

Xbrane Biopharma

Sector: Biotech

Still A Hidden Gem

Redeye remains positive on the investment case in Xbrane Biopharma following its Q3 2022 report. Only a few weeks remain until the anticipated approval of Ximluci by the European Commission, bringing the Q1 2023 launch in Europe closer. 2023 will be a pivotal year for Xbrane, and the share price is likely to follow, we judge.

Q3 2022 – CHMP adopts positive opinion on Ximluci

The highlight of Q3 2022 was the CHMP adopting a positive stance on Ximluci, which should lead to approval by the European Commission at the end of November. The financials in the quarterly report were more or less on schedule, and Xbrane's cash position is some SEK300m following the SEK170m directed share issue in mid-October.

Changes to financial forecasts

Following this recent news and the Q3 report, we have fine-tuned our valuation model and upped the USD/SEK FX rate to 10.5 (10). We have also increased the risk-free rate in our WACC calculation to 2.5% (2%), taking WACC to 11.5% (11%). Following these changes, we estimate risk-adjusted sales of cSEK200m from Ximluci in 2023E and see potential for an additional cSEK150m in risk-adjusted milestones during the year.

Valuation and share price

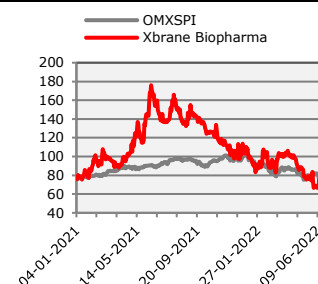
The amendments in this report prompt a minimal decrease in our fundamentally approached fair value range. Our Base Case is now SEK173 (175), while our Bull and Bear cases are SEK270 (270) and SEK63 (63), respectively. While the macroeconomic turbulence could delay an increase in the valuation, we emphasise that the imminent launch of Ximluci and Xbrane turning cash-flow-positive in the near term leaves the current valuation looking undemanding.

Key Financials (SEKm)	2019	2020	2021	2022e	2023e
Net Sales	6	18	16	80	349
Sales Growth	N/A	N/A	N/A	N/A	N/A
EBIT	-165	-217	-181	-152	100
EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Net Income	-165	-218	-188	-153	79
EV/Sales	58	81	149	21	5
EV/EBIT	neg	neg	neg	neg	17

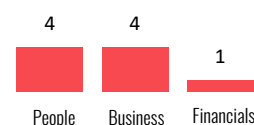
FAIR VALUE RANGE

BEAR	BASE	BULL
63	173	270

XBRANE VERSUS OMXSPI



REDEYE RATING



KEY STATS

Ticker	XBRANE
Market	Mid Cap
Share Price (SEK)	70
Market Cap (SEKm)	1925
Net Debt (SEKm)	-252
Free Float (%)	85%
Avg. daily volume ('000)	30.4

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Investment Case

Derisked opportunity - not an ordinary biotech case

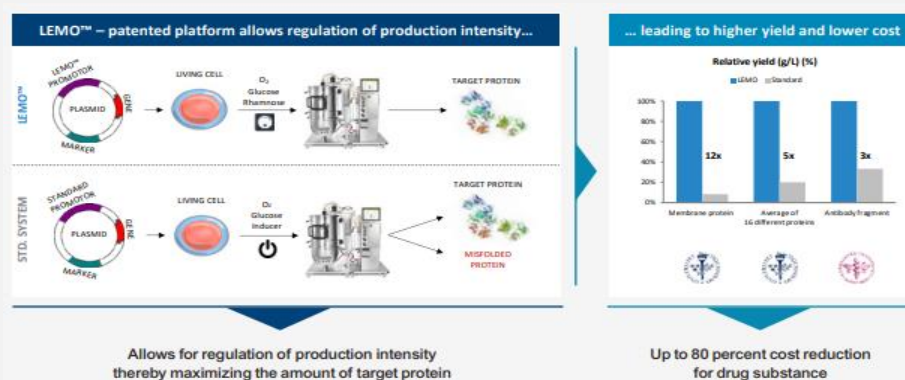
We see a significant potential commercial opportunity for Xbrane's biosimilar portfolio. Lead project Ximluci, targeting the ophthalmologic market, is set to launch for Q1 2023e, and subsequent project BIIB801, targeting the rheumatoid arthritis (RA) market, could provide royalties from Biogen after launch, which we expect in 2025. In addition, milestone payments of USD80m, primarily development and regulatory stemming from the Biogen program, could add to Xbrane's bottom line in the coming years. We highlight the company's comparably low risk owing to the higher probability of success in the clinical development for biosimilars – and the potentially high profitability – alongside what we view as Xbrane's realistic ambition to become a leading biosimilar developer. We estimate risk-adjusted top line revenues at cSEK349m for 2023.

Reputable names have partnered with Xbrane

Xbrane's patented technology enables the production of proteins for use in biosimilar production at a lower cost than conventional methods, allowing the company to target 'hard-to-manufacture' biosimilars, and implying limited competition. This is attractive from a partnering point of view; global names such as STADA, Bausch & Lomb, and Biogen. In the longer term, we believe these characteristics also make Xbrane open to additional tie-ups.

Supportive analysis: Xbrane's biosimilars benefit from high-yield technology and high LoA, while sales ramp-up should be quick

Xbrane's technology platform covers the production of proteins for biosimilar production in E. coli and mammalian cells, allowing for lower production costs for the sought-after proteins. The technology enables the target protein's production intensity to be regulated in the host cells, creating more of the target protein. This directly benefits Xbrane's gross margins and thus the profitability of its biosimilars. The company claims its LEMO technology can increase the output of a target protein by up to 12x, which it estimates could reduce the cost of drug substance production by up to 80%.



The preclinical analytical methods constitute a significant part of the biosimilar, only requiring phase I and phase III trials in a clinical setting. Unlike traditional drug development, biosimilar production thus allows for a shorter and cheaper way to market with a significantly higher likelihood of approval (LoA). According to historical data, a phase I asset has a 63% probability of reaching the market versus an 83% likelihood for a phase III asset.

Biosimilars are widely used thanks to their significant cost-saving capabilities versus expensive biological drugs. They have been employed in Europe since 2006 and in the US since 2015. These cost-saving initiatives provide compelling health-economics arguments and so biosimilars often capture ~40% of their originator's market share within the first 12 months after launch both in the EU and the US.

Challenge I: Delays development and regulatory process

Patient enrolment of Xbrane's pivotal phase III study Xplore was slow following the COVID-19 outbreak, leading to a delayed readout from the trial. In addition, the filing to the FDA suffered a setback, but the company expects resubmission to take place in Q4. A launch close to originator loss of exclusivity has been shown to influence market uptake. The current timeline implies that Ximluci has lost at least 12 months on the US market. However, the discount to the originator biologic and the established commercial infrastructure for launch have also been proven as significant factors in the success of a biosimilar's uptake in the market, which could work in Xbrane's favour, considering the financial strength and extensive footprint of its partners and high-yield technology.

Challenge II: Investor sentiment sceptical towards biosimilar opportunities in the US

Although biosimilars have an equal therapeutic effect at a lower cost, their adoption in the US has been moderate until recently. The change is due to underlying political incentives to boost biosimilar adoption for cost-saving purposes over the past few years, substantially increasing their adoption. We see no reason why ranibizumab biosimilars should not follow the same trajectory as previous launches, with c40% volume market penetration in the first 12 months, providing additional confidence in Xbrane's lead project.

Biotech upside with a margin of safety

Our DCF model, based on the prospects for Ximluci and BIIB801, shows a fair value of SEK173 per share and suggests SEK836m in total revenues in 2024e. Our Bull-case fair value scenario of SEK270 per share is based on a more optimistic stance towards the marketing prospects for Ximluci and BIIB801 and suggests SEK 1120m in total revenues in 2024e. While our Bear-case fair value scenario of SEK73 per share reflects a cautious approach to the commercial opportunities and financials of Xbrane and suggests SEK 511m in total revenue in 2024e.

Valuation summary

We apply a sum-of-the-parts (SOTP) valuation to Xbrane Biopharma based on a discounted cash flow (DCF) model with risk adjustments. Our model uses a weighted average cost of capital (WACC) of 11.5% based on our Redeye Rating model.

Our assumptions suggest a fair value for Xbrane of cSEK4.800m or cSEK173 per share.

Valuation

Project	Indication	Launch	Peak sales (USDm)	Probability	rNPV after tax (SEKm)	Per share (SEK)
Ximluci (Xlucane)	wAMD	2023 Q1	501	95%	4 778	174
BIIB801 (Xcimzane)	RA, Crohn's, Psoriasis,	Q3 2024	672	53%	1 371	50
				Cash position	303	11
				Shared costs	-1 682	-61
				Equity Value	4 770	
				Shares outstanding (mn)	27,5	
				Base Case		173

Source: Redeye Research

Catalysts

FDA resubmission: After the setback with the FDA, Xbrane announced that it would resubmit its BLA to the agency in 2022. Once the BLA is submitted, the FDA will respond within 60 days with confirmation of whether it will approve the application for a full review.

Anticipated impact: Moderate

Time horizon: Three months

Sales start: Following the approval of Ximluci in Europe – anticipated at the end of November 2022 – sales will begin ramping up as Ximluci launches in Q1 2023 and will likely represent a catalyst for the share as Xbrane fully transitions into a commercial company.

Anticipated impact: Moderate

Time horizon: Three to six months

BIIB801 into clinic: Xbrane prepares BIIB801 for the clinic. We estimate the phase I trial will commence in 2023e, with the phase III trial shortly thereafter, to have BIIB801 ready for launch once the originator loses exclusivity. These events will likely trigger a milestone payment from the Biogen deal.

Anticipated impact: Major

Time Horizon: Six to nine months

Outlicensing of oncology portfolio: Xbrane's biosimilar oncology portfolio targeting cUSD30bn in originator sales is expected to be outlicensed during 2023. As we understand it, discussions are ongoing, and a deal in H2 2023 is likely. Once a partner is announced, we will include the oncology portfolio in our valuation.

Anticipated impact: Major

Time Horizon: 12 months

FDA approval: Xbrane will resubmit its Ximluci application to the FDA in 2022. We assume a regulatory lead time of ~ 10 months once the FDA has accepted Xbrane's BLA for a full review.

Anticipated impact: Major

Time horizon: 12 months

Counterpoints

- A minor binary regulatory risk remains for Ximluci
- Ximluci will most likely reach the market in the wake of competing biosimilars BYOOVIZ and FYB201
- Biosimilars could face possible litigation risk

Q3 2022 - Review

Key Quarterly Activities

Xbrane Biopharma released its Q3 2022 report on 28 October, the most significant near-term event being the European Commission's approval of Ximluci in mid-September. Based on the CHMP adopting a positive opinion on 16 September 2022, approval by the commission should come in approximately three weeks, on 22 November, based on the standard 67 days' procedure. The Q3 report reiterated a launch in Q1 2023.

Xbrane has had a meeting with the FDA regarding a BLA resubmission and can now confirm a Q4 2022 resubmission. Work is ongoing to complete the remaining items, and once resubmissions occur, a 12-month lead time should be expected, suggesting a late Q4 2023 launch for Ximluci in the US.

The company is currently going through the process of scaling up the production process for BIIB801 together with its contract manufacturer AGC Biologics and its partner Biogen. Completing this process is the next milestone for 2023. Following this, the programme will be handed over to Biogen, which will be responsible for the asset's clinical development. At that stage, Biogen will be responsible for all development costs, and Xbrane will essentially have no costs for this project.

Xbrane also has some updates pending with its oncology portfolio. For its Opdivo biosimilar program (Xdivane), the company is in the process of selecting a contract manufacturer for drug substances to allow tech transfer and scale-up. For its Keytruda (Xtrudane) and Darzalex (Xdarzane) biosimilars, the company expects to finalise the pilot scale process in 2023 and proceed toward scale-up. Xbrane's previous statement that it expects to out-license the oncology portfolio during 2023 was reiterated in the Q3 report and conference call. The company also mentioned its ongoing discussions with interested parties.

On the conference call, we also learned Xbrane is discussing with an interested party the divestment of its subsidiary Primm Pharma. That could generate another cash injection of SEK100–150m in the foreseeable future. This assumption is based on the previous non-binding term-sheet with Italy's NewFaDem, which valued the divestment at EUR14m.

In mid-October, Xbrane also strengthened its balance sheet through a SEK170m directed share issue targeting both previous and new institutional investors, including Swedbank Robur Funds, Tin Funds, Lancelot Asset Management, Cicero Funds, and Systematic Group (Ashkan Pouya), the founder of Serendipity Group, the largest holder of Xbrane shares (~12.5%).

The net proceeds from the transaction are intended to be used to:

- Build up launch volumes of Ximluci and inventory preparation for commercialisation in Europe (~60%)
- Fund the progression of the remaining preclinical development of BIIB801 (~10%)
- Further develop the oncology portfolio (~20%)
- General corporate purposes (~10%)

Q3 2022 Financials

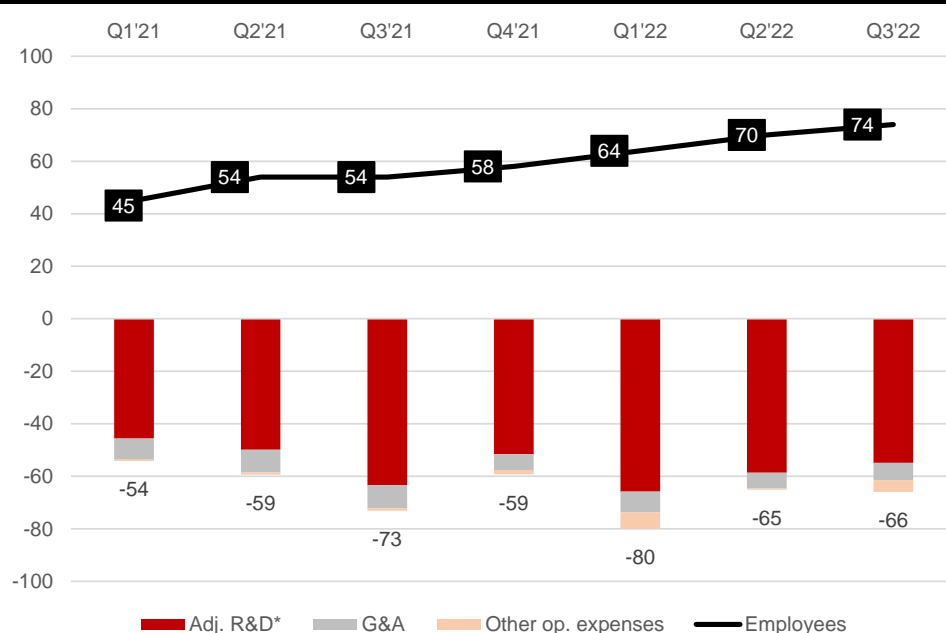
Key figures from the report:

- Revenues amounted to SEK13.9m (2.3)
- OPEX totalled SEK-55.9m (-45.0)
- The result for the period amounted to SEK-41.9m (-45.5)
- Cash flow from current operations were SEK-74.9m (-62.3)
- Cash and cash equivalents at the end of the quarter amounted to SEK165.2m

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

Revenues of SEK13.9m were out-licensing income from Bausch + Lomb related to Ximluci and from the agreement with Biogen on BII801. On the cost side, R&D remains the lion's share of the company's costs, amounting to c82% of OPEX in Q3. As expected, most of the R&D costs stem from regulatory work and the establishment of a production chain for Ximluci.

Quarterly costs and employees



*Adjusted for capitalized Ximluci costs

Source: Company (data), Redeye research (estimates)

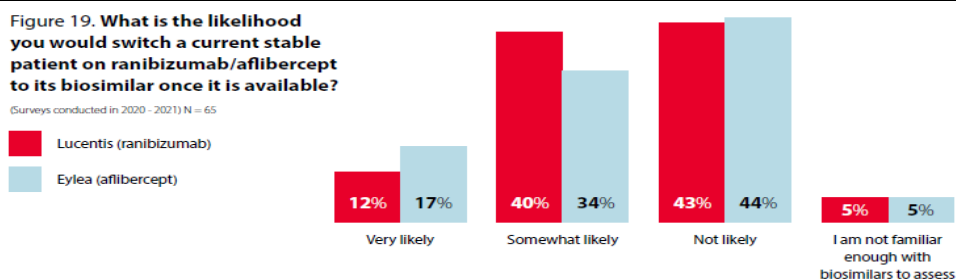
Cash flows from current operations were negative at SEK74.9m (-62.3), whereas the change in operating receivables and operating liabilities was SEK23.2m (-24.1). Moreover, change in working capital is likely to vary greatly between periods as a result of re-invoicing to STADA for the development work for Ximluci.

Taking the temperature of retina specialists pre-launch

Ahead of the launch of Ximluci, Redeye has looked into current trends among ophthalmologists and retina specialists to gauge their views on ranibizumab (Lucentis) biosimilars. In a survey conducted by Cardinal Health in 2020–2021, more than 100 US retina specialists were asked to evaluate certain statements related to ophthalmological biosimilars. Of them, 61% were aware of ophthalmic biosimilars in development, and most likely at the time of these surveys, phase III data for the three ranibizumab biosimilars BYOOVIZ, Cimerli, and Ximluci had not yet been presented; awareness has likely spread more among retina specialists since then. Moreover, 82% of respondents requested additional educational information about safety, efficacy, and performance.

When asked about the likelihood of switching a current stable patient on ranibizumab (Lucentis), or aflibercept (Eylea), which is used similarly to treat the same indications as ranibizumab, to its biosimilar once available, no particular difference could be found between the two. Even at that time, just over half of respondents were somewhat likely or very likely to switch to a biosimilar option once launched.

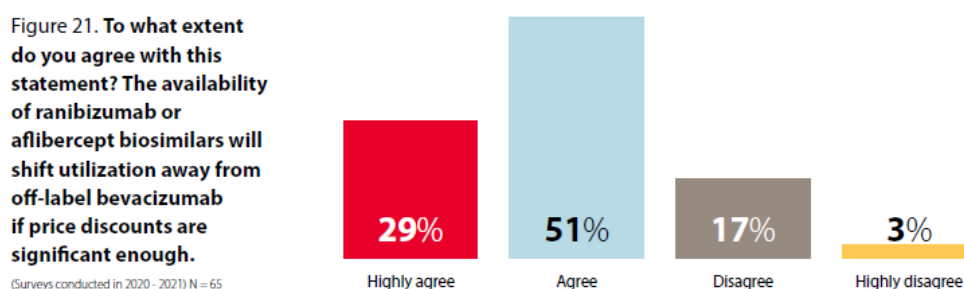
No significant difference between ranibizumab and aflibercept biosimilars (n=65)



Source: Cardinal Health 2022 Biosimilars Report

Moreover, in one of the surveys, 80% agreed or highly agreed that Lucentis/Eylea biosimilars would shift utilisation away from off-label Avastin use.

Discount is essential for biosimilar uptake (n=65)

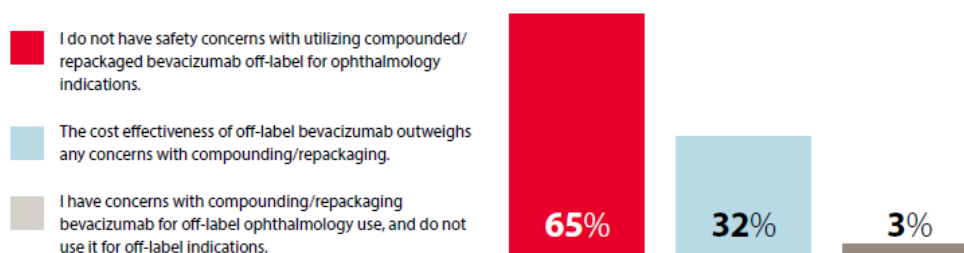


Source: Cardinal Health 2022 Biosimilars Report

All the retina specialists in the surveys had previously, at times, prescribed off-label Avastin to their patients. 65% of these same retina specialists stated they had no safety concerns, and an additional 32% said the cost-effectiveness of off-label Avastin would outweigh any concerns with compounding/packaging, which we view as somewhat counterintuitive.

US retina specialist not particularly concerned with off-label Avastin safety (n=65)

Figure 20. Which statement below best aligns with your perspective regarding compounding/repackaging bevacizumab? (Surveys conducted in 2020 - 2021) N = 65



Source: Cardinal Health 2022 Biosimilars Report

Moreover, 46% of respondents in the survey stated they would not prescribe a biosimilar for indications approved based on extrapolation. However, the survey's impressions and answers could be based on limited understanding, which could change over time (most likely will) as additional information and knowledge are distributed among retina specialists.

We also learned from the review that 48% of respondents believed the prescriber is responsible for which anti-VEGF biologic/biosimilar should be utilised in practice. By comparison, 40% of responders answered payers. A majority, 76%, replied they had little or no influence on payer formulary decisions, highlighting the payer's role in biosimilar commercialisation.

Key takeaways:

This survey targeted US retina specialists only. Considering the stronger position for biosimilars in Europe, we would assume corresponding figures among European prescribers would be even higher, which we argue bolster the coming Ximluci launch. As we have reiterated several times in our investment case for Xbrane, US biosimilar adoption has previously been somewhat limited versus what has been seen in Europe, and we are convinced the sales efforts by companies commercializing ranibizumab biosimilars and the robust efforts by regulators and payers will pave the way for increased adoption and acceptance of biosimilar products. This somewhat offsets our initial adverse reaction to the 46% of responders stating they would not prescribe a biosimilar that has been granted approval based on extrapolation. Also, there was a high consensus among the retina specialists that ranibizumab and aflibercept biosimilars would shift utilisation away from off-label Avastin if discounts were high enough, while they simultaneously did not have safety concerns, which further emphasises the pricing perspective and health-economics benefit as the primary competitive advantages for ranibizumab biosimilars.

It is clear the discount and payer perspective seems significant when prescribing biosimilars instead of off-label Avastin or the originator drug. It is thus encouraging that Xbrane's biosimilars benefit from the company's high-yield technology, which could entail competitive pricing advantages that could add up on both the margins and market share sides.

We feel encouraged by Xbrane's claimed competitive advantage in the form of its low production cost for proteins, which its partners could likely utilise to stand firm in the face of competition from both originators and the cheaper, off-label alternatives.

Forward-looking Financials

We have made only minor adjustments to our forecasts on the back of the Q3 report and the content in this research update. We now expect cSEK349m in top-line revenues in 2023e, up from SEK307m, which is an effect of us lifting the USD/SEK exchange rate and fine-tuning financials ahead of the launch in Q1.

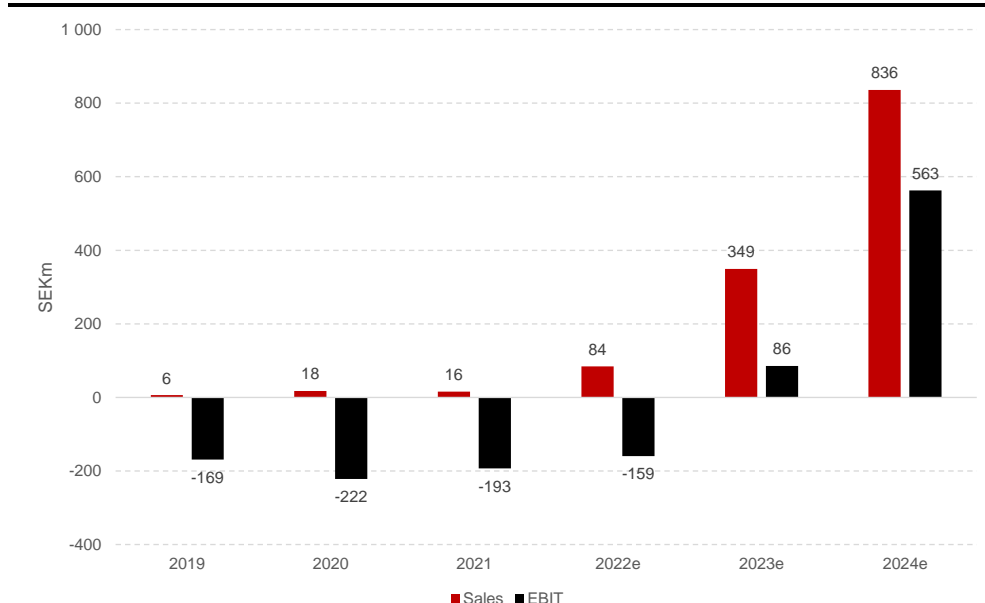
Presently, most of the R&D costs relate to Ximluci, specifically the regulatory work and the establishment of a production chain. However, in 2023e and beyond, these are likely to depreciate. Considering that Biogen will be responsible for costs associated with the clinical development of BIIB801, we do not anticipate any particular growth in R&D costs in the near term. Xbrane should thus be able to report strong margins once sales start ramping up in 2024e and onwards.

Financial forecast for 2022e-2024e (risk-adjusted)

	2019	2020	2021	2022e	2023e	2024e
Sales	6	18	16	84	349	836
Sales growth (%)	-95%	176%	-11%	443%	314%	139%
Ximluci				0	242	621
BIIB801				84	108	214
Other	6	18	16			
OPEX						
R&D	-116	-197	-161	-185	-194	-174
G&A	-27	-27	-31	-52	-56	-60
Other	-10	-11	-4	0	0	0
EBIT	-169	-222	-193	-162	83	560
EBIT margin (%)	-2657%	-1263%	-1239%	-192%	24%	67%

Source: Company (data), Redeye Research (estimates)

Sales and EBIT (risk-adjusted)



Source: Company (data), Redeye Research (estimates)

Valuation

Our valuation of Xbrane Biopharma is built on a sum-of-the-parts (SOTP) approach, where each project is valued using a risk-adjusted discounted cash flow (DCF) model. We use a weighted average cost of capital (WACC) of 11.5% (11%), based on our Redeye Rating model, using a risk-free rate of 2.5% (2%). We use a USD/SEK exchange rate of 10.5 (10), based on the average FX rate in Q3.

Base Case – SEK173

Our Base Case represents what we consider the most likely scenario for Xbrane. It is built on a balanced approach towards the commercial prospects of Ximluci and BIIB801. Based on our assumptions, we value Xbrane Biopharma at SEK173 per share, suggesting upside potential of 147% from current share price levels.

Key assumptions:

- **Ximluci** launches in Europe in Q1 2023e and in the US in Q4 2023e, taking a c20% ranibizumab biosimilar market share when factoring in a 50% rebate rate. We set the likelihood of approval at 95%.
- **BIIB801** goes into clinic in 2023e and is ready to launch in 2025. We factor in a 35% biosimilar market share at a rebate of up to 25% and assume an effective royalty rate of 10%. We use a 53% LoA to risk-adjust all revenues.

Xbrane Sum-of-the-parts

Project	Indication	Launch	Peak sales (USDm)	Probability	rNPV after tax (SEKm)	Per share (SEK)
Ximluci (Xlucane)	wAMD	2023 Q1	501	95%	4 778	174
BIIB801 (Xcimzane)	RA, Crohn's, Psoriasis,	Q3 2024	672	53%	1 371	50
					Cash position	11
					Shared costs	-61
					Equity Value	
					Shares outstanding (mn)	
					Base Case	173

Source: Redeye Research

Peer comparison

Despite its limitations, our peer comparison provides an additional take on Xbrane Biopharma's valuation compared with other Swedish late-stage biotech companies.

A cohort of Swedish listed late-stage peers (SEKm)

Company name	Phase	Lead indication	Candidates*	EV
Bioarctic	NDA/BLA	Alzheimer's	2	19 776
Calliditas Therapeutics	Market	IgA Nephropathy	2	3 944
Egetis Therapeutics	NDA/BLA	MCT8 deficiency	2	597
Hansa Biopharma	Market	Kidney transplantation	1	1 972
Intervacc	Market	Animal health	1	1 535
Xspray Pharma	NDA/BLA	CML	1	1 028
		Median EV	1 754	
		Average EV	4 809	

Xbrane Biopharma	NDA/BLA	wAMD	2	1 674
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*Partnered up and/or currently in clinical studies

Source: FactSet (data), Redeye Research (estimates)

While valuations of Swedish late-stage biotech companies have generally plummeted, we see EVs ranging from cSEK20bn to cSEK600m. At current levels, Xbrane is valued just below the peer group median but significantly below the average.

A cohort of peer biosimilar companies (USDm)

Company name	Biosimilar pipeline*	In clinic	Approved biosimilars	2021 sales	Market cap
Alvotech	6	5	1	N/A	1 162
Coherus Biosciences	3	0	3	326	681
Formycon	4	2	1	37	1 100
Samsung Bioepis**	11	5	6	1 260	4 600
Median Market cap			1 131		
Average Market cap			1 886		

Xbrane Biopharma	5	1	0	1,5	185
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*Including projects with a disclosed originator target

**Private company, but Biogen's 2022 sale of its 50% in the JV valued the entity at cUSD4600m

Source: Companies (data), Factset (data)

Acknowledging the significant variation in size, pipeline, approved products, and even regional/market differences, the valuation of Xbrane distinguishes itself at the lower end of the scale. The closest peer Formycon, which has two biosimilars in the clinic and an approved ranibizumab biosimilar, is not an unrealistic idea of where Xbrane will be in the coming 12 months (in terms of pipeline); it has an EV 6x that of Xbrane, which we argue signals a remarkably undemanding valuation.

Bull Case – SEK270

In our Bull Case scenario, we take a more optimistic stance towards the prospects for Ximluci and BIIB801. Our Bull Case amounts to SEK270, suggesting upside potential of 286% from current share price levels.

Key assumptions:

- **Ximluci** launches in Europe in Q1 2023e and in the US in Q4 2023e, taking a c25% ranibizumab biosimilar market share when factoring in a 50% rebate rate. We set the likelihood of approval at 95%.
- **BIIB801** goes into clinic in 2023e and is ready to launch close to patent expiry in 2025. We factor in a 50% biosimilar market share at a rebate of up to 20% and assume an effective royalty rate of 15%. We use a 53% LoA to risk-adjust all revenues.

Bear Case – SEK63

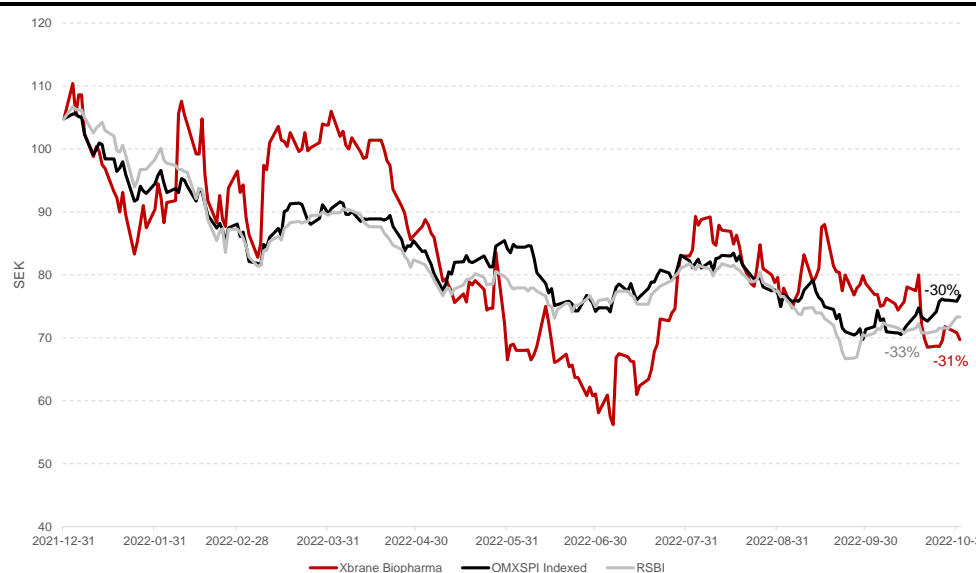
In our Bear Case scenario, we take a more pessimistic stance towards the prospects for Ximluci and BIIB801. Our Bear Case amounts to SEK63, suggesting 10% downside from current share price levels.

Key assumptions:

- **Ximluci** launches in Europe in Q2 2023e and in the US in Q2 2024e, taking a c10% ranibizumab biosimilar market share when factoring in a 50% rebate rate. We set the likelihood of approval to 95%.
- **BIIB801** goes into clinic in 2024e and is ready to launch in the end of 2025e. We factor in a 20% biosimilar market share at a rebate of up to 40% and assume an effective royalty rate of 5%. We use 53% LoA to risk-adjust all revenues.

Share price development

Share price development YTD



*Redeye Swedish Biotech Index (RSBI) – Equally weighted with ~90 constituents listed on Swedish exchanges

Source: Millistream (data), Redeye Research

Over the course of 2022, the Xbrane share traded comparably robustly in Q1, but its subsequent performance has been softer, not least due to the FDA setback. However, the share has traded more or less in line with broad indices (OMXSPI) and with comparable companies (RSBI) YTD.

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General Summary

Background

Xbrane is a biotech company focusing on biosimilar development targeting "difficult-to-manufacture" biological drugs with limited competition. Its leading project, Xlucane, targeting Lucentis (annual sales of USD 3.5bn), met its primary endpoint in the pivotal phase III trial Xplore during the summer of 2021. Its second project, BIIB801, is expected to initiate clinical trials studies during 2023.

The company has previously sold a generic long-acting formulation of triptorelin to treat prostate cancer in Iran through a partner in the Middle East. However, Xbrane has refined its business thanks to a technology that enables the production of proteins at a fragment of the cost of conventional methods. Compared to traditional drug development, biosimilar production allows for a shorter and cheaper path to market with a significantly increased likelihood of approval (LoA). Biosimilars are widely used thanks to their significant cost-saving capabilities versus expensive biological drugs. They have been used for nearly 20 years in Europe and often capture ~40-50 percent 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 later than in the EU, with the first biosimilar approved in the US in 2016. Until recently, biosimilars have seen only moderate market uptake in the US. However, newly launched biosimilars have seen a trend shift. As in Europe, they took 40 percent volume market share from their originators in the first 12 months of launch after payers made biosimilar adoption a top priority in 2021.

For leading candidate Xlucane, the company has established partnerships allowing European markets reach through its main partner, STADA, which also holds ~6% of Xbrane shares, and to North America through Bausch & Lomb. Its subsequent biosimilar, BIIB801, will be commercialised globally by Biogen. Xbrane uses contract manufacturers to maintain sufficient production volumes, allowing it to develop and maintain its scalable development model.

Lead candidate Ximluci is used to treat wAMD and administered through intravitreal injection. Aside from Lucentis, other anti-VEGF treatments, such as Beovu and Eylea, are similar in administration, price, and efficacy, and they are also used to treat wAMD. Moreover, off-label Avastin, a substantially cheaper alternative, is also used to treat wAMD patients and provides some additional competition. However, it comes with elevated patient risks due to manual handling processes that could lead to infections and other adverse effects. In turn, this could lead to serious legal consequences, and we thus see a high probability that ranibizumab biosimilars take market share from off-label Avastin.

Subsequent biosimilar BIIB801 is currently the only publicly known Cimzia biosimilar in development and will most likely have very limited, if any, biosimilar competition once launched in 2025. Cimzia is an anti-TNF with a subcutaneous injection is used in large indications such as rheumatoid arthritis (RA), from which most of its sales stem. It distinguishes itself by being the first anti-TNF approved for use in women with chronic rheumatic disease during pregnancy and breastfeeding.

Business Strategy

According to IQVIA, the global market for biosimilars is expected to expand at an impressive CAGR of 27% for the coming five years. Xbrane's business strategy is centred around the company leveraging its R&D engine and platform technology. The primary source of Xbrane's long-term growth should be subsequent launches of biosimilars. Xbrane has a clear strategy for how and when it should handle its partnering aspirations: it aims to sign out-licensing deals at a preclinical stage, which it has done with both Ximluci and BII801. The desired deal structure is most likely similar to the Biogen deal, which was signed at a preclinical stage, with a USD88m deal value and tiered royalties (we assume low double digits), with the partner (in this case, Biogen) taking on all costs related to clinical development, filing, and commercialisation. This structure leverages Xbrane's technology and expertise in preclinical biosimilar development, which is the core of its business.

Xbrane's patented technology of protein production at a lower cost than with conventional methods should give the company and its partners a competitive pricing advantage. We believe it will enable Xbrane to maintain lucrative cash flows even when approaching a 50% discount to originator drugs. This could allow the company to continue to target specific 'hard-to-manufacture' biosimilars that benefit from limited competition. Xbrane has announced the capacity to initiate the development of one new biosimilar annually and, given a successful launch of Ximluci, we see a logical rationale for Xbrane, and potentially its current partners (STADA and Biogen) to form long-term partnerships for subsequent biosimilar launches.

Competitive advantages

Thanks to its proprietary technology, Xbrane can target the development of difficult-to-manufacture biosimilars. Its patented platform produces the proteins used to develop biosimilars at a lower cost than conventional methods. A biosimilar needs a sufficient price discount to support market uptake. This cost advantage provides Xbrane with a niche of biological drugs to target, presenting it with a lucrative opportunity. This is also a strategic advantage as many companies cannot compete with an originator drug owing to high production costs; thus, there tend to be fewer competing products for the biologics that Xbrane is targeting. For its Cimzia biosimilar, there are no known biosimilar competitors.

Biosimilar development is a complex task, and Xbrane has acquired an organisation with broad in-depth knowledge in the field (40% of its employees have PhDs). The strength of its development process also bolsters the company's standing in discussions with potential partners.

Value Proposition

In 2021, seven out of 10 of the best-selling drugs were biologics. In the same year, biologics also accounted for more than 40% of US drug spending. Biologics are typically more effective but often at a significantly higher price than small-molecule drugs. This puts increasing pressure on an already strained healthcare system. There are thus convincing political incentives to reduce the cost of biologics, such as facilitating the development and sale of biosimilar competition for these originator biologics. An expected long-term price reduction of up to 50% for biosimilars compared to their originator drugs would allow for a higher treated prevalence and less off-label use in indications with a sizeable untreated prevalence, which comes with increased safety for treated patients.

The primary competition for biosimilars comes from the originator biologic and other competing biosimilars for the same originator drug. However, this competition relates mainly to price discounts and the quality of the established distribution channels – attributes that facilitate increased biosimilar uptake. The discount for a biosimilar versus its originator

biologic often reaches c40–50% in the long term, implying significant cost-savings within the healthcare system.

People and ownership

Management and board

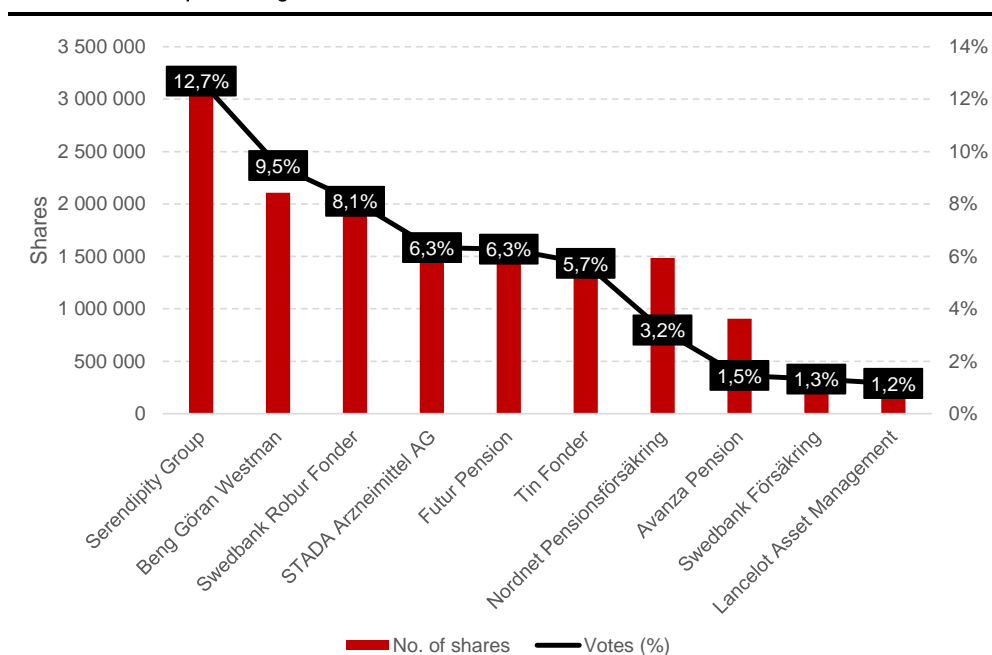
Xbrane has ~65 employees, and its management and board of directors provide the company with broad experience in clinical drug development, commercialisation at pharmaceutical companies, and strategy. CEO Martin Åmark has led the company since 2015 and was previously at Bain & Co, where he focused on M&A, strategy, and organisation with Nordic clients across multiple industries, including life science and pharmaceuticals. Chairman Anders Tullgren has more than 35 years of global experience in the pharmaceutical industry and has held senior leadership roles in several large companies, most recently as president of the intercontinental region at Bristol Myers Squibb, responsible for turnover exceeding SEK20bn and ~5,000 employees.

A more detailed description of management and the board can be found in the Appendices.

Ownership base

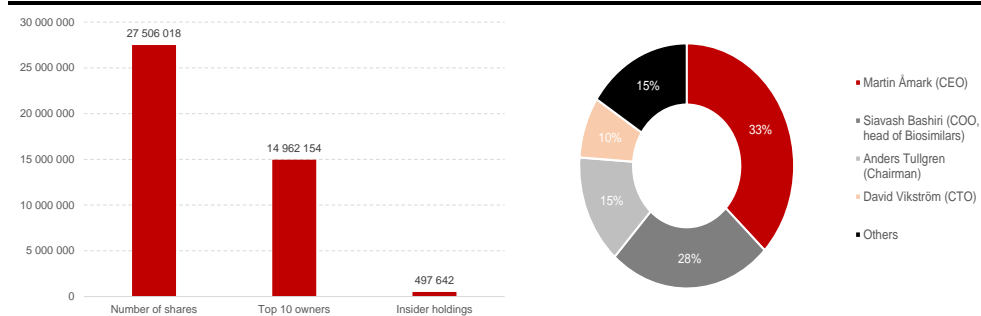
Insiders hold about 2% of Xbrane shares, a majority of these held by the CEO, COO, CTO, and chairman. While insider ownership in Xbrane is relatively soft, the ownership base hosts institutional/ specialist investors, along with Xbrane's partner, STADA, holding some 6% of Xbrane shares. The CEO, CTO, and COO/Head of Biosimilars also hold a total of 55,000 warrants.

Insider ownership and largest shareholders



Source: Modular Finance

Share distribution



Source: Modular Finance

The company's free float is ~85%, and the turnover of shares is relatively low, which could result in amplified volatility during high-impact events.

Financing History

Financing (SEKm)					
Date	Transaction	Amount	Sub. Price per share	Pre money	Participants
2022-10-18	Directed	170	72,0	1810	Lancelot Asset Management, Swedbank Robur, Tin Funds, Cicero funds, Systematic Group
2021-07-01	Directed	380	135,0	3 000	Lancelot Asset Management, Serendipity, Swedbank Robur, TIN Funds
2020-11-11	Directed	200	68,5	1 321	Lancelot Asset Management, Swedbank Robur, TIN funds, Second AP-Fund
2020-05-20	Directed	146	38,0	586	Swedbank Robur, STADA, TIN Funds
2019-06-18	Rights	91	33,5	95	STADA, NYIP, Swedbank Robur, Serendipity, Belsize Asset Management
2019-06-18	Directed	147	33,5	95	
2019-03-25	Rights	59	30,0	190	
2016-01-19	IPO	100	42,5	95	

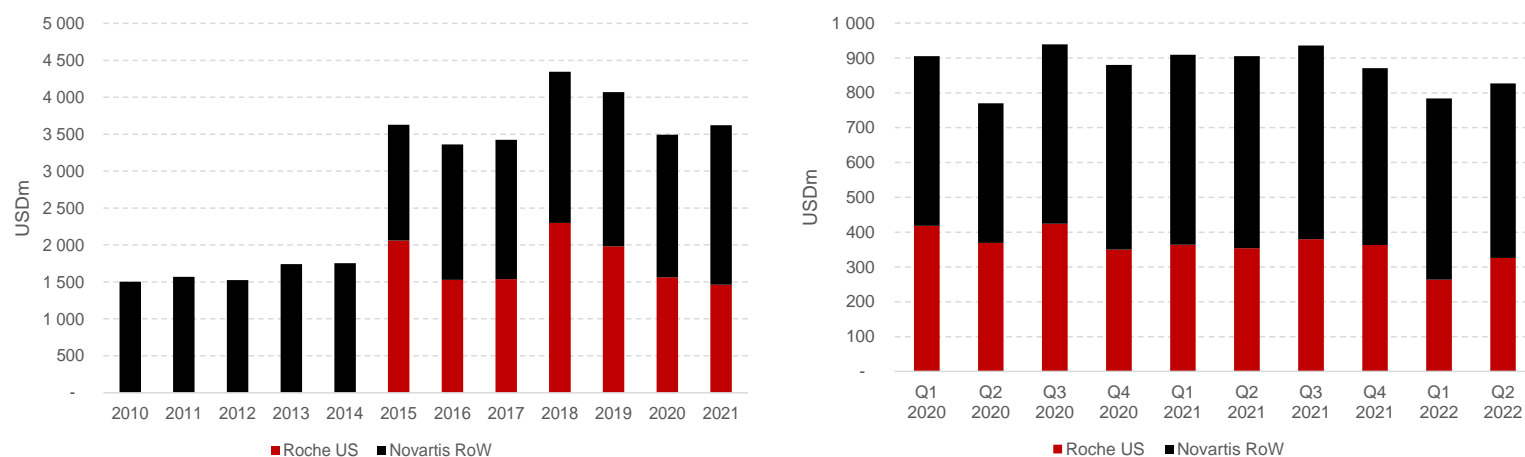
Source: Company (data), Redeye Research

Appendices

Ximluci (Xlucane)

Lucentis (ranibizumab) is the antigen-binding fragment of a humanised anti-VEGF antibody. VEGF activity is critical to the growth of blood vessels, which occurs in wet-age-related macular degeneration (wAMD). In 2021 Lucentis reported sales of cUSD3.5bn.

Lucentis geographical sales



Source: Datamonitor (data)

Lucentis is an IgG1 antibody that was initially approved by the FDA in 2006 and by the EMA in 2007 for the treatment of wAMD. It has since been approved for adjacent indications such as diabetic retinopathy and diabetic macular edema. Roche holds the commercial rights for Lucentis in the US and Novartis has the RoW rights.

In August 2018, Xbrane announced a collaboration development agreement with STADA Arzneimittel for its preclinical candidate Xlucane, covering Europe, the US, and a variety of MENA and APAC markets. Under the terms of the agreement, Xbrane is entitled to:

- EUR 7.5m upfront
- 50/50 split for development expenses and profit split

In May 2020, Bausch & Lomb acquired the exclusive rights for Xlucane in the US from Xbrane and STADA. The terms of the agreement were:

- Mid-single-digit upfront payment plus milestones related to regulatory approval and launch
- Shared gross profits from sales
- Revenues from Bausch & Lomb equally split between Xbrane and STADA

In late June 2021, Xbrane reported Xlucane had met the primary endpoint in its phase III trial Xplore (n=580) with ~140 participating clinics. Xlucane demonstrated equivalent efficacy measured in improvement in Best Corrected Visual Acuity (BCVA) at week eight compared to 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 in secondary endpoints regarding pharmacokinetic, safety, and immunogenicity could be observed between Xlucane and Lucentis.

On 9 September 2021, Xbrane submitted its marketing authorisation application (MAA) to the EMA. A little less than a month later, the agency responded by validating Xbrane's application as sufficiently complete to begin a formal review process, and CHMP announced a positive

opinion in September 2022, with an approval by the EU commission expected in November. This suggests a possible Q1 2023 launch of Xlucane in Europe.

Initially, Xbrane's BLA to the FDA was anticipated at Q4 2021. However, due to some delays (we assume the BLA needed more resources than anticipated), Xbrane reported it had finally submitted its application at the end of March 2022. At the end of May, just short of the 60-day benchmark from filing to the FDA, Xbrane announced it had withdrawn its application due to an "information gap" related to its contract manufacturer and suppliers. Xbrane has now received the General Advice Letter with comments and recommendations for resubmitting of the company's BLA. Xbrane met with the agency again in November, receiving a clear picture of what is required ahead of resubmission. In the wake of the meeting, Xbrane reiterated 2022 resubmission and an anticipated Q4 2023 approval.

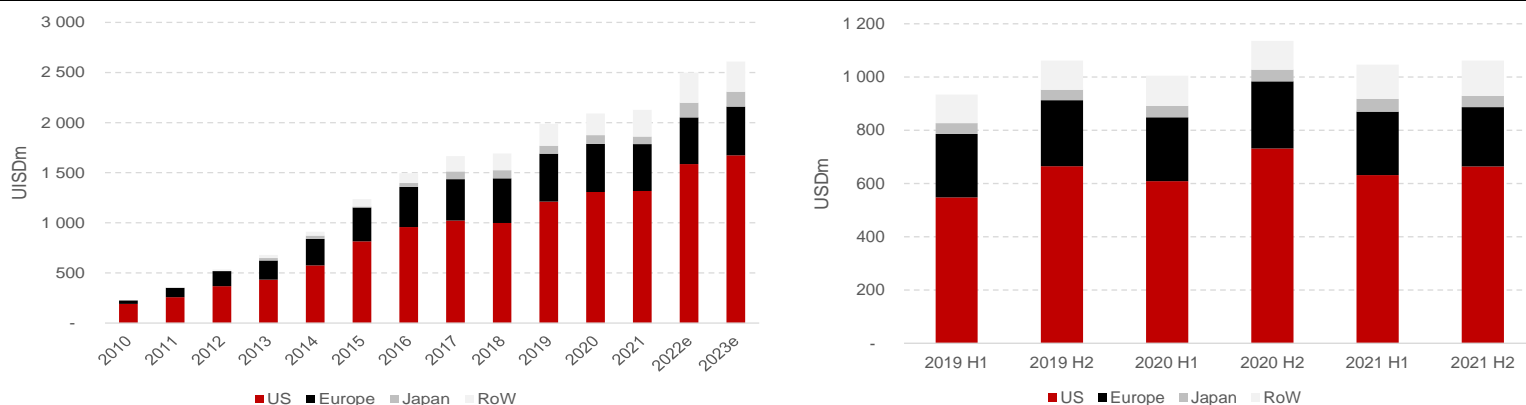
BIIB801 (Xcimzane)

Cimzia (certolizumab pegol) is a high-affinity pegylated monoclonal antibody fragment with subcutaneous administration that binds to tumour necrosis factor alpha (TNF alpha), which plays a central role in the body's inflammatory processes.

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

The asset is commercialised by UCB in the US, Europe, and RoW, and following approval for RA in Japan in 2012, it was out-licensed to Astellas for commercialisation. After approval in additional indications, it became a blockbuster in 2015, its sales growing some ~10% a year 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

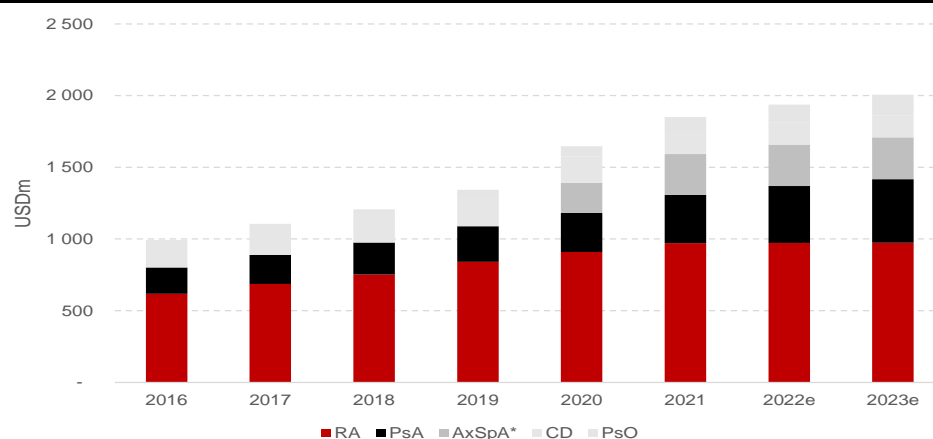


Source: Datamonitor (data), Redeye Research (estimates)

Although approved in several indications, the majority of Cimzia's sales stem from its use in RA – just below 50% of sales in the US, EU5, and Japan in 2021, according to Datamonitor numbers. Moreover, sales in RA, PsA, and AxSpA amounted to more than 80% percent of Cimzia's sales in 2020 and 2021. Note that several European countries and RoW are excluded, owing to a lack of data for worldwide sales in this regard, but this does cover the majority of Cimzia's sales, and we argue it still offers a proxy for the remaining markets.

As we found no reliable forecasts for estimated Cimzia sales in AxSpA, we applied Datamonitor's anticipated prevalence growth (8.2% for 2020–2029, ~1% annually) to the 2021 sales.

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



*Approved in 2019

Source: Datamonitor (data), UCB (data), Redeye Research (estimates)

Global licensing deal with Biogen

On 7 February 2022, Xbrane and Biogen announced their agreement on a global licence for BIIB801 (Xcimizane) under the following deal terms:

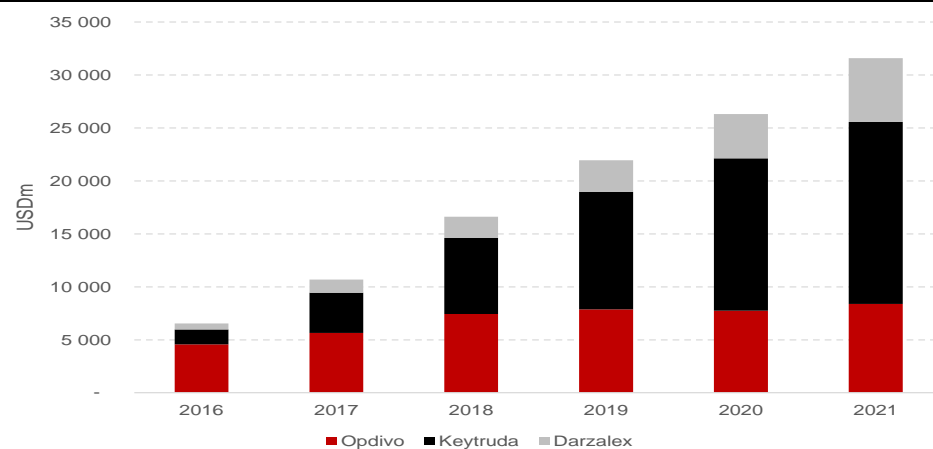
- Upfront USD8m, with development and commercial milestones of USD80m
- Biogen responsible for all development costs for BIIB801 once Xbrane has completed pre-clinical development
- Tiered royalties

The deal structure suits Xbrane's current situation well and, according to management comments, the structure could likely be what Xbrane aims for with subsequent projects.

Oncology portfolio (not included in our valuation)

Xbrane's oncology portfolio comprises three biosimilar candidates, targeting Opdivo, Keytruda, and Darzalex – cancer drugs used in several indications, such as melanoma, lung cancer, head and neck cancer, and multiple myeloma.

Oncology portfolio reported sales



Source: Biomedtracker (data)

Xdivane, a biosimilar candidate to Opdivo, a PD1 inhibitor used to treat various cancers such as melanoma, lung cancer, and head and neck cancer, is the candidate of Xbrane's most








advanced oncology asset. It is currently in production process at pilot scale and to demonstrate analytical bioequivalence to its originator. The originator patent expires in the US in 2028 and in Europe in 2030. Opdivo reported sales of USD 8.3bn in 2021.

Xtrudane, a biosimilar candidate to Keytruda, is another PD1 inhibitor used in the treatment of various cancers such as brain cancer, melanoma, lung cancer, and more. This project was revealed by Xbrane in Q1 2022, and its development is still at an early stage (cell line development). The originator patent expires in the US in 2029 and in Europe in 2031. Keytruda reported sales of USD17.2bn in 2021.

Xdarzane is a biosimilar candidate to Darzalex, an antibody that binds to CD38 and is used for the treatment of multiple myeloma. Like Xtrudane, this project was announced in Q1 2022 and is currently in cell line development. Also like Keytruda, the originator patent expires in the US in 2029 and in Europe in 2031. Darzalex reported sales of USD6.0bn in 2021.








We attribute no value to Xbrane's oncology portfolio in our current assessment, as it is still at an early phase, and the company's share price trajectory is primarily contingent upon Xlucane and BIIB801. We acknowledge that the oncology portfolio will likely be out-licensed at a preclinical stage, as was the case for both Xlucane and BIIB801. We thus see reason to return with an assessment once the cell line development is completed, the pilot scale is initiated, and the portfolio is deal-ready. In this context, Xbrane granted STADA a Right of First Refusal in 2019 for Xcimzane and Xdivane, which supposedly would extend until the initiation of clinical trials with the product.

Management

Name	Position	Shares	Warrants
 Martin Åmark Martin Åmark holds an MS. in industrial engineering and management from Linköping Institute of Technology and an MBA from INSEAD. He has eight years of experience from Bain & Co as a management consultant. At Bain, Martin worked mainly with M&A, strategy and organisation with Nordic clients across multiple industries, including life science and pharmaceuticals. CEO since 2015	CEO	154 646	24 000
 Siavash Bashiri Siavash Bashiri holds an MSc in Molecular Biotechnology from Uppsala University. His latest position was with Agilent Technologies where he was the head of sales in EMEA for one of Agilent Technologies' products within the Genomics department. He also has great knowledge of the commercialization of biotech start-ups from previous experiences. COO & Head of Biosimilars since 2015	COO & Head of Biosimilars	110 970	7 000
 Anette Lindqvist Anette Lindqvist has a degree in Business Administration from Gothenburg University of Economics. She has more than 25 years' experience from the life science sector having held a number of Senior Finance & Business roles such as Global Clinical Finance Director at AstraZeneca, Head of Business Control at Swedish Orphan Biovitrum, Global CFO, SVP Finance Getinge Infection Control & Global CFO Operations & Supply Chain Mölnlycke Healthcare. CFO since 2021	Chief Financial Officer	2 000	0
 Dr. David Vikström David Vikström is the CTO of Xbrane Bioscience. He has a PhD in expression and targeting of proteins in E. coli. He joined Xbrane in 2010 and successfully developed new technologies and strains for vaccine candidates. He is currently heading the development of Xbrane's new expression systems to be able to take the expression in E. coli to new levels. CTO since 2014	Chief Technical Officer	32 518	24 000
 Anders Wallström Anders Wallström holds a MSc in Biotechnology from Royal Institute of Technology in Stockholm. He has more than 20 years of experience in process development, manufacturing and validation at SOBI and Biovitrum. Furthermore, he has significant experience in co-ordinating contract manufacturers for commercial products for both small molecule and biotech products. Head of Manufacturing and Supply Chain since 2019	Head of Manufacturing and Supply Chain	4 503	0
 Dina Jurman Dina Jurman holds an MSc in Biomedicine from Uppsala University and has previously worked as Director Clinical Operations at IRW Consulting AB as well as Clinical Operations Manager consultant at Amgen Sweden. Head of clinical affairs since 2017	Head of Clinical Affairs	420	0
 Maria Edebrink Maria Edebrink holds an MSc in Chemistry from Stockholm University. She has 28 years of experience in pharmaceutical development and CMC regulatory affairs working for AstraZeneca, Galderma and Medivir. Her experience covers biotech products, small molecules, medical devices and cosmetics from early to late stage development through to commercial manufacturing. Head of regulatory affairs since 2019	Head of Regulatory Affairs	8 105	0

Source: Company website

Board of directors

Name	Position	Shares	Warrants
 Anders Tullgren Anders has over 35 years of global experience in the pharmaceutical industry and has held senior leadership roles in the US, Germany, France, the UK and the Nordic region. He joined Xbrane in 2017, having most recently been president of the Intercontinental region of Bristol Myers Squibb with responsibility for over 30 countries, 5,000 employees and a turnover of over 20 billion SEK. He is chairman of the board of BerGenBio, Norway. Anders is board member of Branding Science Ltd, UK, Dizlin Pharmaceuticals AB, Sweden and Farmalisto, Colombia. He holds a MSc in Pharmacy from Uppsala University. Chairman of the Board since 2018	Chairman of the board	70 484	0
 Prof. Peter Edman Peter has an extensive experience in drug development from the pharmaceutical industry and has held a number of senior research leadership positions within Orexo, Sobi, Biovitrum, AstraZeneca, Astra and Pharmacia. He has also held a position as Associate Professor at the Swedish Medical Product Agency. In addition, Peter has been Professor in Pharmaceutical Formulation and Adjunct Professor in Drug Delivery at the Faculty of Pharmacy, University of Uppsala. Board member since 2015	Director	15 000	0
 Karin Wingstrand Karin, who holds a Master's degree in Pharmaceutical Science from Uppsala University, has long and solid experience from the international pharmaceutical industry with senior positions in regulatory, pharmaceutical and analytical R&D, project management, and clinical development. Her most recent assignment was as global manager and vice president of clinical development at AstraZeneca. Karin is a board member of Mevia AB, T-company AB, Aqilion AB, Xintela AB, Histolab products AB and Integrum AB. Board member since 2015	Director	20 480	0
 Eva Nilsagård Eva Nilsagård holds a Executive MBA in Economics and a Bsc in accounting and finance from School of Business, Economics and Law in Gothenburg. Eva is the founder and CEO of Nilsagård Consulting AB which offers assignments as CEO and CFO. Previously, Eva has, among other things, served as CFO of Plastal Industry and Vitrolife, Senior Vice President Strategy & Business Development at Volvo Group and held senior positions in finance and business development in, for example, Volvo, AstraZeneca and SKF. Eva is a board member and chairman of the audit committee of Addlife, Bufab and Irras and board member of SEK (Swedish Export Credit Company). Eva has more than ten years of experience as a mentor for young female managers with high potential. Board member since 2019	Director	4 000	0
 Ivan Cohen-Tanugi Ivan Cohen-Tanugi holds a M.D. from Grenoble School of Medicine and master in business administration from H.E.C Business School. Ivan led the development of the global biosimilar platform & portfolio at Teva from R&D to BD and commercialization, then led the US commercial division (Teva Biologics & Specialty Products) focusing on biosimilars, branded Generics and niche specialties. More recently, Ivan has been interim CEO and board member of Kuros Biosciences AG, CEO president of the board of Evevensys Biotechnology. Ivan has also held positions as Head Europe/International Business Unit Nephrology at AMGEN International and Vice President. Board member since 2019	Director	0	0
 Mats Thorén Mats studied economics and business economics at Stockholm School of Economics, as well as studies in medicine at Karolinska Institutet in Stockholm. He has over 20 years of experience in the financial market where he has worked primarily in the life science sector both as an analyst and in Corporate Finance. For 12 years, Mats has been a professional investor and manages its own company, Vixco Capital, with a focus on investments. Mats has previous board experience from C-Rad AB, Cellartis AB and MIP Technologies AB. Mats is currently a board member of Arcoma Aktiebolag and Arcoma Incentive AB, board member and CEO of Vixco Capital AB and deputy board member of Eggelbertus Holding AB and board member of Herantis Pharma Oy. Board member since 2020	Director	4 000	0
 Kirsti Gjellan Kirsti holds a Master of Science and a PhD in Pharmaceutical technology from the University of Oslo and more than 30 years of experience from the international life science and pharmaceutical industries. With roles such as Managing Director for Pfizer Health AB and, Global head of manufacturing, quality operations, biologics process development and supply at Swedish Orphan Biovitrum AB (Sobi). She has previously held leading positions at AstraZeneca, Pfizer and Sobi. Current assignments as Board Executive of Bio-Works Sweden AB and, Envirotainer Holding AB. Previous board assignments at Vinnova funded PiiA, SwedenBio, OxThera AB and, Pfizer Health AB. Board member since 2022	Director	0	0

Source: Company website

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: Financials +1

People: 4

Business: 4

Financials: 1

Following the directed share issue of SEK170m the company should now have the capital required until it turns cash-flow-positive at the end of 2023, considering sales and milestones will add to the top line in 2023.

	2020	2021	2022e	2023e					
INCOME STATEMENT					DCF Valuation Metrics		Sum FCF (SEKm)		
Revenues	18	16	84	349	Initial Period (2021–2040)			4519	
Cost of Revenues	0	0	0	0	Firm Value			4519	
Gross Profit	18	16	84	349	Net Debt			-252	
Operating Expenses	231	184	227	232	Equity Value			4770,0	
EBITDA	-213	-168	-142	117	Fair Value per Share			173	
Depreciation & Amortization	-2	12	10	17		2020	2021	2022e	2023e
EBIT	-217	-181	-152	100	CAPITAL STRUCTURE				
Net Financial Items	-1	-3	-3	0	Equity Ratio	56%	63%	0,6	0,6
EBT	-218	-183	-155	100	Net Debt	-243,1	-295,2	-278,3	-356,0
Income Tax Expenses	0	0	0	21	Capital Employed	274,8	468,7	477,3	556,7
Non-Controlling Interest	0	0	0	0					
Net Income	-218	-188	-153	79					
BALANCE SHEET					GROWTH				
Assets					Revenue Growth	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Current assets					Basic EPS Growth	-8%	-23%	-26%	-152%
Cash & Equivalents	243	295	278	356	Adjusted Basic EPS Growth	-8%	-23%	-26%	-152%
Inventories	0	0	15	35					
Accounts Receivable	51	42	42	61	PROFITABILITY				
Other Current Assets	80	224	234	216	ROE	-99%	-55%	-35%	17%
Total Current Assets	375	561	569	668	ROCE	-79%	-39%	-32%	18%
					ROIC	-1447%	-259%	-109%	52%
Non-current assets					EBIT Margin (%)	neg	neg	neg	29%
Property, Plant & Equipment, Net	8	31	31	34	Net Income Margin (%)	neg	neg	neg	0,2
Goodwill	59	0	0	0					
Intangible Assets	4	50	90	104	VALUATION				
Right-of-Use Assets	6	43	43	43	Basic EPS	-9,8	-7,5	-5,6	2,9
Shares in Associates	0	0	0	0	EV/Revenue	neg	neg	neg	5,9
Other Long-Term Assets	13	4	4	4	EV/EBIT	neg	neg	neg	2064,3%
Total Non-Current Assets	89	127	167	185	P/B	6,4	6,1	5,5	4,7
Total Assets	464	688	737	853					
Liabilities					SHAREHOLDER STRUCTURE		CAPITAL 'VOTES %		
Current liabilities					Serendipity Group		13%	13%	
Short-Term Debt	0	0	0	0	Beng Göran Westman		9%	9%	
Short-Term Lease Liabilities	2	8	8	8	Swedbank Robur Fonder		8%	8%	
Accounts Payable	30	41	75	94	STADA Arzneimittel AG		6%	6%	
Other Current Liabilities	157	170	176	194	Futur Pension		6%	6%	
Total Current Liabilities	189	220	259	296					
Non-current liabilities					SHARE INFORMATION				
Long-Term Debt	0	0	0	0	Reuters code			XBRANE	
Long-Term Lease Liabilities	4	37	37	37	List			Mid Cap	
Other Long-Term Liabilities	13	1	1	1	Share price			65	
Total Non-current Liabilities	17	37	37	37	Total shares, million			27,50602	
Non-Controlling Interest	0	0	0	0					
Shareholder's Equity	258	432	440	520	MANAGEMENT & BOARD				
Total Liabilities & Equity	464	688	737	853	CEO			Martin Åmark	
					CFO			Anette Lindqvist	
					Chairman			Anders Tullgren	
CASH FLOW									
NOPAT	-217	-181	-152	79	ANALYSTS				
Change in Working Capital	2	-104	15	16				Redeye AB	
Operating Cash Flow	-238	-220	-129	113	Filip Einarsson			Mäster Samuelsgatan 42, 10tr	
					Fredrik Thor			111 57 Stockholm	
Capital Expenditures	-4	-28	-10	-10					
Investment in Intangible Assets	0	-50	-40	-24					
Investing Cash Flow	-4	-77	-50	-35					
Financing Cash Flow	323	349	162	0					
Free Cash Flow	-242	-297	-179	78					

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 Rating (2022-11-02)

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.