

# Xbrane Biopharma

Sector: Biotech

## Exciting and Increasingly Compelling Case

Redeye returns with an updated assessment and a raised fair value range for Xbrane following the announced licensing deal with Biogen.

### Deal with Biogen at attractive terms

In our view, the USD 88m deal with Biogen, which also eliminates all Xcimzane development costs for Xbrane when the asset goes to the clinic in 2023, has further derisked the case and provides further validation of Xbrane's ambitions.

### Xcimzane: Commercially attractive

Xcimzane is Xbrane's second most advanced project. It is a biosimilar of Cimzia, a drug used to treat inflammatory conditions such as RA, psoriasis, and Crohn's disease. Given Cimzia's USD ~2bn in annual sales and the limited to no other biosimilar competition, this is a significant commercial opportunity, which we now include in our Xbrane valuation. We estimate peak sales of USD 702m.

### Xlucane: Slightly delayed US launch

Sales of Lucentis remain at high levels, and the underlying market for VEGFa inhibitors in ophthalmic reports encouraging figures. However, the end of Q1 FDA filing postpones the Xlucane launch, which we now estimate at the start of 2023.

### Raised fair value range

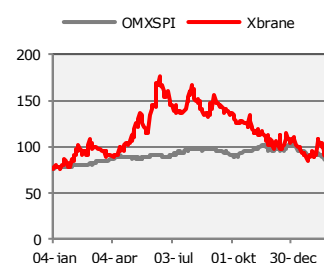
Our amendments suggest a new Base Case of SEK 235 (167) based on our DCF model, suggesting some 170 percent upside in Xbrane shares. We highlight the current market conditions and that a valuation upgrade is unlikely overnight. However, we identify a substantial gap between Xbrane's value and the share price. We believe that Xbrane shares will trade around our Base Case level in the coming 12-18 months.

Key Financials (SEKm)	2019	2020	2021E	2022E	2023E
Revenues	4	18	16	215	550
Revenues growth	N/A	350%	-11%	1244%	156%
EBIT	-149	-217	-181	-17	220
EBIT Margin (%)	-3725%	-1206%	-1131%	-8%	40%
Net Income	-151	-226	-188	-21	215
EV/Revenues	N/A	N/A	N/A	8	3
EV/EBIT	neg	neg	neg	-106	8

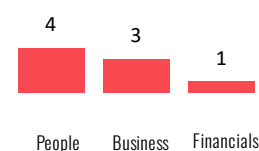
### FAIR VALUE RANGE

BEAR	BASE	BULL
100	235	340

### XBRANE VERSUS OMXS30



### REDEYE RATING



### KEY STATS

Ticker	XBRANE
Market	Mid Cap
Share Price (SEK)	85
Market Cap (SEKm)	2 128
Net Debt (SEKm)	-250
Free Float (%)	85%
Avg. daily volume ('000)	50

## Investment Case

**Derisked opportunity.** Redeye sees substantial upside in Xbrane shares, believing that investors underestimate the company's business strategy prospects. Low development risk and high entry barriers for biosimilar development place Xbrane in an excellent position to negotiate compelling deal terms, as illustrated by its deals with Biogen, STADA, and Bausch & Lomb. Lead project Xlucane will launch in the second half of 2022, paving the way for increased development capacity, and it could lay the path for Xbrane to become a leading biosimilar developer.

We forecast risk-adjusted revenues (royalties and milestones) of some SEK 550m for the company in 2023, which Xbrane can invest at a high ROIC in its subsequent projects. As such, the company should now be financed until it turns cash flow positive in late 2023 / early 2024, we estimate.

**Reputable names have partnered with Xbrane.** Compared to traditional drug development, biosimilar production allows for a shorter and cheaper path to market with a significantly increased probability of success (PoS). Biosimilars are widely used thanks to their significant cost-saving capabilities versus expensive biological drugs. They have been used for close to 20 years in Europe and often capture ~40-50% of their originator's market share within the first 12 months after launch. The regulatory framework for biosimilars was not established in the US until 2009, roughly ten years after the EU, with the first biosimilar approved in the US in 2016. Until recently, it has seen only moderate market uptake in the US-. However, newly launched biosimilars have prompted a trend shift and, as in Europe, took 40% volume market share from their originators in the first 12 months of launch after payers made biosimilar adoption a top priority in 2021.

Thanks to a technology that allows the production of proteins at a fraction of the cost of conventional methods. Xbrane intends to target a "difficult-to-manufacture" niche of biosimilars, implying limited competition in this high-yield area. Its technology is attractive from a partnering point of view; the names who have undertaken to commercialize Xlucane and Xcimzane underscore this view. Generic and biosimilar specialist STADA will commercialize Xlucane, its lead asset ophthalmologic drug, in Europe, the Middle East, and selected APAC countries, while ophthalmologic specialist Bausch & Lomb, which has established connections and channels with the 2,500+ clinics currently prescribing Lucentis, will handle the US launch, allowing for a somewhat straightforward plug-and-play launch at the end of 2022.

In early 2022, Xbrane announced that it had entered into a global licensing and development agreement with Biogen for Xcimzane in a USD 88m deal with tiered royalties. Biogen will also take on all development costs once the asset enters the clinic in 2023.

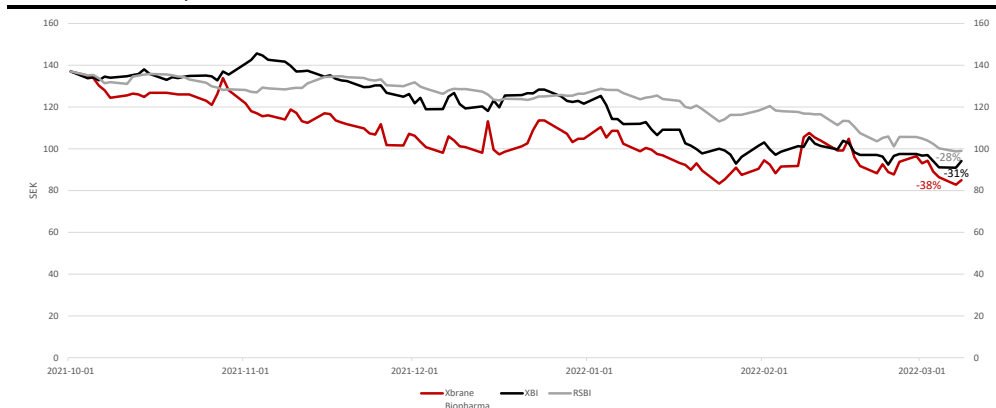
Xbrane's biosimilar portfolio has three announced oncology biosimilars, targeting two of the ten highest-selling drugs in 2021: Opdivo and Keytruda. In our view, investors have not yet grasped what Xbrane stands on the cusp of and thus underestimate the company's prospects as a potential leading biosimilar developer, rendering it a compelling buyout candidate.

## Valuation

**Biotech upside with limited downside risk.** In our DCF model, based on the prospects for Xlucane and Xcimzane, we see a fair value of SEK 235 in our Base Case. Our Bull Case takes a more optimistic stance towards the marketing prospects for Xlucane and Xcimzane and comes in at SEK 340, while our Bear Case takes a cautious approach to the commercial opportunities and financials of Xbrane with a value of SEK 100 per share.

## Share Price Development

### Xbrane vs. Comparable Indices<sup>1</sup>



Source: Redeye Research, Millistream

Macroeconomic uncertainty has burdened the equity market since Q4 2021, and the decline has been particularly evident in pre-revenue biotech stocks. In this context, a valuation upgrade for Xbrane has not materialized despite the encouraging news so far in 2022. We believe this is most likely attributable to this sector-specific decline and “risk-off” sentiment, but the delay in the US filing from Q4 2021 to Q1 2022 has certainly not helped. Since August 2021, Xbrane shares have slightly underperformed Redeye Swedish Biotech Index (RSBI), and XBI. It is notable that for the corresponding period, OMXSPI have performed some -18 percent, portraying the sector specific decline. However, once risk appetite returns, the share should catapult towards our Base Case, as investors grasp the business case. The most significant catalysts to close the valuation gap will be market approval in Europe and the US, followed by a successful launch for Xlucane.

We are surprised that the Biogen deal did not have a more significant share price impact, as we believe it cemented the capitalization of Xbrane until its cash flow turns positive. As of this update, investors can buy into an operationally more robust company below what we identify as Bear case levels. Furthermore, the discount is also significant compared to the issuing price of SEK 135 in the SEK 380m directed share issue in Q3 last year.

According to our models, Xbrane’s current valuation would imply some SEK 300-350m in 2024 revenues, which we consider too conservative. Our Base Case suggests roughly twice that amount. As such, following this research update we see a fair value of SEK 235 per share, exceeding the previous ATH at SEK ~180 printed in June of last year.

<sup>1</sup> Redeye Swedish Biotech Index (RSBI) consists of all biotech companies listed in Sweden, equally weighted, with 97 constituents. XBI is an American equally weighted biotech ETF often used as a benchmark for the industry.

## Catalysts

**EMA approval:** Xbrane announced its Xlucane submittance to the EMA on September 9, 2021, and the EMA communicated its approval of the submission on October 1, 2021. We assume a regulatory process of 10-12 months.

*Anticipated impact: Major*

*Time horizon: Six to nine months*

**FDA approval:** Xbrane will submit its Xlucane application to the FDA in March 2022. We assume regulatory lead times of 10-12 months.

*Anticipated impact: Major*

*Time horizon: 12 months*

**Sales start:** Following the approval of Xlucane in Europe—anticipated in Q3 2022—we assume Xlucane sales will start ramping up shortly and will likely represent a catalyst for the share as Xbrane fully transitions into a commercial company.

*Anticipated impact: Moderate*

*Time Horizon: Nine months*

**Xlucane into clinic:** Following the partnership with Biogen, Xbrane is preparing Xcimzane for the clinic. We estimate its phase I trial to commence in the first half of 2023, and shortly thereafter the phase III trial, to have Xcimzane ready to launch once patent expires. These events will most likely also trigger a milestone from the Biogen deal.

*Anticipated impact: Moderate*

*Time horizon: 12-18 months*

## Key Risks

**Regulatory risk:** The most significant risk for Xbrane relates to the regulatory approval of Xlucane by the FDA and EMA. We use a likelihood of approval (LoA) of 95% for Xlucane, which is aligned with the historical probability. However, if the approval is delayed or fails for some reason, it would prompt a significant downward trajectory for Xbrane shares. The Biogen deal has substantially offset the catastrophe risk for Xbrane as the company now has two projects with announced partners.

**Development risk in Xcimzane:** Xbrane has no clinical data for its subsequent biosimilar Xcimzane; however, we argue that the Biogen deal brings a fair share of upside as a seal of approval, partly offsetting this risk. It is also reassuring that Xlucane met the primary endpoint in the phase III trial, proving the company's in-house capabilities.

**Financing risk:** Given the current prospects, the financing risk in Xbrane is low. If Xlucane sales are somewhat in the range of our estimates, the company should be financed until it turns cash-flow positive. However, if there is a regulatory delay or for some reason Xlucane does not gain the expected market share, Xbrane could need further financing, possibly leading to further dilution.

**Competition:** In transitioning into a commercial company, Xbrane will be vulnerable to competition, and competing biosimilars BYOOVIZ and FYB201 will likely reach the US market just ahead of Xlucane.

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## Outlook

### Summary of significant events ahead (our estimates)

2022		2023		2024	
H1	H2	H1	H2	H1	H2
Xlucane	EMA Approval	FDA Approval		Xlucane cash flow positive	
Xcimzane		Phase I and III start	Phase I readout	Phase III readout	
Other	Subsidiary divestment				

Source: Redeye Research

## Comments on the Year-End Report

In general terms, beyond the minor delay in the US filing from Q4 2021 to Q1 2022, the company's development has unfolded as expected since our previous research update.

### Key figures from the Q4 report:

- Revenues amounted to SEK 0 (0)
- Other operating income was SEK 4.5m (3.2)
- Opex amounted to SEK 36.6m (65.9m)
- The result for the period amounted to SEK -32.5m (63.0m)
- Cash flow from current operations totaled SEK -60.4m (-67.6m)

*(The numbers in parenthesis refer to the corresponding quarter of last year)*

### FY 2021 numbers:

- Revenues amounted to SEK 0 (0)
- Other operating income was SEK 15.6m (17.6)
- Opex amounted to SEK 196.1m (235.0)
- The result for the period amounted to SEK -188.4m (226.0m)
- Cash flow from current operations totaled SEK -219.6m (-238.4m)
- Cash and cash equivalents at the end of the quarter were SEK 295m

*(The numbers in parenthesis refer to full-year 2020)*

**The figures from today's report offered no major surprises.** On the cost side, opex was down dramatically (some 50 percent), primarily thanks to Xbrane entering into a less cost-intensive phase of development with Xlucane. Moreover, during H2, the company also started taking capitalizing research and development costs, and these are now on the balance sheet.

In addition to the SEK 295m cash position in the end of December, further milestones from STADA and the upfront payment from Biogen should be added during Q1. Xbrane's current cash position is thus more likely in the SEK 350-375m range, adjusted for costs, so far in 2022. From a financing viewpoint, Xbrane might possibly need another capital injection, although we consider this unlikely. We thus see the market uptake of Xlucane as the deciding factor regarding the potential need for one more capital injection before Xbrane is self-sustained through Xlucane.

### 2021 – A transformative year

Last year saw substantial and transformative events for Xbrane, the most important being it reaching the primary endpoint in the interim readout of Xplore. The company also expanded its pipeline with two new biosimilars to Keytruda and Darzalex. Notably, the pipeline now includes biosimilars to two of the top ten best-selling drugs, Keytruda (USD ~17bn) and Opdivo (USD 7.8bn), according to preliminary 2021 numbers.

As expected, in the middle of February, Xbrane also announced positive top-line results from the 12-month data from Xplore. These data will support the ongoing registration process for Xlucane.

Xbrane also provided an update on its subsidiary, Primm Pharma. According to a press release from mid-February, Primm Pharma is now cash-flow-positive following Q4 2021, with the subsidiary's cost now eliminated. Royalties were limited during 2021 but should increase this year and subsequently.

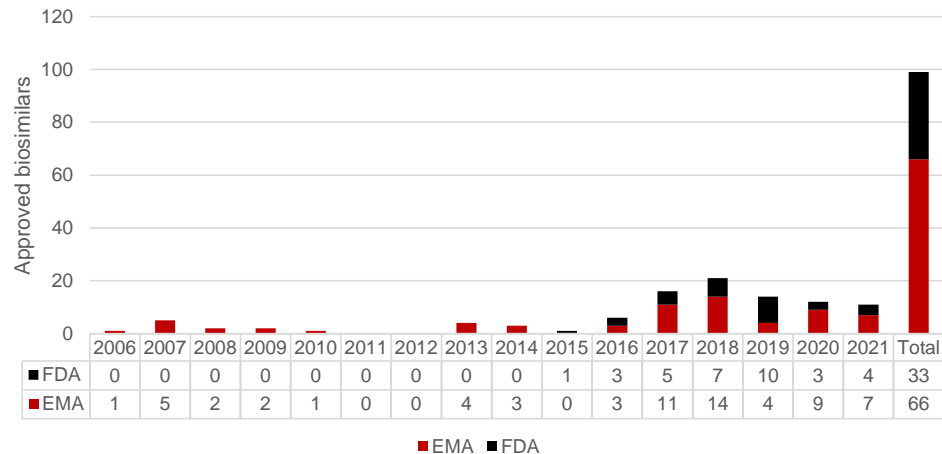
The negotiations between the previously expected acquirer NewFadem S.r.L, which previously signed a non-binding term sheet in February 2021, have been paused owing to disagreements regarding the final deal terms. Xbrane will continue its efforts to divest Primm Pharma though. Despite this somewhat disappointing news, we feel confident that a deal will come along sooner or later, and we believe that the subsidiary now being cash-flow-positive, and its royalties expected to appreciate offset the negative aspects of this news somewhat. We view the impact of the divestment as minor in the short term, as the payment structure likely would be via milestones.

All in all, we believe Xbrane left 2021 as a fundamentally stronger company with encouraging prospects for this year, when it will transition to a commercial-stage company.

## Tailwind for Biologics—Particularly Biosimilars

From a broad perspective, 2021 brought a raft of positive news for biosimilars as a class. A total of 11 biosimilars were approved in the EU and the US last year.

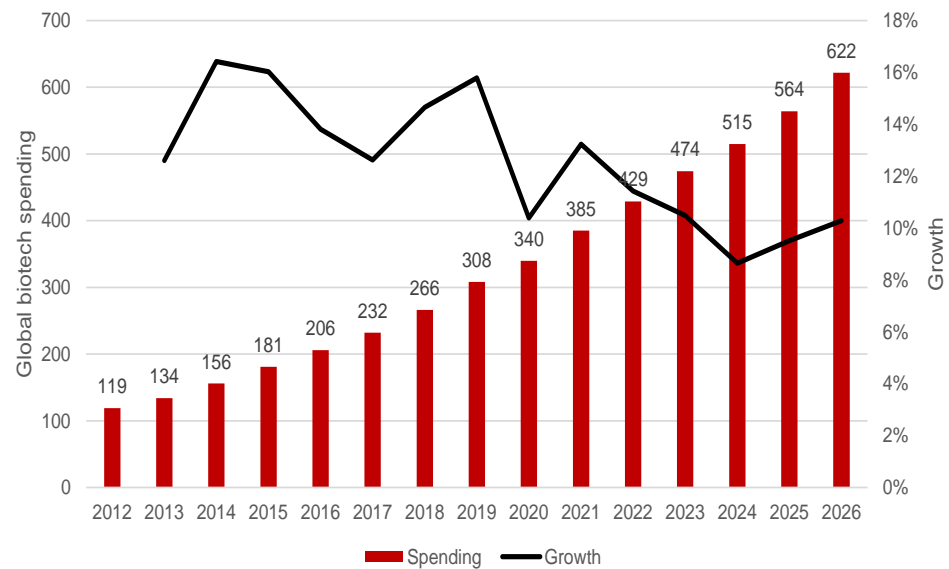
### Approved biosimilars as of January 2022 (FDA) and Nov 2021 (EMA)



Source: Redeye Research, EMA, FDA, IQVIA

Global spending on drugs created through recombinant DNA technology is expected to reach USD 620bn by 2026 according to IQVIA Institute, amounting to roughly one-third of global medicine spending. As such, biologic drugs are becoming an increasingly significant economic burden, allowing the savings generated from biosimilars to look increasingly compelling for policymakers and payers. We find it noteworthy that incremental savings from biosimilars are expected to generative cumulative savings of USD 215bn worldwide for 2021-2026, further highlighting the underlying cost-saving incentives that we have featured as important in our investment thesis for Xbrane.

### Global spending on biotech drugs is growing despite significant reduction from biosimilars

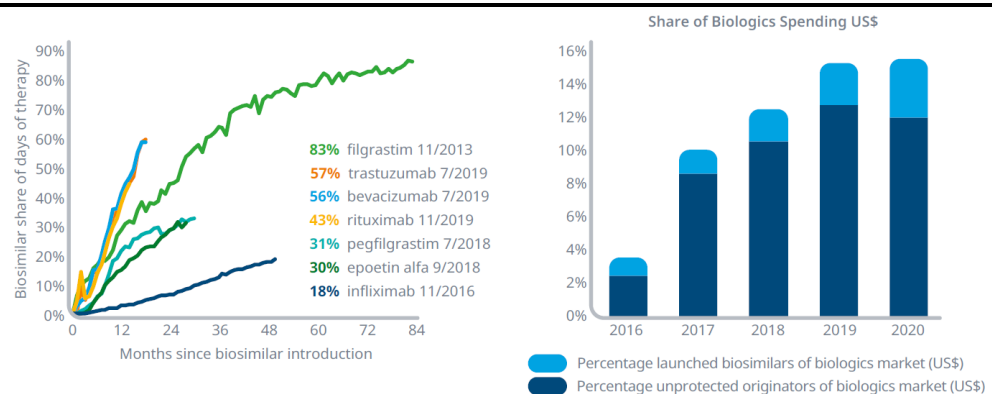


Source: IQVIA Institute, Nov 2021

Furthermore, it is highly encouraging for the prospects of Xbrane and biosimilar developers in general that biosimilars were mentioned as a focus area in the FDA's annual summary. Given 33 approved biosimilars for 11 different reference products in the US, according to the publication, the FDA considers that biosimilars can play a role in facilitating broader access to treatment for many serious health conditions<sup>2</sup> and increase affordability. Payers' top priority of increasing biosimilar adoption for cost-saving purposes seems to have aided the outcome. The recent launches of trastuzumab, bevacizumab, and rituximab leave us encouraged for ranibizumab biosimilars launches in H2 2022.

Biosimilars for these most recent launches are trending towards 60% volume market share by the end of their second year on markets, notably exceeding the proportion of biosimilar market share in our models for both Xlucane and Xcimzane for the corresponding period.

### US biosimilar market uptake

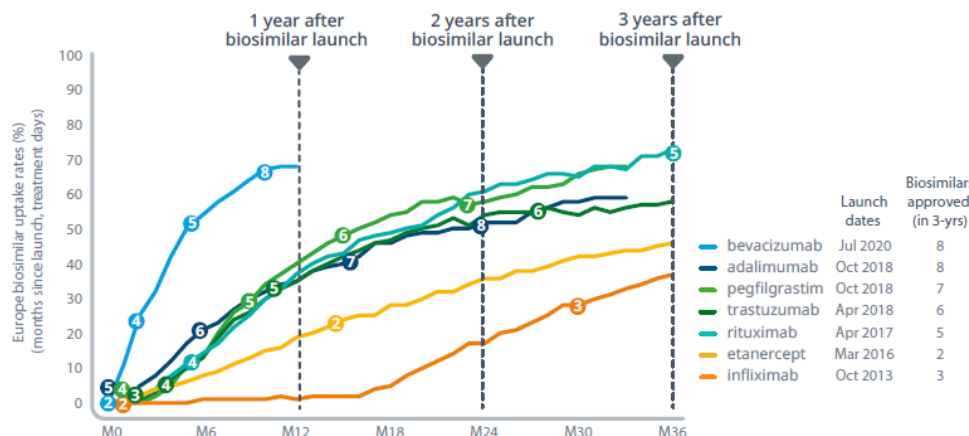


Source: IQVIA Institute; National Sales Perspectives, December 2020

<sup>2</sup> FDA 2021 Year in Review – Working for You



## European biosimilar market uptake



Source: IQVIA MIDAS (Q2 2021); EMA EPAR list of approved biosimilar medicines and marketing authorization dates (November 2021)

## Impactful biologics to lose exclusivity in the years ahead

The years to come will see a loss of exclusivity (LoE) for several high-profile biologic drugs, allowing for biosimilar competition. Biosimilars for leading biologic drugs such as adalimumab (Humira), ustekinumab (Stelara), and rivaroxaban (Xarelto)—with combined 2020 originator sales amounting to USD 35bn—will be launched in 2023 and 2024. Until 2026, brand spending due to LoE will represent cost savings of USD 70bn, compared with USD 25bn in the past five years, further highlighting the growth trajectory for biosimilars as a class. Over the next 15 years, more than 30 biological products will lose their exclusivity across Europe.

## First interchangeable biosimilars approved

At the end of July 2021, the FDA announced approval for the first interchangeable biosimilar, Semglee (insulin glargine-yfgn), to treat type 1 and 2 diabetes mellitus. The announcement simply means Semglee is interchangeable with its reference product Lantus (USD 3bn in 2020 sales), allowing Semglee to be substituted for Lantus without the intervention of the prescriber. In October, the FDA also approved Boehringer Ingelheim's Cyltezo for treatment of certain inflammatory diseases, both as a biosimilar and interchangeable with Humira (USD 20bn 2020 sales), making this the first approved interchangeable monoclonal antibody.

Currently, the regulatory landscape for interchangeability varies between the EU and US. The FDA introduced a dedicated regulatory pathway for interchangeability designation in the US, as used by Mylan and Biocon with Semglee. This regulates the automatic substitution of biosimilars at the pharmacy levels, in line with state laws. In the EU, the EMA has given authority to the national agency of each member state to decide on interchangeability or substitution. Not all member states have released a guideline for interchangeability yet. However, all the states agree that a thorough comparability study is sufficient for interchangeability or substitution to be carried out. As such, there is a lack of standardization around the interchangeability of biosimilars and originator products. The scientific evaluations performed by the EMA are often used to support these decisions.

## Signs of regulatory streamlining of biosimilars starting in the UK

Signs of new guidance to streamline the development of biosimilars originating from the Medicines and Healthcare products Regulatory Agency (MHRA) in the UK have also been a topic of discussion. As a part of its mission to make the UK a world leader in life science innovation, the MHRA has introduced new marketing authorization procedures that could enable accelerated approvals for biosimilars under a new "150-day accelerated assessment" to speed up and facilitate the way to market for developers. Its intention is to create a process of ongoing regulatory input and feedback designed to enable applicants to get applications

correct the first time. This touches upon a subject touched upon in Xbrane's conference call in December. In guidelines published on May 6 2021<sup>3</sup>, the MHRA has consulted on further changes to its guidance that could streamline the process for biosimilars in the UK. It proposes that a comparative efficacy trial will not be considered necessary in most cases, provided that well-argued justification is given. The need for in-vivo trials from animals is also deemed not relevant for showing comparability between a biosimilar candidate and its reference drug.

According to the MHRA, currently available data suggests that clinical comparability trials have provided no significant value and its idea is that in the foreseeable future, the amount of data needed for a marketing approval could—to a more considerable extent or possibly exclusively—be preclinical comparability data. Furthermore, real-world evidence could also possibly play a role in supporting regulatory submissions, as indicated by the agency.

The MHRA's approach stands in contrast to that of the EMA and the FDA, both of which are more conservative, requiring clinical comparability data—i.e., current schedule with phase I and phase III trials.

### Our take

Our view is that over the course of the previous two years, the skepticism towards biosimilars in the US has been reduced, and biosimilars are continuing to cement their position in medicine. They provide an effective tool for authorities, payers, and politicians to offer highly efficacious biologic drugs to a broader range of patients at a lower cost. The underlying political and cost-saving incentives show no signs of stagnating and there is an option to potentially streamline the development process, which would further reduce the time and cost for the development of each biosimilar candidate.

We will monitor the sales development of Semglee and Cyltezo to see if the interchangeability route gives any increased effects on market penetration, as this remains an option for Xcimzane. On a general level, this is yet another step towards making biosimilars structurally more similar for a patient/physician perspective to generics and, as such, possibly allowing for faster volume market penetration and higher numbers.

We want to highlight, however, that both the concept of interchangeability and the streamlining of the regulatory pathway only scratch the surface of biosimilars' potential long-term impact. Thus, while highly encouraging in the long term, this is not included in our current assessment of Xbrane.

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<sup>3</sup> Guidance on the licensing of biosimilar products – MHRA, published May 6, 2021.

## Xcimzane - a Cimzia Biosimilar

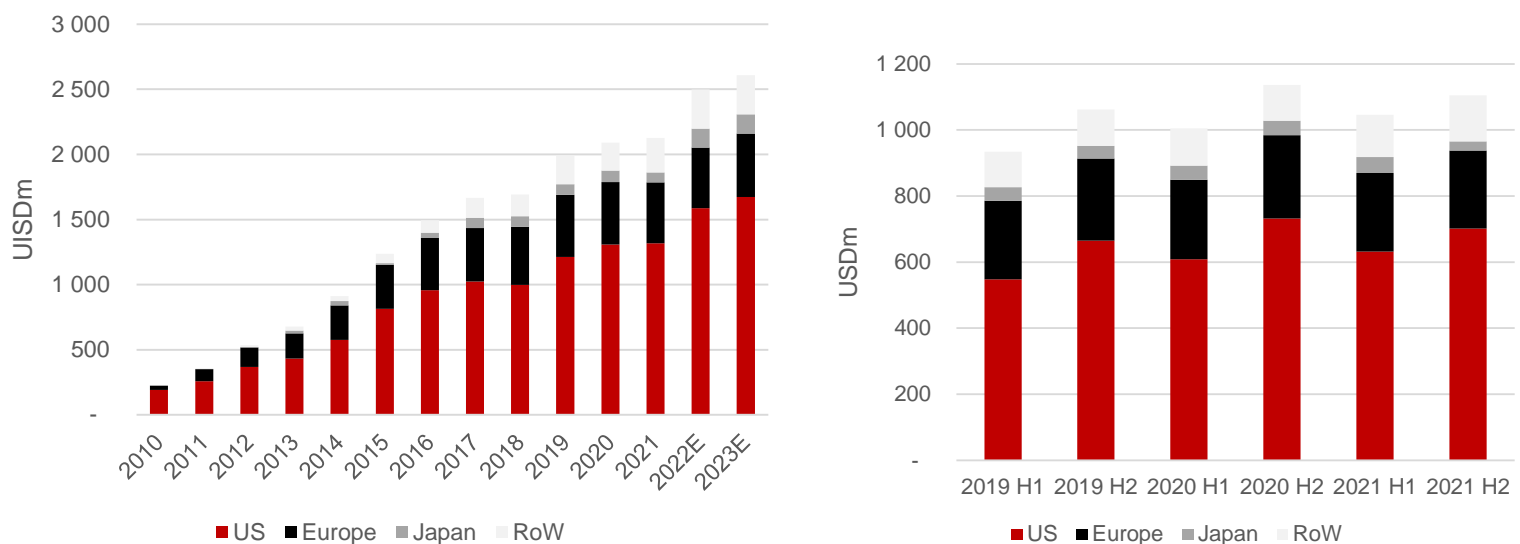
### Cimzia

Cimzia (certolizumab pegol) is a high-affinity pegylated monoclonal antibody fragment with subcutaneous administration that binds to Tumor Necrosis Factor-alpha (TNF-alpha), which plays a central role in inflammatory processes.

The FDA initially approved Cimzia in 2008 for use in adults with moderate to severe Crohn's disease (CD). In 2009, it was approved for use in rheumatoid arthritis (RA) and has since been approved for psoriasis (PsO) and axial spondyloarthritis (AxSpA). Cimzia distinguishes itself as the first anti-TNF approved for use in women with chronic rheumatic disease during pregnancy and breastfeeding, after the FDA and EMA extended its label in 2018.

The asset is commercialized by UCB in the US, Europe, and RoW, and following approval for RA in Japan in 2012, it was outlicensed to Astellas for commercialization. After approval in additional indications, it became a blockbuster in 2015 and has grown some ~10 percent per annum since 2015; approximately 60% of its sales were from the US in 2020. Cimzia represents some 30% of UCB's sales.

### Cimzia's geographical sales

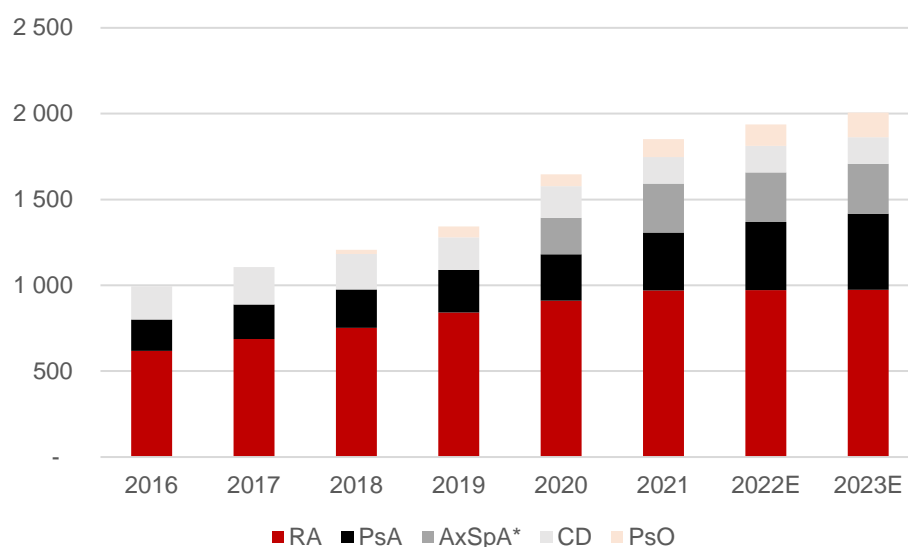


Source: Datamonitor, Redeye Research

Although approved in several indications, a majority of Cimzia's sales stem from its use in RA. According to Datamonitor numbers, just below 50 percent of global Cimzia sales in 2021 stem from use in RA in the US, 5EU, and Japan. Moreover, the sales in RA, PsA, and AxSpA amounted to more than 80% of sales in 2020 and 2021. Please note that several European countries and RoW are excluded as we could not find any data for worldwide sales in this regard, but this does cover the majority of Cimzia's sales, and we argue it works well as a proxy for the remaining markets.

We found no reliable forecasts for estimated Cimzia sales in AxSpA. Therefore, we applied datamonitor's anticipated prevalence growth (8.2% between 2020 and 2029, ~1% annually) to the 2021 sales.

## Cimzia's sales per indication in the US, 5EU, and Japan



Source: Datamonitor, Redeye Research, UCB

## Global licensing deal with Biogen

On February 7, 2022, Xbrane and Biogen announced their agreement on a global license for Xcimizane under the following deal terms:

- Upfront USD 8m
- Development and commercial milestones USD 80m
- Biogen responsible for all development costs for Xcimizane once Xbrane has completed pre-clinical development
- Tiered royalties

The deal structure fits Xbrane's current situation very well and, according to management comments, the deal structure could likely be what the company will aim for with subsequent projects.

## Brief summary of Biogen

Biogen was founded in 1978 by a handful of scientists, including Nobel Prize laureates Walter Gilbert and Phillip Sharp, as one of the first global biotechnology companies. The company has distinguished itself primarily by focusing on neuroscience, oncology, and immunology. It is also one of the few Big Pharma's that built a biosimilar portfolio early on. As of December 31, 2021, the company was reporting revenues of USD ~11bn, of which USD 831m (~7.5 percent) was from biosimilar sales. Biogen has some 9,600 employees.

We find it very interesting that just two weeks earlier, in late January, Biogen announced the sale of its 50 percent stake in Samsung Bioepis, a joint venture with Samsung Biologics, for up to USD 2.3bn. Samsung Bioepis has launched five biosimilars, three for autoimmune diseases and two for oncology and has a handful of biosimilars in phase III trials. The companies will, however, continue their exclusive agreements, including commercialization of the current portfolio, including Benepali (etanercept), a biosimilar referencing Enbrel; Imraldi (adalimumab), a biosimilar referencing Humira; and Flixabi (infliximab), a biosimilar referencing Remicade.

\*Approved in 2019

Additionally, Biogen will retain the commercial rights for BYOOVIZ, previously called SB11, another Lucentis biosimilar, which became the first FDA-approved Lucentis biosimilar. BYOOVIZ has also received EU and UK approval and will most likely be the first Lucentis biosimilar launched. More on Samsung Bioepis and other competitors can be found later in this report.

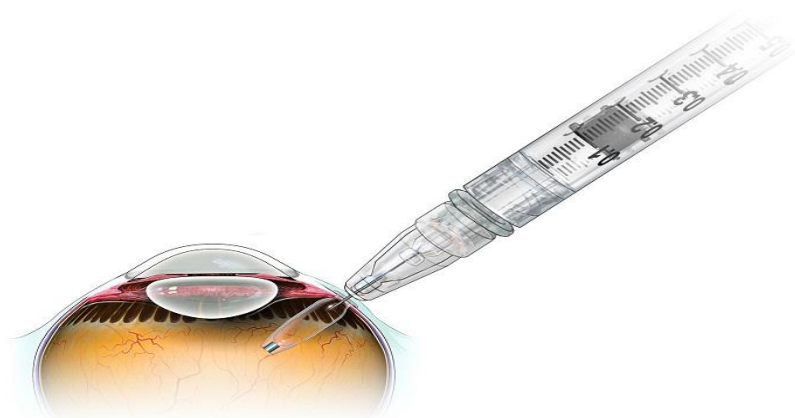
## Xlucane - a Lucentis Biosimilar

The European patent for Lucentis will expire in July 2022; the US patent expired in June 2020. However, following a deal signed between Genentech (Roche) and Samsung Bioepis, Biogen does not have the right to market BYOOVIZ (SB11) in the US until June 2022, which is why BYOOVIZ has not yet launched there despite receiving FDA approval in September 2021.

As an attempt to hinder biosimilar competition to Lucentis, Roche received approval for Susvimo, previously called Port Delivery System (PDS), for the treatment of wAMD. Susvimo alternates the route of administration of Lucentis. Instead of monthly or every other month injections, Susvimo is an implant surgically inserted into the eye during a one-off outpatient procedure that continuously delivers Lucentis with a twice-yearly refill. Roche reported Susvimo sales of USD 1m in Q4 2021.

### Susvimo illustration

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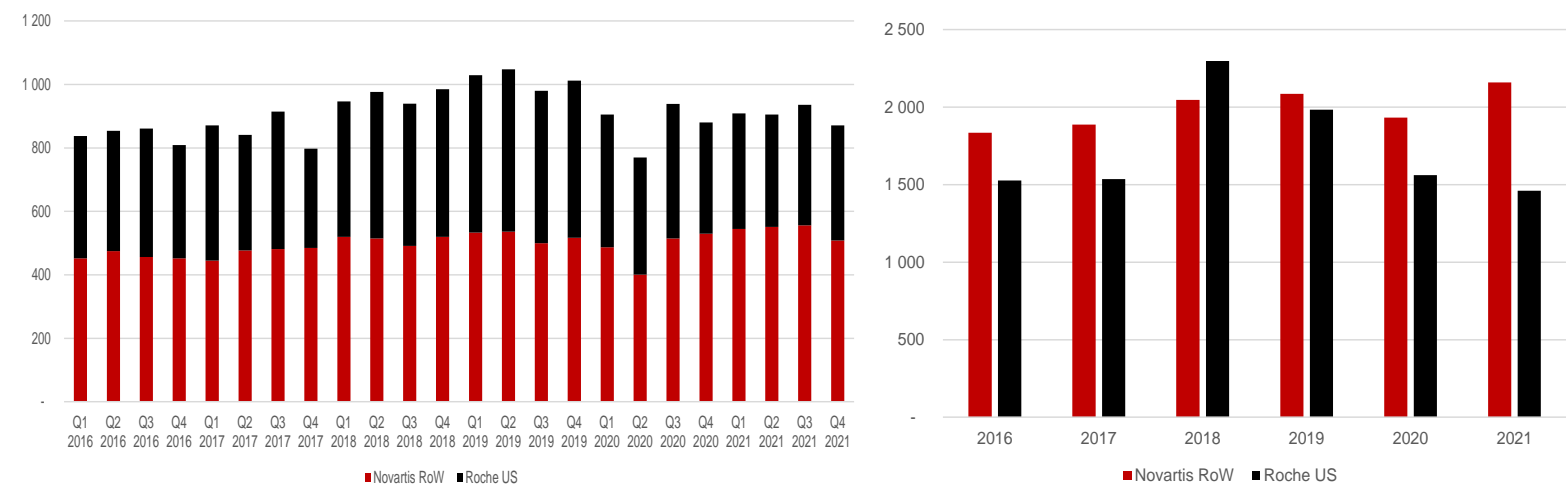
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Source: Roche/Genentech

At face value, Susvimo offers increased convenience for patients by reducing the frequency of injections. However, the implant is seemingly associated with some elevated risks compared to Lucentis. Phase III trial Archway concluded that Susvimo is associated with a three-fold increase in endophthalmitis compared to intravitreal injections of Lucentis. The most common adverse events in the pivotal Archway study were conjunctival hemorrhage, conjunctival hyperemia, iritis, and eye pain.

Competition from the originators is expected, and we have taken account of this in our forecasts for Xlucane. As such, we will monitor the development for Susvimo, but given these current prospects, we feel comfortable with our assessment and assumptions. We believe that increased treatment prevalence and market share taken from Avastin will be more than sufficient for Xbrane to achieve our forecasts.

## Lucentis sales development



Source: Biomedtracker, Redeye Research

As expected, Lucentis sales have rebounded during 2021 following the decline in 2020, which resulted from the pandemic. Furthermore, off-label Avastin biosimilars seemingly have not taken market share from Lucentis. In this regard, development has more or less aligned with expectations, and we only make minor market adjustments in our forecasts for the underlying market for Xlucane.

## Forecasts and Financials

### Xlucane

Based on current prospects, we do not feel it necessary to make any significant changes to our forecasts. However, we do delay our forecast for US launch to Q1 2023 following the anticipated March 2022 filing: we previously assumed Q4 2021.

We also polish our assessment of the underlying market size for Xlucane following the reported Lucentis sales and reported figures for VEGFa inhibitors for ophthalmic use.

As of this update, our key assumptions for Xlucane include:

- Ranibizumab biosimilars maintain Lucentis's current volumes, with a further ~10 percent mainly from off-label Avastin use and increased treatment prevalence.
- Xlucane peak market penetration: 20 percent
- Biosimilar peak rebate: 35 percent

### Xlucane's global royalties and milestones

Summarized income	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Global Xlucane sales USDm	28	149	254	395	488	488	477	435	381	344	294	251	170	139
Xbrane royalties USDm	14	54	91	140	171	171	161	148	131	118	101	86	58	48
Probability	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
<b>Milestones</b>	Approval													
Cash flow USDm		5												
Probability		95%												
Risk-adjusted top line USDm	16	53	86	133	162	162	153	141	124	112	96	82	55	45
Risk-adjusted top line SEKm	143	480	778	1 198	1 460	1 460	1 380	1 265	1 119	1 010	863	738	498	408

Source: Redeye Research

### Xcimzane

#### Market opportunity

Given what we consider our conservative assumptions, we arrive at peak sales of USD 702m in 2028 for Xcimzane, which yields a SEK ~1.1bn risk-adjusted NPV for the asset. The remaining preclinical development costs have been deducted from this figure. Our sales model assumes that Xcimzane is launched in the end of 2024 in the US and in 2025 in Europe and RoW, shortly after the US and EU patents for Cimzia expire. We assume a 2026 launch in Japan.

### Xcimzane's global royalties and milestones

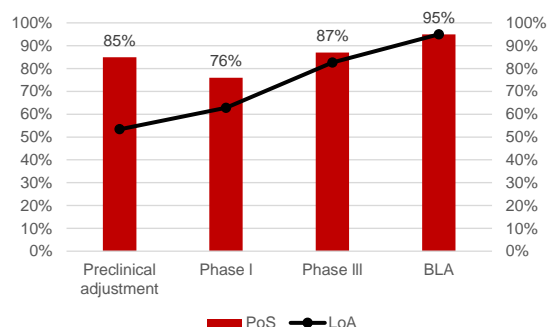
Summarized income	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Global Xcimzane sales USDm	0	95	294	488	700	702	662	598	535	472	416	318	229	
Xbrane royalties USDm	0	10	29	49	70	70	66	60	54	47	42	32	23	
Royalty rate		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Probability		53%												
<b>Milestones</b>	Upfront	Phase I	Phase II	Phase III	Approvals	>USD 300m	>USD 500m	>USD 700m						
Cash flow USDm	8	12	24	24	6	6	8							
Probability	100%	60%	60%	60%	53%	53%	53%							
Risk-adjusted top line USDm	8	8	19	29	29	41	42	35	32	29	25	22	17	12
Risk-adjusted top line SEKm	72	70	167	257	263	365	376	318	287	257	227	200	153	110

Source: Redeye Research

To assess the market opportunity for Xcimzane, we build separate market models for Cimzia's current four markets: the US, Europe, Japan, and RoW. We apply the following assumptions for all markets:

- LoA: 53 percent
- We maintain Cimzia's volume market share plus an additional 10 percent owing to increased treatment prevalence following the price reduction
- Xcimzane peak market penetration: 35 percent
- Biosimilar peak rebate: 25 percent
- Effective royalty rate of ~10 percent

We apply the historical probability of success (PoS) for biosimilars to risk-adjust all estimated sales for Xcimzane. In addition, to account for the remaining preclinical risk, we add a preclinical probability adjustment of 85 percent and thus arrive at a 53 percent likelihood of approval (LoA) for Xcimzane. This figure increases to 67 percent once Xcimzane goes into clinic.



Source: Redeye Research, Pharmapremia (Datamonitor)

The underlying market size for Cimzia is, of course, hard to interpret, but as with our assessment of Xlucane, we maintain our view that the lower costs should increase treatment prevalence. Thus, the volume market share for Cimzia and biosimilars should remain, and likely slightly increase for the foreseeable future. We therefore stick to estimated sales for Cimzia for its last year on patent. To account for increased treatment prevalence due to the biosimilar rebate and rising disease incidence, we add another 5 percent annually until 2028/2029, when we assume that the market will gradually decline due to competition. We see no reason why Xcimzane would deviate largely from previously launched biosimilars. This would imply some 40-50% volume market share for Xcimzane as the only publicly disclosed biosimilar to Cimzia at present.

However, we choose to take a balanced approach, as the path to the market is long and the biosimilar competition is uncertain at this point. We assume that Xcimzane will be the first launched Cimzia biosimilar. We leave a 10 percent volume share to the biosimilar pipeline to account for potentially undisclosed projects and thus attribute a peak market share of 35 percent for Xcimzane. In our view, 40-50 percent is a realistic assumption with current prospects, but we maintain 35 percent until we can confirm that Xcimzane is the only biosimilar in development or has a significant development lead compared to potential competing biosimilars. Moreover, we apply a gradually increasing biosimilar rebate that peaks at 25 percent for Xcimzane.

According to Xbrane, the milestone will be primarily development and regulatory related. As such, we assume 75 percent to be related to development and approvals and the remaining to be sales-related.

#### Xcimzane milestone's distribution (our assumptions)

Deal structure assumptions		
Milestone Payments	Share of deal	USDm
Upfront	9,09%	8
Milestones	90,91%	80
Distribution		
Phase I	15,0%	12
Phase III	30,00%	24
Approvals	30,00%	24
First sales	2,50%	2
Sales >300 MUSD	5,00%	4
Sales >500 MUSD	7,50%	6
Sales >700 MUSD	10,00%	8
<b>Headline Value</b>	<b>100,0%</b>	<b>80</b>

Source: Redeye Research



The royalties in the deal between Xbrane and Biogen have not been disclosed. Still, on to the conference call following the deal announcement, CEO Martin Åmark mentioned that the tiered royalties are what one could expect for a preclinical asset. It is not clear if that refers to a novel drug, a biosimilar, or some sort of average. Realistically, the royalties for a preclinical biosimilar asset should exceed those for a novel preclinical drug, given the lower development risk. Previous preclinical biosimilar deals were of limited help owing to the scarce disclosure of royalties in these agreements, as with the Xbrane/Biogen deal. As such, we assume the tiered royalties to amount to some 10 percent in effective royalty rate. This aligns well with a review of effective royalty rates in Biopharma Alliances conducted by Bioscibd in 2017<sup>4</sup>. Thus, we apply an effective royalty rate of 10% to all our modeled sales of Xcimzane.

### US and European market model

US															
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Sales	LoE														
Cimzia market	1 318	1 386	1 457	1 532	1 611	1 694	1 781	1 690	1 520	1 442	1 368	1 297	1 230	1 167	
% market share Cimzia	100%	100%	100%	93%	81%	74%	60%	58%	57%	53%	50%	46%	43%	30%	25%
% market share Xcimzane	0%	0%	0%	7%	19%	26%	35%	35%	33%	32%	30%	29%	27%	20%	15%
% market share Pipeline	0%	0%	0%	0%	0%	0%	5%	8%	10%	15%	20%	25%	30%	50%	60%
Total market															
Cimzia	1 318	1 386	1 457	1 425	1 301	1 249	1 069	972	910	812	721	636	557	365	289
Xcimzane	0	0	0	107	310	445	624	591	533	480	433	390	351	250	178
Pipeline	0	0	0	0	0	0	89	127	160	228	288	342	389	615	700
Biosimilar rebate				11%	16%	19%	21%	25%	25%	25%	25%	25%	25%	25%	25%
Product sales, USDm	0	0	0	95	260	361	491	444	400	360	325	292	263	187	133
Product sales, SEKm	0	0	0	857	2 338	3 252	4 419	3 992	3 597	3 241	2 921	2 632	2 371	1 687	1 200
Effective royalty rate				10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Xcimzane topline, SEKm	0	0	0	86	234	325	442	399	360	324	292	263	237	169	120
EU															
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Sales	LoE														
Cimzia market	468	492	517	544	572	602	633	600	569	540	512	486	461	437	414
% market share Cimzia	100%	100%	100%	100%	93%	81%	74%	60%	58%	57%	53%	50%	46%	43%	30%
% market share Xcimzane	0%	0%	0%	0%	7%	19%	26%	35%	35%	33%	32%	30%	29%	27%	20%
% market share Pipeline	0%	0%	0%	0%	0%	0%	0%	5%	8%	10%	15%	20%	25%	30%	50%
Total market															
Cimzia	468	492	517	544	532	486	467	360	327	306	273	243	214	187	123
Xcimzane	0	0	0	0	40	116	166	210	199	179	162	146	131	118	84
Pipeline	0	0	0	0	0	0	0	30	43	54	77	97	115	131	207
Biosimilar rebate					14%	16%	19%	21%	25%	25%	25%	25%	25%	25%	25%
Product sales, USDm	0	0	0	0	35	97	135	165	149	135	121	109	98	89	63
Product sales, SEKm	0	0	0	0	311	876	1 214	1 488	1 344	1 211	1 092	984	886	799	568
Effective royalty rate				10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Xcimzane topline, SEKm	0	0	0	0	31	88	121	149	134	121	109	98	89	80	57

Source: Redeye Research, Datamonitor

### Japan and RoW market model

Japan															
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Sales	LoE														
Cimzia market	76	80	84	88	93	98	103	97	92	88	83	79	75	71	67
% market share Cimzia	100%	100%	100%	100%	100%	93%	81%	69%	58%	55%	52%	48%	45%	41%	23%
% market share Xcimzane	0%	0%	0%	0%	0%	7%	19%	26%	35%	35%	33%	32%	30%	29%	27%
% market share Pipeline	0%	0%	0%	0%	0%	0%	0%	5%	8%	10%	15%	20%	25%	30%	50%
Total market															
Cimzia	76	80	84	88	93	91	83	67	53	48	43	38	34	29	15
Xcimzane	0	0	0	0	0	7	20	26	32	31	28	25	22	20	18
Pipeline	0	0	0	0	0	0	5	7	9	12	16	19	21	34	34
Biosimilar rebate						16%	19%	21%	25%	25%	25%	25%	25%	25%	25%
Product sales, USDm	0	0	0	0	0	6	16	20	24	23	21	19	17	15	14
Product sales, SEKm	0	0	0	0	0	52	145	181	218	207	187	168	152	137	123
Effective royalty rate						10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Xcimzane topline, SEKm	0	0	0	0	0	5	14	18	22	21	19	17	15	14	12
RoW															
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Sales	LoE														
Cimzia market	265	279	293	308	324	341	358	340	322	306	290	275	261	247	235
% market share Cimzia	100%	100%	100%	100%	95%	93%	81%	69%	58%	55%	54%	55%	56%	56%	39%
% market share Xcimzane	0%	0%	0%	0%	5%	7%	19%	26%	35%	35%	32%	25%	19%	14%	11%
Pipeline and new therapeutics	0%	0%	0%	0%	0%	0%	0%	5%	8%	10%	15%	20%	25%	30%	50%
Total market															
Cimzia	265	279	293	308	308	317	289	234	185	168	155	151	146	138	92
Xcimzane	0	0	0	0	16	24	69	89	113	107	91	69	49	35	25
Pipeline	0	0	0	0	0	0	17	24	31	43	55	65	74	117	117
Biosimilar rebate					14%	16%	19%	21%	25%	25%	25%	25%	25%	25%	25%
Product sales, USDm	0	0	0	0	14	20	56	70	85	80	68	52	37	26	19
Product sales, SEKm	0	0	0	0	126	180	504	632	761	722	616	468	333	237	168
Effective royalty rate					10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Xcimzane topline, SEKm	0	0	0	0	13	18	50	63	76	72	62	47	33	24	17

Source: Redeye Research, Datamonitor

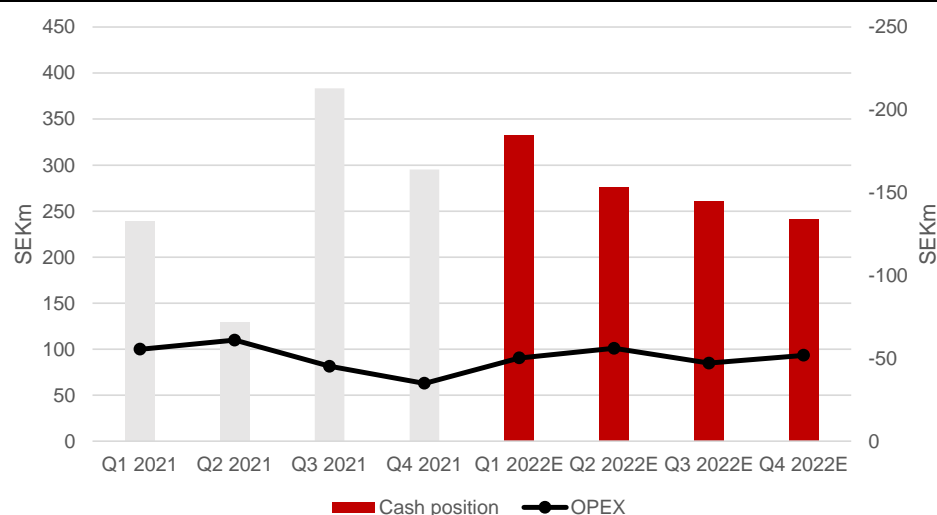
<sup>4</sup> Effective Royalty Rates in Biopharma Alliances – Mark Edwards

### Cash position

Xbrane reported a cash position of SEK 295m, with the upfront payment from Biogen and milestones from STADA not included in the year-end report. As such, we estimate the current cash position to some SEK 350m. According to our forecast we see SEK ~55m in quarterly opex in 2022, and so judge that Xbrane is likely financed until it turns cash-flow-positive from Xlucane, which we estimate in Q4 2023 / Q1 2024. The Biogen deal also positively impacts our anticipated cost forecasts for the coming years, as we now remove the previously included estimated phase I costs for Xcimzane.

With current prospects, G&A is not likely to increase in the near term severely; thus, OPEX will primarily depend on R&D costs. As Xplore is shutting down, R&D related to Xlucane is diminishing while Xcimzane R&D is increasing. Therefore, likely it is set to remain at roughly the same level in 2022, and in 2023 OPEX will likely mainly be contingent on the trajectory and development capacity for the oncology portfolio.

### Anticipated cash position year-end 2022



Source: Redeye Research

## Income statement

Income Statement	2019	2020	2021	2022E	2023E
<b>Revenues</b>	<b>4</b>	<b>18</b>	<b>16</b>	<b>215</b>	<b>550</b>
Y/Y Growth (%)	N/A	298%	-11%	1282%	156%
Cost of Revenues				21	72
<b>Gross Profit</b>	<b>4</b>	<b>18</b>	<b>16</b>	<b>194</b>	<b>478</b>
SG&A	22	27	31	54	83
R & D Expenses	127	197	161	195	175
Other Op. Expenses	6	11	4	-	-
<b>EBITDA</b>	<b>(125)</b>	<b>(213)</b>	<b>(168)</b>	<b>(40)</b>	<b>239</b>
EBITDA Margin (%)	N/A	N/A	(303,1%)	(18,5%)	43,5%
Depreciation, Amortization and write downs	24	4	12	15	19
<b>EBIT</b>	<b>(149)</b>	<b>(217)</b>	<b>(181)</b>	<b>(55)</b>	<b>220</b>
EBIT Margin (%)	N/A	N/A	(309,4%)	(25,6%)	40,0%
Associated Income / (loss)	-	-	-	-	-
Interest Income	0	-	-	-	-
Interest Expenses	1	1	3	4	5
Interest Expenses, Lease Liabilities	0	-	-	-	-
Exchange Rate Differences	-	-	-	-	-
Non-recurring (Income) / Expenses	-	8	5	-	-
<b>EBT</b>	<b>(151)</b>	<b>(226)</b>	<b>(188)</b>	<b>(59)</b>	<b>215</b>
Income Tax Expenses	-	-	-	-	-
Effective Tax Rate (%)	0,0%	0,0%	0,0%	0,0%	0,0%
Non-Controlling Interests	-	-	-	-	-
<b>Net Income</b>	<b>(151)</b>	<b>(226)</b>	<b>(188)</b>	<b>(59)</b>	<b>215</b>
Non-Recurring Items / (Loss), Post Tax	-	-	-	-	-
<b>Recurring Net Income</b>	<b>(151)</b>	<b>(226)</b>	<b>(188)</b>	<b>(59)</b>	<b>215</b>
Net Income Margin (%)	N/A	N/A	(291,3%)	(27,4%)	39,1%

Source: Redeye Research

## Valuation

We perform a sum-of-the-parts (SOTP) valuation of Xbrane Biopharma based on a discounted cash flow (DCF) model with risk adjustments. Our model uses a weighted average cost of capital (WACC) of 11 percent, based on our proprietary Redeye Rating model. All amounts are calculated with a USD/SEK exchange rate of 9.

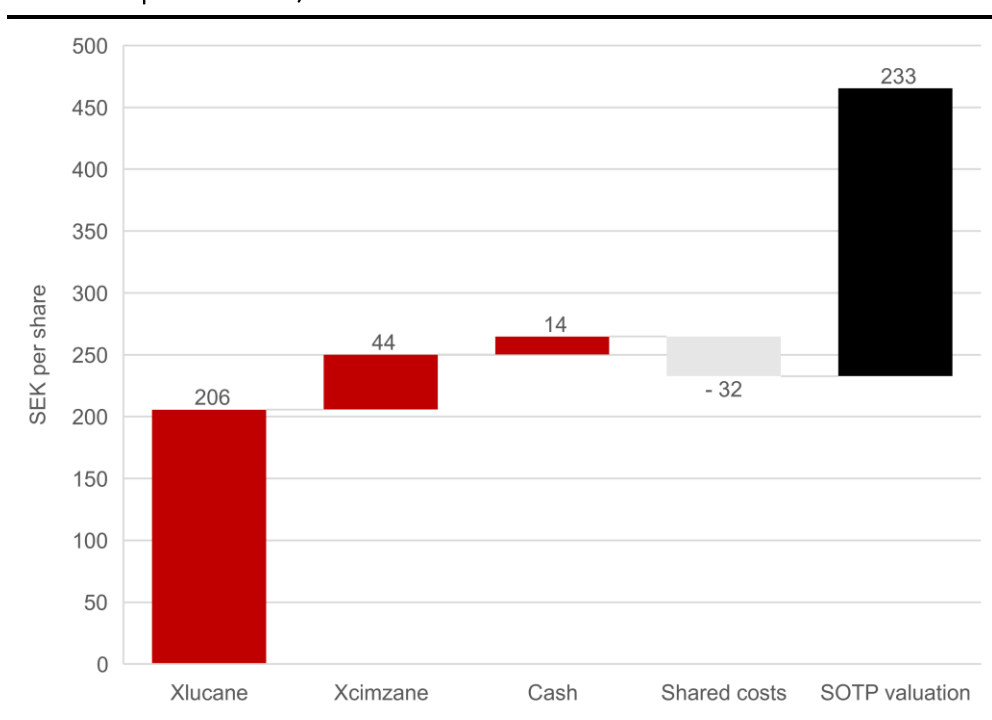
Our assumptions suggest a fair value for Xbrane of SEK ~5800m or SEK ~235 per share. This is just below the indicative fair value range of SEK 250-270 we announced following the Biogen deal. The divergence is attributable to the WACC remaining at 11 rather than being lowered to 10 in our models, which we initially intended. Our decision comes from careful consideration regarding potential future capital need, and the elevated uncertainty on equity markets following the macroeconomic turmoil.

### Sum-of-the-parts valuation

Project	Indication	Launch	Risk-adj Peak sales (USDm)	Probability	rNPV (SEKm)	Per share (SEK)
Xlucane	wAMD	Q3 2022	463	95%	5 153	206
Xcimzane	RA, Crohn's, Psoriasis,	Q3 2024	375	53%	1 114	44
				Estimated cash, end Q1	362	14
				Shared costs	-801	-32
				<b>Equity Value</b>	<b>5 827</b>	
				Shares outstanding (mn)	25,0	
				<b>Base Case</b>		<b>233</b>

Source: Redeye Research

### Sum-of-the-parts valuation, flow chart



Source: Redeye Research

**Bear Case: SEK 100**

**Xlucane** launches in Europe in Q4 2022 and in the US in Q2 2023, taking some 10 percent ranibizumab market share when factoring in a 40 percent rebate rate.

To risk-adjust our forecast, we use a 95 percent LoA.

**Xcimzane** goes to clinic in 2023 and is ready to launch in the first half of 2025. We factor in a 20 percent market share at a rebate ranging up to 35 percent and assume an effective royalty rate of 5 percent.

To risk-adjust our forecasts, we use a 53 percent LoA. We also increase our WACC to 12 percent to reflect increased financial uncertainty.

**Base Case: SEK 235**

**Xlucane** launches in Europe in Q3 2022 and in the US in Q1 2023, taking some 20 percent ranibizumab market share when factoring in a 35 percent rebate rate.

To risk-adjust our forecast, we use a 95 percent LoA.

**Xcimzane** goes to clinic in 2023 and is ready to launch in the end of 2024. We factor in a 35 percent market share at a rebate ranging up to 25 percent and assume an effective royalty rate of 10 percent.

To risk-adjust our forecasts, we use a 53 percent LoA.

**Bull Case: SEK 340**

**Xlucane** launches in Europe in Q3 2022 and in the US in Q1 2023, taking some 25 percent ranibizumab market share when factoring in a 30 percent rebate rate.

To risk-adjust our forecast, we use a 95 percent LoA.

**Xcimzane** goes to clinic in 2023 and is ready to launch once the patent expires in the US in 2024. We factor in a 50 percent market share at a rebate ranging up to 15 percent and assume an effective royalty rate of 15 percent.

To risk-adjust our forecasts, we use a 53 percent LoA.

**Sensitivity Analysis**

The discount rate (WACC) reflects the risks as related to the company and the market. We use the WACC when calculating the discounted cash flow and it thus substantially impacts our DCF valuation. Below we illustrate the impact of WACC changes on our Base Case.

Sensitivity - WACC					
	9%	10%	11%	12%	13%
Share price	265	250	235	220	205

**Peer Biosimilar Developers - Summary**

We made an overview of Xbrane and selected peer biosimilar developers. Comparison of these companies provides a far from perfect picture, on account of their significant variation in size, pipelines, and approved products, and even their regional / market differences, especially as Samsung Bioepis is a private company. It does, however, give another take on and complement our valuation of Xbrane.

**Peer biosimilar companies**

Company	Market Cap*	Latest reported FY sales*	Approved biosimilars	Biosimilars in clinic/filing
Formycon	511	38	0	3
Alvotech	2 250	0	1	3
Samsung Bioepis	4 600	1 260	6	4
Xbrane Biopharma	210	0	0	1
<b>Average</b>	<b>1 893</b>	<b>324</b>	<b>1,8</b>	<b>2,8</b>

\*USDm

Source: Redeye Research, Company websites

Unarguably, the most comparable peer for Xbrane is Formycon, and at face value, looking at market cap per biosimilar, Xbrane seems to be higher valued. However, digging deeper into the commercial structures of Xbranes and Formycons assets explains why, in our view. Firstly, Xbrane has attracted stronger global names to commercialize its assets: STADA, Bausch & Lomb, and Biogen (combined market cap: USD 48bn) versus Coherus, Teva Pharmaceuticals, Aristo Pharma, and Klinge Biopharm (combined market cap: USD 9bn). Note also that only Coherus and Teva are listed. Furthermore, the cost/revenue split deal with STADA and subsequently with Bausch & Lomb will entail substantially higher income for Xbrane from Xlucane than Formycon will achieve from FYB201.

In this context, another interesting deal was recently announced. The Indian company Biocon Biologics, a subsidiary of Biocon, who stands behind the first interchangeable biosimilar Semglee, will be acquiring Viartis biosimilar portfolio that includes eight marketed biosimilars for around USD 3bn.

### Alvotech

At the end of 2021, it was announced that biosimilar developer and manufacturer Alvotech will merge with blank check company Oaktree Acquisition Corp. The plans to go public came shortly after Alvotech dodged a lawsuit from AbbVie regarding the theft of trade secrets for Humira, related to Alvotech's recruitment of an AbbVie manufacturing executive.

The deal is scheduled to be closed in H2 2022, after which the company will be traded on the Nasdaq under the ticker ALVO. The deal valued the combined entity at USD ~2.25 bn and injected USD 450m in cash into Alvotech.

#### *Pipeline:*

*AVT02 – Humira, approved*

*AVT04 – Stelara, phase III ongoing*

*AVT23 – Xolair, phase I ongoing*

*AVT03 – Prolia/Xgeva, preclinical*

*AVT05 – Simponi, preclinical*

*AVT06 – Eylea, preclinical*

*AVT16 – N/A, preclinical*

*AVT33 – N/A, preclinical*

### Formycon

We consider the closest peer to Xbrane to be Formycon AG, listed in Germany with the ticker FYB. It filed its lead project FYB201, a Lucentis biosimilar, with the EMA and FDA in mid-2021. It has another two biosimilars currently in phase III trials. Formycon outlicensed the commercial rights for FYB201 to Bioeq, which has in turn outlicensed these to Coherus Biosciences (market cap: USD ~900m) in the US and to Teva Pharmaceuticals (market cap: USD ~9bn) in the EU, Canada, Israel, and New Zealand. The royalties for Formycon in this deal were not disclosed but given this structure, they are likely significantly lower than the Xlucane deal.

FYB202 was transferred to a joint venture between Formycon and Aristo Pharma GmbH (part of Strüngmann Group) in which Formycon owns 24.9 percent. Under the terms of the deal, all development costs after the pilot phase and all prior project investments will be allocated in proportion to the respective ownership shares. The same structure applies to the future outlicensing royalties and product sales.

FY203 was outlicensed to Santo Holding in 2015, and the global rights were subsequently transferred to Klinge Bioharm GmbH. As with FYB201, Formycon receives royalties on product revenues.

*Pipeline:**FYB201 – Lucentis, EMA/FDA filed**FYB202 – Stelara, phase III ongoing**FYB203 – Eylea, phase III ongoing**FYB206 – N/A, preclinical***Samsung Bioepis**

As a private company, Samsung Bioepis provides limited publicly available information.

However, Biogen's sale of its 50 percent stake in the JV at USD 2.3bn could arguably be a good indication, and so we assume a market value that is twice that.

*Approved products:**SB2 – Remicade**SB3 – Herceptin**SB4 – Enbrel**SB5 – Humira**SB8 – Avastin**SB11 – Lucentis**Pipeline:**SB12 – Soliris, phase III**SB15 – Eylea, phase III**SB16 – Prolia, phase III**SB17 – Stelara, phase III***Closing remarks**

In our view, the long-term investment opportunity in Xbrane as relatively low risk with high upside as a biotech play was compellingly illustrated by CEO Martin Åmark at the conference call following the announcement of the Biogen deal. He stated: "It will pay off the investment into Xcimzane multiple times from the upfront and milestone payments, and then multiple times yearly most likely when the product is on the market". This statement is likely to be true also for the company's subsequent projects, most nearby being the oncology portfolio.

**Ownership as of 2022-03-08**

Ownership				
Free Float	85,0%			
Rank	Shareholder	Total Shares	Share Capital	Voting Rights
1	Serendipity Group	3 177 367	12,7%	12,7%
2	Swedbank Robur Fonder	2 371 691	9,5%	9,5%
3	Beng Göran Westman	2 029 652	8,1%	8,1%
4	Futur Pension	1 587 611	6,3%	6,3%
5	STADA Arzneimittel AG	1 570 989	6,3%	6,3%
6	Tin Fonder	1 435 000	5,7%	5,7%
7	Avanza Pension	798 505	3,2%	3,2%
8	Swebank Försäkring	365 138	1,5%	1,5%
9	Nordnet Pensionsförsäkring	330 786	1,3%	1,3%
10	David Wallsten	288 300	1,2%	1,2%
11	Iraj Arastoupour	272 170	1,1%	1,1%
12	Lancelot Asset Management	255 000	1,0%	1,0%
13	Paolo Sarmientos	224 404	0,9%	0,9%
14	Andra AP-fonden	195 000	0,8%	0,8%
15	Handelsbanken fonder	181 425	0,7%	0,7%
<b>Total 15 Largest Shareholders</b>		<b>13 879 021</b>	<b>55,4%</b>	<b>55,4%</b>
Others		11 160 885	44,6%	44,6%
<b>Total Number of Shares</b>		<b>25 039 906</b>	<b>100,0%</b>	<b>100,0%</b>

Source: Holdings

## Summary Redeye Rating

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

### Rating changes in the report: Business

#### People: 4

Xbrane distinguishes itself by its high in-house competence; no less than 38 percent of employees hold a PhD. The board includes broad experience from the pharmaceutical sector at companies such as Teva, AstraZeneca, and Vitrolife. Chairman Anders Tullgren has held several senior roles; most recently as President of the intercontinental region for Bristol Myers Squibb (BMS). CEO Martin Åmark has worked as a consultant within life science and pharma at Bain & Co.

The company has, on several occasions, proven these in-house capabilities by concluding advantageous licensing deals for assets at early-stage development.

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

#### Business: 3

The biosimilar market is expected to experience significant growth of some 15 percent per annum until 2030. Xbrane's patented technology provides a significantly higher yield than conventional methods; it allows the company to target "hard-to-manufacture" biosimilars, which should mean limited competition.

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

#### Financials: 1

Xbrane is still developing its biosimilar portfolio and does not generate any revenues except for milestones from its projects through partners. The company is thus dependent on cash injections to finance its clinical activities.

Its first biosimilar, Xlucane, is expected to reach the market and generate revenues by the end of 2022, if approved.



## 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

### Important information

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 redeye.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 (2022-03-08)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	142	128	43
0p - 2p	5	36	132
Company N	179	179	179

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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.