

# Newbury Pharmaceuticals

Sector: Pharma

## The local specialist

Redeye initiates coverage of Newbury Pharmaceuticals, a hybrid pharmaceutical company focusing on providing specialty and branded products on the Scandinavian markets. We identify rapid growth opportunities rooted in an exciting pipeline, bolstered by strong management with extensive sector expertise. We argue that the share offers de-risked exposure to an ever-growing pharmaceutical market and see several potential catalysts ahead.

### Foundation for growth

Newbury retains a portfolio of more than 30 in-licensed products through partnerships with different pharmaceutical companies. The company has already entered its commercial phase, having launched two products on the market and achieved national regulatory approvals for seven of its products. In addition, the company has a strong intent of continuously expanding its portfolio with exciting candidates. This is set to entail a stable flow of product launches in the coming years, expected to generate an exponentially growing stream of revenue.

### Niche position on a huge market

Newbury operates in the generics and biosimilars market, which are estimated to have a global worth of more than USD400bn. The company differentiates itself by focusing on specialty and branded products in the Scandinavian markets, where we believe it has the capabilities to become an important player, due to its extensive network and industry know-how.

### Base case of SEK9 per share

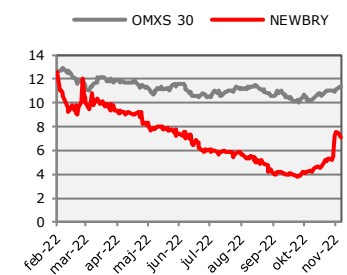
Our 2022-2037 DCF model using a 13% WACC, suggests a base case valuation of SEK9 per share (bull: SEK15; bear: SEK4), indicating a upside potential of c35% from current share price levels. We believe that increasing sales growth in quarterly reports will validate the Newbury business model in the eyes of investors and could, together with regulatory approvals of key pipeline products and new license deals, close our valuation gap during the upcoming year.

Key financials (SEKm)	2020/2021	2021/2022	2022/2023e	2023/2024e	2024/2025e
Net sales	2.8	5.5	18.1	52.4	103.8
Revenue growth	N/A	95%	227%	190%	98%
EBITDA	-5.0	-13.7	-8.7	2.8	17.6
EBIT	-5.6	-14.7	-9.9	0.2	13.3
EBIT margin (%)	-199%	-266%	-55%	0%	13%
Net income	-5.6	-14.6	-9.9	-0.3	10.6
EV/sales			10.2	4.4	2.5
EV/EBITDA				82.0	14.8

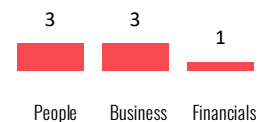
### FAIR VALUE RANGE

BEAR	BASE	BULL
4	9	15

### NEWBRY VERSUS OMXS30



### REDEYE RATING



### KEY STATS

Ticker	NEWBRY
Market	First North
Share Price (SEK)	6.7
Market Cap (SEKm)	131
Net Debt (SEKm)	-15.2
Free Float (%)	30
Avg. daily volume	11.8

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## Investment case

### De-risked case with exciting potential

The health care sector is in the midst of a paradigm shift as specialty medicines and precision treatment are replacing traditional treatments at an increasing rate. We believe that Newbury is well-positioned to capitalize on this emerging trend, having proactively built a strong portfolio of specialty and branded products. With the company implementing an active strategy of identifying attractive and undervalued assets, in indications with high medical need and sales potential, we see a potential long-term compounder with rapid growth prospects.

As the business model revolves exclusively around in-licensing and advancing candidates through registration and commercialization, the main risks that traditional pharmaceutical companies face are greatly reduced. This provides Newbury the opportunity to be a nimble and flexible organization, able to operate in a cost-efficient manner from an early stage in the build-up.

### Process already in progress

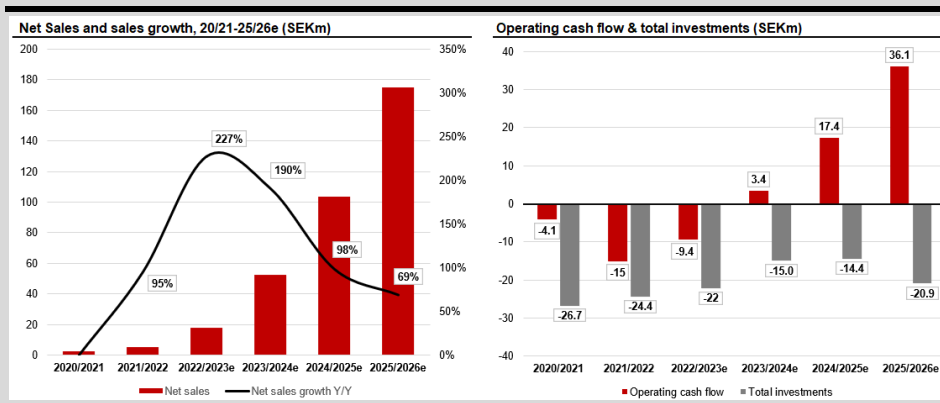
Newbury has already achieved national market approval of seven products, and have an additional ten pipeline products expected to obtain regulatory clearance during 2023. With a total of 32 products in its portfolio, and more expected to be acquired in the future, we see a stable flow of product launches in the coming years. We argue that this will generate a continuously growing revenue stream as the company strengthens its offering and increases its market uptake.

#### Supportive analysis: Sales expansion

The financial year 2021/2022 (split fiscal year) saw the company enter its commercial phase with the market launch of its first product (Icatibant Newbury) on the Scandinavian market. The company recorded sales of SEK4.6m in Q4 2021/2022 as Icatibant Newbury won its first tenders. We expect Newbury to experience an accelerated growth in sales over the coming years, in parallel with the company rolling out an increasing number of products on the market.

We estimate sales of SEK175m by FY 2025/2026e, indicating a CAGR of c137% for the period 2021/2022–2025/2026e. We argue that the company is well-positioned to rapidly expand on the Scandinavian pharmaceuticals market and, primarily, anticipate the vast number of expected market launches in 2024 to catapult sales.

#### Net sales & sales growth and cash flow & investments, 20/21-25/26e (SEKm)



Source: Company data, Redeye Research

**Regulatory risks**

The future success of Newbury and its ability to generate yearly growth in revenue will largely depend on obtaining regulatory market approvals from the Scandinavian authorizations. There is a risk that the company's application for market approval could be denied, or require supplements, which may delay planned sales or increase costs. However, we judge this as a relatively low risk due to the nature of the candidates, being high quality generics based on already approved originals.

**Patent protection risks**

Newbury is highly dependent on the patent expirations of its products' original counterparts. While the company closely monitors the intellectual property rights of the original medicines, there is a risk that an original receives extended patent protection. This could, in turn, cause delays to the launch of a specific product for the company. However, patent extensions like this are quite rare and unlikely to be granted near the expiration date.

**Long-term value with multiple potential catalysts**

Our 2022-2037 DCF model using a 13% WACC indicates a base case valuation of SEK9 per share (Bull: SEK15; Bear: SEK4), based on a sales CAGR of c137% for the period FY 2022/2023–2025/2026 and a 25% EBITDA margin towards the end of our forecast period. We argue that increasing sales growth in quarterly reports, regulatory approvals, and potential new license deals and partnerships will constitute the key catalysts coming up.

## Counter points

### **Prone to competition**

The disadvantage of the retail segment of the pharmaceuticals market is that easily won is just as easily lost if a competitor can offer a lower price. This makes inventory planning and market knowledge central assets in order to be able to balance correctly between opportunities and risks. Should Newbury be forced to lower its prices or be unable to compete successfully due to a sudden increase in competition, it will negatively impact the company's margins and future earnings.

### **Highly dependent on key personnel**

Newbury currently has a limited organization in terms of size and is highly dependent on the regional and sectoral expertise, and the experience of certain key personnel to successfully achieve its goals. Should the company lose any of its key personnel, or not be able to attract qualified personnel in the future, it could cause interruptions in its operations and negatively affect future development.

### **Dependency on external partners**

Newbury is largely dependent on finding and cooperating with licensing partners to successfully implement its business model and continue to strengthen its product portfolio. If these external partners do not fulfil their obligations to Newbury, or exceed expected time frames in development, planned commercialization of the company's products may be delayed or cancelled. Furthermore, if Newbury has difficulties in finding and attracting partners, or enter agreements on favourable terms to the company, it could hamper the company's growth prospects.

## Key Catalysts

- **Regulatory approvals**

Newbury has more than 10 candidates expected to gain regulatory approvals in the coming 12 months. We believe that these approvals could act as minor short-term catalysts for the stock.

*Timeframe: 3–12 months*

*Impact: Minor*

- **License deals**

The company intends to continuously expand its portfolio with further candidates. We argue that potential announcements of favourable partnerships and licencing deals for exciting new products could affect the share price.

*Timeframe: 3–18 months*

*Impact: Moderate*

- **Quarterly reports**

We believe that increasing sales in quarterly reports could validate the Newbury business model in the eyes of investors. Quarterly reports are essential for our analysis of the company's prospects, and we see sales development as a key catalyst for the share.

*Time frame: 3–12 months*

*Impact: Moderate to major*

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## Company description

Newbury Pharmaceuticals is a hybrid pharmaceutical company focused on thoughtfully building and marketing a portfolio of proprietary and licensed medicines. The company aspires to be an efficient organization with expertise on specifically the registration and commercialization of pharmaceuticals, thereby avoiding the risks associated with drug development. Newbury provides branded drugs and generic types, i.e., medicines that has no patent or has loss of exclusivity and are therefore sold on an open competitive market where price and logistics play a major role in achieving results. However, the company differentiates itself by focusing on specialty and branded products. The current focus is primarily within the treatment areas of oncology, rare diseases, and neurology. Newbury's strategic geographical concentration is on the Scandinavian markets, where it has the capabilities to become an important player. The company's unique niche positions it as a potent partner alternative, for pharmaceutical companies that usually prioritize larger markets, and offers its partners quick access to a market that they otherwise might not reach. Building strong partnerships is a key element of the company's operating model.

Newbury Pharmaceuticals was founded in 2020 in Lund, Sweden, where it has its current headquarters. Since February 2022, the company has been listed on Nasdaq First North Growth Market (NEWBRY).

### Historical highlights

2020	Newbury Pharmaceuticals is founded in Lund, Sweden.
2021	<p>Newbury signs a license agreement for 11 new products.</p> <p>The company completes an oversubscribed Series A funding round of SEK 25m from selected strategic investors.</p> <p>Lars Minor is appointed new CEO of the company.</p> <p>Newbury strengthens its portfolio with 8 additional oncology products.</p> <p>The company signs an agreement of an exclusive license to commercialize its own brand of Teduglutide.</p>
2022	<p>Newbury Pharmaceuticals IPOs on Nasdaq First North Growth Market under ticker "NEWBRY" and raises SEK 50m before issue costs.</p> <p>Newbury's first product is launched as the company records its first sales of Icatibant Newbury in Scandinavia.</p> <p>The company is granted market authorizations for Ticagrelor Newbury, Lenalidomide Newbury and Sunitinib Newbury.</p> <p>Newbury strengthens its portfolio with 3 additional products.</p> <p>Icatibant Newbury wins the Swedish monthly market tender for May, June, July and November.</p> <p>Sunitinib Newbury wins a tender in Norway in November.</p> <p>The company expands its team with the appointment of Mrs. Andrea Karnitschky as Senior Director and Head of Business Development.</p> <p>The company is granted market authorizations for Teriflunomide Newbury.</p> <p>Newbury expands its portfolio with daptomycin and linezolid, increasing the overall portfolio to a total of 32 products planned for launch over the coming years.</p>

Source: Newbury Pharmaceuticals, Redeye research

## People and ownership

### Management and board

We regard both Newbury's management team and board of directors as factors that support our investment case. Lars Minor, CEO, has vast experience in the pharmaceuticals industry having spent over 20 years in different positions at LEO pharma. Before joining Newbury, he was the Corporate Vice President for strategy and execution at the company. Prior to this he has led establishment of +20 affiliates globally and been managing business with +1000 FTE and sales of more than EUR700m. We believe his industry experience and understanding of the business ensure solid judgment when managing operations and the future growth

The founder and current executive chairman, Karl Karlsson, has extensive experience in business development and entrepreneurship. Most notably, Karlsson previously founded the biotech company Bluefish pharmaceuticals, which today has nearly SEK400m in annual revenues. During his tenure at the company (2005-2020), he held positions such as president, CEO, and board member. The fact that Karlsson has "done it before" – successfully implementing a growth strategy and experienced rapid market expansion in a similar company operating in the same field – bolsters our confidence in the executive abilities of the Newbury management and Board.

Overall, we consider the people behind Newbury as a solid component of the company. Given the track record of the company's key personnel, we believe that shareholders can be confident in their decision-making capabilities. While being a relatively newly formed management, we argue that CEO, Lars Minor, and executive chairman, Karl Karlsson, have shown abilities of identifying de-risked opportunities to generate long-term value for shareholders in their previous positions.

We provide more detailed descriptions of management and the board of directors in the appendix.

### Ownership

Looking at the ownership structure of Newbury, we see a concentrated ownership in the top shareholders of the company. Founder and executive chairman, Karl Karlsson, is the majority owner of the company with c51% of shares outstanding. The second largest owner is one of Newbury's partnering companies, Alvogen, through Sumar Pharma with c16% of capital.

However, it is worth noting that this also implies a low free float (c30%) in the stock. Low-float stocks tend to have less market liquidity and wider price spreads, making them slightly more volatile.

### Top 10 shareholders – Newbury Pharmaceuticals

Newbury Pharmaceuticals: Shareholders				
Owners	Number of shares	Value (SEKm)	Capital	Votes
Karl Karlsson	9,890,924	72.20	50.67%	50.67%
Sumar Pharma Limited	3,087,308	22.54	15.82%	15.82%
Futur Pension	1,015,050	7.41	5.20%	5.20%
Erik Selin	400,000	2.92	2.05%	2.05%
Johan Wåborg	384,052	2.80	1.98%	1.98%
Gerhard Dal	376,000	2.74	1.93%	1.93%
Johan Stein	304,231	2.22	1.60%	1.60%
Nordea Liv & Pension	302,885	2.21	1.55%	1.55%
Anil Okay	255,000	1.86	1.31%	1.31%
Hexiron AB	230,770	1.68	1.18%	1.18%
Other Shareholders	3,274,934	23.91	16.72%	16.72%
Total	19,521,154	142.50	100%	100%

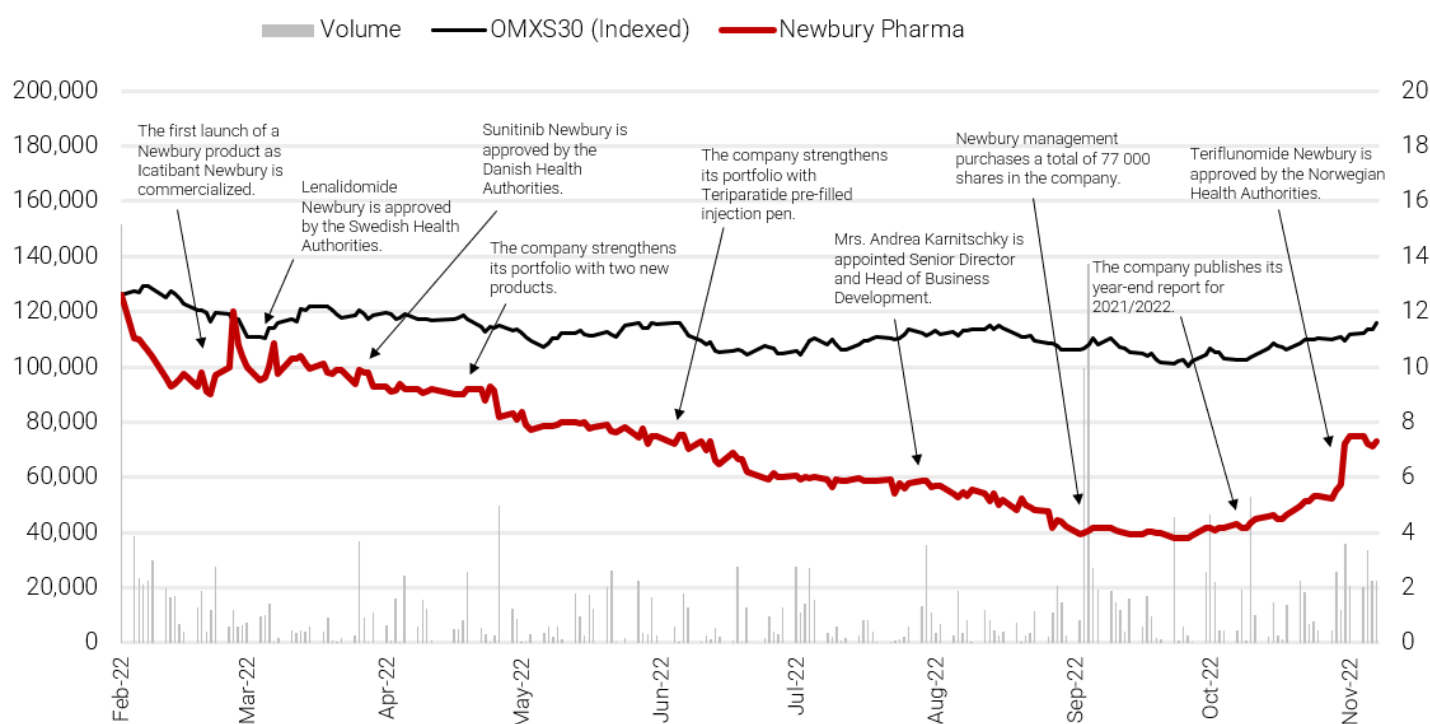
Source: Holdings, Redeye research

## Stock performance

Newbury Pharmaceuticals was listed on Nasdaq First North Growth in February 2022 with a subscription price of SEK13 per share. The IPO was subscribed for by +100% and saw the company raise approximately SEK45.4m after deduction of issue costs. Since its listing, Newbury's share price has largely followed the widespread downturn on the market. The share's performance was initially weak, before a temporary spike due to the launch of the company's first product, Icatibant Newbury. This was followed by an enduring decline over the next six months. We believe that this was primarily the result of the general uncertainty and saturated appetite for risk we have seen this year, in combination with an absence of recorded recurring sales in the company's quarterly reports.

However, the last couple of months have seen a turn-around in the momentum of the stock. Driven by the company's year-end report, where Newbury announced that Icatibant Newbury won the Swedish monthly tenders for June and July, and Teriflunomide Newbury achieving market authorization, the share soared some 100% since its bottom in September. Looking ahead, we believe that Newbury's share price still has further upside potential. We judge that increasing sales growth in quarterly reports will validate the Newbury business model in the eyes of investors and continue the newfound momentum in the stock. In addition, we believe that regulatory approvals of key pipeline products and new license deals could act as short-term catalysts.

### Share price performance since IPO



Source: Redeye research, Newbury

## Product portfolio

Newbury has a product portfolio consisting of in-licensed generic prescription drugs with a focus on 'specialty medicines' and 'own brands'.

From previously having focused on building up a robust portfolio of in-licensed drugs, the company has now entered the commercial phase. Following a successful implementation of the necessary quality systems required to support registration and commercialization of the portfolio, the first products have received market approval from national health authorities and began selling in Scandinavia. As of now, five Newbury products have received regulatory approval; Teriflunomide, Lenalidomide, Ticagrelor, Sunitinib and Icatibant, with the latter two already having won tenders in Norway and Sweden, respectively.

### Newbury – Product portfolio\*

Portfolio Asset	Original Brand	Approvals	Registration Process				
			2022	2023	2024	2025	2026
<b>Oncology</b>							
<b>Lenalidomide</b>	<b>Revlimid</b>	<b>Approved</b>					
<b>Sunitinib</b>	<b>Sutent</b>	<b>Approved</b>					
Pazopanib	Votrient						
Lapatinib	Tyverb						
Bosutinib	Bosulif						
Lenvatinib	Lenvima						
Enzalutamide	Xtandi						
Nilotinib	Tasigna						
Pomalidomide	Imnovid						
Palbaciclib	Ibrance						
Nintedanib	Ofev						
<b>Rare Diseases</b>							
<b>Icatibant</b>	<b>Firazyr</b>	<b>Approved</b>					
Macitentan	Opsumit						
Pirfenidone	Esbriet						
Teduglutide	Revestive						
<b>Neurology</b>							
Dimethylfumarat	Tecfidera						
Lorazepam ER	Ativan/Temesta						
<b>Teriflunomide</b>	<b>Aubagio</b>	<b>Approved</b>					
Fampridine	Fampyra						
<b>Other Therapy Areas</b>							
Solifenacin/Tamsulasin	Urizia						
Liraglutide	Victoza						
Desmopressin Odt	Minirin						
Gabapentin ER	Gralise						
Rivaroxaban	Xarelto						
<b>Ticagrelor</b>	<b>Brilique</b>	<b>Approved</b>					
<b>Linezolid</b>	<b>Zyvox</b>	<b>Approved</b>					
<b>Daptomycin</b>	<b>Cubicin</b>	<b>Approved</b>					
Tofacitinib	Xeljanz						
Varenicline	Champix						
Teriparatide	Forsteo						
Azalastin/Fluticason	Dymista						
Ivermectin	Soolantra						

Source: Redeye research, Newbury Pharmaceuticals

As of the date of this initiation report, Newbury has a total of 32 in-licensed products in its portfolio that either has already launched or is estimated to reach commercialization over the coming years. 15 products have been submitted for approval and five of these have achieved approval by the authorities. While the first two products have been launched – more launches are expected in the coming quarters and years.

\* The registration process refers to the expected time from Newbury or its partners applying for a product approved by regulatory authorities until the product has received market approval in each country that the Company is licensed to sell the product (Sweden, Denmark and Norway). After receiving market approval, outgoing patents are awaited before the product can be sold. Planned sales start is not illustrated by the illustration above.

### Generics

Generic pharmaceuticals contain the same active ingredients as original pharmaceuticals and must meet the same regulatory requirements. Therefore, generic pharmaceuticals have the same quality, live up to the same safety requirements and are equally efficacious as original pharmaceuticals. However, companies that manufacture generic pharmaceuticals do not have the same expenses tied to research and development as manufacturers of original products. This is why original products are patent protected for its initial period on the market. However, as soon as these patents run out, it is free for generics to be launched on the market.

### Generic drugs – picturized



Source: Unsplash

With time, an increasing number of generics enter the market, causing an increased competition and price pressure. This is why Newbury prioritize in-licensing of products positioned to be among the first to launch following the patent expiry of its original counterpart.

### Specialty medicines

One of Newbury's main focus areas within pharmaceuticals is specialty medicines, which is a collective term for prescription drugs that are used to treat complex or rare chronic conditions. Specialty medicines are usually divided into one of three categories:

- Self-administered (non-diabetic) injectable medications
- Medication that requires special handling, special administration, or special storage
- High-cost oral medication.

Although, it is common for all of them to be more expensive than traditional prescription drugs. According to the Centers for Medicare & Medicaid Services (CMS), the price threshold for a therapy to be deemed a specialty drug is a monthly cost of USD670, but some treatments can cost several thousand dollars every month. Specialty medicines often require high touch patient care and monitoring services and are generally prescribed by hospital specialists rather than primary care physicians. Accordingly, drugs within this segment have a more niche patient population and require targeted and personalized treatment efforts from the pharmaceutical companies to a greater extent.

## Specialty medicines – picturized



Source: Amalgamated Life

This means that price and volume are far from the only competitive forces that determine a supplier's success. As a result, smaller, local suppliers are often able to compete with larger international pharmaceutical companies and reach commercial success within the specialty medicines industry. We believe that this is to Newbury's advantage as the company has a flexible organization with an established network and expertise in the Scandinavian market. Furthermore, there are currently only a relatively limited number of players manufacturing specialty generics, even though these expensive drugs are expected to be a significant contributor to the growth of the entire generics sector in the coming years.<sup>1</sup>

In specialty medicines, Newbury aims to offer both exchangeable drugs and drugs commercialized as its own brands.

### Own brands

Newbury's own brands are products that provide an added benefit for patients and physicians. The products will be branded based on a set of different attributes; Intellectual property (IP) benefits, brand loyalty potential, market size and competition etc. In some cases, the company's own brands are manufactured as a new dosage form of an existing medicine without a patent, thus, filling a dosage gap. It could also be a new formulation of a popular treatment to allow for easier administration, for example oral administration instead of intravenous.

Furthermore, in relation to brand loyalty, Newbury's branded products also offer consumers a product name that is easier to remember and relate to than its generic name. In other words, the company uses its branded products to differentiate in a market with non-exchangeable business.

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<sup>1</sup> According to Pharmaceutical Technology.

**Branded drugs – picturized**



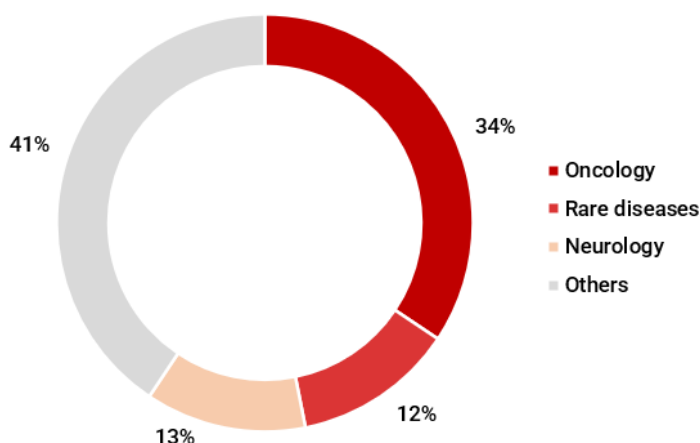
Source: Xtelligent Healthcare Media

The biggest difference between the company’s own brands and its exchangeable products from a business perspective, is the difference in initial investment and potential pricing power. Own brands generally involve a high initial investment with extensive marketing expenses, while exchangeable medicines usually entail significantly lower initial expenditures. On the other hand, the non-exchangeable branded products have an attractive pricing power due to its niche position. Similarly, price erosion is also substantially lower for these products once they are established on the market. In comparison, exchangeable medicines are more vulnerable as the competitive situation can drastically change quickly, causing a downwards pressure on the price of the products.

**Therapeutic areas and indications**

In addition to the above-mentioned focus areas, the Newbury portfolio consists of a wider range of different indications and treatment areas. The company states that the criteria for building the portfolio have primarily been to ensure that the products brought in are in line with its strategy within specialty drugs and own brands. However, it is evident that the portfolio is primarily centred around three main therapeutics areas: oncology, rare diseases, and neurology.

**Newbury – Product portfolio, by indication**



Source: Redeye research, Newbury Pharmaceuticals

## Oncology

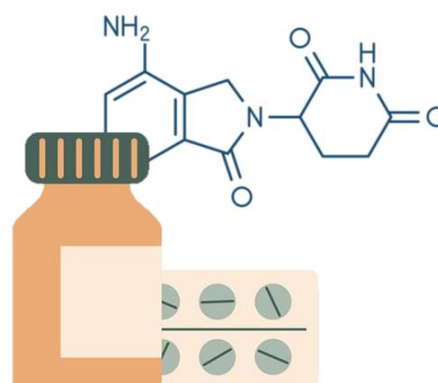
Oncology is the therapeutic area with the largest presence in Newbury's product portfolio. Today, more than a third of the company's portfolio belong to the oncology space as 11 products are some form of cancer treatments. For two of these treatments, sunitinib and lenalidomide, Newbury has already acquired regulatory approvals in Scandinavia.

### Oncology products – Sunitinib and lenalidomide

## Sunitinib



## lenalidomide



Source: Redeye research, Nova Science Publishers

Sunitinib is a prescription medication used to treat several types of cancer<sup>2</sup> and works through inhibiting cellular signalling by targeting multiple receptor tyrosine kinases (RTKs). By blocking these enzymes, sunitinib can slow the growth and spread of the tumour, effectively cutting off the blood supply that enables the cancer cells to grow.

The original product of sunitinib has been owned and market by Pfizer under brand-name Sutent since its FDA approval in 2006. Sutent has been known as one of the most expensive drugs widely marketed. However, Pfizer's right to exclusively market sunitinib (under brand-name Sutent) ceased in 2021 as the product's patent expired. Since the expiration, multiple generic versions of the treatment have been approved and market by other pharmaceutical companies. According to Fass, there are currently 13 generic brands of sunitinib (including Sunitinib Newbury) approved by either the European Medicines Agency or the Swedish Medical Products Agency.

In H1 2022, Newbury announced that Sunitinib Newbury had been granted market authorization by the Danish Health Authorities. This was followed up by further approvals in Scandinavia and, most notably, by Newbury winning a tender in Norway for the product. The company expects to start selling on the tender in Norway as of January/February 2023 and to begin competing for the monthly tenders in Sweden around the same time. The granted Norwegian tender is expected to last until the end of 2023, with a possible extension for an additional 10-12 months.

Lenalidomide is a prescription drug used to treat multiple myeloma and other haematological malignancies.<sup>3</sup> It is an immunomodulatory therapy which inhibits tumour angiogenesis, tumour-secreted cytokines, and tumour proliferation through induction of apoptosis. The drug is usually administered daily as an oral treatment.

<sup>2</sup> Gastrointestinal stromal tumor (GIST), pancreatic neuroendocrine tumors and metastatic renal cell carcinoma.

<sup>3</sup> Smoldering myeloma and myelodysplastic syndromes (MDS).

In 2005, Celgene received regulatory approval from the FDA to market lenalidomide under brand-name Revlimid. The drug has been a blockbuster success worldwide for the company and, according to DLMI Nordic Pharma Insights, sales were estimated at SEK1.4bn across Scandinavia in 2021. However, in March 2022, the patent protection for Revlimid expired, opening up for generic versions of Lenalidomide to enter the market.

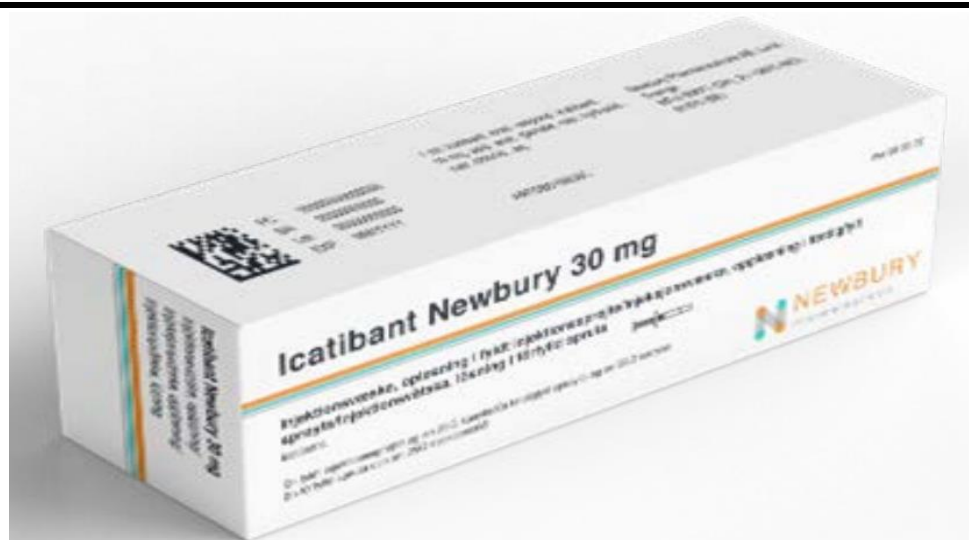
Earlier this year, Lenalidomide Newbury received market approval in Scandinavia and is set to become Newbury's next product on the market. The commercial product has arrived in the Newbury warehouse and the company will compete for the monthly tender in Sweden starting from December 2022.

### Rare diseases

Another high priority therapeutic area within Newbury's strategic focus is the rare diseases segment. A rare disease is any condition that affects a very small percentage of the population and is present throughout a person's life, although symptoms may appear at a later stage in life. In the Europe Union, a disease is defined as rare when it affects no more than 1 in 2,000 citizens. While each disease in itself can be rare, estimates suggest there exists between 6,000 and 8,000 different rare diseases. In total, according to the European Commission, these affect approximately 30 million people in the EU alone.

Treatments within rare diseases are often characterized by a limited target population and relatively high treatment costs due to the lack of administrative infrastructure, knowledge about diagnosis and alternative treatment options, and the complexity of the disease. New data and genetics technologies have resulted in the transformational new treatments for a handful of rare diseases. Despite these scientific advances, however, more than 90% of rare diseases still lack an effective treatment.

### Newbury Icatibant – Product

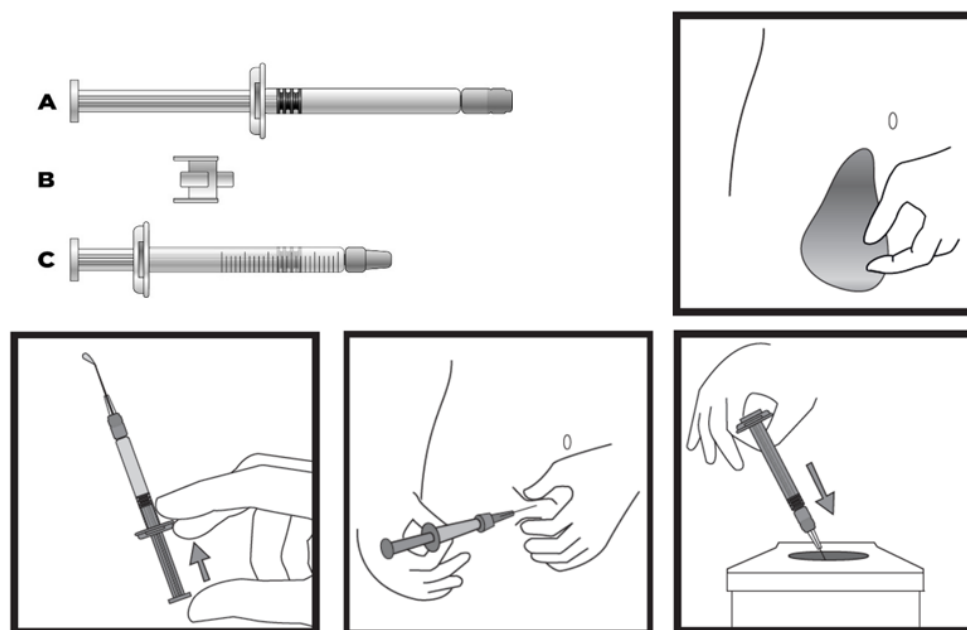


Source: Fass

Newbury's very first product launch was within the rare disease treatment space, as Icatibant Newbury was introduced to the market earlier this year. Icatibant Newbury is indicated for the treatment of acute attacks of hereditary angioedema in adults. The product is a portable acute therapy option which patients can carry with them wherever, such that they are always prepared

to treat a potential attack. Icatibant Newbury is supplied as a 3-ml, pre-filled syringe and is administered by patients in the abdomen or stomach.

### Newbury Icatibant – Administration



Source: Fass

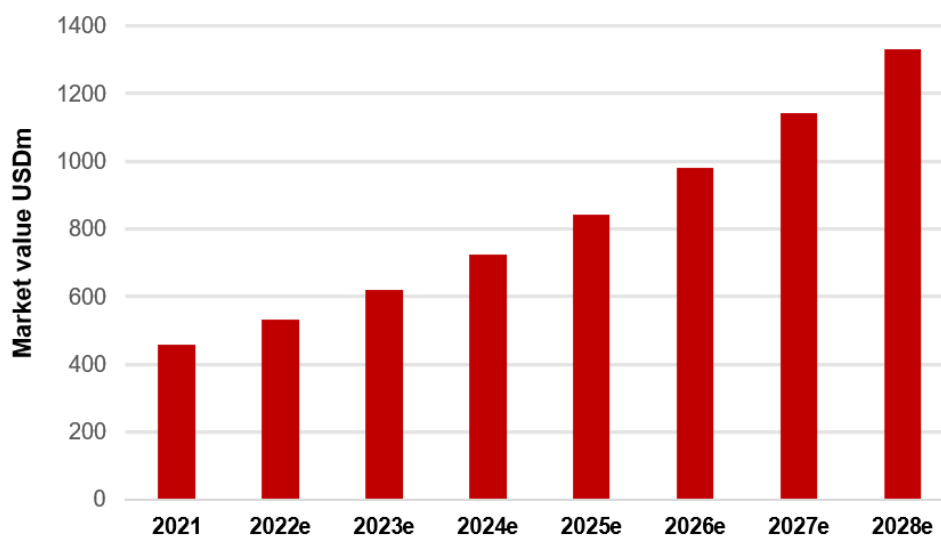
Following an initial market approval during the last quarter of 2021, the company announced in the beginning of 2022 that Icatibant Newbury had successfully been made available for patients and prescribers in Sweden and Norway. It is launched as a cost-effective alternative to the original medicines. Following some initial sales in Norway in February and March, Icatibant Newbury managed to win the product of the period (Swedish monthly tenders) for the months of May, June, July, and November, marking the true beginning of the company's commercial phase.

Another exciting product in Newbury's portfolio within the rare disease segment is teduglutide. It is a medicine for the treatment of short bowel syndrome in adults and works by promoting mucosal growth and restoring gastric emptying and secretion. Short bowel syndrome is a disease characterized by the intestine being unable to absorb nutrients and fluids. This often occurs when all or part of the small intestine has been removed. The active substance, teduglutide, is a GLP-2 analogue, a naturally occurring glucagon-like peptide normally excreted from certain cells in the gut. GLP-2 increases blood flow in the intestines and porta system, inhibits the secretion of stomach acid and reduces bowel movements, improving the absorption of nutrients and fluid from the remaining gastrointestinal tract (gut).

In Europe, teduglutide has been granted orphan drug status and its original is marketed under the brand Revestive (GATTEX) by Takeda. In the Swedish Dental and Pharmaceutical Benefits Agency's (TLV) health economic analysis, the treatment cost of Revestive is estimated at around SEK1.8m per patient each year. As a result of the high cost, only a few patients in Scandinavia receive the treatment today.

Furthermore, according to MarketWatch, the global short bowel syndrome market size was estimated to be worth USD457m in 2021 and is expected to grow with a CAGR of 16.5% until 2028.

### Global short bowel syndrome market, 2021-2028e (USDm)



Source: MarketWatch, Redeye research

Newbury has previously stated that it sees teduglutide as an important contributor to future growth. We believe that it is evident that the candidate has a large potential on the Scandinavian market. In September 2022, the market exclusivity for Revestive expired in the EU, paving the way for teduglutide generics. Newbury has obtained an exclusive right for the commercialization of teduglutide in the Nordics from our partner, within this specialized rare disease segment. The product is expected to receive approval from regulatory authorities in 2024/2025 and is set to be launched under its own brand.

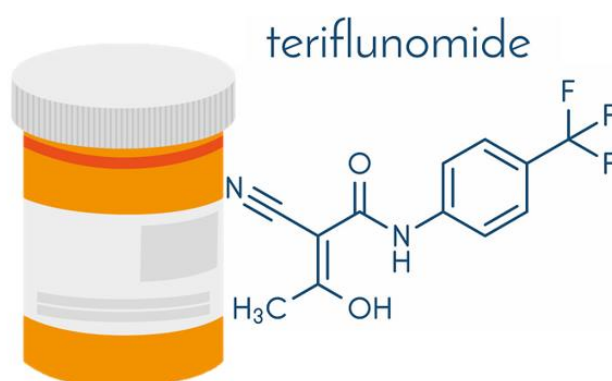
### Neurology

Newbury's third therapeutic area of focus is neurology, one of the largest prescription drug markets in the world. The company's neurology products primarily target multiple sclerosis (MS), a disease of unknown aetiology characterized by immune-mediated inflammation and neurodegeneration. One of them, teriflunomide, is set to become one of Newbury's first neurology product on the market.

Teriflunomide is an immunomodulatory drug inhibiting pyrimidine de novo synthesis by blocking the enzyme dihydroorotate dehydrogenase. In other words, it inhibits rapidly dividing cells (including activated T cells) which are thought to drive the disease process in MS. Teriflunomide is thought to decrease the risk of infections, compared to chemotherapy-like drugs, because of its more-limited effects on the immune system.

## Teriflunomide – Neurology treatment

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Source: Haymarket Media, Redeye research

The original drug for teriflunomide is branded as Aubagio and marketed by Sanofi. The patent protection and market exclusivity for the product begins expiring in 2024 (in Norway) in the Scandinavian markets. Simultaneously, Newbury's teriflunomide candidate was recently approved by the Norwegian health authorities (November 2022) and is expected to receive market approval in the remaining Scandinavian countries starting from early 2023.

We believe that this puts Newbury in a favourable position to be among the first generic providers of teriflunomide on the Scandinavian market. The first generic drugs to make it to market after an original drug's patent expiration enjoys a significant market share advantage over later arrivals. Furthermore, according to AJMC, providers and prescribers typically don't do a lot of switching within the MS treatment space. If a patient is stable and doing well, they tend to stay on the same treatment. Accordingly, a potential first-mover-advantage for the company could be crucial in teriflunomide.

### Other indications

Apart from the company's primary therapeutic focus areas, Newbury's portfolio will also include a plethora of treatments deemed interesting in a range of different indications. Newbury has stated that the portfolio will be gradually expanded with new registrations within the existing indications or new indications where the company can offer competitive treatments to the Scandinavian market. As long as the products brought in are in line with the company's strategy within specialty drugs and own brands, the indication is not necessarily decisive.

An example of such a product in the current portfolio is liraglutide. It is a GLP-1 analogue that is taken daily with an injection pen as a treatment for type 2 diabetes. Liraglutide helps the patient's pancreas to produce more insulin by making important cells function as in a healthy person. These cells are called beta cells and help control blood sugar levels by producing and releasing insulin.



## Commercialization and marketing

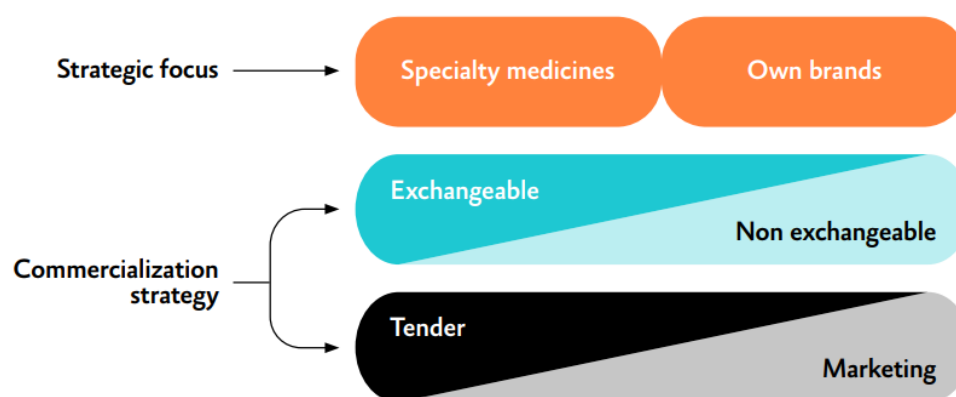
### Business strategy and organization

#### Business model

Contrary to most other biotech companies, Newbury's business model revolves around in-licensing proprietary product rights and exclusively focusing on registration and commercialization of the products. Accordingly, the company does not have its own drug development department at all. Instead, the core of Newbury's value-creation stems from the company's regulatory, commercial, and marketing expertise. This provides the company the opportunity to be a nimble and flexible organization, able to operate in a cost-efficient manner from an early stage in the company build-up.

Existing and future products are added to the company's pipeline through partnerships based on either licensing models or distribution rights. In this way, the main risks that traditional pharmaceutical companies face regarding investments in capital goods, research, and development (R&D) and drug production are greatly reduced.

#### Newbury – Commercial focus areas



Source: Newbury Pharmaceuticals

Depending on the type of drug, the company's commercialization strategy differs regarding how the products are sold and marketed. Newbury's strategic focus in its product portfolio is primarily on specialty medicines and own brands. These products are generally non-exchangeable with a slightly niche position on the market. In this category, medicines are rarely replaced and generally require more marketing efforts, while the profit margins are relatively high. Sales are driven by doctors' prescriptions and recommendations, which are often governed by national and regional guidelines. Newbury aims to identify products with minimal competition by having a focus on treatments which are difficult to produce and where the company can obtain exclusive or semi-exclusive rights from its partners.

However, several of the company's products to be launched in the coming years are also traditional generic products. These are less complex and exchangeable drugs usually characterized by high competition. Today, all Scandinavian countries have implemented some form of efficient exchange systems to benefit the product with the lowest price. In traditional medicines, prices are generally quite volatile and can change every month or even every two weeks. This commonly causes quick price erosions, which can make it difficult for suppliers to forecast sales estimates. However, in a similar manner, the company's products in this category

are expected to give Newbury quick access to the markets as it will be able to compete in local and national tenders directly from launch.

As previously explained, it is essential for companies operating in the generic pharmaceutical industry to be among the first on the market in order to maximize the yield from a specific drug product. This is a competitive advantage that Newbury highly prioritize and has formed its business model around. Being able to offer the opportunity of quickly launching and marketing a product, while the generic competition is still relatively low, can also be a strong incentive when attracting partners. The company's established network of connections, suppliers and customers, and deep knowledge of the Scandinavian market enables Newbury to provide flexibility, quickness, and scalability.

### Personnel

Naturally, Newbury's personnel should be considered a key asset to the company due to the nature of its business model. In addition to CEO, Lars Minor, and Executive Chairman, Karl Karlsson, we also highlight VP Sales and Marketing, Fredrik Hellqvist, and CFO, Christoffer Tell. Fredrik Hellqvist has vast experience in the pharmaceutical industry, having held positions such as Business Unit Director, Commercial Director and Regional Product Manager at large industry players AbbVie, Abbott, and AstraZeneca. Christoffer Tell has previous experience as CFO in multiple companies, including two companies listed on Nasdaq First North.

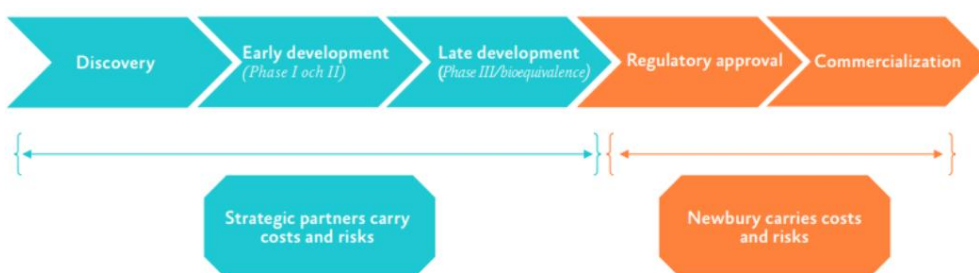
Furthermore, in August 2022, Newbury announced the appointment of Mrs. Andrea Karnitschky as Senior Director and Head of Business Development. Karnitschky held a position as Director & Head of In-licensing Europe at Dr. Reddy's Laboratories SA following an appointment as Head of Sourcing at betapharm Arzneimittel GmbH.

Following the appointment of Mrs. Andrea Karnitschky, Newbury has stated that it expects to maintain the current organizational set-up during the next year. However, the company expects to expand with a commercial team in 2024, when an increasing number of products which require investments in sales and marketing efforts are set to launch.

### Partnerships and licensing agreements

Newbury currently has established close partnerships with four external partners in accordance with its business strategy. Through these partnerships, the company has gained access to the 32 in-licensed treatment candidates in its product portfolio. Evidently, Newbury's partnerships therefore constitute a strategic pillar in the business model and are central in the company's operations. New partnerships are constantly evaluated based on product range and competitiveness. However, the company primarily focuses on maintaining close collaboration with selected partners.

### Newbury – Partnership Model



Source: Newbury Pharmaceuticals

The majority of Newbury's current pipeline products originate from its partnership with Adalvo, through license agreements. Adalvo is a part of the pharmaceutical giant Alvogen and is one of the leading B2B pharmaceutical companies in Europe, with over 90 commercial partnerships in more than 70 countries over the world. Newbury has further close ties with the company as the CEO of Adalvo, Anil Okay, is also a Board member at Newbury.

### Adalvo – A Newbury partner

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Source: Adalvo

Newbury's license and supply agreements are usually structured such that the company receives a license from the licensor to use a dossier consisting of data, information and know-how related to a particular product following a concluded agreement. Through the license, Newbury then has the right to apply for registration for the sale of the product with the competent regulatory authority in each country included in the agreement (usually Sweden, Norway, and Denmark).<sup>4</sup> The company, thus, owns the market approvals and the right to commercialize and sell the product within these countries.

The license agreements can generally be divided in two separate ways, both of which are found in Newbury's pipeline. In some cases, Newbury pays a smaller amount for the license and the parties commit to sharing the profit to some degree (royalties). However, there are also agreements without profit sharing and Newbury thereby receives all revenue from product sales. In both cases, the license agreements run without a specific time limit.

The degree of exclusivity regulates the licensor's possibility to grant a license to another company for the registration and sale of a certain product in a region and can vary between agreements. Either the licenses are *non-exclusive* – the licensor can freely grant a license to any other company, *semi-exclusive* – the licensor may (usually) grant one additional license to another company, or *fully exclusive* – the licensor is not allowed to grant a license to another company at all. The degree of exclusivity can be an important component in withstanding competition and retaining a profitable product.

Furthermore, Newbury has no own production of the in-licensed products in its portfolio. Instead, the company acquires the products by purchasing them from the licensor in accordance with the supply agreement. Similarly, Newbury usually undertakes to only purchase the products from the specific licensor. The commitment is generally valid for five years, counting from the start of sales, in each country. Upon the time of expiration, each party then has the right to terminate the delivery agreement. In such cases, Newbury has the opportunity to choose another supplier for the purchase of products. However, if the agreement is not unilaterally terminated, it will be extended automatically.<sup>5</sup> We believe that this set-up allows the company to maintain its flexible organizational structure, while avoiding large investments in production facilities and factories.

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<sup>4</sup> For some products, such a right is also obtained for Iceland. Newbury is also looking to potentially expand to Finland in the coming years.

<sup>5</sup> Any termination of the delivery agreement does not affect the Company's right to market and sell a particular product within each country.

## Regions

Newbury has chosen to focus its current operations on the Scandinavian pharmaceuticals market. It is a market where generic competition is generally quite weak as a majority of international biotech companies do not prioritize it when commercializing their products. While restraining the geographical scope of business to a constrained area does limit the maximum sales potential, we believe that this provides a company of Newbury's size an opportunity to operate in a cost-efficient manner. We argue that this way, the company can utilize the regional and sectoral expertise and experience of its key personnel to beat off competition.

## Newbury - Targeted regions



Source: Redeye research

At the moment, Newbury does not have the facilities to establish itself as a serious contender at a European or global scale. Instead, choosing to operate in a confined market where it has an already-established business network is far more feasible. The company is currently operating in Sweden, Norway, and Denmark, looking to enter Finland in the near future.<sup>6</sup> However, after building a foundation in the Scandinavian market, the company has stated that it wants to extend its offering to other geographical markets as well.

## Subsidiary

Newbury Pharmaceuticals is the parent company of a group with a wholly owned subsidiary, Newbury Pharmaceuticals SA, based in Lugano, Switzerland. Through its subsidiary, the company conducts international sales of pharmaceuticals outside Scandinavia through distributors in emerging markets. Primarily generic traditional pharmaceuticals under own label or export from the Nordic portfolio when opportunity arise. Portfolio investments are focused on the Nordic markets and while Newbury is building its market share in the Nordics – the sales from international business can support the overall value creation and may have a larger share than anticipated in the mid- to long-term. This shows the agile and flexible business platform Newbury is operating.

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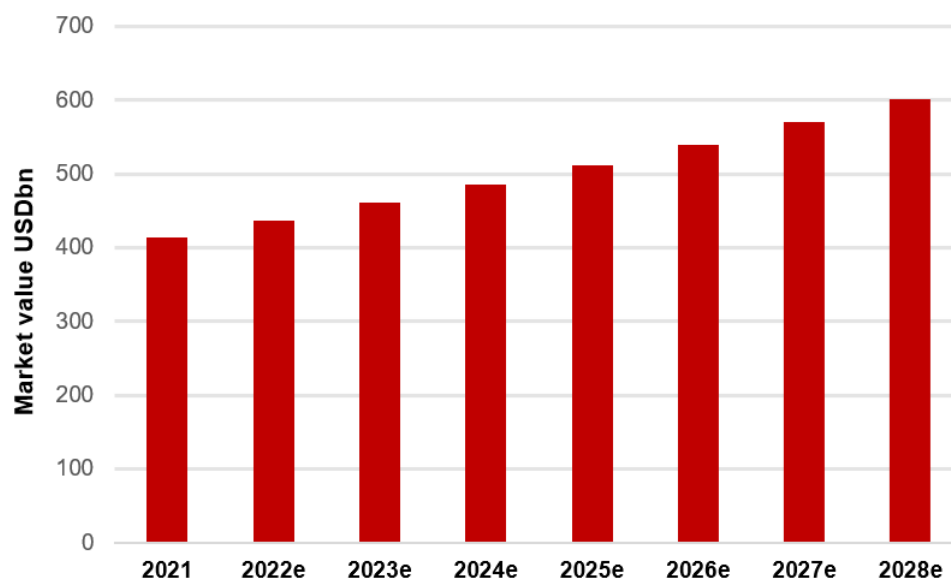
<sup>6</sup> Newbury expects to launch its first products in Finland in 2024.

## Market overview

### Generic pharmaceuticals market

Newbury is active in different segments of the generic prescription drugs market. Looking at the industry as a whole, globally, the generic pharmaceuticals market was valued at USD 414.56bn in 2021, according to Precedence Research. Furthermore, it is projected to grow at a CAGR of 5.4% over the coming six years, reaching a market size of USD 605.6bn in 2028.

**Global generic pharmaceuticals market, 2021-2028e (USDbn)**

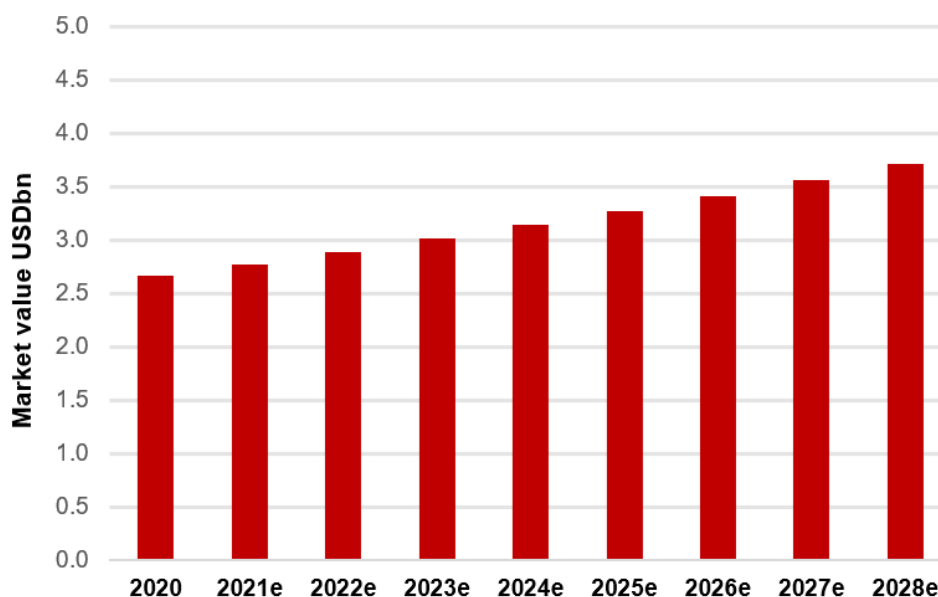


Source: Precedenceresearch, Redeye research

The company's main aim in the foreseeable future, however, is to establish itself as a serious contender on the Scandinavian market. According to Statista, the overall Scandinavian<sup>7</sup> pharmaceuticals market was valued at USD13.3bn in 2020, with the market expected to grow at a CAGR of 4.2% until 2028. However, according to the (Swedish) Association for Generic Medicines and Biosimilars (FGL), about 20% of the general Scandinavian pharmaceuticals market are attributed to sales of generic medicines. Accordingly, we estimate the Scandinavian generic pharmaceuticals market at approximately USD2.66bn in 2020, expected to grow to 3.7bn in 2028.

<sup>7</sup> This includes Sweden, Denmark, Norway and Finland.

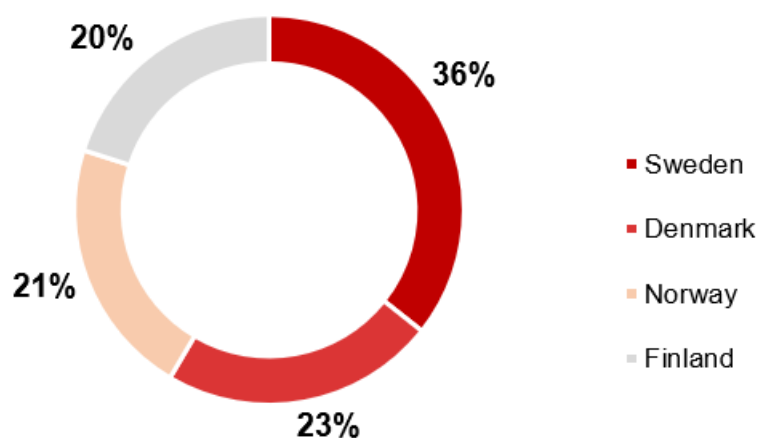
**Scandinavian generic pharmaceuticals market, 2020-2028e (USDbn)**



Source: Statista, FGL, Redeye research

Looking at each of the Scandinavian countries' individual pharmaceuticals market, Sweden hosts the largest one with 35.7% of the Scandinavian market. This is followed by Denmark with 22.8%, Norway with 21.5% and, lastly, Finland with 20% of the market. Furthermore, all four Scandinavian countries spend between 9% and 11% of their GDP on healthcare expenditures. In comparison to the European average of 8.6%, these are relatively high figures and showcase the countries' high priority of the domestic healthcare sector.<sup>8</sup>

**Scandinavian pharmaceuticals market, by country, 2020 (in %)**



Source: Statista, Redeye research

<sup>8</sup> According to OECD Health Statistics 2019 (May 2020) and Macrotrends.

## Trends

### COVID-19

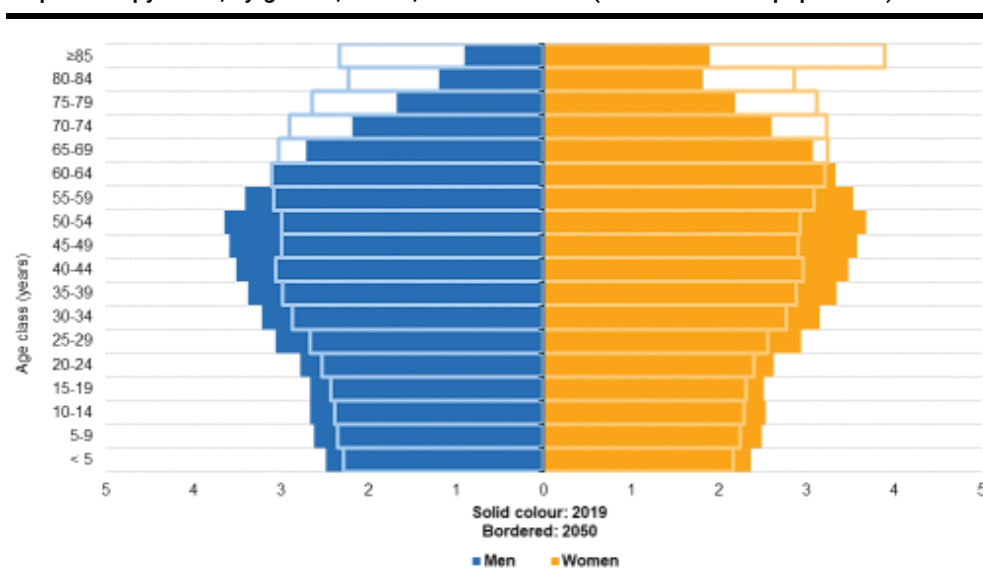
COVID-19 put the global pharmaceuticals industry into the spotlight with the world urgently working towards a breakthrough in the fight against the pandemic. The outbreak caused many delays in the drug development process, put heavy pressure on hospitals and healthcare clinics, and disrupted supply chains worldwide. This led to global shortages of goods and materials in the pharmaceutical industry, which is characterized by long processes to change production partners, long lead times and costly logistics challenges in the supply of raw materials.

However, now, large parts the industry has managed to recover following covid-19. Long-term impacts of the pandemic on the pharmaceutical industry are not necessarily entirely negative. We have seen an increased attention toward research and development of new treatments. The life sciences sector is experiencing an era of unprecedented growth driven by a surge in both public and private funding combined with a post-pandemic sense of urgency and market opportunity. For example, the US National Institutes of Health (NIH) received an additional USD3.6bn of federal funding in 2020 as a consequence of the pandemic. The NIH has until September 2024 to distribute those funds, which will allow for detailed planning and long-term support of research activities.

### Ageing population

The pharmaceutical industry faces a demographic change towards an older customer generation. There is an underlying ever-growing demand due to the aging population in many developed economies. As more people live longer and the general population are older, more people suffer from diseases and chronic conditions. It is assumed that the ongoing developments will encourage governments to put pressure on the pharmaceutical companies to reduce drug prices for consumers.<sup>9</sup> This will likely further increase the demand for generics and biosimilars, specifically. We believe that Newbury is well-positioned to take advantage of these trends by offering products at competitive prices and bringing products to market at a reduced cost to society.

### Population pyramid, by gender, EU-27, 2019 and 2050 (% share of total population)



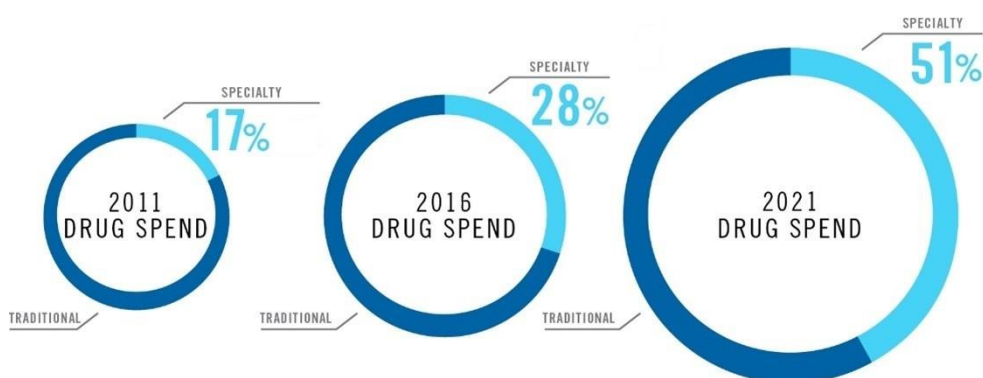
Source: Eurostat

<sup>9</sup> Miriam Mennen, 2007.

### Specialty medication

One of the main challenges for most pharmaceutical companies in the future will be standing out among the competition in an already crowded market. We believe that a key differentiator for successful companies will be their ability to deliver transformative medicines. Simply developing and providing drugs that just work will not be enough to set companies apart from its competitors. Instead, the therapies need to be more and more precise, improving the patient's health while being convenient and easy to administer. This coincides with an increased attention towards precision treatment and specialty medicines.

### Distribution between sales of special medicines and traditional medicines



Source: Drug Channels Institute, Evernorth Health Services, Redeye research

During the past decade, there has been a growing share of specialty medicines in the overall sales of pharmaceuticals. The distribution of pharmaceutical prescription revenue between special medicines and traditional medicines has changed dramatically. According to Drug Channels Institute and Evernorth Health Services, the share of overall US prescription drug revenues attributed to specialty medications has gone from 17% in 2011 to 51% in 2021, almost tripling in relative terms. The same sources argues that this trend is likely to continue as the next-generation pharmaceutical blockbusters will more likely be specialty products aimed at smaller patient populations rather than the mass-market blockbusters of yesterday. Accordingly, we believe that specialty medicines are the segment where Newbury has the highest potential and probability to successfully establish itself as an important player.

## Pricing model and competition

Overall competition in the pharmaceutical industry is high, specifically within the generic drug segment. The competitive environment and rules within the industry varies depending on region and type of pharmaceutical, among other factors. The exact conditions for competition and market opportunities are different between the Scandinavian countries, although similar.

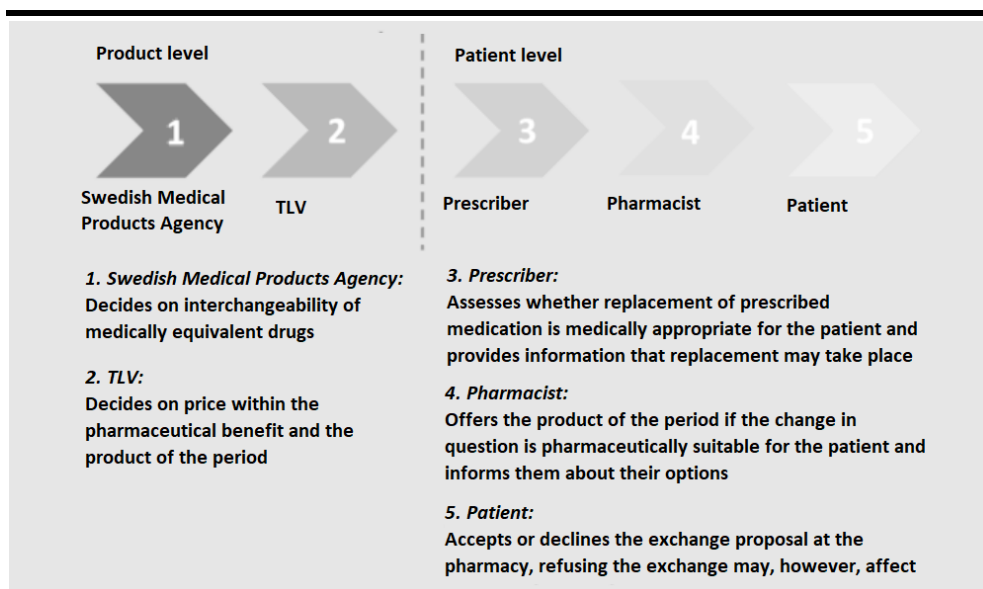
All of the Scandinavian countries have some form of publicly funded healthcare. Despite some administrative differences between the countries, the healthcare systems and forms of compensation are very similar. In Sweden and Denmark, healthcare is decentralized to the regional level, while in Norway it is divided between the state and municipalities. The domestic healthcare and pharmaceutical markets are generally heavily regulated by each countries' governments. The aim of regulation is to assist the market in the interest of the public welfare and to ensure that important healthcare and social issues are considered in the decision-making process. Examples of such are the quality, transparency, access and reimbursements of pharmaceuticals and treatments.

### Sweden

#### Generic Substitution

In Sweden there are rules and laws on the interchangeability of generic medicines being provided by pharmacists and prescribers. In order to ensure that patients, or society as a whole, do not pay more than necessary for medicines, the Swedish Dental and Pharmaceutical Benefits Agency (TLV) designates the generically interchangeable drug with the lowest price as the "product of the period" every month. The pharmacies are then restrained to offer this product, the cheapest version of an interchangeable generic treatment, under Sweden's generic substitution law. Once a generic drug has received approval for marketing in Sweden it is eligible for inclusion in the list of substitutable products.

#### Generic substitution – Process



Source: Swedish Medical Products Agency

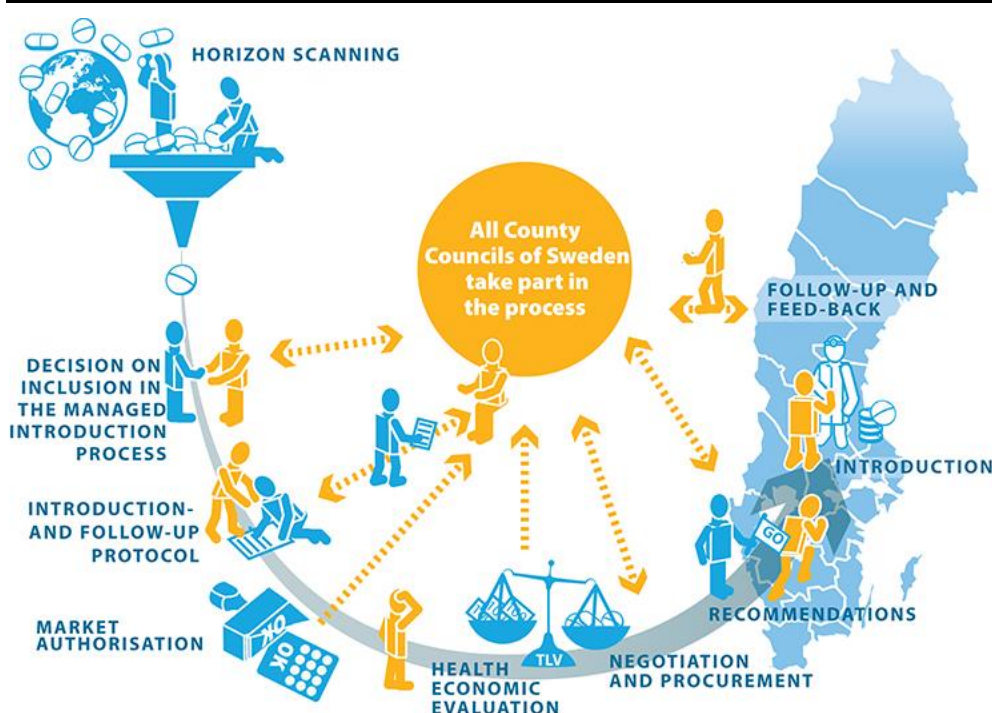
The Swedish Medicines Agency is responsible for assessing which medicines are interchangeable. Such medicines must contain the same active substance, in the same strength and have the same preparation form. They are assessed as therapeutically equivalent and have the same medicinal effect. It is worth noticing that, by this definition, Newbury's own

brand products are not seen as interchangeable medicines. Therefore, these products are not restrained by the rules of generic substitution and could be marketed at somewhat premium pricing.

### Tenders

The Public Procurement Act states that contracting authorities have to treat all suppliers in an equal, non-discriminatory, and transparent manner when conducting procurements. The applying supplier must include proof of economic standing and technical and professional ability in the tender, to assure that the agreed upon conditions can be met. The decision to accept a tender is then based on a set of criteria that the county councils have laid down. Since most county councils group together with other counties to get volumes large enough for discounts, the criteria tend to be uniform across the whole of Sweden.

### Tender process for new pharmaceuticals – Sweden



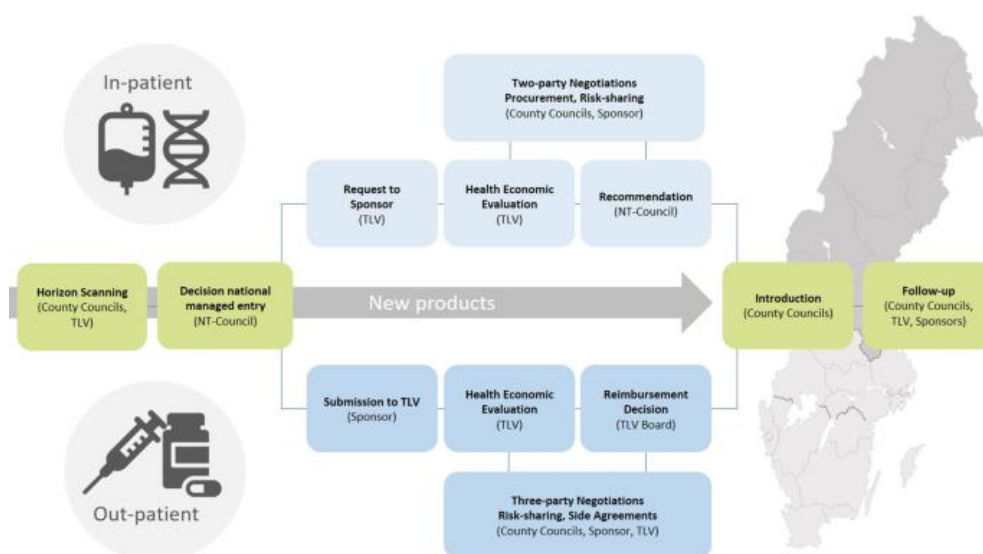
Source: The Swedish Association of Local Authorities and Regions

In most cases, tenders are judged based on how well they serve both their medical and pharmaceutical purpose. In addition, there are often criteria on the supplier's ability to provide secure and reliable delivery. It is worth noticing that, while the price is important, the medical and the pharmaceutical suitability are usually the prioritized criteria, according to TLV. The frequency of procuring medicines varies between the county councils, but it is usually performed once a year.

### Reimbursements and regulatory measures

The pharmaceutical industry does follow the usual market rules where demanded quantities rise where prices fall. However, due to the nature of the industry, having a significant effect on societal welfare and well-being, governments can step in to ensure healthy market conditions are upheld. Accordingly, governments and competition authorities usually promote generic drug competition through a variety of tools to incentivize pharmaceutical companies, such as reimbursement procedures, ingredient-based substitution obligations or compulsory licensing.

## Health economic evaluation and reimbursement decision for new medicines – Sweden



Source: TLV

The Board of Pharmaceutical Benefits decides simultaneously on pricing and reimbursement for products included in the benefits scheme. The decision is based on clinical evidence and health economic documentation provided by the pharmaceutical companies. If TLV finds that the health economic analysis shows that the requested price is justified on the basis of the value the pharmaceutical delivers, the application is granted. This is often referred to as Value Based Pricing of pharmaceuticals.

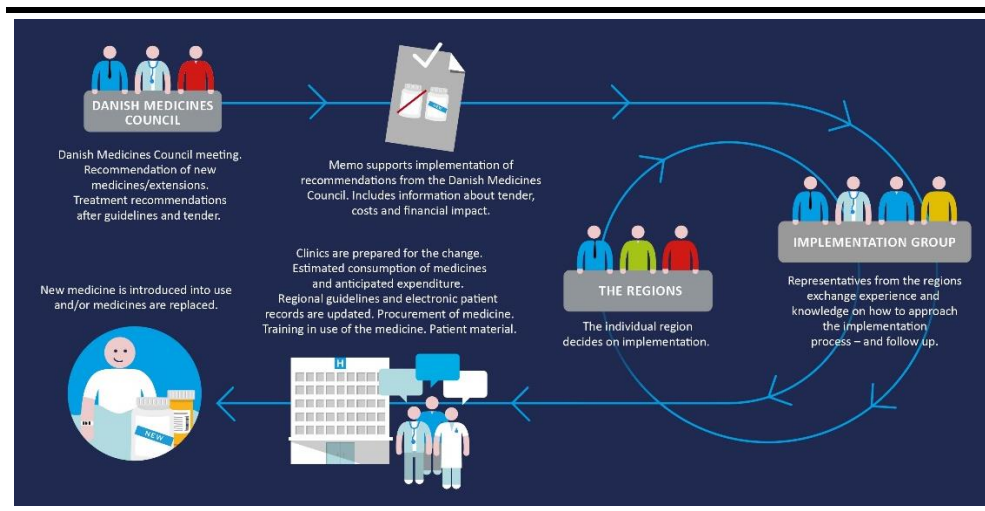
## Denmark

The Danish pharmaceutical market in general is characterized by transparency and low pricing of medicines. The Danish Medicines Agency (Lægemiddelstyrelsen) is the supreme pharmaceutical authority in Denmark. The purpose of the agency is to ensure that medicinal products used in Denmark are of satisfactory quality, are safe to use and have the desired effect. Its main objectives are to:

- authorize and inspect pharmaceutical companies and licenses medicinal products in the Danish market
- monitor adverse reactions from medicinal products
- authorize clinical trials
- decides which medicines are eligible for reimbursement
- monitor medical devices available in Denmark and supervises adverse incidents involving medical devices
- appoint proprietary pharmacists, organize the pharmacy structure, and supervise pharmacies and retailers.

Although a free pricing model applies in Denmark, which covers both original medicines and generics, it has become more common for medicines to be purchased through the healthcare system's central procurement organization, Amgros. The organization is tasked with ensuring that the Danish public hospitals and inpatient care have access to "the right medicine, available at the right price". This is done by organizing and conducting tendering procedures and procurement for the Danish Regions. Specialty medicines are procured through tenders every twelve months.

Process of introducing new medicines – Denmark



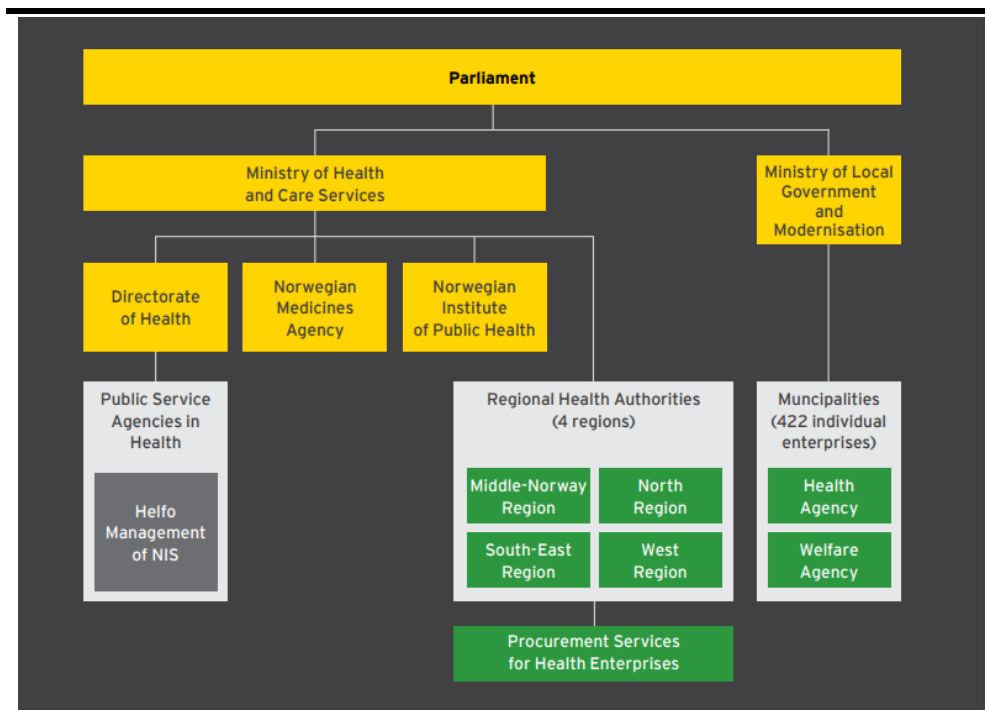
Source: Amgros

Regarding generic pharmaceuticals in the outpatient care, where the patents of the originals have expired, there is an exchange system in place that is similar to the Swedish “product of the period” system. Suppliers and drug manufacturers are free to announce price adjustments once every other week, where the product with the lowest price on each occasion receives the maximum compensation subsidized by the state.

Norway

The Norwegian health care system is organized on three levels: the central government level with the overall responsibility, the four Regional Health Authorities (RHA) with responsibility for the specialist health care services in the respective regions, and the municipal level with responsibility for primary healthcare.

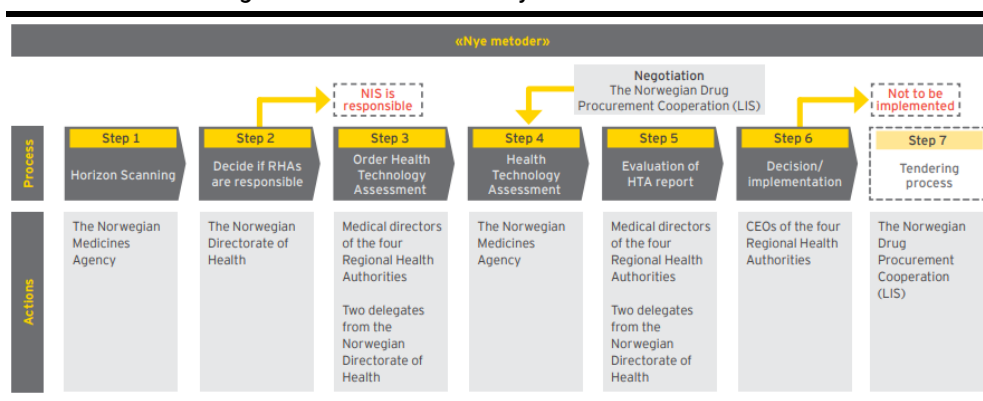
The organization of the Norwegian health care system



Source: EY

Furthermore, Norwegian citizens are insured under the National Insurance Scheme (NIS), managed by the Norwegian Health Economics Administration (Helfo). The NIS is mainly responsible for funding medicinal products used in the outpatient care. There are mainly two reimbursement categories under the NIS: general reimbursement and individual reimbursement. General reimbursement is based on a routinized list containing medicinal products that can be reimbursed for specific diagnoses. For individual reimbursement, the prescribing doctor applies to Helfo for reimbursement on behalf of the patient. The decision on whether to grant reimbursement is then decided on an individual basis.<sup>10</sup>

### Process of introducing new medicines – Norway



Source: EY

The price of medicines in the outpatient care is determined through the use of a price reference system. The Norwegian Medicines Agency (NMA) is responsible for setting the maximum pharmacy purchasing prices (PPP), estimated by calculating the average of the three lowest prices from nine European Economic Area (EEA) reference countries: Sweden, Denmark, Finland, Germany, Great Britain, Netherlands, Austria, Belgium, and Ireland. Once the patent expires and generic drugs enter the market, they are regulated through the use of a stepped price model. Similar to in Sweden, the NMA develops a list of drugs that can be considered equal and interchangeable. However, based on the price of the reference (original) drug, the price of a drug is reduced stepwise depending on the sales volumes.

There is also a supplement to the prescription of ordinary medicines in the outpatient care, called an H-prescription. These allows certain inpatient medicines to be picked up at regular pharmacies and are funded by the RHAs.

The municipalities are responsible for funding pharmaceuticals used in institutions on the municipal level, typically nursing homes and care homes, while the RHAs are responsible for the funding of medicinal products used in hospitals. For pharmaceuticals funded by the RHAs, the decision-making process for reimbursement assures that medicinal products fulfill cost-effectiveness requirements. The Norwegian Drug Procurement Cooperation (LIS) is responsible for the procurement on behalf of all the four RHAs, through price negotiations and tenders.

### Peers and competitors

Newbury naturally competes with the producers of its product's originals and a varying number of generic pharma companies, depending on the specific treatment. The company primarily focuses on specialty medicines, which are generally more difficult to produce and characterized by lower competition than traditional medicines, and its own brands. Many peers have a broader product portfolio that is more focused on traditional medicines with a high degree of

<sup>10</sup> EY, "The Norwegian processes for implementation of medicinal products and the associated tenders.", (2019).

substitutability. However, Newbury is still set to face competition from both big pharma, and smaller distributors and suppliers.

**Peers and competitors – Newbury, by category**



Source: Redeye research, Newbury Pharmaceuticals

The diagram above illustrates the competitive landscape of generic pharmaceuticals, where the companies are sorted by the degree of complexity and interchangeability, respectively, of their pipeline focus. As explained, Newbury is primarily focused on specialty medicines and branded products and is therefore located in the top right side of the diagram. In contrast, a company like KRKA, which is mostly focused on exchangeable and traditional generics, is located in the bottom left side of the diagram.

Apart from Newbury, we have identified five additional companies which we place in the same category as the company. These range from the somewhat smaller company Campuspharma to the larger company Panpharma and pharmaceutical giants Sandoz, Glenmark and Orion Pharma. The closest peer to Newbury is naturally Campuspharma, which is also a Swedish pharmaceutical company operating on the Scandinavian (Nordic) markets. Similar to Newbury, the company focus on registration and marketing of, primarily, specialty medicines. Campuspharma’s therapeutic areas are mainly oncology, neurology, and women’s health, as both prescription drugs and over-the-counter (OTC) medicines.

## Financials

### Historical financials

Newbury has chosen to report its finances according to a split fiscal year model, beginning on 1 September and ending on 30 August. It is also worth noting that the company had a shortened initial financial year (FY) of 11 months, as it began its Q1 2020/2021 period 30 September instead of 1 September. This should be considered when comparing Q1 2020/2021 and the FY 2020/2021 with future quarters and financial years, respectively.

Furthermore, Newbury is still a newly formed company as it was only established in 2020, with its first product having been commercialized earlier this year. The lack of operational and financial history limits any analysis or financial interpretation of the company's past.

#### Historical financials, 20/21-21/22 (SEKm)

Newbury Pharmaceuticals: Historical finances (SEKm)										
(SEKm)	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	2020/2021	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	2021/2022
Net sales	0.0	0.0	0.7	2.1	2.8	0.0	0.3	0.6	4.6	5.5
Other income	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.7	0.8	1.7
<b>Total revenues</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>2.1</b>	<b>2.8</b>	<b>0.1</b>	<b>0.5</b>	<b>1.3</b>	<b>5.3</b>	<b>7.2</b>
COGS	0.0	0.0	-0.6	-1.7	-2.4	0.0	0.0	-0.3	-3.7	-4.0
<b>Gross Profit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.1</b>	<b>0.5</b>	<b>1.0</b>	<b>1.7</b>	<b>3.3</b>
Operating Expenses	-0.2	-0.9	-2.2	-2.2	-5.5	-3.7	-3.8	-4.1	-5.3	-16.9
<b>EBITDA</b>	<b>-0.2</b>	<b>-0.9</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-5.0</b>	<b>-3.6</b>	<b>-3.4</b>	<b>-3.1</b>	<b>-3.6</b>	<b>-13.7</b>
<b>EBIT</b>	<b>-0.2</b>	<b>-1.1</b>	<b>-2.3</b>	<b>-2.1</b>	<b>-5.6</b>	<b>-3.8</b>	<b>-3.6</b>	<b>-3.4</b>	<b>-3.9</b>	<b>-14.7</b>
EPS	-19.2	-85.8	-147.2	-125.6	-354.5	-238.6	-185.6	-172.5	-199.5	-749.2
<b>Sales growth (%)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>95%</b>	<b>N/A</b>	<b>N/A</b>	<b>-12%</b>	<b>118%</b>	<b>227%</b>
Gross margin	N/A	N/A	13%	17%	17%	N/A	150%	162%	36%	60%
EBITDA margin (%)	N/A	N/A	-284%	-87%	-177%	N/A	-1120%	-481%	-79%	-248%
EBIT margin (%)	N/A	N/A	-315%	-98%	-199%	N/A	-1200%	-523%	-85%	-266%
Net income margin (%)	N/A	N/A	-315%	-94%	-196%	N/A	-1200%	-523%	-85%	-265%

Source: Redeye research, Newbury

However, FY 2021/2022 saw the company enter its commercial phase with the market launch of its first product (Icatibant Newbury). The company recorded sales of SEK4.6m in Q4 as Icatibant Newbury won its first tenders, the Swedish "product of the month", for June and July. The gross profit margin for quarter was 36%, and 60% for the fiscal year.

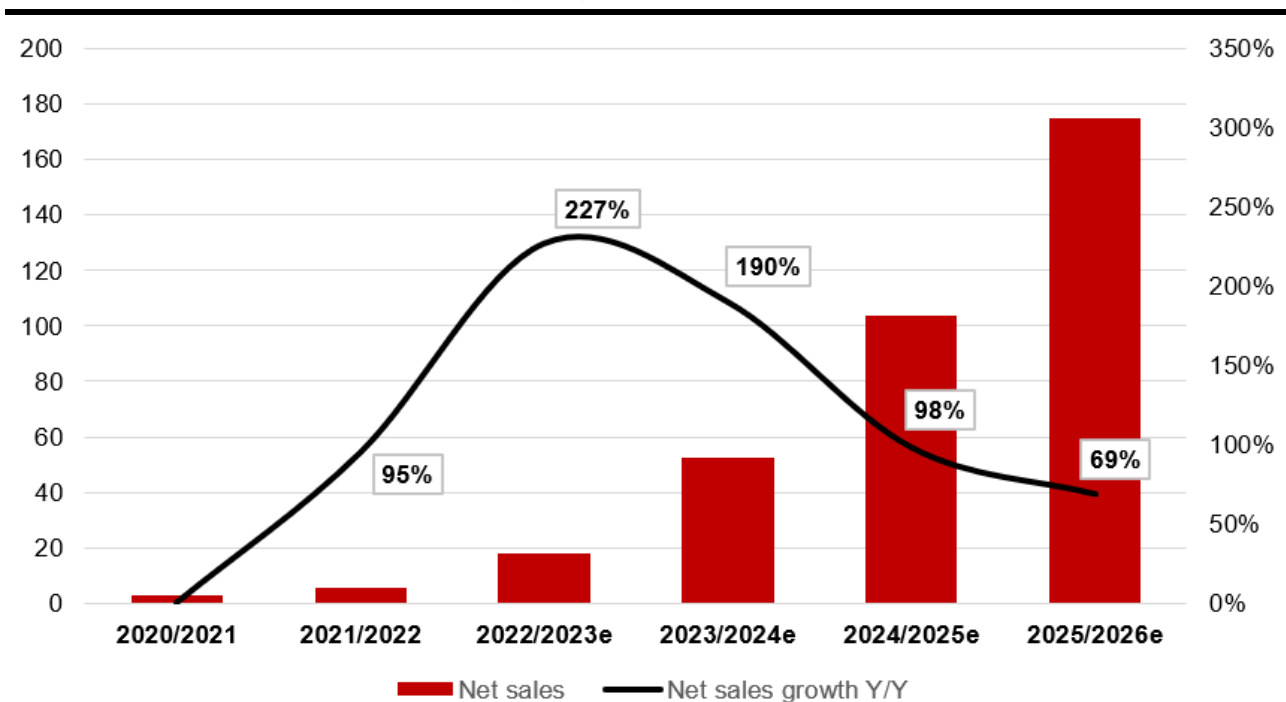
OPEX increased (in absolute terms) from SEK-5.5m in FY 2020/2021 to SEK-17m in FY 2021/2022 as the company intensified its commercial preparations and initiated rollout, necessary actions in constructing the fundamentals for growth over the coming years.

### Short-/mid-term financial forecast

#### Sales estimates

We expect Newbury to experience an accelerated growth in net sales from FY 2021/2022 to FY 2025/2026 as the company establishes itself on the Scandinavian pharmaceuticals market. One of Newbury's financial goals is to achieve sales in excess of SEK300m in 2026, indicating a CAGR of c143% (2021/2022 as baseline). We assume a CAGR of c137% for FY 2021/2022–2025/2026e, as we estimate sales of SEK175m in FY 2025/2026e.

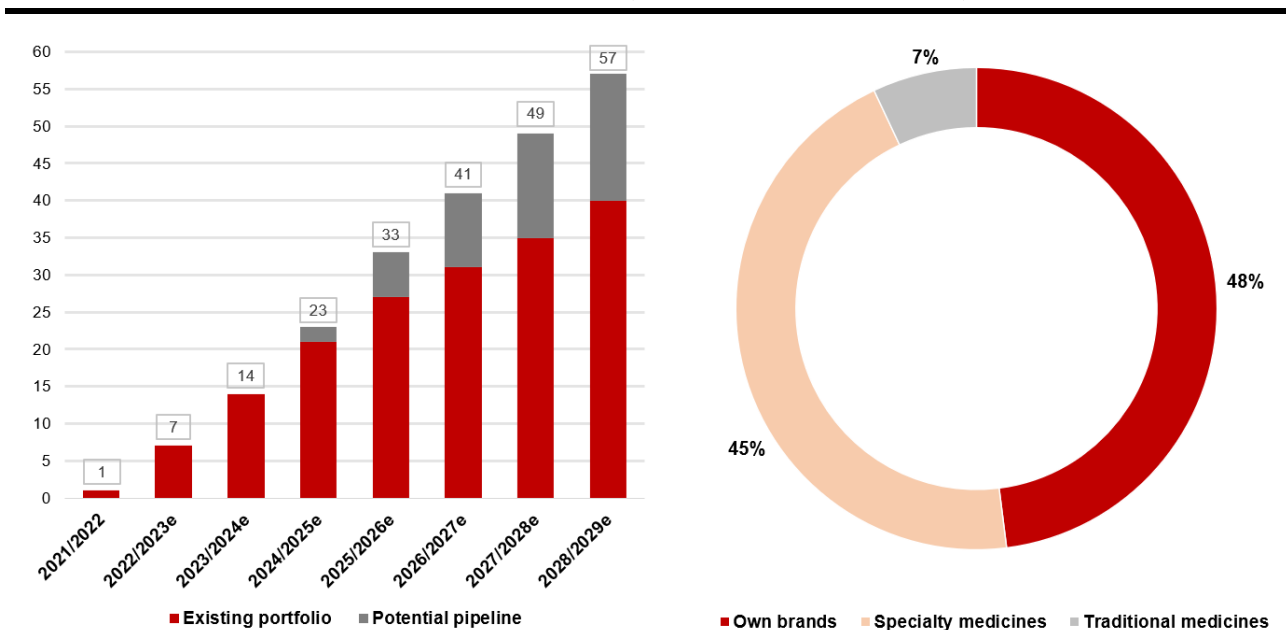
Net sales and sales growth Y/Y, 20/21-25/26e (SEKm)



Source: Redeye research, Newbury Pharmaceuticals

We expect Newbury's sales figures to be largely correlated with the company's number of marketed products and won tenders in each of the Scandinavian countries. With 5 products having received regulatory approval as of now, and several approvals expected in the near future, we expect the company to have launched 7-8 products by the end of 2023.

Expected nr of products on the market and segment split (as % of expected sales in 2026)

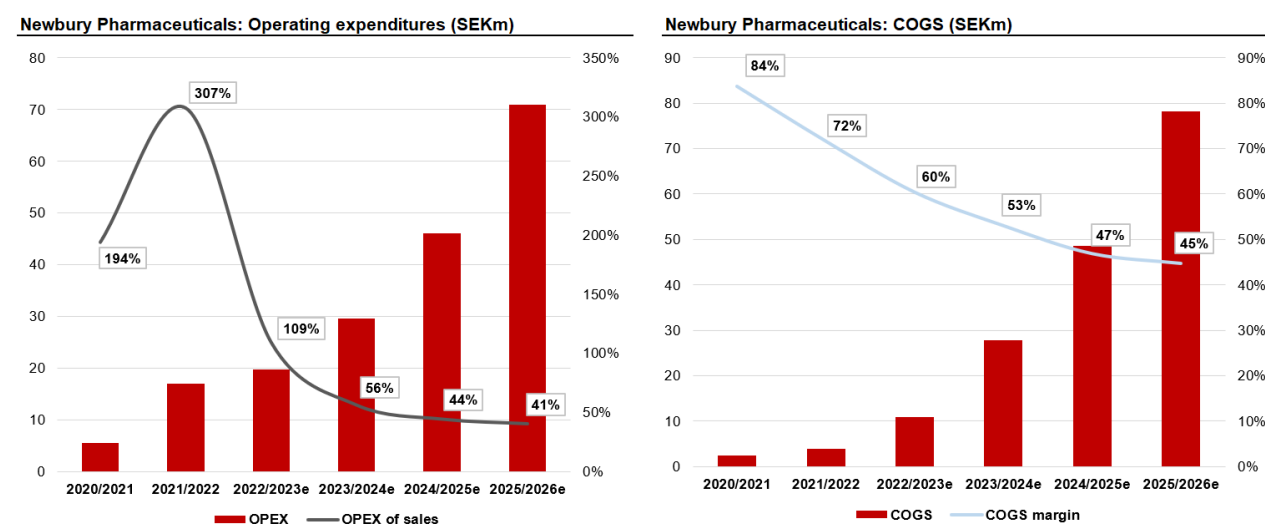


Source: Redeye research, Newbury Pharmaceuticals

### COGS and OPEX expectations

Newbury has stated that it expects to maintain the current organizational set-up during the next year. However, the company expects to expand with a commercial team in 2024, when an increasing number of products which require investments in sales and marketing efforts are set to launch. Accordingly, we do not expect OPEX in FY 2022/2023e (SEK-19.7m) to heavily increase from the levels reported in FY 2021/2022 (SEK-16.9m). Instead, we estimate more significant increases in OPEX in FY 2023/2024 (SEK-29.5m) and, primarily, FY 2024/2025 (SEK-46.1m).

### Operating expenditures and COGS, 20/21-25/26e (SEKm)

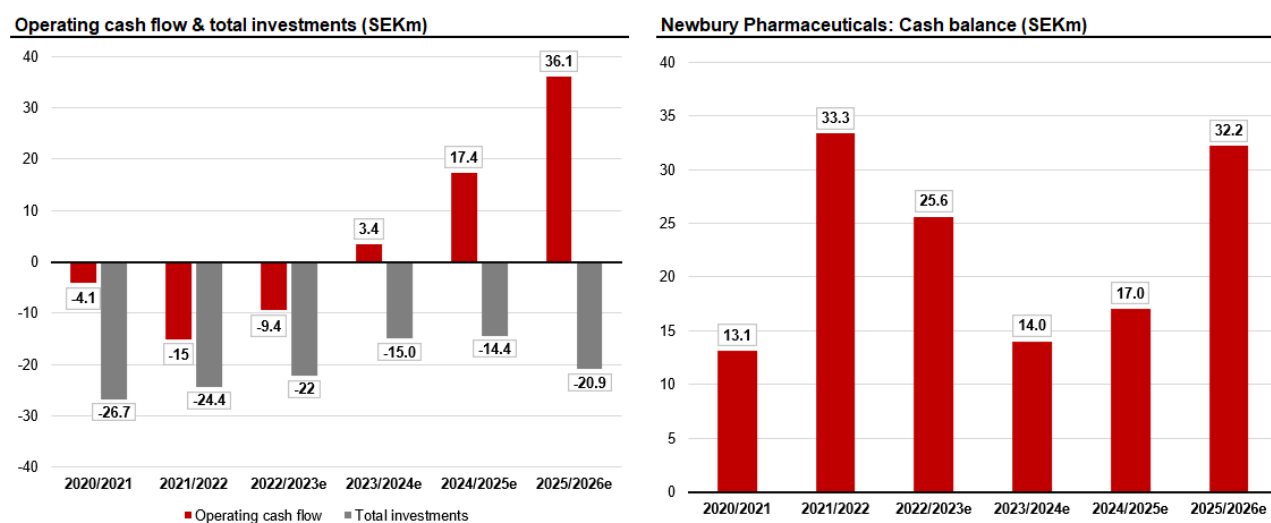


Source: Redeye research, Newbury Pharmaceuticals

### Cash flow and cash position

Following its IPO in February 2022, where the company raised approximately SEK 45.4m after deduction of issue costs, Newbury reported an end-of-the-period cash position of SEK33.3m in its year-end report for FY 2021/2022. Operating cash flow for the financial year amounted to some SEK-15m, while cash flow from investing activities were SEK-24.4m. While we estimate the companies operating cash flow to decrease in absolute terms for FY 2022/2023e (SEK-9.4m), we believe that Newbury will perform a capital raise during 2023 to avoid ending up in a financially precarious situation. Accordingly, we factor in a share issue in the range of SEK30m-35m (before the deduction of transaction costs) in our valuation model.

## Operating cash flow and cash balance, 20/21-25/26e (SEKm)



Source: Redeye research, Newbury Pharmaceuticals

Furthermore, we expect Newbury to achieve positive operating cash flow by FY 2023/2024, continuously expanding thereafter. We believe that the launch of multiple pipeline products, bolstered by the expected entrance on the Finnish market, will drive sales in 2024 and generate a positive result.

## Financial Estimates – Newbury, 21/22-25/26e (SEKm)

Newbury Pharmaceuticals: Financial forecast (SEKm)									
(SEKm)	2021/2022	Q1 22/23e	Q2 22/23e	Q3 22/23e	Q4 22/23e	2022/2023e	2023/2024e	2024/2025e	2025/2026e
Net sales	5.5	1.0	2.4	6.8	7.9	18.1	52.4	103.8	175.1
Other income	1.7	0.6	1.0	1.1	1.2	3.9	7.7	8.5	9.3
<b>Total revenues</b>	<b>7.2</b>	<b>1.6</b>	<b>3.4</b>	<b>7.8</b>	<b>9.1</b>	<b>21.9</b>	<b>60.1</b>	<b>112.3</b>	<b>184.4</b>
COGS	-4.0	-0.8	-1.7	-3.9	-4.5	-10.9	-27.8	-48.6	-78.2
<b>Gross profit</b>	<b>3.3</b>	<b>0.8</b>	<b>1.7</b>	<b>3.9</b>	<b>4.7</b>	<b>11.0</b>	<b>32.3</b>	<b>63.7</b>	<b>106.3</b>
Operating expenses	-16.9	-2.8	-4.2	-6.0	-6.7	-19.7	-29.5	-46.1	-71.0
<b>EBITDA</b>	<b>-13.7</b>	<b>-2.1</b>	<b>-2.6</b>	<b>-2.1</b>	<b>-2.0</b>	<b>-8.7</b>	<b>2.8</b>	<b>17.6</b>	<b>35.2</b>
<b>EBIT</b>	<b>-14.7</b>	<b>-2.2</b>	<b>-2.7</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-9.9</b>	<b>0.2</b>	<b>13.3</b>	<b>29.7</b>
EPS	-354.5	-238.6	-185.6	-172.5	-199.5	-749.2	-410.9	-12.7	-32.6
<b>Sales growth (%)</b>	<b>95%</b>	<b>N/A</b>	<b>N/A</b>	<b>-12%</b>	<b>118%</b>	<b>227%</b>	<b>190%</b>	<b>98%</b>	<b>69%</b>
Gross profit margin (%)	60%	79%	69%	58%	59%	61%	62%	61%	61%
EBITDA margin (%)	-248%	-216%	-106%	-31%	-25%	-48%	5%	17%	20%
EBIT margin (%)	-266%	-225%	-114%	-37%	-31%	-55%	0%	13%	17%
Net income margin (%)	-265%	N/A	-114%	-37%	-31%	-55%	0%	10%	14%

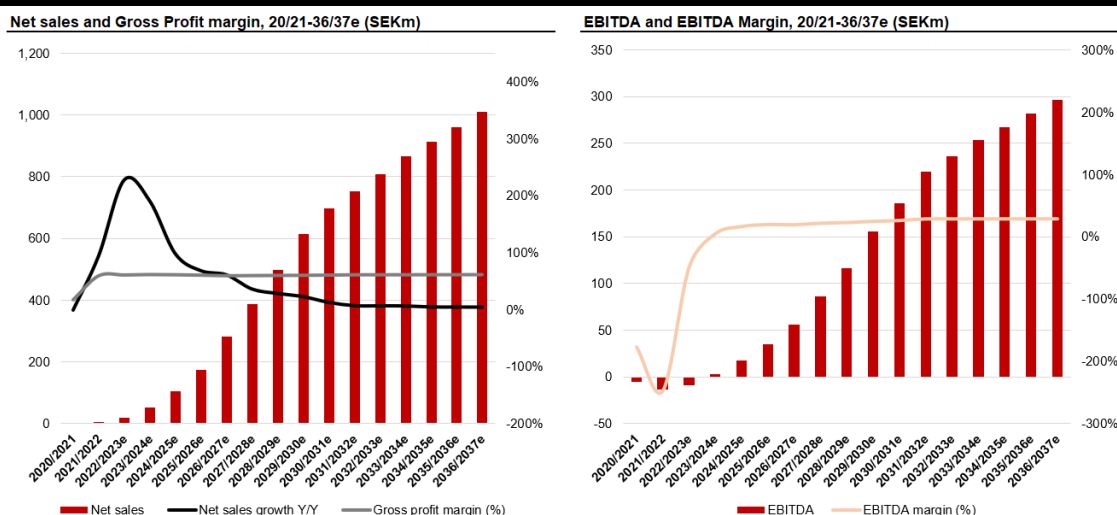
Source: Redeye research, Newbury Pharmaceuticals

## Long-term financial forecast

The company's profit margins will likely vary quite heavily from product to product. In general, we will see higher margins for the branded products and specialty medicines compared to the traditional generics. Based on Redeye's research over a cohort of peers and historical comparisons, we believe that we are likely to see an average profit margin of slightly above 50% for the company's products in the long term.

Furthermore, we forecast sales surpassing SEK100m during FY 2024/2025e, reaching SEK500m by FY 2028/2029e, and then SEK1bn by FY 2036/2037e. For FY 2025/2026e–2030/2031e, we expect a CAGR of c30%, followed by a c6% CAGR for FY 2030/2031e–2036/2037e.

**Net sales & gross profit margin and EBITDA & EBITDA margin, 21/22-36/37e (SEKm)**



Source: Redeye research, Newbury Pharmaceuticals

We believe that the EBITDA growth will initially accelerate in the short- to mid-term, before diminishing in the long-term. We expect the EBITDA margin to approach 25% in the long-term, in accordance with our research on industry averages.

## Valuation

### Fair value range: A scenario-based approach

At Redeye, we approach the valuation of a company's stock using three scenarios; to provide a dynamic view of the case. In complement to our base case valuation, we also model both a pessimistic scenario (bear case) and an optimistic scenario (bull case).

The differences in estimates between the scenarios are based on modifications of the assumptions used in our valuation process. However, we apply a weighted average cost of capital (WACC) of 13% to all scenarios, based on (i) an equity risk premium derived from qualitative and quantitative aspects of the company using our Redeye company quality model, and (ii) Redeye's risk-free interest rate of 2.5%.

- Base case = SEK9 per share (c35% upside)
- Bull case = SEK15 per share (c120% upside)
- Bear case = SEK4 per share (c-40% downside)

### Base case: SEK9

Our base case valuation of Newbury amounts to SEK9 per share, based on a discounted cash flow (DCF) model throughout our 2022/2023–2036/2037 forecast period. We argue that the company is well-positioned to rapidly expand on the Scandinavian pharmaceuticals market. However, the success in the commercial roll out of, primarily, the company's branded and specialty products will be determining factors for the case. We assume sales CAGR of 98.9% for FY 2022/2023–2026/2027 and 18.1% for FY 2027/2028–2031/2032. We also assume a terminal growth rate of 2% and a terminal EBIT of 25%.

Our base case suggests a c35% upside potential from today's share price of SEK6.7. We believe that increasing sales growth in quarterly reports, regulatory approvals, and potential new license deals will constitute the key catalysts coming up and could close the valuation gap.

### Discounted cash flow model (base case)

DCF (SEKm)	22/23e	23/24e	24/25e	25/26e	26/27e	27/28e	28/29e	29/30e	30/31e	31/32e	32/33e	33/34e	34/35e	35/36e	36/37e
Net sales	18.1	52.4	103.8	175.1	282.7	386.3	498.4	615.2	697.8	751.6	766.5	781.7	797.2	813.1	829.2
NOPAT	-9.9	0.2	10.6	23.6	38.2	59.4	81.2	109.4	131.9	157.4	152.1	155.2	158.2	161.4	164.6
Changes in NWC	-0.7	0.0	-2.9	-5.2	-11.4	-12.8	-15.6	-19.6	-22.2	-24.1	-27.2	-36.0	-44.6	-51.5	-52.2
Capex & investments in intangibles	-22.2	-15.0	-14.4	-20.9	-24.8	-32.5	-38.2	-43.5	-42.9	-48.7	-44.9	-50.3	-63.4	-69.8	-76.7
Free cash flow	-32.7	-14.8	-6.7	-2.5	2.0	14.2	27.3	46.4	66.8	84.6	80.1	68.8	50.3	40.1	35.7
Discounted free cash flow	-32.4	-12.9	-5.2	-1.7	1.2	7.6	13.0	19.5	24.8	27.8	23.3	17.7	11.5	8.1	6.4

### Valuation summary (SEKm) - Base case

WACC	13.0%	DCF value 2022/2023–2026/2027*	-17.7
Terminal growth	2.0%	DCF value 2027/2028–2036/2037	159.9
Terminal EBIT	25.0%	Terminal value	59.0
Tax rate	20.6%	DCF value	201.2
Sales CAGR 2022/2023–2026/2027	98.9%	Net debt	-15.2
Sales CAGR 2027/2028–2036/2037	8.9%	Equity value	216.4
EBITDA 2022/2023–2026/2027	15.6%	Number of shares	24.0
EBITDA 2027/2028–2036/2037	23.7%	Equity value per share	9.0

Source: Redeye research

\*Includes current cash position and an assumed share issue in 2023.

## Sensitivity Analysis

Our valuation of Newbury is highly affected by the WACC that we attribute to the company, along with our assumptions for terminal EBIT margin and revenue growth. WACC plays an essential part in calculating the discounted cash flow and reflects the uncertainties related to the company and the market. We illustrate the impact of applying changes to these variables on our fair value range (base case, bull case, and bear case) valuation in a sensitivity analysis below.

### Sensitivity Analysis

		Weighed Average Cost of Capital				
		15.0%	14.0%	13.0%	12.0%	11.0%
<b>EBIT margin</b>	21.0%	7.8	6.8	6.0	5.3	4.7
	23.0%	9.7	8.5	7.5	6.7	5.9
	<b>25.0%</b>	<b>11.7</b>	<b>10.2</b>	<b>9.0</b>	<b>8.0</b>	<b>7.1</b>
	27.0%	13.6	11.9	10.5	9.3	8.3
	29.0%	14.0	12.2	10.8	9.6	8.5
<b>Growth</b>		15.0%	14.0%	13.0%	12.0%	11.0%
	1.0%	10.4	9.0	8.0	7.1	6.3
	1.5%	11.0	9.6	8.5	7.5	6.7
	<b>2.0%</b>	<b>11.7</b>	<b>10.2</b>	<b>9.0</b>	<b>8.0</b>	<b>7.1</b>
	2.5%	12.3	10.7	9.5	8.4	7.5
	3.0%	13.1	11.4	10.1	9.0	8.0

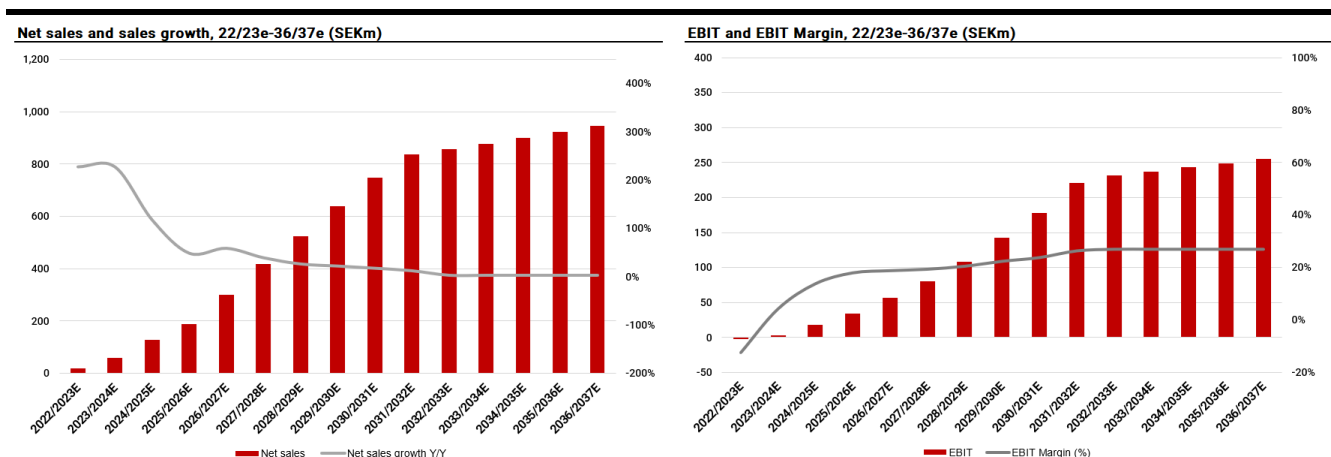
Source: Redeye research

## Bull case: SEK15

Our bull case reflects a more optimistic scenario than our base case and is largely based on more significant market uptake. In this scenario, we assume that the company manages to successfully build a strong foundation in the Scandinavian markets in the coming years. Furthermore, we assume that Newbury follows this up by strengthening its offering to other European markets, broadening the company's customer reach.

Accordingly, we assume an increased sales CAGR of 102% for FY 2022/2023–2026/2027 and 9.5% for FY 2027/2028–2036/2037. We also assume a more optimistic terminal growth rate of 2.5% and a terminal EBIT of 27%.

### Bull case – Key assumptions



### Valuation summary (SEKm) - Bull case

WACC	13.0%	DCF value 2022/2023–2026/2027*	0.5
Terminal growth	2.5%	DCF value 2027/2028–2036/2037	215.3
Terminal EBIT	27.0%	Terminal value	128.4
Tax rate	20.6%	DCF value	344.2
Sales CAGR 2022/2023–2026/2027	102.0%	Net debt	-15.2
Sales CAGR 2027/2028–2036/2037	9.5%	Equity value	<b>359.4</b>
EBITDA 2022/2023–2026/2027	17.8%	Number of shares	24.0
EBITDA 2027/2028–2036/2037	24.7%	Equity value per share	<b>15.0</b>

Source: Redeye research

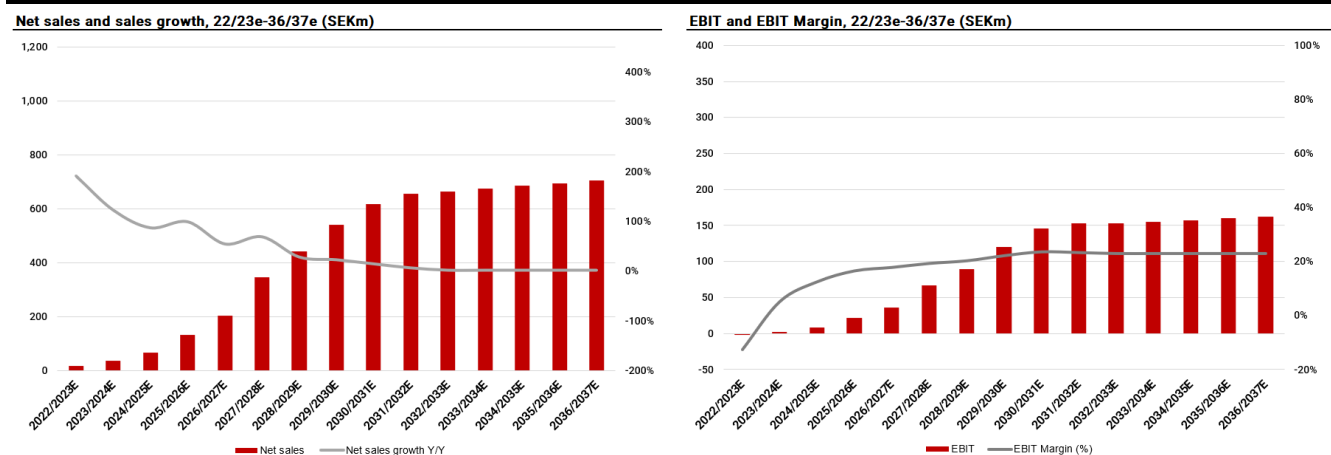
\* Includes current cash position.

## Bear case: SEK4

Our bear case valuation reflects a more pessimistic scenario than our base case. In our bear case, we assume more competition than expected for the company's exchangeable products and a slower market uptake for its branded products.

Accordingly, we model a lower sales CAGR of 88.9% for FY 2022/2023–2026/2027 and 8.3% for FY 2027/2028–2036/2037. Similarly, we also assume a more pessimistic terminal growth rate of 1.5% and a terminal EBIT of 23%.

### Bear case – Key assumptions







### Valuation summary (SEKm) - Bear case

WACC	13.0%	DCF value 2022/2023–2026/2027*	-21.6
Terminal growth	1.5%	DCF value 2027/2028–2036/2037	94.3
Terminal EBIT	23.0%	Terminal value	7.9
Tax rate	20.6%	<b>DCF value</b>	<b>80.6</b>
Sales CAGR 2022/2023–2026/2027	88.9%	Net debt	-15.2
Sales CAGR 2027/2028–2036/2037	8.3%	Equity value	<b>95.8</b>
EBITDA 2022/2023–2026/2027	14.4%	Number of shares	24.0
EBITDA 2027/2028–2036/2037	22.4%	<b>Equity value per share</b>	<b>4.0</b>



Source: Redeye research

\* Includes current cash position.

## Appendix I – Executive Management

Name	Position	Shares	Options
 <p><b>Lars Minor</b></p>	<b>CEO</b>		
	Long experience within the pharmaceutical industry and previously worked as Corporate Vice President for strategy and execution at LEO Pharma.	59,885	200,000
 <p><b>Christoffer Tell</b></p>	<b>Chief Financial Officer</b>		
	Career in the pharmaceutical industry where he has worked in several different managerial positions. Previous experience includes membership of the leadership team of Abbvie Scandinavia as well as Business Unit Director of Scandinavia and Regional Product Manager at AstraZeneca.	50,000	-
 <p><b>Fredrik Hellqvist</b></p>	<b>Chief Credit Officer</b>		
	Career in the pharmaceutical industry where he has worked in several different managerial positions. Previous experience includes membership of the leadership team of Abbvie Scandinavia as well as Business Unit Director of Scandinavia and Regional Product Manager at AstraZeneca.	12,500	200,000
 <p><b>Andrea Karnitschky</b></p>	<b>Chief Legal Officer</b>		
	Board knowledge and network within the pharmaceutical industry. Previous assignments include Director & Head of In-licensing Europe at Dr. Reddy's Laboratories and Head of sourcing at Betapharm Arzneimittel GmbH.	20,000	100,000

## Appendix II – Board of Directors

Name	Position	Shares Options	
<p data-bbox="188 344 363 376">Karl Karlsson</p> 	Chairman of the board	9,830,924	-
<p data-bbox="443 405 1150 539">Executive MBA from Harvard University Boston. 20+ years of experience as an entrepreneur where Carl worked with implementing growth strategy and rapid market expansion. Karl also has experience in portfolio development, in-licensing, and own project development. Founder and previous CEO of Newbury Pharma AB and Bluefish Pharmaceuticals.</p>			
<p data-bbox="188 568 363 600">Andreas Hedskog</p> 	Director	100,000	-
<p data-bbox="443 629 1150 763">MSc, Economics from Cambridge University, and Executive MBA from Harvard Business School. Current assignments include founder and chairman of 4C Strategies, board member of the Swedish Securities and Defence Industry Association, SnigalDesign AB, 4C International AB, Haeve AB, and Southside Padel AB.</p>			
<p data-bbox="188 792 363 824">Anil Okay</p> 	Director	255,000	-
<p data-bbox="443 853 1150 987">Degree in Mathematics-Computer Engineering from Vienna Technical University, An MBA from Vienna Economy University, and Masters's degree in Marketing from Galatasaray University. 15+ years of experience in the pharmaceutical industry. Current CEO at Adalvo and CCO at Alvotech.</p>			
<p data-bbox="188 1016 363 1048">Johan Strömqvist</p> 	Director	100,000	-
<p data-bbox="443 1055 1150 1211">Master's degree in Mathematics from Stockholm University, Master's degree in technical physics from the Royal Institute of Technology. Ph.D. in Biological Physics from the Royal Institute of Technology. Current assignments include Founder, President, and board member of Single Technologies AB.</p>			

## Summary Redeye Rating

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

### Ratings in the report

**People: 3**

We are encouraged in seeing the founder, Karl Karlsson, as a large shareholder and executive chairman in the company. The fact that Karlsson has “done it before”, while CEO, Lars Minor, has vast experience in the pharmaceuticals industry having spent over 20 years in different positions at LEO pharma, bolsters our confidence in the executive abilities of the Newbury management and Board.

**Business: 3**

Newbury’s business model revolves around in-licensing proprietary product rights and exclusively focusing on registration and commercialization of the pharmaceuticals. We believe that this enables the company to operate in a cost-efficient manner from an early stage in the company build-up while maintaining satisfactory margins due to moats in the form of extensive know-how, legal and exclusivity.

**Financials: 1**

While Newbury is currently operating at a loss, we see potential for rapid sales growth in the coming years. We model positive cash flow from operations in 2023/2024 and onwards.

	2020/2021	2021/2022	2022/2023e	2023/2024e	DCF Valuation Metrics	Sum FCF (SEKm)
<b>INCOME STATEMENT</b>					Initial Period (2022/2023e-2026/2027e)	-51
Revenue	3	6	18	52	Momentum Period (2027/2028e-2031/2032e)	93
Cost of Sales	2	2	7	20	Stable Period (2032/2033e-)	126
Gross Profit	0	3	11	32	Firm Value	168
Operating Expenses	5	17	20	30	Net Debt (last quarter)	-15
Depreciation & Amortization	-5	-14	-9	3	Cash position	33
Other Income	0	0	0	0	Equity Value	216
Goodwill Impairment	-6	-15	-10	0	Fair Value per Share	9.0
Other Expenses	-6	-15	-10	0		
Operating Profit	0	0	0	548	<b>CAPITAL STRUCTURE</b>	
Financial Interest	0	0	0	0	Equity Ratio	0.9 0.3 0.1 0.1
Other Income	-6	-15	-10	0	Debt to equity	0 1 2 3
					Net Debt	-9 -15 2 35
					Capital Employed	38 81 90 81
					Working Capital Turnover	1 2 4 8
<b>BALANCE SHEET</b>						
<b>Assets</b>					<b>GROWTH</b>	
<b>Current assets</b>					Revenue Growth	N/A 95% 227% 190%
Intangible Assets	13	33	26	13	Basic EPS Growth	N/A 111% -45% -97%
Accounts Receivable	0	2	3	5	Adjusted Basic EPS Growth	N/A 111% -45% -97%
Prepaid Expenses	3	1	2	4		
Other Assets	0	0	0	0	<b>PROFITABILITY</b>	
Other Assets	16	36	31	23	ROE	-29% -47% -52% -2%
					ROCE	-15% -18% -11% 0%
<b>Non-current assets</b>					ROIC	-38% -35% -15% 0%
Property & Equipment, Net	0	0	0	0	EBITDA Margin (%)	-177% -248% -48% 5%
Goodwill	0	0	0	0	EBIT Margin (%)	-199% -266% -55% 0%
Intangible Assets	27	50	72	87	Net Income Margin (%)	-196% -265% -55% -1%
Other Assets	0	0	0	0		
Other Assets	0	0	0	0	<b>VALUATION</b>	
Other Assets	27	50	73	88	Basic EPS	-354.5 -749.2 -410.9 -12.7
					Adjusted Basic EPS	-354.5 -749.2 -410.9 -12.7
					P/E	0.0 0.0 0.0 -0.6
					EV/Sales	0.0 24.8 10.1 3.8
					EV/EBITDA	0.0 -10.0 -20.9 69.8
					EV/EBIT	0.0 -9.3 -18.4 811.3
					P/B	0.0 5.7 13.0 14.4
<b>Liabilities</b>					<b>SHAREHOLDER STRUCTURE</b>	<b>CAPITAL % VOTES %</b>
<b>Current liabilities</b>					Karl Karlsson	50.7% 50.7%
Accounts Payable	4	6	13	26	Sumar Pharma Limited	15.8% 15.8%
Other Current Liabilities	0	0	0	0	Futur Pension	5.2% 5.2%
Other Current Liabilities	0	0	1	3	Erik Selin	2.1% 2.1%
Other Current Liabilities	0	0	0	0	Johan Wåborg	2.0% 2.0%
Other Current Liabilities	4	6	13	29		
					<b>SHARE INFORMATION</b>	
<b>Non-current liabilities</b>					Reuters code	NEWBRY
Accounts Payable	0	12	15	21	List	First North
Other Non-current Liabilities	0	0	0	0	Share price	6.7
Other Non-current Liabilities	0	0	0	0	Total shares, million	19.5
Other Non-current Liabilities	0	12	15	21		
					<b>MANAGEMENT &amp; BOARD</b>	
Financial Interest	0	0	0	0	CEO	Lars Minor
Equity	38	24	14	14	CFO	Christoffer Tell
Other Equity	43	42	42	64	Chairman	Karl Karlsson
<b>CASH FLOW</b>					<b>ANALYSTS</b>	
Working Capital	-6	-15	-10	0	Kevin Sule	Redeye AB
Operating Cash Flow	-3	-1	-1	-2	Fredrik Thor	Mäster Samuelsgatan 42, 10tr 111 57 Stockholm
Capital Expenditures	-4	-15	-9	2		
Change in Intangible Assets	0	0	0	0		
Change in Cash Flow	-27	-24	-22	-15		
Change in Cash Flow	-27	-24	-22	-15		
Change in Cash Flow	44	60	24	0		
Change in Cash Flow	-31	-39	-32	-13		

## 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 (2022-12-04)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	155	138	48
0p - 2p	5	39	140
Company N	192	192	192

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### CONFLICT OF INTERESTS

Kevin Sule owns shares in the company : No

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.