

Research update

KANCERA AB

Since its founding in 2010, Kancera has worked with the development of small-molecule drug candidates for inflammatory diseases and cancer. The company conducts clinical development in myocardial infarction and ovarian cancer.

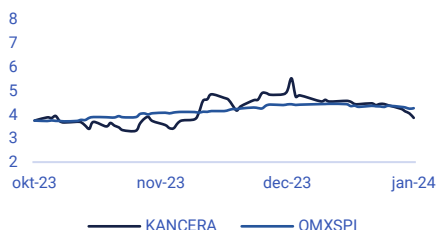
CEO: Peter Selin
CoB: Erik Nerpin
www.kancera.com

Bloomberg: KAN:SS
Refinitiv Eikon: KANC.ST

Listing: Nasdaq OMX First North Premier

Last price: SEK 3.6
Market Cap: SEK 294m

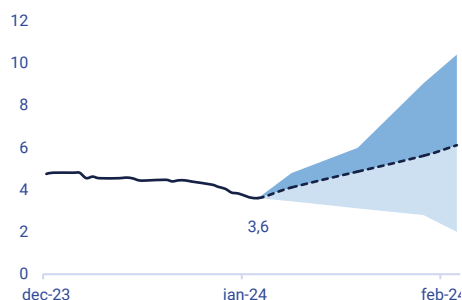
SHARE DEVELOPMENT



| | 12M | YTD | 6M | 1M |
|----------|-----|-----|-----|-----|
| Dev. (%) | 19 | -21 | -16 | -25 |

Source: S&P Capital IQ

VALUATION INTERVAL (SEK)



| | BEAR | BASE | BULL |
|-------------------|------|------|------|
| Share Price (SEK) | 2,0 | 6,1 | 10,4 |
| Up-/downside (%) | -45 | 69 | 188 |

Source: S&P Capital IQ and Carlsquare estimates

CARLSQUARE EQUITY RESEARCH

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Focus on licensing

Carlsquare Equity Research updates the forecast and valuation model after Kancera has presented top-line results from the FRACTAL study in myocardial infarction. Considering the increased likelihood of success (LOA), we raise our risk-adjusted valuation to SEK 6.1 (5) per share. At the same time, we believe that a sustained rerating depends on Kancera reaching a license agreement in 2024.

FRACTAL results show good safety and indicate some effect

At the end of December 2023, Kancera reported top-line results from the FRACTAL study in myocardial infarction patients (phase IIa) treated with KAND567 in connection with Percutaneous Coronary Intervention (PCI). The primary endpoint of safety and tolerability was met. The selected dosage yielded an adequate plasma concentration of KAND567 and an expected biological effect.

The study, which was controlled and included 61 evaluable (out of 71 recruited) myocardial infarction patients, was not primarily designed to measure efficacy. However, Kancera reports fewer intramyocardial haemorrhage cases (38 and 57%, respectively) and a lower thrombosis incidence in the left ventricle of the heart was observed compared with the placebo group. All other markers of heart function were similar between patients receiving KAND567 and placebo, but with a 'numerical advantage' for the KAND567 group when comparing change from Day 3 to Day 90. These markers included impact on infarct size, cardiac function in terms of ejection fraction (LVEF) or microvascular obstruction.

Phase IIa data allows for in-depth partnering discussions

After the results, Kancera decided to exercise an option in the agreement with the study sponsor, NHS, to obtain exclusive commercial rights to all study data and results from the FRACTAL study. At the same time, it was stated that business development activities will be intensified to enter into a partner agreement for the continued development of KAND567 for the treatment of cardiovascular diseases. It is a positive signal that Kancera acquired the data rights, although the financial impact on Kancera is limited. We raise the probability of launch to around 16 per cent (10). That Kancera can find a resourceful partner for the project is likely a prerequisite for continued clinical development (where the next step is probably a phase IIb study with an increased number of patients and several dosage arms). Business activity in the myocardial infarction indication has historically been low, and the KAND567 project is still in an early development phase. At the same time, competition from external projects is relatively limited, while myocardial infarction should be a natural area of expansion for, for example, players in related indications such as heart failure.

Upped fair value, possible licensing determine long-term outlook

We raise the valuation in our base scenario to SEK 6.1 (5.0) per share, mainly due to an increased assumption on the probability of launch in myocardial infarction as described above. This offsets somewhat more conservative business development assumptions as we expect more back-loaded license agreements and slightly lower royalties for the fractalkine inhibitors than before. The news flow in 2024 should be exciting, with several potential catalysts. In addition to a possible license agreement for KAND567, readouts from ongoing clinical studies (ovarian cancer and KAND145) can help strengthen clinical evidence. However, if a license agreement does not materialise in 2024, there is a need for further reprioritisation and funding. In this situation, there is, in our opinion, a risk of further significant price declines.

Key Ratios (SEKm)

| | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------|-------|-------|-------|-------|-------|-------|
| Net Sales | 2,7 | 0,0 | 0,0 | 0,0 | 61,3 | 59,1 |
| EBITDA | -38,4 | -44,9 | -51,6 | -54,8 | 14,9 | 43,9 |
| EBIT | -40,1 | -45,3 | -51,9 | -58,1 | 14,9 | 43,9 |
| EBT | -40,5 | -45,7 | -52,5 | -58,4 | 14,9 | 43,9 |
| EPS (SEK) | -1,3 | -0,9 | -0,9 | -0,7 | 0,2 | 0,5 |
| EV/Sales | NA | NaN | NaN | NaN | 4,0x | 4,2x |
| EV/EBITDA | Neg. | Neg. | Neg. | N/A | 16,6x | 5,6x |
| EV/EBIT | Neg. | Neg. | Neg. | Neg. | 16,6x | 5,6x |

Source: Company information and Carlsquare estimates

Top-line result in heart attack study

Kancera's fractalkine project took a step forward by completing the FRACTAL study. The goal is now to reach a partner agreement to enable further development in cardiovascular diseases. Good safety and signs of impact on bleeding and thrombosis give some hope for a deal, although it is uncertain how far existing data is sufficient in a challenging indication.

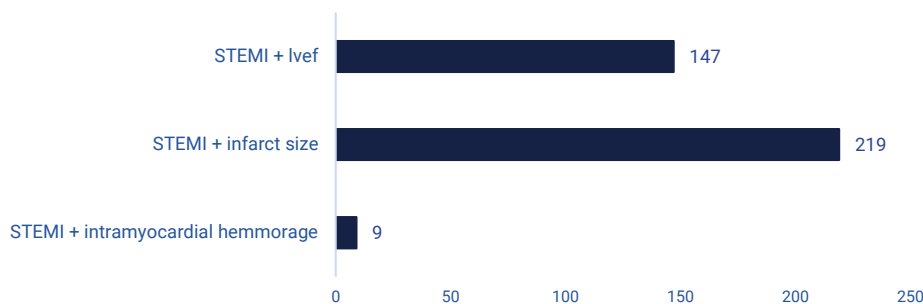
Positive effect signal for bleeding marker

According to the topline results of the FRACTAL study, the proportion of patients with bleeding in the heart tissue ('IMH') was 38% in the active arm compared to 57% for placebo. Subgroup analysis also suggests a negative association between bleeding and organ function. Research suggests that haemorrhage is an independent marker for predicting major adverse cardiac events (MACE) in STEMI patients (Reinstadler, S. et al., "Intramyocardial haemorrhage and prognosis after ST-elevation myocardial infarction" *European Heart Journal*, 2019).

A positive interpretation of the FRACTAL results is that they build some evidence that the fractalkine inhibitor has a relevant effect on harmful inflammation. This could, in turn, be seen as support for the hypothesis that KAND567 influences MACE via vascular protection and reduced bleeding. However, for most of the other markers measured by MRI, including ejection fraction, infarct size and microvascular obstruction, no difference was observed compared to placebo.

The study's small size makes it difficult to draw conclusions and rank the different markers by relevance. However, infarct size and pump function (ejection fraction) are the most common markers. In contrast, IMH is more uncommon as a measure in clinical studies. A simple comparison of searches in clinicaltrials.gov supports this.

Search (number of trials) in clinicaltrials.gov



Sources: [Clinicaltrials.gov](https://clinicaltrials.gov) and Carlsquare Equity Research. *Interventional studies.*

The fact that IMH is a more unusual measure may be partly because until recently, imaging methods have not been good enough to distinguish bleeding from edema. This would suggest that this marker may become more established with improved technology, although we do not yet have tangible evidence of such a development. A disadvantage of using IMH as an endpoint is that it is a static measure that does not capture change. Especially in smaller studies, it is difficult to determine what a baseline value is and what a desired effect from treatment is. Furthermore, it is unclear how common IMH is in myocardial infarction. According to Reinstadler (2019), the proportion was 23% in the entire study population and 34% in patients with infarction localised to the LAD (left anterior

descending branch of the coronary artery) (n=264). In the FRACTAL study, the proportion was higher, estimated between 40 and 50%. However, compared to, for example, infarct size, we consider IMH to be an overall narrower measure.

Dose-response data for KAND567 is still missing, which is most likely necessary before a phase III study can start. This emphasises the need for phase II(b) part.

No approved treatments, business development in the doldrums

As we have previously described, there are no approved treatments to mitigate damage after vessel dilation in myocardial infarction. Furthermore, competition in clinical development is relatively limited. Promising results in relevant markers have been observed in phase 2 studies with anti-inflammatory biological therapies such as Anakinra and tocilizumab. Still, we cannot detect any active development in myocardial infarction. We do not know the reason for this but speculate that it may be because the commercial potential is not considered sufficiently attractive in relation to the costs of remaining clinical development.

The leading competitor enters the final stages of Phase III study

In our view, Faraday Pharmaceuticals is Kancera's main competitor. A phase III study with the anti-peroxidant FDY-5301 for reperfusion injury is ongoing. A Phase II study with FDY-5301 showed solid results concerning efficacy markers such as infarct size and pump function. Below, we show results from a selection of phase 2 studies where FDY-5301 and tocilizumab, in our opinion, "check the most boxes" in terms of markers of efficacy.

Selected phase II results, experimental STEMI treatments

| Project | MoA | HF or death | Infarct size | LVEF | MVO | IMH |
|-------------|-----------------------------|----------------|--------------|-----------|-------------|-----------|
| KAND567 | Blocks fractalkine receptor | No data | No | No | No | Pos trend |
| FDY-5301 | Anti-peroxidant | No data | Pos trend | Pos trend | No data | No data |
| Tocilizumab | IL-6 antibody | Not measurable | Significant | No | Significant | No data |
| Anakinra | IL-1R antagonist | Significant | No data | No | No data | No data |

Source: Carlsquare Equity Research assessment of clinical data. HF: heart failure. LVEF: "Heart pump function". MVO: Microvascular obstruction. IMH: Intramyocardial Haemorrhage. No data: No study of the markers was performed.

Faraday interim analysis in Q2 can give a clear hint of prospects

Faraday recently announced that the company has agreed with the FDA to conduct an interim analysis of the Phase III study in Q2 2024. This may indicate how the primary endpoint (proportion of patients suffering from acute heart failure or cardiovascular mortality after 12 months of follow-up) is trending. If the independent data committee recommends extending the study, this would be a positive signal, and vice versa.

Heart failure treatment Forxiga failed to impress in phase III

It should also be noted that in a recently completed Phase III study, AstraZeneca's Forxiga did not meet the primary endpoint of reducing the risk of death or heart failure in patients with myocardial infarction. However, quality of life measures in the form of 'cardiometabolic' outcomes improved. Forxiga (branded Farxiga in the US) is a diabetes drug approved to treat conditions such as heart failure and was (by a narrow margin) AZN's best-selling drug in Q3 2023. We do not know if AstraZeneca has applied to broaden the indication to myocardial infarction, but the lack of communication may indicate that this is not the case.

Overall, the area does not yet seem to be prioritised particularly highly by the leading pharmaceutical companies, which may be a partial explanation for the general lack of success in clinical development. Instead, these players focus on other cardiovascular markets with significantly greater commercial potential, such as chronic treatment of heart failure. However, the step into the heart attack market

is probably close at hand if the right project, with a complementary mechanism of action, appears on the radar.

We increase the project value according to updated assumptions

We raise the probability of launch for KAND567 to around 16 per cent (10), mainly due to demonstrated safety and some signs of efficacy. Our assumption is held back for now by limited data on established markers for effect. In addition, there is uncertainty about the financial conditions (such as out-licensing) for further clinical development. Also, a phase IIb study is necessary.

We have also adjusted our expectations for a license deal for KAND567. We expect a more back-loaded agreement and assume an upfront payment of USD 10 million (15). We make the adjustment in view of our assessment that effect markers in FRACTAL, at least from what was announced in the top-line results, were more mixed overall than the most promising external projects. This provides a rationale for a partner to argue for postponing a larger proportion of milestone payments to a later date when there is more data and evidence. With the same reasoning above and considering an early development phase, we have lowered the royalty share assumption to 12.5 per cent (previously 15). However, we keep the total potential value of upfront and milestone payments unchanged at USD 300 million. Furthermore, our assumptions correspond to an approximate 60 per cent probability that KAND567 will be outlicensed.

Kancera appears to focus on a gradual out-licensing of the different generations of fractalkine inhibitors. However, since KAND567 and KAND145 are similar, it would, in our opinion, be logical for both projects to be licensed to the same licensee for control of all Kancera's fractalkine inhibitors. This is to avoid potential conflicts of interest. This balance can, in turn, affect the timing and postpone a possible deal for KAND567.

Investment case

Kancera has recently completed a phase IIa study in myocardial infarction. The goal is to license the project to a partner for further development. Clinical development (phase Ib) is ongoing in ovarian cancer with the goal of presenting early efficacy results in a relevant patient population in 2024. We estimate a valuation range of approximately two to ten SEK per share. Our risk-adjusted valuation in the base case amounts to SEK 6.1 per share.

Primary endpoint reached

Since its founding in 2010, Kancera has worked with the development of small-molecule drug candidates for inflammatory diseases and cancer. The company began clinical development with KAND567 in 2017, and since 2020, trials have been ongoing in patients. In 2021, a controlled study was initiated in ST-elevation myocardial infarction in patients undergoing percutaneous coronary intervention (PCI). In 2023, the clinical program was expanded to ovarian cancer.

- **Primary endpoint reached.** At the end of December 2023, Kancera reported top-line results from the FRACTAL study in myocardial infarction patients treated with KAND567 in connection with PCI. The primary objective of safety and tolerability was met. The selected dosage resulted in an adequate plasma concentration of KAND567 and, according to Kancera, provided an expected biological effect on the fractalkine system.
- **Second-generation fractalkine inhibitors in the clinic.** In clinical studies, KAND567 has been generally safe and tolerable, but the treatment of

cancer requires higher doses than in the treatment of inflammatory conditions, and Kancera has described KAND567 as having limitations in terms of the possibility of formulating high doses in oral form. Therefore, Kancera's strategy is to develop KAND145, the company's second-generation fractalkine blocker with the same mechanism of action as KAND567 for treating cancer. This is because KAND145 can be formulated in higher oral doses. Kancera has recently initiated the first clinical phase I study in healthy volunteers. In addition to improved formulation, we believe that KAND145 has stronger patent protection than KAND567, which should facilitate discussions with potential partners.

- **Broadened clinical program strengthens opportunities.** In Q2 2023, Kancera started clinical development with the fractalkine project in cancer. The focus is on ovarian cancer and a combination with standard treatment carboplatin.
- **Good scientific and commercial rationale in ovarian cancer.** Preclinical results suggest that Kancera's candidate can counteract tumour resistance to platinum-based chemotherapy by preventing DNA repair and affecting immune cells that support tumour growth. Ovarian cancer is a challenging indication, but the success of PARP inhibitors such as Astra Zeneca's multi-blockbuster Lynparza shows that blockade of DNA repair is a viable path. There is currently a lack of adequate treatments for platinum-resistant ovarian cancer in a broad patient population, which underlines the potential.
- **Effect signal in intramyocardial haemorrhage.** According to the top-line results of the FRACTAL study, the proportion of patients with intramyocardial haemorrhage was lower in the active arm compared to placebo. However, for most of the other surrogate markers of efficacy measured by MRI, including ejection fraction, infarct size and microvascular obstruction, no difference was observed compared with placebo. However, Kancera sees overall conditions for moving forward with the project primarily by intensifying partner discussions. In an optimistic scenario where a licensing agreement is reached for KAND567 in 2024 (we assume USD 10 million upfront, total value of license payments up to USD 300 million), we believe that the price can more than double from today's levels. In an adverse scenario where the development in myocardial infarction is terminated, on the other hand, we foresee a drop to between two and three kronor per share.

Assumptions and forecasts

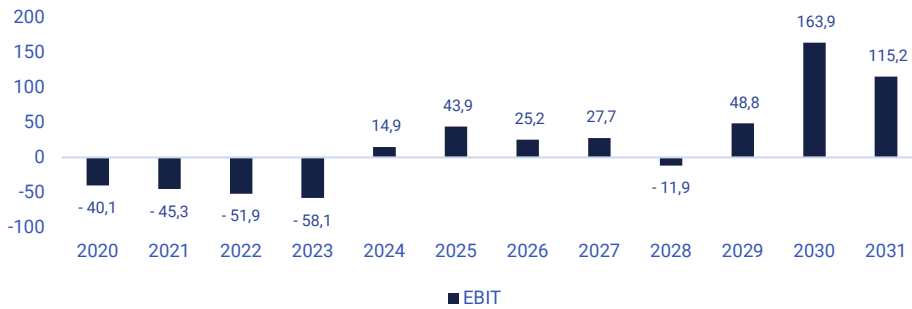
In the last few years, Kancera has become leaner regarding overhead costs, directing more resources toward clinical development. Relatively limited competition indicates possibilities for high market share should the drug candidates reach approval. We see the most significant potential for revenues in the oncology indication, of which USD 500 to 600 million in ovarian cancer.

Revenue and profitability forecasts

Change in risk adjustment

Due to changed assumptions about KAND567, we recalibrate our revenue and profit forecasts after risk adjustment. The net effect is a slightly higher result for 2024 but a slight downward adjustment for 2025. However, a higher LOA results in overall higher forecasts for the forecast period as a whole. However, the forecasts depend entirely on the size and timing of any licence revenues. After risk adjustment, We assume a first up-front payment in 2024 of USD 10 (15) million or approximately SEK 61 (55) million.

EBIT estimates (SEKm), risk-adjusted

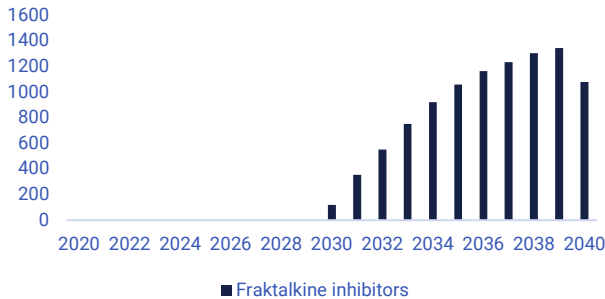


Source: Company information and Carlsquare estimates

Our forecasts are predicated on licensing starting in 2024/25

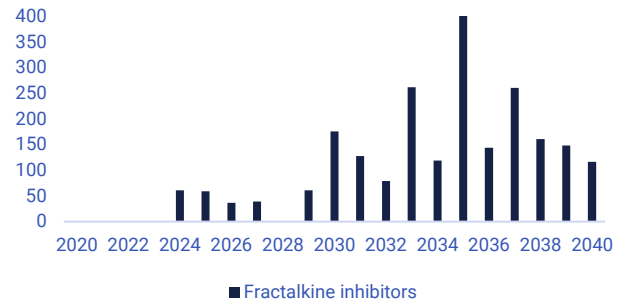
For our revenue assumptions, we assume that the fractalkine project is relatively likely to be licensed out after all studies have been completed.

Forecast, income from royalties (SEKm)



Source: Company information and Carlsquare estimates

Forecast, risk-adjusted net revenues (SEKm)



Source: Company information and Carlsquare estimates

We have assumed licensing deals totalling around USD 700 million for the fractalkine project. As KAND567 and KAND145 are approximately similar, it is logical that a licensor would prefer to license and control both fractalkine inhibitors. We have preliminarily assumed that out-licensing will occur in 2024 and 2025, depending on results from FRACTAL and KANDOVA, respectively. We anticipate an upfront payment totalling up to USD 25 (35) million for both fractalkine inhibitors. We have assumed royalty rates of 12.5 per cent. Our assumptions build upon the, albeit limited, selection of licensing deals covered in our [initial report](#).

Project assumptions

Fractalkine inhibitors in Myocardial Infarction

According to statistics from the American Heart Association, approximately 635,000 heart attacks are diagnosed annually in the United States. Statistics from the European Society of Cardiology indicate an incidence of over 900,000 in the EU and Great Britain. Assuming that ST-elevated myocardial infarction makes up 30 per cent (Source: Swedeheart Annual Report 2021), this means around 460,000 cases in total for these geographical areas.

We further assume that, on average, 80 per cent receive PCI treatment. The proportion varies, however, and is lower for patients over 80 but higher among younger patients. The FRACTAL study includes patients with infarction in the anterior descending branch of the left coronary artery (LAD). We assume this will be the indication even after market approval. We estimate that this is 50 per cent of the population. With these assumptions, a fractalkine inhibitor would address a population corresponding to 12 per cent of all heart attack cases.

Competitor is ahead in development

An assumption about penetration or market share at this early stage is subject to significant uncertainty. Faraday's FDY-5301 is a competing drug candidate with a clear lead in clinical development and, as it seems, easier administration with a single dose. However, the treatments have different mechanisms of action, and in a favourable scenario, they could potentially complement each other. For now, we maintain our previous assumption of 50 per cent penetration in the US, EU and UK, but intend to review our assumption in connection with the upcoming interim analysis for Faraday's FDY-5301, which is expected towards the end of Q2 2024.

Kancera has previously conducted an external market access analysis indicating a price level between \$2,000 and \$9,000 per three-day treatment. Since there is no approved drug treatment for Kancera's targeted indication, there is uncertainty

about how KAND567 will be priced. Several anti-inflammatory treatments approved in other indications, such as anakinra and tocilizumab, have also been tested in heart attack patients. In clinical studies, anakinra has been administered in high doses, indirectly indicating a very high cost/pricing. In contrast, relatively low doses have been used for, for example, tocilizumab, which speaks for a significantly lower pricing point. After completing PCI, patients are treated with blood-thinning treatments such as ticagrelor (a P₂Y₁₂ receptor antagonist) for up to 12 months. Based on list prices in the USA, an annual treatment costs approximately USD 5,500. Given a smaller target population, we use Kancera's market research as a benchmark for KAND567 and assume a net income of USD 8,000 in the US and USD 4,000 in Europe.

Assumptions regarding peak sales for myocardial infarctions

| 2038P | USA | Europe | Total |
|------------------------------|--------|--------|---------|
| Myocardial infarction | 690000 | 910000 | 1600000 |
| STEMI-myocardial infarctions | 30% | 30% | |
| Treated | 85% | 85% | |
| PCI-intervention | 80% | 80% | |
| LAD-localization | 50% | 50% | |
| Kancera share | 50% | 50% | |
| Kancera treated | 35190 | 46410 | 81600 |
| Net income per treated, USD | 8000 | 4000 | |
| Revenue, MUSD | 282 | 186 | 467 |

Source: Carlsquare

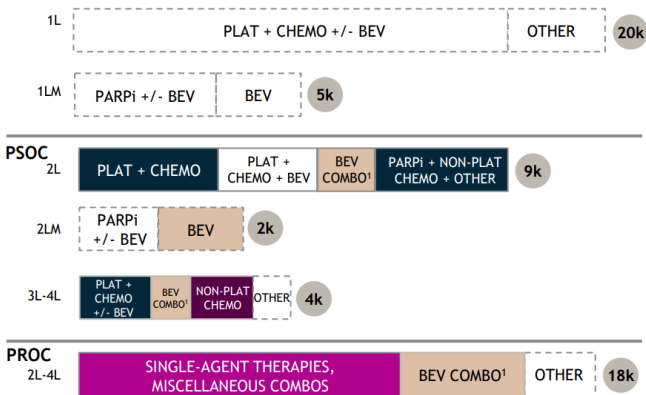
All in all, we have calculated possible peak sales amounting to 470 MUSD.

Fractalkine inhibitors for advanced ovarian cancer

As described above, Kancera primarily aims to develop a fractalkine inhibitor for advanced platinum-resistant ovarian cancer. In a phase Ib study, KAND567 will be combined with carboplatin.

The first-line drug market in the US amounts to around 20,000 treated patients per year (Source: Roche, ImmunoGen). The number of treated patients with resistant cancer in later lines is estimated to be somewhat lower.

US market for advanced ovarian cancer



Source: ImmunoGen. PSOC: Platinum-sensitive ovarian cancer. PROC: Platinum-resistant/refractory ovarian cancer. xL: Treatment in line x. xLM: Maintenance treatment. PLAT: Platinum-based chemotherapy. BEV: Bevacizumab. PARPi: PARP inhibitor.

At this early stage, it is difficult to assess what the competitive landscape will look like. Simplistically, we assume that mirvetuximab or bevacizumab will be the leading competitors. There is, however, a theoretical potential to also combine

with, for example, bevacizumab, even if it is limited by the fact that the antibody treatment is already used in earlier lines. The PARP inhibitors, on the other hand, are primarily maintenance treatments; therefore, we regard them as complementary.

The focus is on metastatic platinum-resistant ovarian cancer patients who have had a relapse between 3 and 6 months after the last platinum-based treatment. In the long term, a broader indication in platinum-resistant cancer cannot be ruled out, but more extensive clinical development will likely be required, in our view.

Assumptions regarding peak sales for ovarian cancer

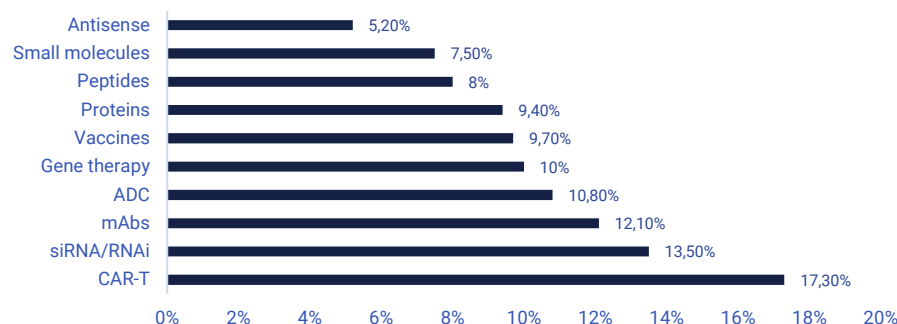
| 2041E | USA | EU+UK+JP | Total |
|---------------------------------------|------------|------------|------------|
| Advanced ovarian cancer, incidence | 23409 | 42240 | |
| Platinum resistant, treated | 20065 | 36206 | |
| Kancera share | 20% | 20% | |
| Kancera treated | 4 013 | 7 241 | 11 254 |
| Net revenue per treated patient (USD) | 72 900 | 36 450 | |
| Revenues (USDm) | 293 | 264 | 556 |

Source: SEER, Roche, ImmunoGen, Carlsquare estimates

We increase the probability of success in Myocardial Infarction

Based on statistics on drug development, the probability of reaching the market is estimated to be 7.9 per cent for an average drug project in phase I. For oncology, the corresponding likelihood is 5.4 per cent ("Clinical Development Success Rates and Contributing Factors 2011–2020", Bio/ Informa Pharma/QLS). Even for cardiovascular diseases, the window is narrow at 4.8 per cent. Factors that influence the possibilities are indication, target molecule and modality.

Likelihood of approval from phase I, per modality



Source: Bio/Informa Pharma/QLS

Following the presentation of the FRACTAL study results, we have increased the LOA for KAND567 by around 60 per cent to some 16 per cent.

Assumptions for the likelihood of approval

| Project | Indication | Precl. | Phase I | Phase II | Phase III | NDA | LOA |
|---------|-----------------------|--------|---------|----------|-----------|-----|-----|
| KAND567 | Myocardial infarction | 100% | 100% | 35% | 55% | 83% | 16% |
| KAND145 | Oncology | 100% | 75% | 25% | 50% | 92% | 9% |

Source: Bio/Informa Pharma/QLS, Carlsquare LOA: Likelihood of approval

Valuation

We reiterate our valuation

A licensing deal is the most evident trigger

Our base-case scenario valuation is based on the sales assumptions described in the forecast section above and in previous analyses. We have used a risk-adjusted DCF valuation, as described below. The risk adjustment is based on the development risks we discussed above, where we assume a probability of reaching the market of around ten per cent. In our model, we have used a discount rate of 13.5 (previously 14.2) per cent. This is based on a risk-free interest rate of 2.25 (3) per cent, a beta value of 1.2 and a risk premium of 9.4 per cent. The latter is based on PwC's *Risk Premium Study 2023* and consists of a market risk premium of 6.1 per cent and a size-based supplement of 3.3 per cent.

We have increased the fair enterprise value in the base scenario to around SEK 462 million (361). Our valuation is based on Kancera finding a partner for the fractalkine inhibitors after completing ongoing clinical studies. The increase compared to before is due to an increased LOA, as described above, after the completed FRACTAL study.

Overall, we increase the risk-adjusted motivated value to SEK 6.1 (5.0) per share in our base case scenario.

Sum-of-the-parts valuation, base case, SEKm

| Project | Indication | LOA*, % | Royalty, % | Peak Sales, USDm | Launch | rNPV, SEKm |
|--------------------------------------|----------------|---------|------------|------------------|--------|------------|
| KAND567 | STEMI | 16% | 15% | 470 | 2030 | 396 |
| KAND145 | Ovarian cancer | 9% | 15% | 550 | 2031 | 211 |
| Other | - | - | - | - | - | 0 |
| Technology value before taxes | | | | | | 608 |
| Overhead and taxes | | | | | | -145 |
| EV | | | | | | 462 |
| Net cash (24'Q1E) | | | | | | 35 |
| Fair value | | | | | | 497 |
| # shares | | | | | | 81.5 |
| Fair value per share, SEK | | | | | | 6.1 |

Source: Carlsquare *LOA: Likelihood of approval

Valuation range

In an **optimistic Bull scenario**, we expect:

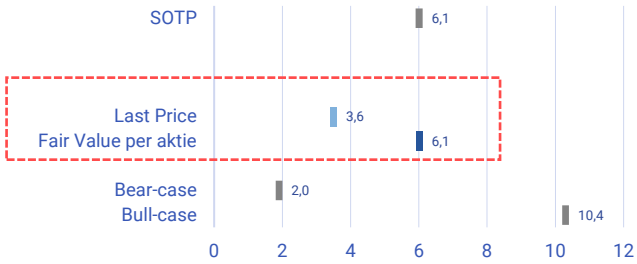
- A licence deal is signed for KAND567 with an upfront payment of USD 10 million and with other conditions as above
- WACC is lowered to 12.5 per cent
- Phase Ib in oncology is successfully completed

We estimate a motivated operating value of just over SEK 800 million, corresponding to a shareholder value of around SEK 10 per share.

The competitor Faraday Pharmaceuticals (currently conducting a phase III study in STEMI) was valued at about USD 74 million in a capital raising carried out after the phase II study (Source: S&P Capital IQ). An equivalent valuation for Kancera corresponds to about SEK 10 per share. The comparison provides some support for our valuation in the bull scenario.

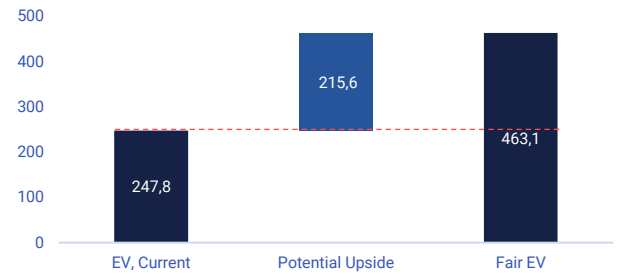
In a cautious Bear scenario, the development in myocardial infarction ends when no licence agreement is reached, and we set the value to zero for this indication. We estimate a value of just over SEK 2 per share.

Fair value within a range, SEK



Source: Carlsquare forecasts

Visualisation of market value, base scenario (SEK million)



Source: Carlsquare forecasts

Risks and challenges

Challenging indications

Cancer and cardiovascular diseases are among the most challenging areas in clinical development, with a relatively low probability of success. Clinical studies in cardiovascular diseases are extensive. Most likely, Kancera will have to find a larger partner to carry out a possible phase III study. Although there is evidence for a biological effect in humans for Kancera's fractalkine inhibitors, it is not certain that it will translate into a relevant clinical effect in patient groups with acute myocardial infarction or advanced cancer. There is also a risk that the treatment is not sufficiently safe in patients with advanced cancer who, for example, may have metastases in the liver and impaired liver function. At high doses (above 1000 mg per day), oral KAND567 has shown transient hepatotoxicity in healthy volunteers.

Funding for clinical development

Kancera has no current income and has historically depended on the shareholders' ability to contribute capital to finance operations. In an optimistic scenario, future financing can occur via share issues priced at a higher valuation than the current situation or by a larger partner taking responsibility for the further development in a licensing agreement.

Competition

There is a clear medical need for treatments to improve outcomes in acute myocardial infarction. Although Kancera is a leader in the fractalkine blockers space, external projects are in the pipeline with other mechanisms of action that are further along in clinical development than KAND567.

Cancer has a high level of clinical activity (for example, 4,700 clinical studies in immuno-oncology took place in 2021). Many companies and drug candidates compete for resources and to recruit patients for clinical studies.

Key figures and accounts

Income statement (SEKm), quarterly

| | Q2, 23 | Q3, 23 | Q4, 23 | Q1, 24 | Q2, 23 | Q3, 24 |
|---------------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Net sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 55.1 |
| Total revenue | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 55.1 |
| Gross profit | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 55.1 |
| OPEX | -18.8 | -10.5 | -12.0 | -11.6 | -11.6 | -11.6 |
| EBIT | -18.3 | -10.5 | -12.0 | -11.6 | -11.6 | 43.6 |
| EBITDA | -18.2 | -7.5 | -12.0 | -11.6 | -11.6 | 43.6 |
| EBT | -18.2 | -10.7 | -12.0 | -11.6 | -11.6 | 43.6 |
| EPS (SEK) | -0.23 | -0.13 | -0.15 | -0.13 | -0.12 | 0.47 |

Source: Company information and Carlsquare estimates

Income statement (SEKm)

| | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|-----------------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Net sales | 2.7 | 0.0 | 0.0 | 0.0 | 61.3 | 59.1 |
| Other revenue | 2.7 | 1.9 | 0.8 | 0.6 | 0.0 | 0.0 |
| Totala revenue | 5.4 | 1.9 | 0.8 | 0.6 | 61.3 | 59.1 |
| COGS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross profit | 5.4 | 1.9 | 0.8 | 0.6 | 61.3 | 59.1 |
| Adj. Gross profit | 2.7 | 0.0 | 0.0 | 0.0 | 61.3 | 59.1 |
| R&D | -39.3 | -43.1 | -45.6 | -51.0 | -39.1 | -7.8 |
| SG&A | -6.2 | -4.0 | -7.1 | -7.7 | -7.3 | -7.4 |
| Dep. and amort. | -1.7 | -0.3 | -0.4 | -3.2 | 0.0 | 0.0 |
| Other costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total operating costs | -45.5 | -47.1 | -52.7 | -58.6 | -46.3 | -15.2 |
| EBIT | -40.1 | -45.3 | -51.9 | -58.1 | 14.9 | 43.9 |
| EBITDA | -38.4 | -44.9 | -51.6 | -54.8 | 14.9 | 43.9 |
| Financial net | -0.3 | -0.4 | -0.6 | -0.4 | 0.0 | 0.0 |
| EBT | -40.5 | -45.7 | -52.5 | -58.4 | 14.9 | 43.9 |
| Taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | -40.5 | -45.7 | -52.5 | -58.4 | 14.9 | 43.9 |
| EPS (SEK) | -1.3 | -0.9 | -0.9 | -0.7 | 0.2 | 0.5 |

| Growth | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------|------|------|------|------|------|------|
| Net sales | NA | NaN | NaN | NaN | NaN | -4% |
| EBIT | NA | -13% | -15% | -12% | 126% | 194% |
| EBITDA | NA | -17% | -15% | -6% | 127% | 194% |
| EBT | NA | -13% | -15% | -11% | 126% | 194% |
| Net profit | NA | -13% | -15% | -11% | 126% | 194% |
| EPS | NA | 31% | -3% | 20% | 125% | 194% |

Source: Company information and Carlsquare estimates

Balance sheet (SEKm)

| | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|-------------|--------------|--------------|-------------|-------------|--------------|
| ASSETS | | | | | | |
| Tot. intangible assets | 21.0 | 21.0 | 21.0 | 18.0 | 18.0 | 18.0 |
| Tot. tangible assets | 0.9 | 0.6 | 0.2 | 0.0 | 0.0 | 0.0 |
| Tot. other fixed assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total fixed assets | 21.9 | 21.6 | 21.2 | 18.0 | 18.0 | 18.0 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts Receivables | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current assets | 6.2 | 5.5 | 4.3 | 2.1 | 2.1 | 2.1 |
| Prepaid expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash | 55.0 | 106.5 | 95.1 | 46.2 | 61.1 | 105.1 |
| Total current assets | 61.2 | 112.0 | 99.5 | 48.3 | 63.2 | 107.2 |
| Total assets | 83.1 | 133.6 | 120.7 | 66.3 | 81.2 | 125.2 |
| Shareholder equity | | | | | | |
| Total equity | 72.3 | 122.8 | 106.9 | 54.1 | 69.0 | 113.0 |
| DEBT | | | | | | |
| Debt to creditors | 1.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tot. long-term liabilities | 1.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to creditors | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts payable | 9.8 | 10.4 | 13.8 | 12.2 | 12.2 | 12.2 |
| Other short-term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accrued expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tot. short-term debt | 9.8 | 10.4 | 13.8 | 12.2 | 12.2 | 12.2 |
| Tot. equity and debt | 83.1 | 133.6 | 120.7 | 66.3 | 81.2 | 125.1 |

Source: Company information and Carlsquare estimates

Cashflow (SEKm)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------|-------|-------|-------|-------|------|-------|
| CF operating activities | -38.9 | -43.6 | -47.7 | -55.1 | 14.9 | 43.9 |
| CF investing activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CF financing activities | 82.1 | 95.2 | 36.2 | 5.6 | 0.0 | 0.0 |
| Cashflow | 43.2 | 51.5 | -11.5 | -49.5 | 14.9 | 43.9 |
| Cash, BoP | 11.8 | 55.0 | 106.5 | 95.1 | 45.6 | 60.5 |
| Cash, EoP | 55.0 | 106.5 | 95.1 | 45.6 | 60.5 | 104.4 |

Source: Company information and Carlsquare estimates

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