

Xbrane Biopharma

Sector: Biotech

A bright future

Redeye raises its valuation on Xbrane following the positive outcome of its phase III study Xplore. Development is the core of Xbrane's strategy, and the company's biosimilar development approach has now received validation.

Validation of Development Process

At the end of June, Xbrane announced successful interim data from the Xplore study. Its next step is to file MAA and BLA. Expected lead times are approximately 12 months, suggesting Xlucane can be launched in the US and Europe during late H2 2022, if all goes to plan, just after Lucentis' patent expiry in Europe. We regard the biosimilars development process as the core of Xbrane's long-term business case. Validation from Xplore thus fundamentally strengthens the case, and the recent news leaves us optimistic about the company's current prospects.

Biosimilars Adoption Advancement in the US

The three latest biosimilars launches in the US have taken some 40% of the originators market within 12 months of launch, according to a report by IQVIA. A more dynamic US biosimilar market bolsters our confidence ahead of the ranibizumab biosimilars launch.

Xlucane further de-risked – we raise our valuation

Since the release of interim data and the SEK 380m directed share issue, the share price declined sharply before initiating a recovery and now trades some 12% below the ATH price of SEK 176 days ahead of the interim data announcement. The lack of negative news suggests the decline likely reflects profit-taking after the share's strong run.

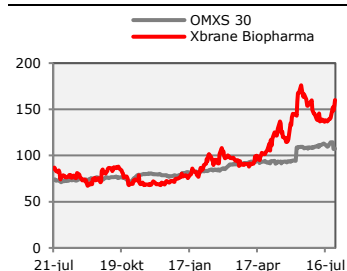
We lower our WACC to 11% (12%) and adjust our LoA for Xlucane to 95% (90%) to acknowledge further de-risking of the case. We also increase our estimated US market size by 10%. These changes push up all our scenarios. Our new Base Case is SEK 167 (101), while our Bull and Bear Cases reach SEK 216 (157) and SEK 80 (46), respectively.

Key financials (SEKm)	2018	2019	2020	2021E	2022E	2023E
Net sales	20,5	0,0	0,0	57,0	224,0	533,0
Growth YoY	N/A	N/A	N/A	N/A	293,0%	137,9%
EBIT	-11,4	-146,3	-225,3	-165,8	-4,8	245,0
Margin (%)	-56%	N/A	N/A	-291%	-2%	46%
EV/Sales	140,4	N/A	N/A	50,5	12,8	5,4

FAIR VALUE RANGE

BEAR	BASE	BULL
80	167	216

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	XBRANE.st
Market	Small Cap
Share Price (SEK)	155
Market Cap (MSEK)	3811
Net Cash 21E (MSEK)	369
Free Float	85 %
Avg. daily volume ('000)	55

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Investment Case

A Niche Player in a Rapidly Growing Market Segment

Xbrane is a late-stage biotech company transitioning into a commercial-stage entity. Its business strategy of developing and out-licensing “difficult-to-manufacture” biosimilars with limited competition builds on its patented LEMO platform, allowing it to produce proteins at a significantly higher yield than via conventional methods.

Biosimilars sales have experienced rapid growth globally. Since 2015, it grew annually by 56%, reaching USD 15bn in 2020. Increased biosimilar adoption will bolster growth thanks to underlying factors such as political incentives through cost savings and increased treatment prevalence. Thus, the rapid growth shows no signs of decline, and the market is expected to reach USD 67bn in 2025. The company’s lead candidate, Xlucane, targets Lucentis, a blockbuster ophthalmic drug with annual sales of USD 2bn.

Clear Way Forward for Xlucane

Following the positive phase III results, Xlucane has a definitive path to reach both the US and European markets in late 2022. The company will file with the EMA and FDA in Q3 and Q4 this year, respectively. The estimated lead time for the regulatory process is 12 months, and we see a 95% probability that Xlucane will reach the market.

Solid Prerequisites

In transitioning from a late-stage biotech company to a commercial-stage entity, Xbrane has several essential prerequisites in place to enable its vision to become a leading biosimilars developer.

- i) **Proof of concept:** Following the successful development of Xlucane, Xbrane has acquired validation for its in-house capabilities, which partly verify its pipeline.
- ii) **Strong partnerships:** Its main partner STADA (owning 7% of Xbrane shares) is a specialist in generics and biosimilars and has signed a right of first refusal (ROFR) for two of Xbrane’s pipeline assets. In the US, Xlucane will be commercialized by ophthalmologic specialist company Bausch & Lomb.
- iii) **Pipeline approaching clinic:** Xbrane’s second biosimilar Xcimzane is expected to start clinical studies next year. We judge a deal between STADA and Xbrane for Xcimzane as likely.

Counter thesis

Competition

Transitioning into a commercial company leaves Xbrane vulnerable to competitors. In our estimates, we assume it gains a 20% market share of the ranibizumab biosimilars market. Regulatory hurdles or delayed market entry could significantly reduce Xlucane's market share and, in turn, the Company's revenues. In addition to competition from the originator and other ranibizumab biosimilars, Xlucane is vulnerable to competition from other VEGF-a inhibitors such as Eylea and off-label Avastin use, plus novel therapies.

Competing biosimilars FYB201 and SB11 will likely reach the market just before Xlucane.

Regulatory risk

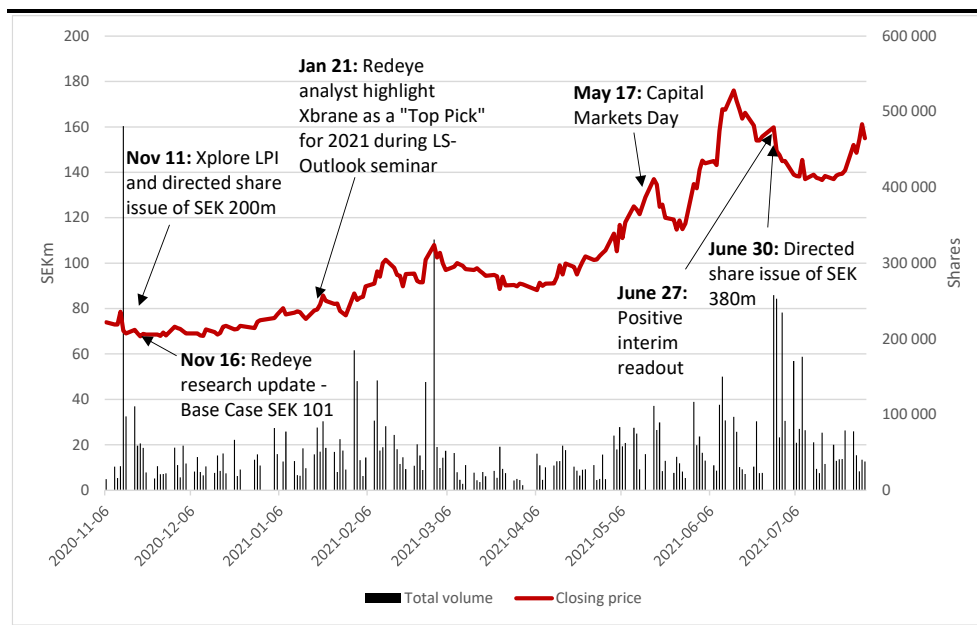
We assume a high likelihood of approval (LoA) of 95% for Xlucane. However, before Xlucane can be marketed, Xbrane has to acquire regulatory approval from the FDA and EMA, leaving a somewhat binary risk in the case for now.

Financing risk

According to our estimates, Xbrane will be cash flow positive on a monthly basis as of H2 2023, this also aligns with the company's expectations. Until then, however, Xbrane is financed through equity, and so delays or problems with the regulatory approval could substantially dilute shareholders. Our estimates also assume that the divestment of Primm Pharma (Spherotide) has been carried out to the announced term.

Share Price and Valuation

Xbrane: Share Price Development



Source: Redeye Research, Bloomberg

Since our research update in November, the Xbrane share has performed exceptionally well, thanks to fundamental progress. At our Life Science Outlook Seminar in January, Redeye analyst highlighted Xbrane as a sector top pick for 2021 at SEK 80 per share. In our view, Xbrane trading at an EV of some SEK 1.7bn was not a fair reflection of the risk/reward profile in the case, given its exceptionally high likelihood of success (LoS) for the Xplore study and expected relatively near-term sales.

In Q2 2021, investors took a more optimistic view of Xbrane. The share saw solid momentum, surging some 100% at most, and even exceeding our previous Bull Case at one point.

However, the announcement of positive data prompted a sell-off, and this, followed by the SEK 135 directed share issue, saw sentiment in the share cool off, followed by a swift recovery. We consider Xbrane a fundamentally strong case with several catalysts in the coming 12 months that we anticipate will close the valuation gap to our Base case and possibly approach our Bull case.

Several catalysts in the coming 12 months

We identify several catalysts in the coming 12 months that could lift the share:

- Regulatory approval for Xlucane from the FDA and EMA
- Commercial partner in South America and Japan for Xlucane
- Partner for Xcimzane
- Initiation of phase I study with Xcimzane

Valuation

To account for the lower risk in the case, we reduce WACC to 11%, from 12%, and take a more optimistic stance towards the ranibizumab biosimilar market in the US. These changes lead us to raise our sales estimates for Xlucane and our rNPV. We apply an exchange rate of 8.5 SEK per USD.

Xbrane: SOTP Xlucane

Project	Indication	Launch	Risk-adj Peak royalties (SEKm)	Probability	rNPV (SEKm)	Per share (SEK)	
Xlucane Europe	wAMD	2022 Q4	1 022	95%	4 041	161	
Xlucane US	wAMD	2022 Q4	564	95%	2 273	91	
					Estimated cash, end Q2	550	22
					Costs	-2 684	-107
					Equity Value	4 179	
					Shares outstanding (mn)	25,0	
					Base Case		167

Source: Redeye Research

Base Case SEK 167 (101)

In our Base Case, we take a balanced approach towards Xbrane.

- LoA 95% (90%)
- 20% market share
- We assume Xlucane will be launched in the US and Europe in Q4 2022

In this research update, we also increase the addressable market in the US for ranibizumab biosimilars by 10%.

Bull Case SEK 216 (157)

We take a more optimistic approach to Xlucane's market share.

- LoA 95% (90%)
- 25% market share
- Xlucane launched in the US and Europe in Q4 2022
- TAM 10% larger than in our Base Case as ranibizumab biosimilars take market share from Eylea and off-label Avastin use

Bear Case SEK 80 (46)

We take a more conservative approach towards the development timeline and Xlucane's market share in our Bear Case.

- LoA 95% (75%)
- 10% market share
- We assume some delays for Xlucane with launch in the US and Europe at the end of H1 2023

Xlucane

At the end of June, Xbrane reported the outcome of its phase III trial Xplore.

Xlucane met the primary endpoint in the trial and demonstrated equivalent efficacy measured as improvement in Best Corrected Visual Acuity (BCVA) at week eight compared with Lucentis. The two-sided 95% confidence interval around the difference in change in BCVA at week eight between Xlucane and Lucentis was within the pre-defined equivalence margin as agreed with the FDA and EMA.

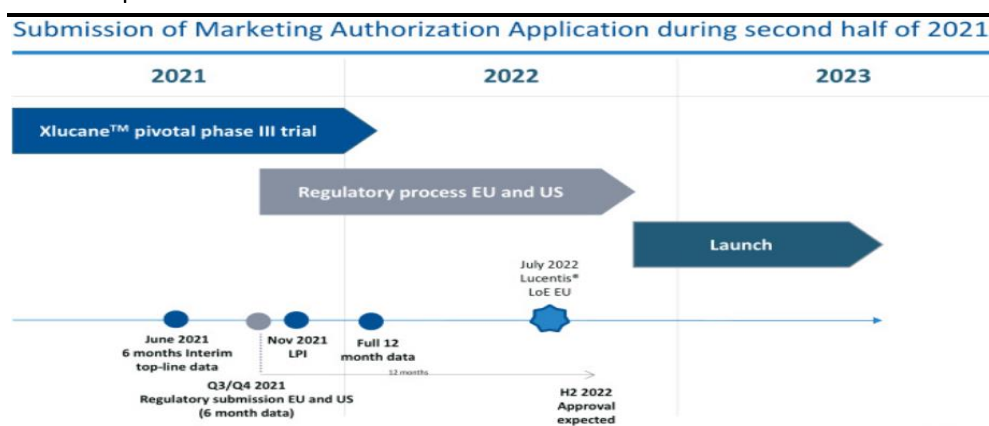
Moreover, the company also announced that no clinically meaningful differences on secondary endpoints regarding pharmacokinetic, safety, and immunogenicity could be observed between Xlucane and the originator, Lucentis. The complete dataset is planned to be presented in a scientific journal or conference next year, at the earliest.

Following the announcement, Xbrane can now proceed towards submission of MAA and BLA in Q3 2021 and Q4 2021, respectively. The current schedule matches that announced at the CMD in May.

The remaining steps until Xbrane's partners can start marketing Xlucane include:

- i) Regulatory approval from the FDA and EMA
- ii) Patent expiry
- iii) Launch

Xbrane: Expected timeline



Source: Xbrane

Regulatory approval from the FDA and EMA

Following the announcement of the interim data, Xbrane reiterated its previous statement of MAA filing with the EMA in Q3 and BLA filing with the FDA in Q4. We share the Company's view and assume approximately 12 months' lead time once the MAA and BLA have been filed, which suggests that approval in both regions could be secured by the end of 2022.

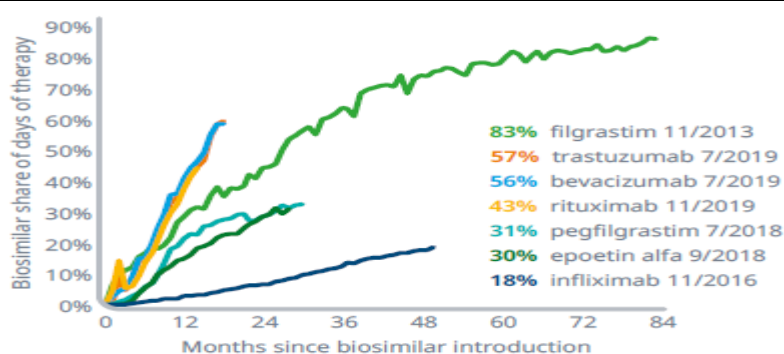
Patent expiry

The US patent for Lucentis expired in 2020, and its European counterpart will expire in July 2022, suggesting that Xlucane will be ready for launch in Europe a few months after patent expiry there; sometime around the start of Q4, we estimate.

Launch

Recently published data from IQVIA shows encouraging data from the US. Two of the most recently launched biosimilars, bevacizumab (Avastin) and trastuzumab, have managed to acquire some 60% of the originator's market within the first two years of launch. Moreover, the progress of the most recent biosimilar launch, rituximab, further confirms a strong US trend, having taken some 40% market share in its first 12 months.

Xbrane: Launched biosimilars in the US until Dec 2020



Source: IQVIA

Biosimilars taking ground in the US

At the end of July, the FDA approved its first interchangeable biosimilar insulin product to treat type 1 and 2 diabetes mellitus. It is also the first-ever approved interchangeable biosimilar in the US. The biosimilar called Semglee (insulin glargine-yfgn) is now interchangeable with its reference product Lantus, one of the best-selling long-acting insulins, which means that Semglee can now be substituted for the originator product without the intervention of the prescriber. However, a biosimilar requires additional clinical data to be eligible for interchangeability.

The interchangeability of biosimilars in the US is still in its infancy, and its commercial impact is yet to be determined. Still, we deem the development in the biosimilar field as encouraging for Xbrane. The concept of interchangeability is not relevant for Xlucane, but it remains interesting for biosimilars sold in retail channels, such as Xcimzane. We assume to gain more clarity regarding the development path and potential interchangeability for Xcimzane once a commercial partner and phase I studies are declared.

Moreover, a recent campaign by US president Joe Biden further adds to our positive view. In an executive order, Biden called for increased efforts to combat high prescription drug prices in the US through promoting generic and biosimilar competition, allowing Medicare to negotiate drug costs and more. Furthermore, the FDA is expected to fine-tune the pharmaceutical patent framework so that it does not "unjustifiably delay" the entry of biosimilars and generics. We also find it encouraging from a regulatory perspective to learn that the biosimilars regulatory approval rate for the first four years in the US has exceeded the corresponding number from the first four years in Europe. Between 2006 and 2009, the EMA approved 13 biosimilars, while FDA has, between the years 2015 and 2018, approved 16 biosimilars.

Competition – Summary

In addition to the originator Lucentis, Xlucane will experience competition from two more biosimilars, **FYB201** and **SB11**. Following the announcement of the partnership between Formycon (Bioeq) and Teva Pharmaceuticals, all three biosimilars now have commercial partners for Europe and the US. There should be no hurdles to acquiring regulatory approval in Europe and the US for Xlucane, SB11, or FYB201.

SB11 – Samsung Bioepis and Biogen

SB11 is developed by Samsung Bioepis, a joint venture between Samsung BioLogics and Biogen. The latter will also commercialize the asset. The parties filed with the EMA in October 2020 and with the FDA in November 2020. We assume SB11 will receive regulatory approval for both regions at the end of 2021.

Recent News:

The latest news on SB11 came at the end of June, just ahead of Xbrane's interim data announcement. Samsung Bioepis and Biogen announced that the EMA Committee for Medicinal Products for Human Use (CHMP) had adopted a positive opinion for Lucentis biosimilar SB11. The positive opinion has been referred to the European Commission, which will decide if a marketing authorization will be granted or not.

FYB201 – Formycon (Bioeq) - Coherus Biosciences, Teva Pharmaceuticals

FYB201 is developed by Formycon and commercialized by Coherus Biosciences in the US and by Teva Pharmaceuticals in the EU, Canada, Israel, and New Zealand. FYB201 could secure regulatory approval in the US at the end of 2021 and for Europe in early Q3 2022 based on its applications to the FDA and EMA.

Recent News:

Following the initial filing for FYB201, FDA requested complementary data. A new filing was scheduled by Formycon/Bioeq for the first half of 2021, but no announcement on this has been released yet. The estimated lead time for this process after submission is six months. At the end of June 2021, Formycon/Bioeq submitted its marketing authorization to the EMA, suggesting that approval could be received just in time for the Lucentis patent expiry (early Q3).

Conclusion

We identify several factors confirming that biosimilars are strengthening its position on the US market. Xbrane will launch its first biosimilar while the underlying market is experiencing significant growth and positive tailwind from a regulatory and political point of view. Therefore, we feel confident in the prerequisites of the launch.

Furthermore, the picture in the ranibizumab biosimilars field is now distinct: Xlucane, SB11, and FYB201 all have proven biosimilarity in a phase III study, and we assume all three will reach the market. The US and European commercial partners are also known for all candidates. The competitive landscape for ranibizumab biosimilars is thus relatively clear.

We have an optimistic view of the launch of ranibizumab biosimilars and believe they should acquire at least 40% of the originator's market within the first 12 months. The underlying positive sentiment for biosimilars' adoption in the US bolsters our view.

Xlucane

We are optimistic on Xlucane's prospects and maintain our previous view. Partnering with Bausch & Lomb, and its established infrastructure including more than 2,500 ophthalmologic clinics, should allow Xlucane to stand firm against competition in the US, despite it being slightly behind competitors' schedules, and to achieve some 20% market share on the US market.

Furthermore, STADA, Xbrane's main partner, is a specialist generics and biosimilar company with experience from previous biosimilar launches. It currently has two marketed biosimilars and several pipeline projects due to reach the market in the coming years. We therefore reiterate our previously anticipated ranibizumab biosimilar market share forecast of 20% in Europe.

Forecasts and Financing

We estimate Xbrane's current cash position at some SEK 515m following the directed share issue in July. According to our calculations, the company should be financed until it is self-sustained by Xlucane revenues.

We consider Xbrane a fundamentally strong case, although we believe it reasonable to maintain a somewhat conservative approach towards the market model to account for the difficulty in estimating future cash flows. We therefore include our expected R&D costs for both the preclinical and estimated costs associated with the phase I study of Xcimzane but do not include assign any value to expected revenues from the project in our models at this point.

Following the announcement of a commercial partner and that clinical studies are within reach; we will also model a risk-adjusted NPV for Xcimzane and include it in our valuation of Xbrane.

SEK 380m Directed Share Issue

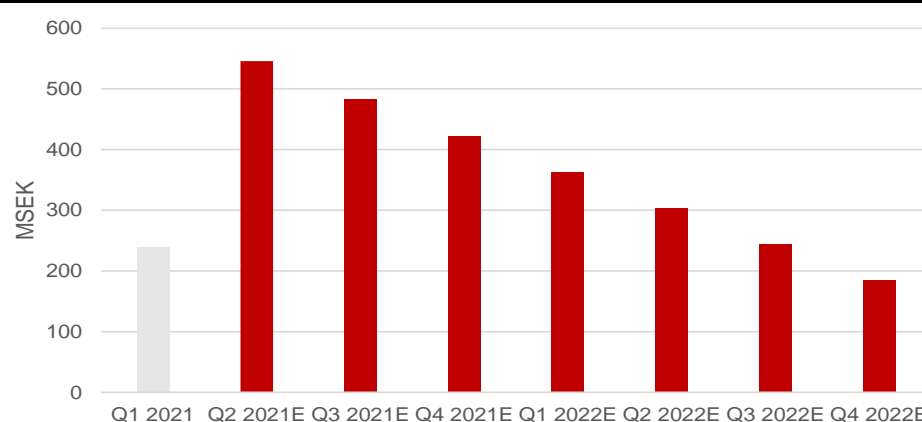
At the beginning of July, Xbrane announced a directed share issue targeting institutional investors. Named investors participating in the offering include TIN Fonder, Swedbank Robur Fonder, Lancelot Asset Management, and Serendipity Group, all previous large shareholders in Xbrane.

The funds of SEK 380m will be used for:

- Submission of Marketing Authorization Application for Xlucane in the US and Europe and production of launch material
- Scaling up of the Xcimzane production process to commercial scale and initiating of the Phase I clinical trial with a commercialization partner
- Continued preclinical development of Xdivane and initiation of additional biosimilar development programs
- General corporate activity

We assume a burn rate ahead of the Xlucane launch of some SEK 60m quarterly, as some costs related to finalizing Xplore and filing remain.

Xbrane: Estimated Cash Position until 2023



Source: Redeye Research

Updated Revenue Forecasts

Spherotide Excluded from Forecasts

Xbrane has announced a non-binding term sheet with NewFaDem for the divestment of its subsidiary Primm Pharma, which owns the rights to Spherotide. This is expected to be finalized during 2021. We now exclude estimated Spherotide revenues from our forecasts and instead add the upfront and milestone payments totaling EUR 14m to our projections. This has a negligible effect on our valuation.

Larger Market for Ranibizumab Biosimilars

The positive trend for recently launched biosimilars in the US biosimilars gives us confidence in the market uptake of ranibizumab biosimilars. The recent regulatory progress and political tailwind for biosimilars in the US further strengthens our conviction. We thus take a more optimistic stance towards ranibizumab biosimilars' market share among the current untreated population and other VEGF-a treatments for ophthalmic use (off-label Avastin, Eylea).

To reflect our more optimistic stance, we increase the estimated underlying market size in the US by 10%. According to our new assessment, Xlucane will reach peak royalties of SEK 1512m in 2027. After that, we assume competition from aflibercept biosimilars and further competition from pipeline projects such as gene therapies and therapies with new MoAs to decline Xlucane growth gradually.

Xbrane: Revenue Forecasts

Summarized income (SEKm)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Milestones	57	112		57								
Xlucane Revenues		123	558	843	1298	1490	1583	1497	1372	1238	1118	956
Probability		95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Risk-adjusted revenues	57	224	533	859	1 240	1 423	1 512	1 430	1 310	1 183	1 067	913

Source: Redeye Research

Appendix

Xbrane: Income Statement

Income Statement	2018	2019	2020	2021E	2022E	2023E
Revenues	20	-	-	57	224	533
Y/Y Growth (%)	N/A	N/A	N/A	N/A	293,0%	137,9%
Cost of Revenues	16	-	-	-	-	-
Gross Profit	5	-	-	57	224	533
Gross Profit Margin (%)	22,3%	N/A	N/A	100,0%	100,0%	100,0%
Selling Expenses	1	0	-	-	-	-
Administrative Expenses	23	26	31	41	60	120
R & D Expenses	86	116	203	182	178	181
Other Op. Expense / (Income)	(94)	4	(9)	-	-	-
Exchange Rate Differences	-	-	-	-	-	-
EBITDA	(7)	(137)	(219)	(162)	(10)	231
EBITDA Margin (%)	(35,2%)	N/A	N/A	(309,4%)	(0,4%)	46,9%
Depreciation	4	4	2	2	3	4
Amortization	-	1	1	1	1	1
Amortization of Right-to-Use Assets	-	5	3	1	1	1
EBIT	(11)	(146)	(225)	(166)	(14)	226
EBIT Margin (%)	(55,7%)	N/A	N/A	(309,4%)	(2,1%)	46,0%
Associated Income / (loss)	-	-	-	-	-	-
Interest Income	0	0	-	-	-	-
Interest Expenses	2	1	1	-	-	-
Interest Expenses, Lease Liabilities	-	0	-	0	0	0
Exchange Rate Differences	-	-	-	-	-	-
Non-recurring Income / (Expenses)	-	(18)	-	-	-	-
EBT	(13)	(166)	(226)	(166)	(14)	226
Income Tax Expenses	-	-	-	-	-	-
Effective Tax Rate (%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Non-Controlling Interests	-	-	-	-	-	-
Net Income	(13)	(166)	(226)	(166)	(14)	226
Non-Recurring Items / (Loss), Post Tax	-	(18)	-	-	-	-
Recurring Net Income	(13)	(184)	(226)	(166)	(14)	226
Net Income Margin (%)	(64,0%)	N/A	N/A	(291,3%)	(6,5%)	42,4%

Source: Redeye Research

Xbrane: Ownership Verified 2021-06-30

Ownership				
Free Float	85,0%	Total	Share	Voting
Rank	Shareholder	Shares	Capital	Rights
1	Serendipity Group	2 819 967,0	11,3%	11,3%
2	Swedbank Robur Fonder	2 156 022,0	8,6%	8,6%
3	Beng Göran Westman	1 820 393,0	7,3%	7,3%
4	STADA Arzneimittel AG	1 570 989	6,3%	6,3%
5	Futur Pension	1 201 637	4,8%	4,8%
6	Tin Fonder	1 200 000	4,8%	4,8%
7	Avanza Pension	1 117 715	4,5%	4,5%
8	Nordnet Pensionförsäkring	389 896	1,6%	1,6%
9	Swebank Försäkring	355 362	1,4%	1,4%
10	Paolo Sarmientos	296 939	1,2%	1,2%
11	Iraj Arastoupour	268 500	1,1%	1,1%
12	Lancelot Asset Management	225 000	0,9%	0,9%
13	Martin Åmark	156 601	0,6%	0,6%
14	Andra AP-fonden	150 000	0,6%	0,6%
15	Wingcap AB	150 000	0,6%	0,6%
	Total 15 Largest Shareholders	13 879 021	55,4%	55,4%
	Others	11 160 885	44,6%	44,6%
	Total Number of Shares	25 039 906	100,0%	100,0%

Source: Redeye Research, Holdings

Xbrane: STADA Subsidiaries & Investments Verified 2020-12-31

Name of the company, registered office	Share in capital	Form of consolidation
AO Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	51.34%	subsidiary
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France	100%	subsidiary
EG S.p.A., Milan, Italy	100%	subsidiary
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany	100%	subsidiary
Natures Aid Germany GmbH, Bad Vilbel, Germany	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	100%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria	100%	subsidiary
Spirig HealthCare AG, Egerkingen, Switzerland	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia	100%	subsidiary
STADA d.o.o., Zagreb, Croatia	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg	100%	subsidiary/not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria	100%	subsidiary
STADA PHARMA CZ s.r.o., Prague, Czech Republic	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India	100%	subsidiary/not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA Pharmaceuticals Australia Pty. Ltd., Sydney, Australia	100%	subsidiary
STADA Pharmaceuticals Bulgaria EOOD (formerly STADA Bulgaria EOOD), Sofia, Bulgaria	100%	subsidiary
STADA Poland Sp. z o.o., Piaseczno, Poland	100%	subsidiary
STADA Service Holding B.V., Breda, Netherlands	100%	subsidiary
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China	100%	subsidiary/not included
STADA Sweden Holding AB, Stockholm, Sweden	100%	subsidiary
STADA Thailand Company, Ltd., Bangkok, Thailand	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom	100%	subsidiary
Walmart a.s., Třinec, Czech Republic	100%	subsidiary
XBrane Biopharma AB, Solna, Sweden	7.08%	investment

Source: STADA

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 4

Xbrane distinguishes itself through its high in-house competence; approximately 40% of employees hold a Ph.D. The board members have broad experience in the pharmaceutical sector at companies such as Teva, AstraZeneca, and Vitrolife.

Chairman Anders Tullgren has had several senior roles; most recently, he was President of the intercontinental region of Bristol Myers Squibb (BMS). CEO Martin Åmark has worked as a consultant within life science and pharma at Bain & Co.

Insiders hold some 2% of Xbrane shares, the largest owner being CEO Martin Åmark.

Business: 2

The biosimilars market is expected to experience significant growth of some 25% per annum in the coming years. Xbrane's patented technology provides a significantly higher yield than conventional methods; it allows Xbrane to target "hard-to-manufacture" biosimilars, which implies limited competition.

The development of biosimilars offers a lower development risk than with novel drug development. However, Xbrane has no marketed product, and its leading project, Xlucane, is expected to reach the market in 2022, if approved.

Financials: 1

Xbrane is still in the development phase with its biosimilar portfolio and does not generate any revenue except for partnership milestones from its projects. Therefore, the Company is dependent on cash injections to finance its clinical activities.

Its first biosimilar, Xlucane, is expected to reach the market at the end of 2022, if approved, and then start generating revenue.

Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the Company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

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Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redev.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2021-08-02)

Rating	People	Business	Financials
5p	31	16	4
3p - 4p	127	111	41
0p - 2p	5	36	118
Company N	163	163	163

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CONFLICT OF INTERESTS

Filip Einarsson owns shares in the Company: Yes

Fredrik Thor owns shares in the Company: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.