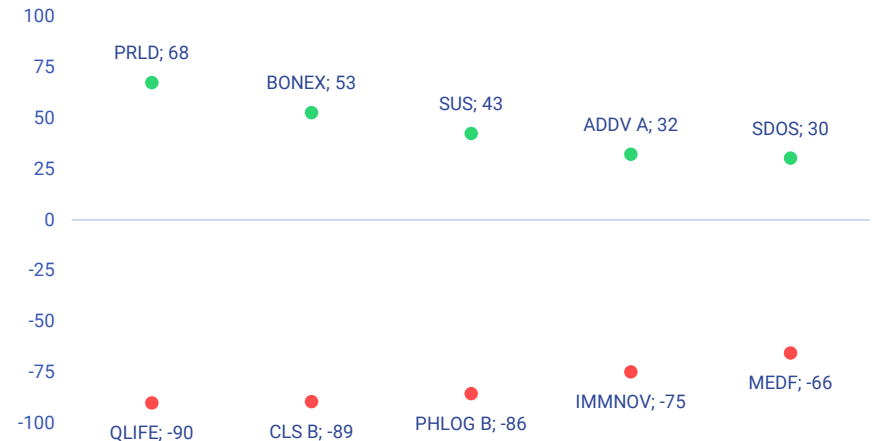
Orthopaedics remain strong

- **Orthopaedic Devices**, with **Bonesupport** in the front was the only vertical to gain on average. **Diagnostic Imaging** and **Ophthalmic Devices** barely averaged a negative share performance, with all other verticals struggling more severely. In particular, **Healthcare IT** lost over 40% on average.

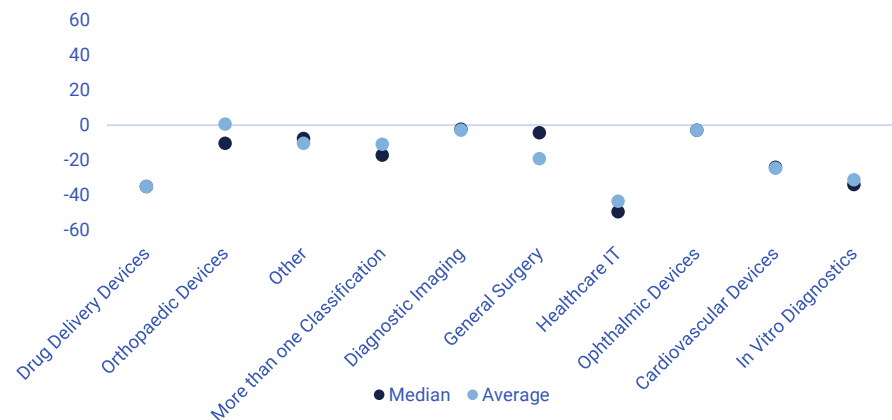
Median and average share performance per country (%)



Share performance, winners and losers (%)



Share performance per vertical (%)

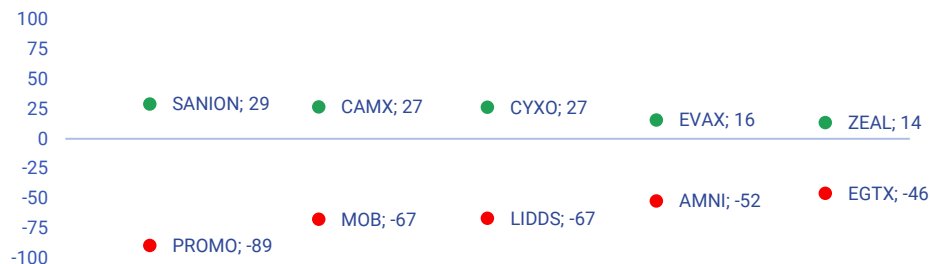


Share performance (%): Nordic Biotechs struggling

Bonesupport going strong

- Saniona headed the pack, although none broke 100% during the quarter, with Camurus in second place. Promore Pharma was the clear loser at -89%, with Moberg Pharma in second place at -67% following financing needs.

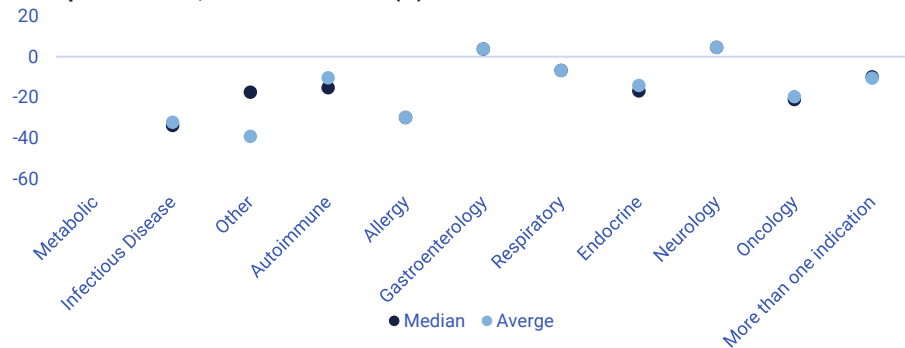
Share performance, Winners and Losers (%)



Metabolic victory in Q2

- Metabolic took the number 1 spot, as the majority of indications was on average negative during the quarter. Saniona, was a strong driver, making 29% in gains over the quarter. The biggest loss came from the Allergy indication and ALK-Abelló.

Share performance, indication divided (%)



Pre-clinical companies out in front

- The biotechs that did best were the pre-clinical research companies, on average gaining 3%. The following phase I companies did the worst, on average losing 25%. One notable company of the latter group being Amniotics, losing -52% in Q2.

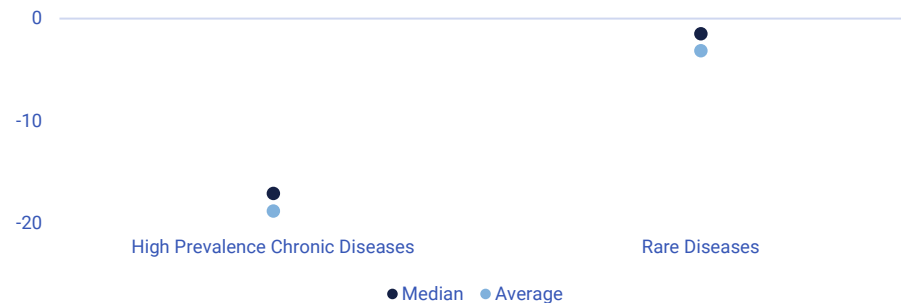
Share performance, phase divided (%)



RD companies almost in the green in Q2

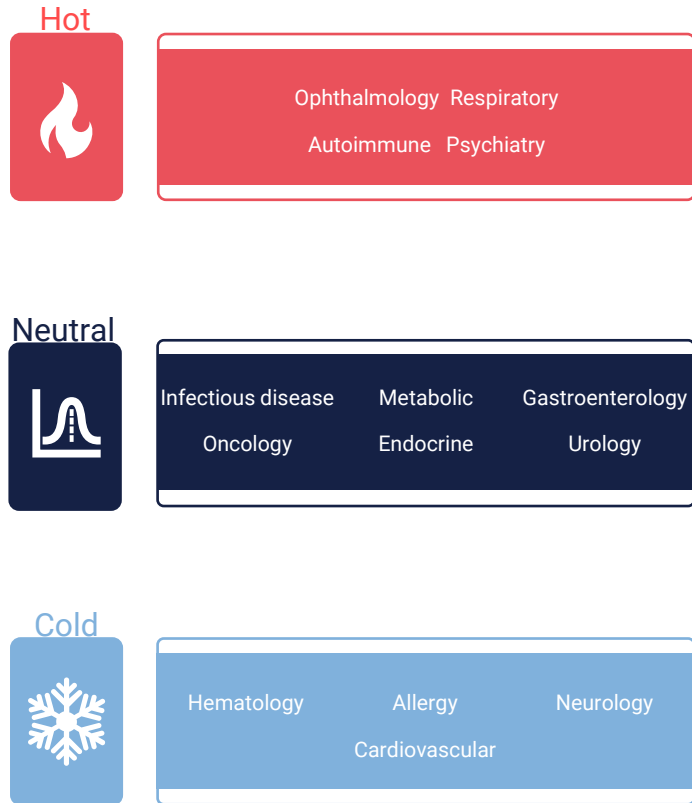
- HPCD companies lost the lead from Q1, and remained second during Q2. RD companies managed to nearly reach positive territory. On average, the former lost 18% with the latter losing only 3%.

Share performance, prevalence divided (%)

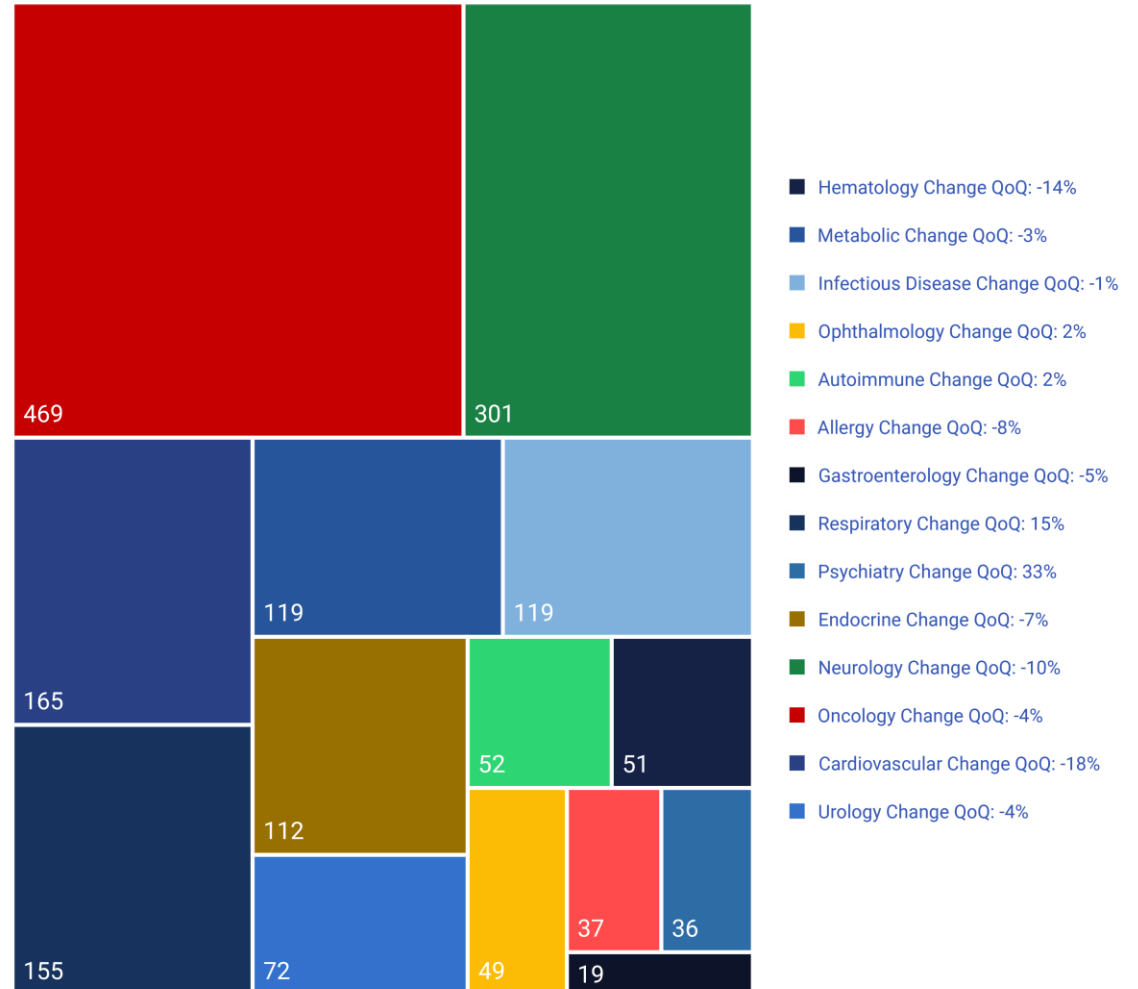


The great Indication game

What are the hottest indications right now?



US Clinical trials – study starts during the quarter and % change QoQ



Incoming triggers and catalysts within the biotech sector

Incoming triggers and catalysts within the biotech sector

	Phase	Disease Area	Indication	Incidence	Probability of success	Catalyst date	Comment
	1b	Neurology	Alzheimer's disease	High Incidence	Unlikely	H2 2023	In December 2022, the Company announced positive interim data. The full results of the study are expected to be available in the second half of 2023.
	2	Oncology	Melanoma patients progressed on checkpoint inhibitors	Chronic High incidence	Improbable	H2 2023	LTX-315 is given to patients with solid tumors in combination with the checkpoint inhibitor pembrolizumab (Keytruda). The data from the study is expected during the second half of 2023.
	2	Other	Erectile Dysfunction	Chronic High incidence	Unlikely	Q4 2023	In June the Company announced that it had completed recruitment of all planned patients for its Phase IIb clinical trial with pudafensine (IP2015). Topline results are expected in Q4 2023.

Notes: Probability of success indicates the estimated likelihood to progress from the current phase to the next (Probable>Likely>Unlikely>Improbable)
Sources: Carlsquare Equity Research

Incoming earnings calls within the medtech sector

Incoming earnings calls within the medtech sector

	 Stage	 Sub-sector	 Indication	 Average ramp	 Average 3d move	 Earnings date	 Comment
	Profitable	More than one classification	Products for operating rooms, intensive-care units and sterilization departments	0.9 %	-3.1%	23/10/2023	Getinge has issued a profit warning for the remainder of 2023 and for the Q3 report in particular. The share has since fallen over 25%. Will the report be in line with what has been priced in?
	Profitable	Diagnostic Imaging	Blood and body fluid analysis instruments	-4.1%	-3.6%	25/10/2023	CellaVision has struggled during 2023 on both the supply and the demand side. However, the Q2 report showed signs of recovery. Will CellaVision be able to keep on the track of recovery?
 Inhalation experience	Revenue	Drug Delivery Devices	Dry-powder-based inhalation devices for various indications	-1.8%	0.9%	27/10/2023	Iconovo has been sliding in share price over the last 12 months. Struggles with dealmaking has meant profitability has been hard to reach. Will the next quarterly report be the one to turn it around?

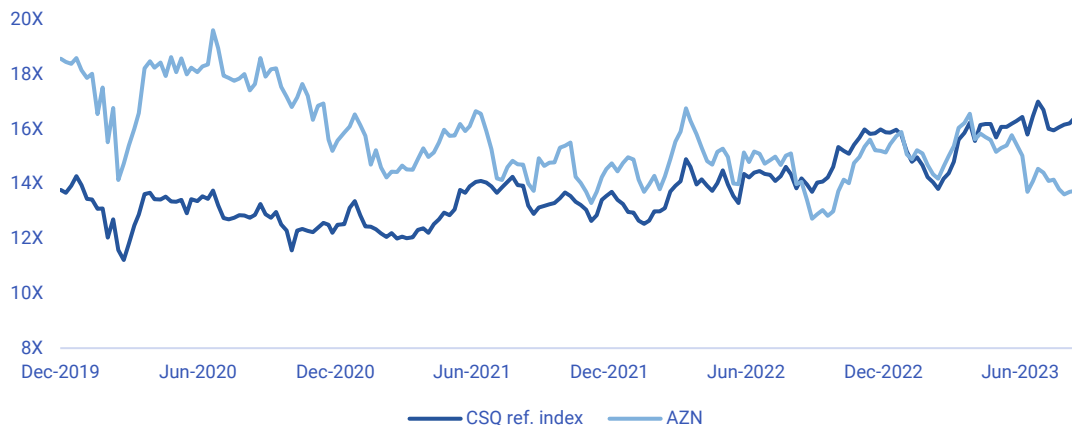
Notes: Ramp is defined as the change in share price during the week before earnings release. 3d move calculated as the move in share price following 3 days post release
Sources: Carlsquare Equity Research

AstraZeneca looking to further strengthen cancer position

AstraZeneca: Important cancer trial readouts

- In terms of clinical trials, there are several late clinical-stage lung and breast cancer readouts shortly. This includes AstraZeneca's and Daiichi Sankyo's collaboration of anti-body drug conjugate programs Enhertu and "Dato-DXd". In the next six months, there should be important Phase III top-line results in advanced breast cancer. If any of these trials are successful, this could considerably widen the market for these targeted therapies. Based on estimates from S&P Capital IQ, AstraZeneca is valued at a slight discount to its peers.

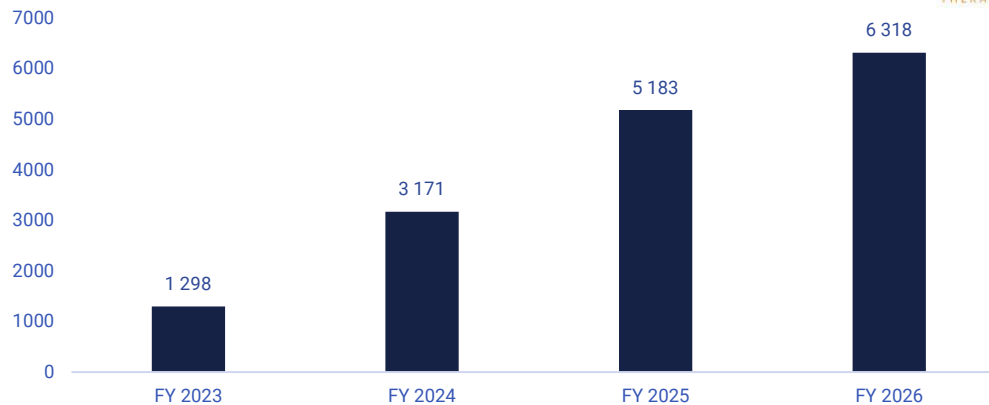
EV/EBITDA NTM Pharmaceuticals



Calliditas: Competitive landscape taking shape

- Mixed efficacy results in a confirmatory trial for competitor Travere's sparsentan in rare kidney disease IgAN (although not the same setting as for Calliditas' Tarpeyo in the NefigArd trial) lifted stock sentiment for Calliditas on 21 September
- Investors are also eyeing the initial Phase III results from Novartis' Iptacopan, another IgAN hopeful. However, Novartis' move to buy its competitor Chinook this summer could be viewed as a poor signal ahead of the data. The price tag for Chinook at USD 3.2bn upfront (no approved drugs yet) is also notable, given the gap to the current market valuation of Calliditas (about USD 0.4bn). For Calliditas, the focus is on the sales roll-out of Tarpeyo in the US, which has been slower than expected. A probable full approval by the FDA by the end of the year will likely boost the uptake of the drug.

Calliditas consensus sales estimates, SEKm





Investor day 2023

Carlsquare is hosting an Investor Day
with a focus on Life Science

Wednesday 6th December



Infront Direkt Studios
Kungsgatan 33 Stockholm
Livestreamed event

Company presentations followed by **Q&A**

Presenting companies (more TBA)





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