Magle Chemoswed

Sector: Medtech

The one-stop shop

Redeye initiates coverage of Magle Chemoswed, a hybrid medtech/biotech company with a diverse array of revenue streams. Building on the foundations of its robust CDMO business, Magle is on the brink of commercial take-off with its portfolio of innovative medtech products. With its proprietary DSM technology platform as the focal point for the business, we see an ample growth story in the making with limited downside risk.

Diversification through multiple revenue streams

Magle encompasses a distinctive blend of a well-established contract development and manufacturing organization (CDMO) with strong customer relationships, an appealing portfolio of products with significant market potential, and a distribution network equipped with a sales organisation geared towards European markets. The company's diversified business model fosters innovation and high sales growth potential while maintaining a solid foundation that provides stable revenue streams.

A growth story in the making

Magle's DSM technology platform is in a rapidly expanding sector and offers a promising long-term source of revenues. Bolstered by its proficient R&D team, seamlessly integrated through the company's CDMO services, Magle is able to expedite its product development efforts, combining analytical, formulation, and manufacturing expertise to create innovative solutions. We argue this platform has the potential to form the basis for the development of various future products, presenting an excellent opportunity for optionality value and business growth.

Base case of SEK40 per share

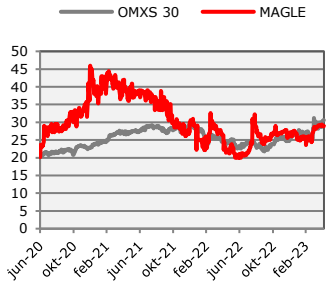
Our 2023e–2037e DCF model using an 11% WACC suggests a base case valuation of SEK40 per share (bull: SEK58; bear: SEK25), indicating upside potential of c30% from current share price levels. We believe the company is well positioned to accelerate its sales in the near term thanks to the increasing focus on its DSM platform products and expanding international presence.

Key financials (SEKm)	2021	2022	2023e	2024e	2025e
Net sales	132.2	145.7	169.5	198.2	215.6
Revenue growth	-7%	10%	16%	17%	9%
EBITDA	16.9	23.6	33.6	43.6	52.5
EBIT	5.3	10.6	19.3	27.7	35.2
EBIT Margin (%)	4%	7%	11%	14%	16%
Net Income	4.7	7.5	13.0	22.0	28.0
EV/Sales			2.1	1.9	1.8
EV/EBITDA			10.7	8.6	7.3

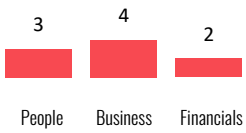
FAIR VALUE RANGE

BEAR	BASE	BULL
25	40	58

NEWBRY VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	MAGLE
Market	First North
Share Price (SEK)	30
Market Cap (SEKm)	330
Net Debt (SEKm)	24.6
Free Float (%)	11
Avg. daily volume	613

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Important information: All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report
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Investment case

Case: Stable revenue streams and overlooked growth trajectory

We believe that the market is currently undervaluing Magle's potential profitability in the years ahead and underestimating its favourable risk/reward proposition. Magle's unique business model supports innovation and high-growth potential while retaining a core that generates stable and diversified streams of revenue that mitigate most financial risks. Through its inventive planning and strategic acquisitions, the company has successfully widened its operations to span the entire value chain, creating synergies that are poised to generate increased shareholder value. We see ample upside potential in the case as the company's pipeline enables the reinvestment of profits at a high ROIC and offers a promising growth trajectory in the long term.

We foresee a steady transition in operational priority in the coming years for Magle towards its DSM proprietary platform. We argue that the full commercial launches of key pipeline products anticipated later this year could serve as a catalyst to increase sales from the DSM segment.

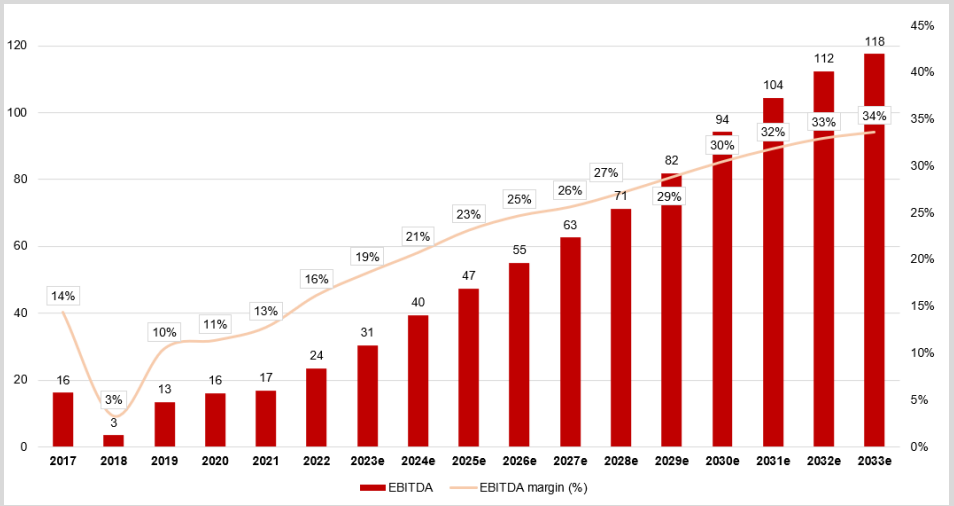
Evidence: Platform-driven optionality

The company's DSM technology platform is a high-growth area and a promising source of long-term revenue streams. We believe the diverse array of clinical applications the technology platform offers solutions for illustrates its versatility and potential for ongoing growth. The platform has already demonstrated its ability to produce a range of products for the portfolio while providing the foundation for numerous additional products in the future, offering great optionality value.

Supportive analysis: Increased margins on the horizon

Magle's DSM technology platform is evidently a revenue channel with higher sales margins (c80–90%) than the company's CDMO business (c30–40%). Given the expected transition towards the DSM segment, we project a durable increase in profitability and earnings of the company. We model an increase in the EBITDA margin from 16% in 2022 to 25% in 2026e, approaching 35% in the long run.

EBITDA and EBITDA margin, 2017–2033e (SEKm)



Source: Company data, Redeye Research

Challenge I: Managing the transition

Modifying the previous business model and successfully transitioning to a different strategy while delivering on financial targets is no easy feat. Magle has to ensure not to disrupt its core CDMO business, which would tarnish relationships with customers, as it expands its DSM segment. However, we believe the company has such a diversified range of revenue streams that it can withstand minor disturbances in any individual segment. We thus argue the risks entailed with this transition are reduced.

Challenge II: Expanding to new territories

Our belief is that Magle has strong expertise in the Nordic and European markets, but we also want to highlight that expanding into other geographical territories could be difficult, especially through its direct sales channels. Disappointing short-term sales could indicate a slower market uptake than expected in the long run.

Valuation: De-risked case with upside potential

Our base case valuation of Magle amounts to SEK40 per share (bull: SEK58; bear: SEK25), based on a discounted cash flow (DCF) model for our 2023e–2037e forecast period. In our DCF model, we apply an 11% WACC and assume a sales CAGR of 12.7% and an average EBITDA margin of 23% for 2023e–2027e. We argue the company is well positioned to accelerate its sales in the near term thanks to its increasing focus on DSM platform products and an expanding international presence. We anticipate that our valuation gap of approximately 30% will diminish within the year, primarily due to increased DSM sales in upcoming quarterly reports.

While the success of the commercial rollout of the company's DSM products will be a determinator for the case, the company is also built on a foundation of stable revenue streams through its CDMO business. Although Magle currently holds a relatively modest cash position of some SEK6.5m, we expect the company to keep net cash flows positive in the future and do not factor in any further rights issues at this point in time.

Magle Chemoswed – DCF

Valuation summary (SEKm) - Base case			
WACC	11.0%	DCF value 2023–2027*	91.4
Terminal growth	2.5%	DCF value 2028–2037	224.0
Terminal EBIT	25.0%	Terminal value	173.5
Tax rate	20.6%	**DCF value**	**489.0**
Sales CAGR 2023–2027	12.7%	Net debt	49.4
Sales CAGR 2028–2037	3.8%	Equity value	**439.5**
EBITDA margin 2023–2027	23.0%	Number of shares	11.1
EBITDA margin 2028–2037	32.7%	**Equity value per share**	**40**

Source: Redeye research

**Includes current cash position and an assumed exercise of warrants in 2023.*

Counter-thesis

Low growth historically

Our Magle investment case relies on the company's growth potential in the coming years; we expect a steady transition in operational priority towards DSM platform products. However, recent years' financial figures have not shown substantial growth in sales. Between 2017 and 2022, Magle increased its net sales from SEK113m to SEK146m, indicating a CAGR of around 5%. We believe growth has largely been hampered by the COVID-19 pandemic, though.

Regulatory risks

There is a risk that the company's applications for market approval of its pipeline products could be denied or require supplementary information. Moreover, as the majority of Magle's DSM products are first-in-class, they typically require sound clinical data to assess the health economic benefits as the decision basis for potential reimbursements. These factors may delay commercial rollouts or incur unexpected cost increases.

Development risks

Developing new products always entails a degree of uncertainty regarding the outcome of each project. In the case of Magle, however, the risks are relatively moderate, as the pipeline products are based on the same technology as its already approved products. Additionally, the risks associated with developing medical devices are comparatively lower than for pharmaceutical products.

Key catalysts

- **Financial reports**

  We believe increasing sales in Magle's upcoming financial reports, particularly from its DSM products, could serve as a validation of the company's revised business model. Its quarterly reports are essential in assessing Magle's potential, and we view sales growth as a significant driver of the company's stock performance.

  Timeframe: 3–12 months

  Impact: Major

- **Development progress**

  Magle currently has three approved products stemming from its DSM technology platform, with several more candidates in its pipeline. We believe potential market approval, encouraging study data, and reimbursement approvals of these could all act as short-term catalysts for the share.

  Timeframe: 3–18 months

  Impact: Moderate

- **Collaboration agreements**

  We argue that potential announcements of favourable partnerships, including long-term CDMO agreements, distribution partnerships, and licensing deals, could induce share price movements.

  Timeframe: 3–18 months

  Impact: Moderate

Table of contents

The one-stop shop 1
Investment case 2
Company description 7
Business strategy and organization 10
CDMO segment 13
Technology platform (DSM) 17
Market overview and opportunities 25
Financials 33
Summary Redeye Rating 46
Redeye Rating and Background Definitions 48
Redeye Equity Research team 49
Disclaimer 50

Company description

Magle Group is an amalgamation of two interconnected businesses: a contract development and manufacturing organisation (CDMO) under the umbrella of Magle Chemoswed; and a developer of medical technology products under Magle PharmaCept, utilising its degradable starch microspheres (DSM) proprietary technology platform. Magle Chemoswed was formed in 2017 through the merger of Magle Life Sciences and Chemoswed, both of which had extensive histories prior to the merger. Chemoswed can trace its roots back to 1944, while Magle Life Sciences was founded in 1997 by Hans Henrik Lidgard, the current chair of the board and majority shareholder.

Magle Chemoswed, as the CDMO for the group, generates stable revenues and profitable returns, and serves as a source of funding for the proprietary development projects, reducing the group's reliance on external financing. The company's proprietary products primarily focus on three clinical categories: surgical and diagnostics, advanced wound care, and drug delivery. These products stem from the company's DSM technology platform, which involves the use of bio-absorbable organic microspheres made from potato starch.

Magle Group has its headquarters in central Malmö, Sweden, with laboratories and manufacturing facilities at the same location, along with sales offices in Berlin, Germany, and chemistry services from specialist laboratories in Lund, Sweden.

Historical highlights

1944	Chemoswed is formed by the Swedish pharmaceutical company Ferrosan as a manufacturer.
1997	Magle Life Sciences is founded by Hans Henrik Lidgard as a development company.
2015	Justin Pierce is appointed CEO of Magle Life Sciences. Chemoswed becomes a contract manufacturer in its own right after being divested from Chemours.
2016	Chemoswed is acquired by Magle Life Sciences.
2017	Magle Chemoswed is formed as a CDMO with its own technology platform and product portfolio.
2019	The company receives a CE mark approval for EmboCept® for chemoembolization of inoperable liver and lung tumours. Strategic acquisition of Adroit Science by Magle Chemoswed to increase the development services segment.
2020	Magle Chemoswed is listed publicly on Nasdaq First North Growth Market.
2021	Magle Chemoswed acquires the development company PharmaCept as a first step to developing a sales and marketing company in Europe for DSM products.
2021	Magle Group is formed with two operating companies, Magle Chemoswed and Magle PharmaCept, as subsidiaries. Magle Earns CE mark approval for SmartPan® for use in pancreatic surgery to help detect pancreatic juice leakage. Magle is granted CE mark approval for SmartGel® and can market the product to European hospital systems for use in the treatment of wounds. Magle receives European Union's Horizon 2020 consortium funding.
2022	EmboCept® S is approved in the CIRSE Guidelines as a standard of care. Magle initiates a post-market clinical study for SmartPan® in collaboration with the University of Heidelberg. Magle signs a pre-agreement to acquire land in Malmö, allowing for a potential expansion of the production and development site.

Source: Redeye research, Magle Chemoswed

People and ownership

Management and board

We consider the people behind Magle to be a solid component of the company. CEO Justin Pierce (Masters in European commercial law and PhD in law from Lund University) has been a part of the company for more than 10 years. Having been an advisor at the company since 2012, Mr Pierce took over as CEO of Magle Life Science in 2015. During his tenure, he has successfully navigated the complexities of corporate acquisitions and mergers, overseeing the acquisition of Chemoswed and Adroit Science, while orchestrating the merger and restructuring of Magle Chemoswed. His ability to navigate these challenging endeavours is a testament to his strategic thinking and ability to drive results, we argue.

Hans Henrik Lidgard, the founder and chair of board, has extensive experience in the industry, business development, and intellectual property law. Mr Lidgard was a lawyer and co-founder of law firm Vinge, Executive Vice President of pharmaceuticals company AB Leo, and CEO of Pharmacia EC before founding Magle AB in 1997. At the same time, he was active at Lund University as a professor (now emeritus) in law with a focus on European competition and intellectual property law.

Overall, we regard both Magle Chemoswed's management team and board of directors as factors that support our investment case. Given the track record of the company's key personnel, we believe shareholders can be confident in their decision-making capabilities.

Ownership

Magle's ownership structure is concentrated between the top shareholders as insiders hold about 89% of the outstanding shares. Founder and chair Hans Henrik Lidgard is the majority owner of the company with c74% of the shares outstanding. The second-largest owner is board member Joel Eklund (Familjen Eklund), mainly through the investment company Fosielund Holding, with c11% of the capital.

It is worth noting, however, that this also implies a very low free float (c11%) in the stock. The volume of traded shares in the company over the last 3 months amounts to approximately 40,000 shares, representing around 0.5% of total outstanding shares. Low-float stocks tend to have less market liquidity and wider price spreads, making them more volatile, potentially amplifying share price reactions to high-impact events. In addition, it may also be more challenging to purchase and sell shares without influencing the share price. The above-mentioned major shareholders could potentially impact the share price significantly through the sale of a large quantity of shares. However, both have increased their ownership in the company through the subscription of their pro rata share of the company's rights issue. Accordingly, we do not see any indication they have plans to sell their shares in the near future.

Top 10 shareholders – Magle Chemoswed

Magle Chemoswed: Shareholders				
Owners	Number of shares	Value (SEKm)	Capital	Votes
Hans Henrik Lidgard	7,988,112	239.6	74.0%	74.0%
Familjen Eklund	1,142,586	34.3	10.6%	10.6%
Mats Pettersson	216,000	6.5	2.0%	2.0%
Tibia Konsult AB	216,000	6.5	2.0%	2.0%
Birka Stock Aktiebolag	200,000	6.0	1.9%	1.9%
Justin Pierce	172,800	5.2	1.6%	1.6%
Avanza Pension	131,794	4.0	1.2%	1.2%
Nordnet Pensionsförsäkring	119,421	3.6	1.1%	1.1%
Sven-Christer Nilsson	54,000	1.6	0.5%	0.5%
Jimmie Landerman	45,462	1.4	0.4%	0.4%
Other Shareholders	513,825	15.4	4.8%	4.8%
Total	10,800,000	324.00	100%	100%

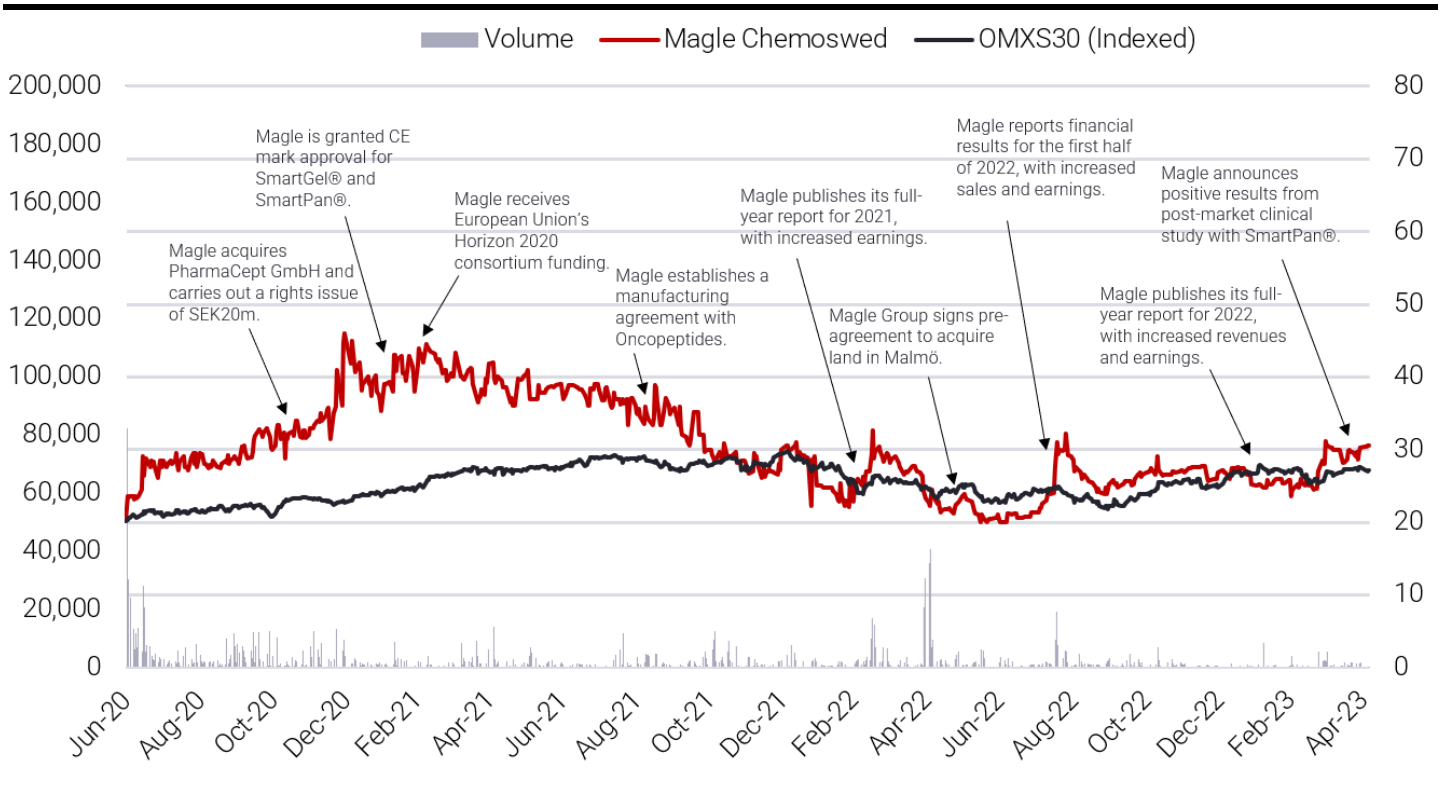
Source: Holdings, Redeye research

Stock performance

Magle Chemoswed was listed on Nasdaq First North Growth Market in June 2020 at a subscription price of SEK20 per share. The reason for the listing was to increase awareness of the company and its operations and thus to strengthen its position in relation to larger international companies. The IPO was fully subscribed, and the company raised SEK50m (before deduction of issue costs). During the initial six months as a publicly listed company, the Magle stock experienced a favourable development. Bolstered by the acquisition of PharmaCept GmbH and the CE mark approvals of its SmartGel and SmartPAN products, the share soared more than 100% from its initial subscription price. In 2021, however, the share largely matched the widespread downturn on the market, seemingly the result of general market uncertainty and saturated risk appetite, plus a lack of sales growth in the company's quarterly reports.

Since reaching its trough in June 2022, share price momentum has turned around, driven by the company's half-year report with higher sales and earnings. We believe Magle's share price still holds further upside potential, as we judge increasing DSM sales growth in the financial reports will validate the business model, building investor confidence and bolstering the newly found stock momentum. In addition, we believe regulatory approvals and reaffirming data from studies of key pipeline products may serve as future catalysts.

Share price performance since IPO

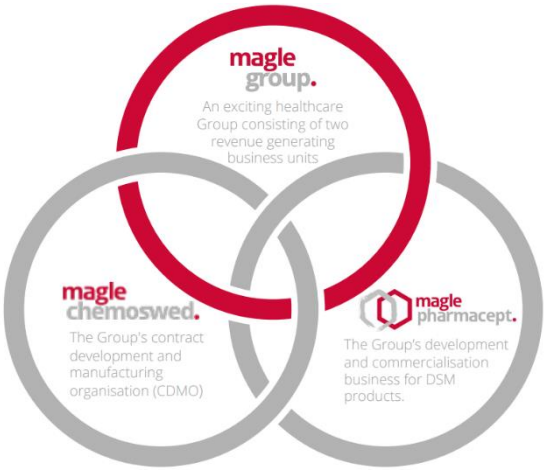


Source: Redeye research, Magle Chemoswed

Business strategy and organisation

As previously described, Magle Group is an amalgamation of two interconnected business units: a CDMO under the umbrella of Magle Chemoswed; and a developer of medical technology products under Magle Pharmacept, utilising its DSM proprietary technology platform. The group has its headquarters in central Malmö, Sweden, where the company has labs and manufacturing facilities. Its chemistry services are provided by specialist laboratories located in Lund, Sweden, while Magle Pharmacept has sales offices in Berlin, Germany. Magle owns its manufacturing and development facilities, allowing it to manage drug substances and biopharmaceuticals and to develop and manufacture its own medical technology products.

Magle Group

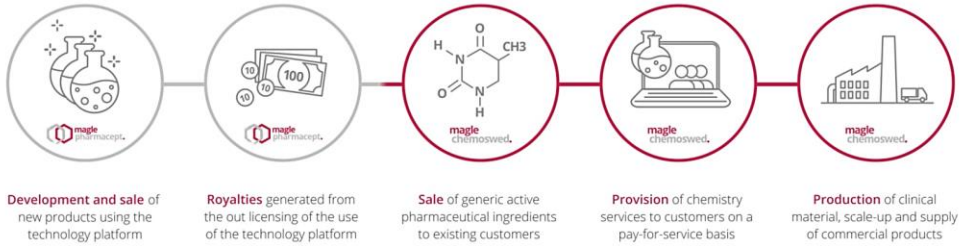


Source: Magle Group

We argue Magle has managed to create synergies through its unique advantage of in-house access to the entire value chain: discovery, research, production, manufacturing, and distribution. This holistic approach suggests a significant value proposition, allowing the company to streamline its operations and reducing the need for external co-ordination and communication. This results in improved efficiency and faster turnaround times. Additionally, Magle is able to maintain strict quality control standards by steering all aspects of the value chain. The company also has greater control over the production of its products, especially those that require specialised manufacturing processes or strict quality control standards.

We argue this provides higher satisfaction and switching costs for its customers, ultimately increasing customer loyalty and retention rate. Moreover, this in-house control allows Magle to easily scale production up or down as demand for its products changes, providing it with the agility to respond quickly to market fluctuations. By sharing laboratory and manufacturing facilities between customer services and proprietary projects, the company can secure economies of scale for investments in fixed assets and adherence to regulatory standards.

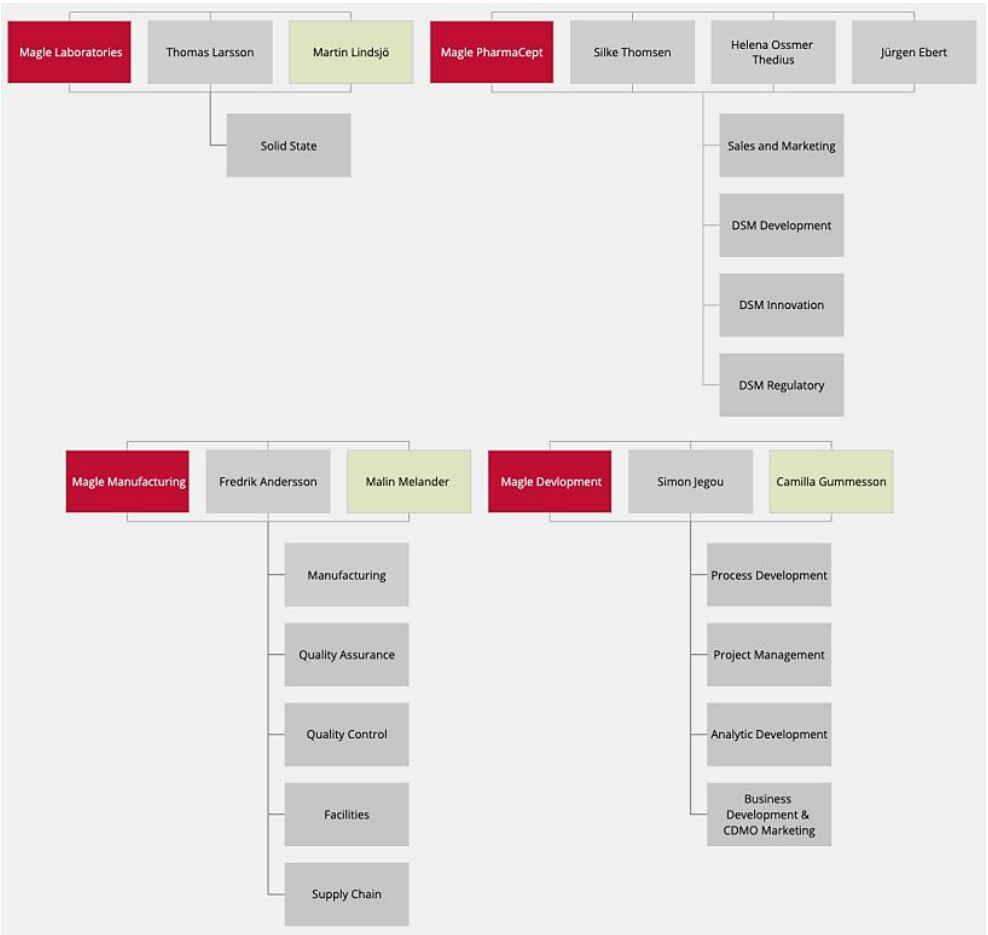
Magle Group's revenue model



Source: Magle Group

As can be seen above, Magle's unique business model allows for a diverse revenue base of five different sources of income: development and direct sales of its medical technology products, royalties generated through out-licensing of its medical technology products, sales from its portfolio of generic active pharmaceutical ingredients (API), provision of chemistry services to customers (contract development), and production of clinical material, scale-up, and supply of commercial products (contract manufacturing). The first two revenue streams are associated with the company's DSM platform and are operated by Magle PharmaCept, while the other three are linked to the CDMO business, operated by Magle Chemoswed.

Magle Chemoswed's organisation



Source: Magle Chemoswed

As the proprietary products are either in development or early commercialisation stage, the CDMO services provide most of the sales revenues at present. The steady cash flows from this business segment, along with royalties from an out-licensed product, are channelled into the company's development portfolio. While this means little surplus cash and low profits reported in the financial statements, it also vastly decreases the company's dependency on the capital market to finance its product developments. Not having to rely on external financing mitigates a large portion of the risk commonly associated with product development and makes the company much less prone to market fluctuations.

As Magle shifts priorities towards its development portfolio and releases a series of DSM products onto the market in the upcoming years, we expect the revenue split to change as well. The company's DSM technology platform represents a high-growth area and is a promising source of long-term revenue streams. We argue the platform could serve as the foundation for the development of numerous additional products in the future, and it offers a great opportunity for optionality value in growing the business. We thus anticipate a prolonged increase in the company's core operating margins.

Mergers and acquisitions

Magle Group has proven itself capable of taking advantage of strategic acquisitions to create synergies through increased growth potential and diversified risk. Magle AB (formed in 1995 as a pure development company) acquired Chemoswed AB (established in 1944 as a manufacturing company) in 2016, merging the companies the following year to form CDMO company Magle Chemoswed.

In 2019, Magle Group acquired the solid state specialist company Adroit Science AB to widen its operations. The acquisition strengthened Magle's offering of integrated contract development services and its innovation and product development capability and capacity.

In 2021, Magle announced a final acquisition of PharmaCept GmbH as a step towards greater market presence for its technology products and innovations. PharmaCept had a long history of developing and delivering novel medical solutions in the minimally invasive and embolisation fields around the world. It had established itself as a sales and marketing company with solid European presence and experience. The acquisition has allowed Magle to enhance its commercial reach in the European markets through a direct sales force and has facilitated further growth potential through PharmaCept's portfolio of products. Furthermore, Magle argues the addition of PharmaCept's expertise and knowledge could accelerate the development of Magle's product pipeline and shorten the time to market for future products.

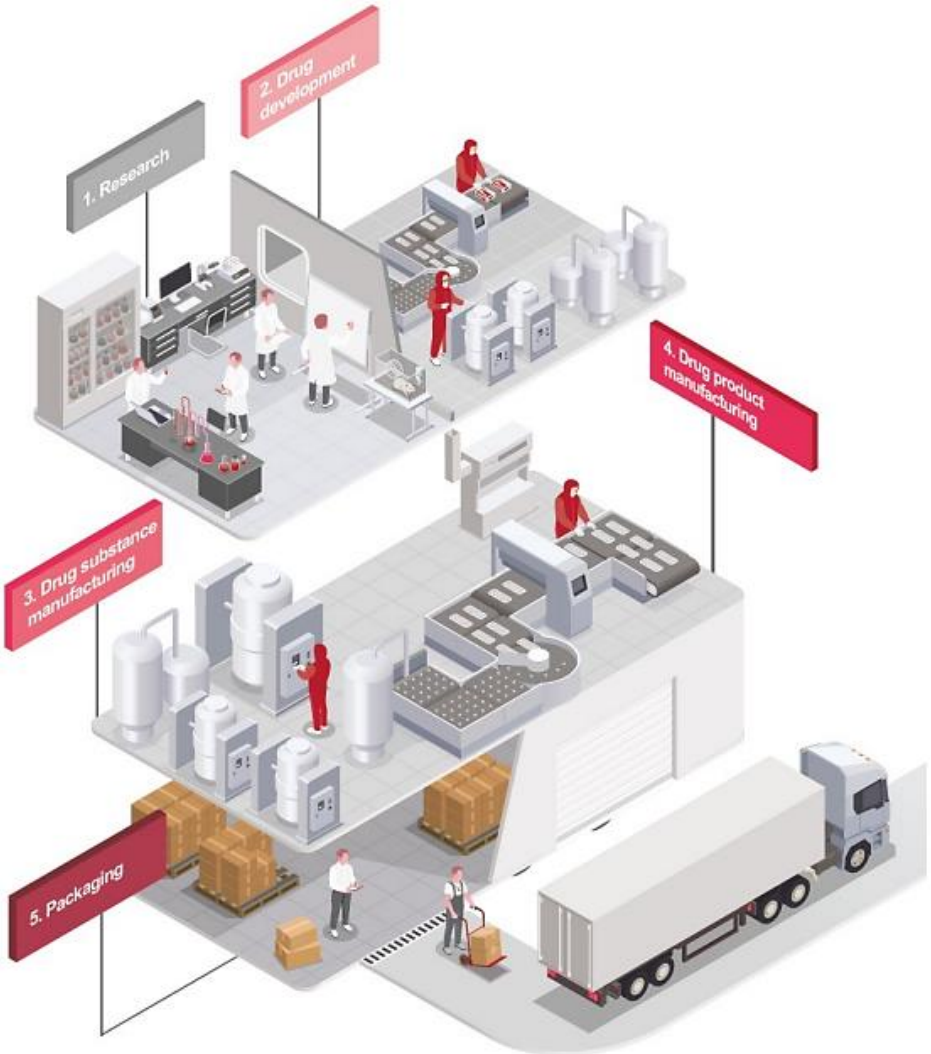
Magle Group's acquisitions

Source: Redeye Research, Adroit Science AB, PharmaCept GmbH

CDMO segment

Magle Chemoswed operates the group's CDMO business, serving companies in the pharmaceutical and medical device industry on a contract basis. Magle's overarching strategy centres on providing a comprehensive and all-encompassing customer service experience in its CDMO segment through a wide array of services covering nearly every stage of product development and manufacturing. The scope of the customer offering is extensive, from preclinical development and formulation support, through manufacturing of substances and materials for clinical trials, and culminating in sales and marketing efforts. The company's approach aims to provide a one-stop-shop solution for customers, streamlining the process and ensuring a seamless experience throughout.

Magle Chemoswed's CDMO workflow



Source: Magle Chemoswed

Magle's extensive service offering in the CDMO segment not only offers significant potential for increased revenue generation through a broader supply of services, but also serves to fortify the strength of its customer relationships. By providing a one-stop-shop solution, Magle effectively increases customers' switching costs and their dependency on its CDMO, fostering deeper commercial ties to the company. This not only secures customer loyalty but also ensures the sustainability of long-term, recurring revenue streams. The company's comprehensive approach to service provision serves not only as a competitive advantage but

also strengthens the overall resilience of its customer base. This is crucial in the highly competitive CDMO market, where customer retention is vital to the long-term success and growth of a business.

A selection of Magle Chemoswed's partners

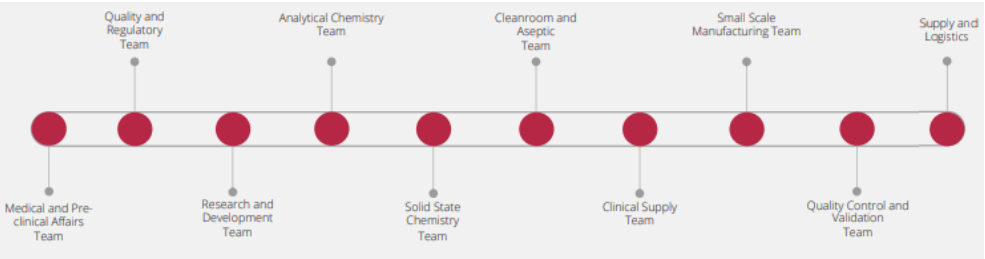
Source: Magle Chemoswed

Contract development

Magle offers a comprehensive range of development services covering the entire pharmaceutical and medical device development chain. R&D is a crucial aspect of drug development, forming the cornerstone for all subsequent steps ahead of drug filing. Drawing on more than 70 years of collective experience, Magle has a proven track record of providing successful development services that facilitate the introduction of products to the market.

Its development division offers a range of customer services, including organic chemistry, formulation chemistry, polymer chemistry, protein chemistry, solid state chemistry, and drug release chemistry. The team boasts extensive expertise in the development of a diverse array of pharmaceutical products, including small molecules, peptides, and proteins.

Magle Chemoswed's CDMO services



Source: Magle Chemoswed

It offers a comprehensive approach to method design, development, and review for early-stage analytical methods in support of dosage form development. Additionally, the team provides design, development, and review of analytical method qualifications, as well as the preparation of validation protocols and reports on compliance with ICH/FDA guidelines. The R&D team is supported by in-house specialists in analytic chemistry, market research, risk management, and specialist project management.

The constant demand for innovation in drug development places considerable demands on the production equipment used. To sustain this innovation, it is imperative that the equipment and facilities employed are of the highest standard. In keeping with this, Magle consistently invests in its capabilities and upgrades its equipment and facilities.

Accordingly, the company's laboratories are fully equipped with a combination of cutting-edge instrumentation and internally designed, innovative equipment, ensuring it is well-positioned to meet the industry's evolving needs.

Contract manufacturing

Magle offers customers fully integrated services including raw material sourcing and characterisation, supplier approval, pilot batch manufacturing, scale-up, cleaning method development and full GMP validation, and full-scale manufacturing for commercial support.

Magle Chemoswed's manufacturing services



Source: Magle Chemoswed

The company's clinical trial manufacturing services are produced at its cGMP-compliant facilities, supporting investigational medicinal product (IMP) or investigational new drugs (IND) for clinical trials around the world. The team operates on a risk-based approach, supporting projects with documentation and reports that will be used to aid regulatory filings.

Magle's manufacturing operations are fully integrated with its sourcing, formulation development, process development, analytical testing, quality control, and quality assurance teams. As part of its manufacturing services, Magle provides full cleaning method development, GMP batch manufacturing, and GMP release testing with QP release.

Fill and finish

The final step in the manufacturing of a drug product is known as fill and finish. To ensure the safety and sterility of the product, liquid filling requires highly technical processes. Magle has GMP-certified production capabilities, including a semi-automated filling line operated in classified areas and cleanroom environments. The company has experience in filling a wide range of products, including high-potency compounds, small molecules, and biological products that require controlled conditions. In addition to fill and finish services, Magle also offers customised labelling, packaging, and freeze-drying packages to its customers.

In Q1 2023, Magle began investing to further expand and broaden its CDMO fill and finish production capabilities for future operations to include small-scale niche fill and finish options.

Magle has invested in semi- and fully automated filling lines to provide high revenue- and profit-generating products for orphan, clinical, and small batch needs.

One of its latest additions is an automated vial filling, stoppering, and closing machine that is robotic and can handle up to 6,000 units per hour. The machine is versatile and can accommodate different sizes and modalities, including both freeze-drying and non-freeze-drying vials. This equipment requires less labour and significantly increases Magle's production capacities. Additionally, the company has introduced aseptic facilities to support drug product development and enhance its CDMO offering.

These recent additions to Magle's CDMO services have the potential to significantly increase its profit margins compared to traditional CDMO services by expanding its capabilities into a niche part of the contract manufacturing market. The new facilities enable the aseptic handling and manufacturing of multiple products in the DSM pipeline, resulting in a reliable return on invested capital. The expectation is that small scale fill and finish services will be available in H2 2023.

Generics manufacturing

The manufacturing operations are also responsible for the production of Magle Group's generic drug substance portfolio, which it supplies to customers worldwide, providing stable revenue bases for the company.

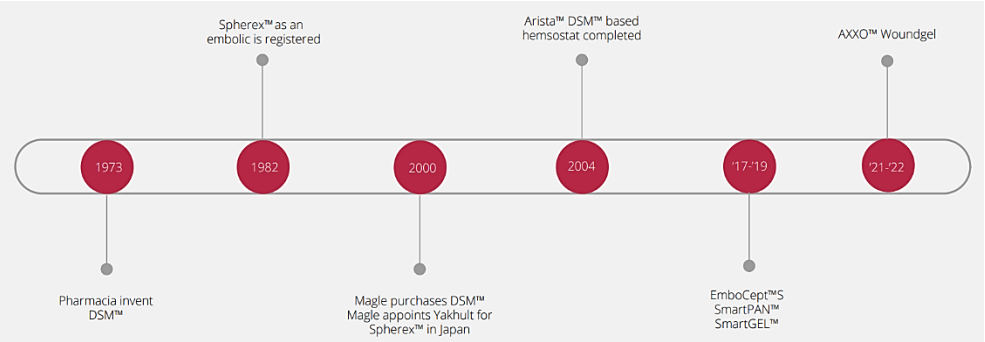
The current portfolio of generic drug substances consists of five APIs:

- Warfarin sodium – an anticoagulant medication used mainly to prevent and treat blood clots.
- Melperone hydrochloride – an antipsychotic used in the treatment of certain mental and emotional conditions, such as schizophrenia.
- Isradipine – a calcium channel blocker used to treat hypertension and to prevent angina (chest pain).
- Amantadine sulphate – a medication used in the treatment of central nervous system (CNS) disorders and for certain types of viral infections.
- Benserazide hydrochloride – a peripheral decarboxylase inhibitor used in combination with L-Dopa in the treatment of Parkinson's disease.

Technology platform (DSM)

The DSM proprietary technology platform – consisting of organic microspheres based on potato starch – forms bio-agreeable medical technology products. These microspheres, known as degradable starch microspheres (DSM), possess unique properties that make them biodegradable and biocompatible. In particular, they are capable of completely degrading in the presence of α-amylase, an enzyme found in most human fluids, including serum and wound exudate.

History of Magle Group's DSM platform

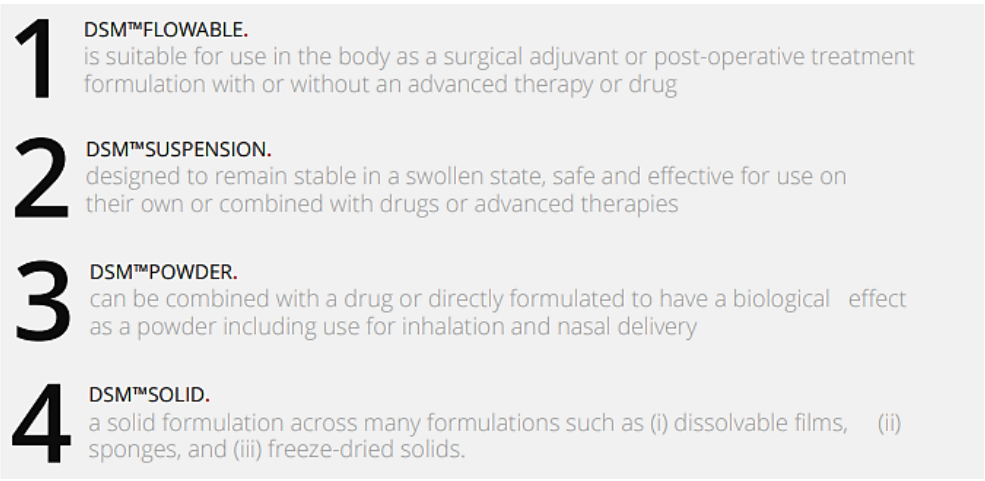


Source: Magle Group

Swedish pharmaceutical company Pharmacia was the first to begin developing DSM, introducing Spherex®, the world's first DSM product, in the 1980s. The treatment was developed specifically for co-administration of cytotoxic drugs to enhance drug concentration and therapeutic efficacy. In 2000, Magle Life Sciences acquired the rights to the DSM platform from Pharmacia.

Today, Magle exclusively manufactures these microspheres in Sweden and has the capability to produce them in a variety of sizes, with different degradation rates, volumes of liquids absorbed, and other adaptable characteristics. This versatility allows for a wide range of applications for DSM, including being loaded with APIs for use as a drug delivery system for topical, intranasal, intestine-specific, and parenteral delivery. Additionally, DSMs are non-toxic, making them a favourable alternative for depot medications, providing sustained release over a controlled period.

Magle Group's DSM formulations



Source: Magle Group

The company's DSM technology platform represents a high-growth area and is a promising source of long-term revenue streams. We believe the diverse array of clinical applications for which the technology platform offers solutions illustrates its versatility and potential for continued growth. The platform has already demonstrated its capabilities by producing a range of products for the company's portfolio. We argue the platform could serve as the foundation for the development of numerous additional products in the future and offers a great opportunity for optionality value in growing the business.

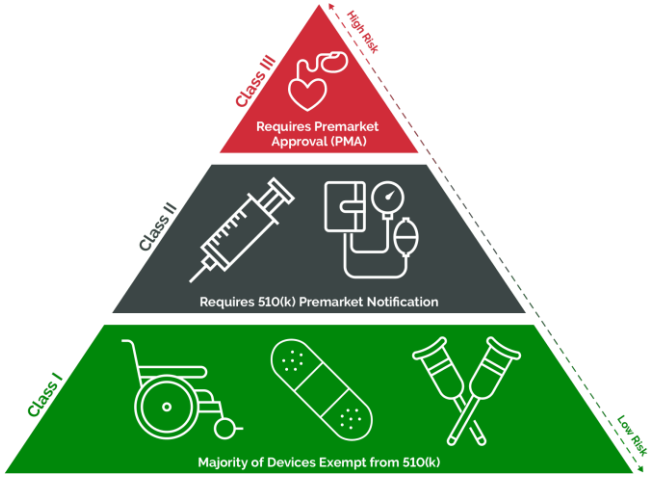
Time-to-market and cost of development

Unlike with the development of pharmaceuticals, market approval for medical technology products does not require clinical trials. This allows for a more cost-effective development process and a considerably abbreviated time-to-market compared to drug development.

Medical devices are categorised based on the level of risk they pose to the patient and the complexity of their design and intended use. Magle specialises in the development of class II and class III medical devices, which fall under varying regulations regarding time and cost of development.

Class II medical devices are considered being of moderate risk to the patient and are typically simple, non-invasive devices that do not sustain or support life. They are regulated by the FDA and must meet certain standards for safety and efficacy in order to be marketed in the US. Manufacturers must submit pre-market notification, also known as a 510(k), to the FDA, demonstrating that the device is substantially equivalent to another legally marketed device.

The FDA's medical device classes



Source: PTC Inc.

On the other hand, class III medical devices are considered having a higher level of risk and are subject to more stringent regulatory oversight, as they require pre-market approval (PMA). Class III devices are often implanted into the body or sustain life, and their failure could often result in serious injury or death.

According to Ethide Laboratories, the average total cost of getting a class II 510(k) product from concept to FDA clearance is approximately USD37m. By contrast, the average total cost to get a class III medical device from concept through PMA is USD113m. Similarly, moving a class II medical device from initial development through clearance takes about six years, while class III medical devices' timelines are roughly double that at 12 years.

Product portfolio

The technological foundation of Magle's DSM product line lies in the utilisation of microporous polysaccharide microspheres, derived from purified plant starch that has undergone a proprietary chemical process. This process, developed in-house, affords the company the ability to regulate the size of the microspheres, ranging from 10 µm to 2,000 µm.

Bolstered by a highly competent research and development team, integrated through the company's CDMO services, Magle is able to expedite its product development efforts, combining analytical, formulation, and manufacturing expertise to create innovative solutions.

To date, the company has successfully cultivated 13 distinct microsphere families, each with unique characteristics, catering to a wide range of applications across its target markets. Through its in-house R&D efforts, the technology has been adapted to produce a diverse array of medical devices, including gels, absorbable sponges, unwoven absorbable fibres, naturally degradable films, and the aforementioned microporous polysaccharide microspheres. This has culminated in the creation of three market-ready products, which constitute the company's current portfolio: SmartPAN, SmartGel, and EmboCept S.

SmartPAN

Magle's SmartPAN Biochemical Leakage Indicator is a first-in-class medical device designed to aid in the identification and resolution of pancreatic leakage during surgical interventions. This sterile hydrogel comprises degradable starch microspheres that have been loaded with bromothymol blue, a pH indicator that changes colour in response to the presence of leaked pancreatic fluid.

SmartPAN is packaged in a convenient, single-use blister pouch and is supplied ready-to-use, allowing for easy and efficient application to the surgical field. The device comes as a plastic applicator that can be used to apply the hydrogel evenly and accurately to the surgical area.

SmartPAN – Product



Source: Magle Group

Intended for use in every surgical intervention involving the pancreas, including minimally invasive surgery, SmartPAN allows the surgeon to localise, quantify, and effectively manage pancreatic leakage. The visual detection of leakage and the ability to perform targeted closure

greatly reduces the occurrence of post-operative biochemical leakage, one of the most significant morbidity issues associated with pancreatic surgery.

SmartPAN is approved for medical use in Europe after having received a CE mark in 2021. Furthermore, in 2022, Magle carried out a post-market clinical study of SmartPAN to generate further clinical evidence of its safety, efficacy, and cost-effectiveness. The study was conducted at the University Hospital of Heidelberg and enrolled 30 patients. It was successfully completed at the end of the year, with first data readout indicating an impressive ability to detect pancreatic fluid leakage. An extended data analysis was later presented by Magle at the 140th German Surgery Congress in April with study results confirming the usability and safety of SmartPAN when used as an indicator of pancreatic leakage. Clinical usability evaluations showed high satisfaction with the device, with the majority of surgeons expressing a desire to use the product again in settings beyond the study.

The positive data from the clinical follow-up study will serve as an important base in Magle's stepwise preparation for the full commercial launch, such as interactions with KOLs and leading surgeons. The findings will provide substantial backing for reimbursement applications within Europe, and may also streamline the process of obtaining marketing approvals in other regions of the globe.

SmartGel

Magle's SmartGel is a non-allergenic hydrogel developed as a solution in the segment for advanced wound care. It contains PHMB (polyhexamethylene biguanide) incorporated into fully biodegradable starch microspheres suspended in a gel matrix. This allows for quick application and slower release to prevent bacterial growth and further infection.

SmartGel – Product



Source: Magle Group

The hydrogel wound dressing is indicated for the management of dry to moderately exuding partial and full thickness chronic wounds. The gel has been proven to deliver moisture to the wound, whilst maintaining enough absorption capacity for exudate, debris, and bacteria, making it a flexible treatment option for many different types of wounds. It is anti-microbial and can promote cell growth in the wound area, thus contributing to wound closure. The product is mainly intended for treating diabetic foot ulcers, a common problem among diabetes patients.

SmartGel received a CE mark in Europe in 2021 and plans to be launched in Germany in 2023. It is also marketed by Magle's distribution partner AXXO under the brand name AXXO WoundGel with both completed and upcoming commercial launches in the Middle East and Latin America.

The total development costs attributable to SmartGel (class IIb) were approximately USD1.2m and the development time was 24 months. This is considerably less than the average cost (USD37m) and development time (six years) for a class II medical device and is a testament to the efficiency rate that Magle can achieve thanks to its DSM platform.

EmboCept S

EmboCept S is a specialised microsphere-based solution indicated for use in vascular occlusion of inoperable liver and lung tumours. Injection of the solution into blood vessels connected to the tumour reduces the blood flow and causes short-term ischemia. As the blood supply is blocked, the tumour goes into decline.

The treatment is used in combination with cytostatic agents, the aim of which is to optimise the intra-tumoral drug accumulation. The embolisation effect of EmboCept S leads to a local increase in the concentration of the cytostatic given simultaneously, further accelerating the tumour's cell death.

EmboCept S – Product



Source: Magle Group

EmboCept S is CE-marked in Europe and was included in leading European guidelines for recommended therapeutic use in 2022, as the Standards of Practice Committee (SOPC) of the Cardiovascular and Interventional Radiological Society of Europe (CIRSE) confirmed the inclusion of DSM for use in transarterial chemoembolisation (DSM-TACE).

At the end of 2022, Magle announced the launch of EmboCept S in the Latin American market following the regulatory approval and launch of the product in Argentina. EmboCept S is being commercialised in the region through local distribution partners, with BONAVIX in charge of its rollout in Argentina. Magle also has further plans for EmboCept S's international expansion, with registrations ongoing in Vietnam, South Korea, and China.

The development costs for EmboCept S (class IIb) were merely around USD0.8m and the development time 24 months. As with SmartGel, this demonstrates the impressive efficiency and potential of the company's technology platform.

Furthermore, EmboCept S is also being evaluated in post-market clinical studies to expand the therapeutic uses of the product in the future. Through strategic partnerships and business development, Magle has joined forces with commercial and academic partners to advance scientific data and clinical evidence on the DSM technology. The company has over the years increased its investments in clinical evaluations with the aim to yield robust scientific and clinical data to support strong health economic evaluations for its reimbursement partners.

EmboCept S – Clinical programs

DSM product	Study objective	Study structure
EmboCept® S/ PlatiCept®	DSM-TACE + Cisplatin vs. SIRT (SIR speres, 90Y) for liver metastases in advanced uveal melanoma	Phase II, randomizedmulticentric
EmboCept® S DSM 50 µm	Lung tumors vs. transarterial chemoperfusion	Prospective randomized monocentric comparative study
EmboCept® S	Hepatocellular carcinoma management with transarterial chemoembolization with degradable starch microspheres (DSM-TACE)	Observational study

Source: Magle Group, Redeye Research
*Ongoing clinical programs as of 31st December 2022.

Pipeline

The DSM project pipeline includes projects in development approved by the board for further investment.

EmboCept M

EmboCept M uses a similar mechanism of action as EmboCept S and is being developed for the treatment of benign prostatic hyperplasia (BPH) through prostatic artery embolisation. BPH is a medical condition in which the prostate gland undergoes non-malignant growth. Studies have shown that BPH is common in men, with estimates suggesting approximately 50% of all men over the age of 50 years are affected. This highlights the need for effective treatment options for BPH, as the condition can cause significant discomfort and negatively impact quality of life for affected individuals.

The product candidate offers important potential advantages over current marketed products, including easy administration, controlled degradation, biocompatibility, and potential for enhanced treatment efficacy in patients. Its development of EmboCept M is in the final scaleup and commercial readiness stages before filing the regulatory documentation for approval in the Europe Union.

EmboCept L

EmboCept L is being developed as a novel embolic agent for the treatment of benign uterine fibroids – non-cancerous growths in the uterus that can cause significant discomfort, heavy bleeding, and other symptoms. The product utilises a unique microsphere design manufactured using a newly developed method to ensure a highly flexible and viscoelastic microsphere. This design is particularly advantageous for embolisation procedures, allowing for the microspheres to retain their sphericity after catheter passage, thereby facilitating accurate delivery to the target tissue.

In addition to its unique microsphere design, EmboCept L offers potential advantages over the current standard of care for the treatment of fibroids, as its biocompatible degradation means repeatable administration is possible, offering an attractive alternative to surgical procedures. EmboCept L is also in the final development stages before regulatory filings.

EmboCept P

EmboCept P is an innovative and promising drug delivery solution that is currently undergoing development to address the pressing need for effective treatment of lung tumours. It employs a technology that utilises embolization beads coated with cisplatin, a potent chemotherapy drug, to target cancer cells directly at the tumour site.

This approach offers several advantages over traditional chemotherapy, including improved efficacy and reduced toxicity, as the drug is delivered directly to the tumour site, minimising the risk of systemic exposure and adverse effects. Moreover, the use of embolisation beads allows for a sustained and localised release of the drug, ensuring prolonged and targeted exposure to cancer cells.

SmartGel II

SmartGel II is also a medical technology device that represents a potential advancement in progressive wound care. Developed as an advanced hydrogel formulation using starch-based biospheres, this innovative candidate builds on the technology of its predecessor, SmartGel, to offer even more targeted treatment for patients with chronic wounds.

The unique formulation of SmartGel II allows for the sustained and controlled release of bioactive agents, such as antimicrobial agents and growth factors, which are essential for effective wound healing. Moreover, this technology is specifically designed to combat the formation of wound biofilm, which is a significant barrier to healing and a major contributor to chronic wound infections.

SmartBone

SmartBone is being developed as an advanced formulation of microspheres, combined with active ingredients, that can stimulate bone growth in surgical implant procedures. The technology focuses on inducing and facilitating tissue repair and regeneration, making it an attractive option for patients requiring dental implant procedures.

The unique composition of SmartBone includes an mRNA molecule that can accelerate normal physiological repair, leading to faster and more effective healing. This technology has the potential to revolutionise the field of dental bone tissue engineering, offering new hope for patients who have experienced bone loss due to injury, disease, or ageing.

SmartBone is currently in the early stages of development, with a patent application filed in 2021/22 to protect the invention in conjunction with DSM. The project is set to move to the pre-clinical stage in 2023, with ongoing research and refinement aimed at optimising the technology for clinical use.

SmartCell

SmartCell represents a pioneering research undertaking that has garnered support from the European Union via its coveted Horizon 2020 (Eureka) framework program. Collaborating with two external partners, the SmartCell program constitutes a strategic initiative aimed at exploring innovative techniques for improving the quality and yield through enhanced cell growth.

Specifically, the project focuses on coating DSM with media in a bioreactor, providing an optimal environment for promoting enhanced cell growth and harvesting with greater ease. SmartCell is currently in early discovery phase with ongoing preparations for preclinical studies.

Royalties

In addition to the direct sales of DSM products through Magle PharmaCept, the company generates revenues through a long-term royalty-based licensing agreement related to its product brand, Arista. Developed in partnership with Medafor Inc., Arista is a specialised product designed to control bleeding during complex surgeries.

Arista – Product



Source: Becton, Dickinson and Company

Arista is made of plant-based microporous polysaccharide hemospheres in the form of a dry powder. The technology enhances natural hemostasis by stimulating the formation of a gelled matrix on the powder particles' surface, creating a barrier to blood loss. This unique formulation has been highly effective in reducing blood loss during surgery, making it a valuable asset to the medical industry.

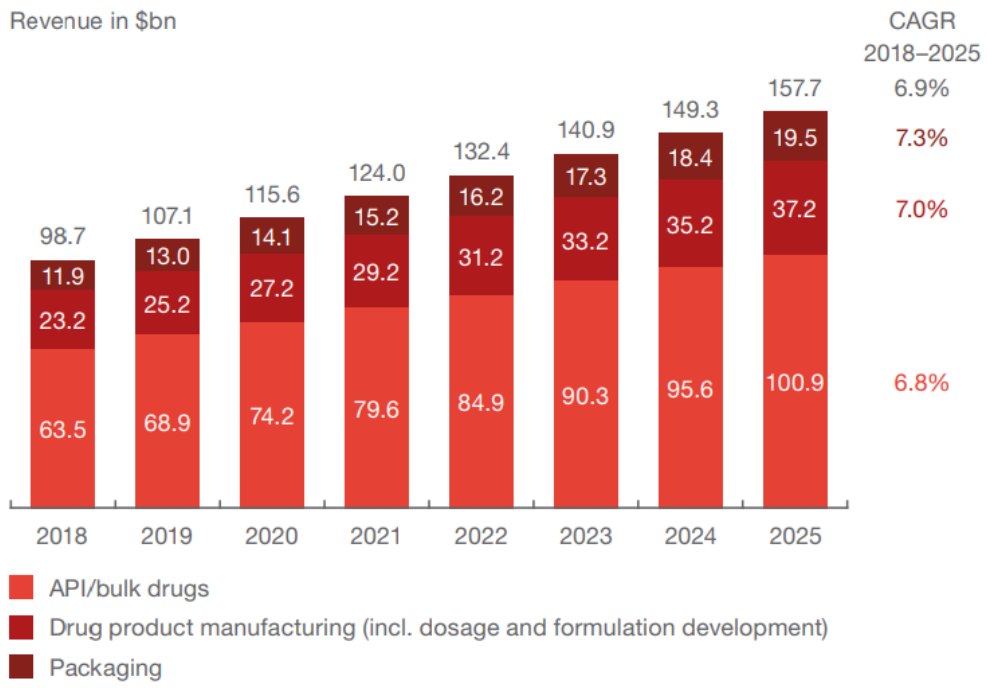
Although Medafor Inc. was acquired by Becton, Dickinson & Co in 2017, the licensing agreement for Arista remains intact. The product received US approval from the FDA in 2006 and has been on the market there since 2007. Medafor holds a global licence to produce and sell Arista, with the US as its dominant market. Magle receives royalties in proportion to the quantities produced, and the licensing agreement is set to run until the end of the product's patent period (December 2030). The ongoing royalty-based licensing agreement ensures a steady stream of revenues for the company, providing financial stability and funding for the development of its DSM platform.

Market overview and opportunities

CDMO market

According to a market report from PWC and Grand View Research, the current valuation of the CDMO market stands at some USD132bn, expected to increase to USD158bn by 2025. The growth rate of the market is projected to be 6.9% per year, surpassing the overall growth rate of the pharmaceutical industry. The majority of the industry's revenues (64%) come from the production and development of APIs, while drug product manufacturing, including dosage and formulation development, accounts for roughly 24%. The remaining 12% of the market comprises supply and logistics, such as packaging, labelling, and freeze-drying.

Global CDMO market, by service, 2018–2025e (USDbn)

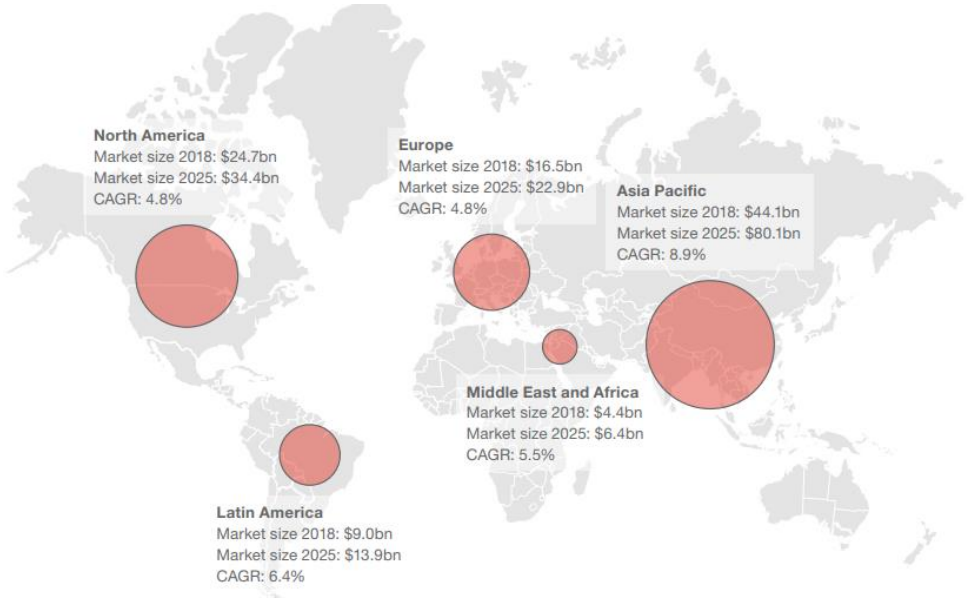


Source: PWC, Grand View Research

When examining the various regions in the CDMO industry, it becomes evident that Asia-Pacific, particularly China and India, continues to dominate the growth market. This can be attributed to a number of factors, including significantly lower manufacturing costs versus North America and Europe, as well as favourable regulations that support the industry's growth.

Although China and India have established themselves as major providers of API manufacturing services, the US remains the primary destination for pharmaceutical development outsourcing. The country boasts considerable funding for the industry, as well as a unique concentration of university-affiliated pharmaceutical research clusters that support innovation and development in the field.

Global CDMO market, by service, 2018–2025e (USDbn)



Source: PWC, Grand View Research

On the other hand, developing countries are generally viewed as unattractive destinations for pharmaceutical development outsourcing. Issues related to quality, logistics, regulations, and intellectual property rights can present significant challenges for companies looking to outsource their pharmaceutical development needs. These factors may also negatively impact the reputation of the pharmaceutical industry in developing countries, further reducing their appeal to potential investors and clients.

Trends

The adoption of outsourcing as a strategic approach has long been prevalent among smaller pharmaceutical companies, either due to a conscious decision to forgo the internal capacity or expertise, or to the lack of resources to cultivate it. Over the years, CDMOs have broadened their offerings to clients by providing a combination of partnership and customer support. In turn, small to medium-sized pharmaceutical companies have increasingly resorted to outsourcing solutions as a result of several trends, including:

- Access to specialised knowledge and comprehensive development and manufacturing capabilities.
- The possibility of avoiding substantial costs and investments associated with acquiring and developing in-house manufacturing skills and technologies.
- A shift in focus towards core activities, such as research and development, and marketing.
- The prospect of expediting product commercialisation through the utilisation of existing expertise and manufacturing infrastructure.
- The possibility of lowering unit costs through CDMOs' singular focus on development and production, coupled with the ability to aggregate production volumes from multiple pharmaceutical companies, thereby achieving a higher degree of capacity utilisation.
- The growing intricacy of manufacturing processes, and the escalating demand for high-volume production.

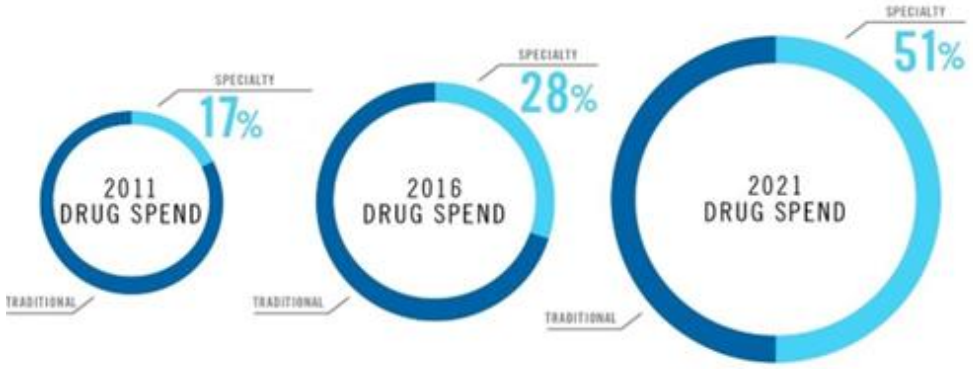
In addition, strict regulatory requirements for each stage of product development and manufacturing process are driving the growth of outsourcing in the pharmaceutical market as well. All drugs and medical devices must be developed and produced in accordance with cGMP and ISO13485:2016 healthcare quality standards. Additionally, stability testing before commercialisation is a requirement for many new healthcare products. CDMO companies that meet these compliance requirements, such as Magle, are particularly attractive.

Moreover, pharmaceutical and biotech companies are increasingly selecting CDMOs that can provide a comprehensive range of services, from product development to commercialisation of the final product, thereby facilitating streamlined management. This trend is expected to serve as the primary catalyst for the expansion of the worldwide CDMO market.

Orphan drugs and niche medicines

In recent years, healthcare regulators have implemented measures aimed at fostering innovation in niche areas of the pharmaceutical industry by granting regulatory concessions and exclusivity rights for patented products. As a result, we have seen a global trend of pharmaceutical development companies shifting their focus towards the production of orphan drugs, speciality medicines, and other small market niches.

Distribution between sales of speciality medicines and traditional medicines



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

The development and manufacturing of these niche products entail substantial costs though, reducing the benefits of the regulatory reliefs because their production typically requires specialised and expensive substances. For CDMOs, servicing these niche markets is best suited for smaller players, given the comparatively lower volumes involved. The margins and profitability are generally higher in this segment of the CDMO business though, thanks to the niche demands and specificity. In accordance with this, Magle is increasingly providing CDMO services to companies developing orphan drugs and niche pharmaceuticals.

Competitive landscape

In terms of market share, the CDMO industry is dominated by a few key players, with the top ten CDMOs accounting for a significant portion of the market. According to a report by Pharma Boardroom, the top five CDMOs by market share in 2021 were Lonza Group, Thermo Fisher Scientific, Catalent, WuXi Biologics, and Recipharm. The top players together are estimated to control around 30% of the global CDMO market, with hundreds of smaller specialists occupying the rest of the market.

Lonza Group is currently the largest CDMO company by market share (around 10%). The company offers a wide range of services, including drug substance manufacturing, cell and gene therapy services, and drug product manufacturing. Thermo Fisher Scientific is the second-largest CDMO company (around 7%). The company specialises in analytical testing, drug substance and product development, and manufacturing services. Catalent, WuXi Biologics, and Recipharm round out the top five CDMOs with respective market shares of around 6%, 4%, and 3%.

Top players in the CDMO market



Source: Redeye Research

Although the CDMO market is highly fragmented, recent years have seen significant M&A activity in the sector. Many pharmaceutical companies seek to work with only a small number of suppliers to reduce the costs and risks associated with technology transfers and to save time.

To improve their competitiveness in this environment, CDMOs are opting to merge with other companies. This strategy can help them expand their range of services for existing dosage forms or enter new markets for other dosage forms. By doing so, CDMOs can better position themselves to meet the demands of pharmaceutical companies seeking to streamline their supply chains and reduce costs.

Recent acquisitions in the CDMO market (USDm)

Recent acquisitions - CDMO industry				
(USDm)	Target	Specialty/Offering	Deal size	Year
Acquirer				
Thermo Fisher Scientific	PPD	CDMO services	17,400	2021
Danaher	Aldevron	Plasmid DNA, mRNA and proteins	9,600	2021
Thermo Fisher Scientific	Brammer Bio	Cell and gene therapy & viral vector	1,700	2019
Catalent	Paragon Bioservices	Gene therapy & viral vector	1,200	2019
Charles River Laboratories	Cognate BioServices	Cell and gene therapy	845	2021
Merck	Exelead	Complex injectable formulations	780	2022
Recipharm	Consort Medical	APIs, drug products & devices	630	2020
Catalent	Metrics Contract Services	Oral solid dosage	475	2022
Average			4,079	
Median			1,023	

Source: Redeye Research

The largest CDMOs are particularly attractive to Big Pharma because they offer broader end-to-end relationships, including large-scale infrastructure and more specialised bio-processing and regulatory expertise. The acquiring companies are often willing to pay large multiples for their CDMO targets. Recently, we have seen an abundance of high-profile acquisitions in the CDMO

space, a selection of which we summarise in the table above. Noteworthy activity includes Thermo Fisher's acquisition of PPD (USD17.4bn; 2019) and Aldevron's sale to Danaher (USD9.6bn; 2019).

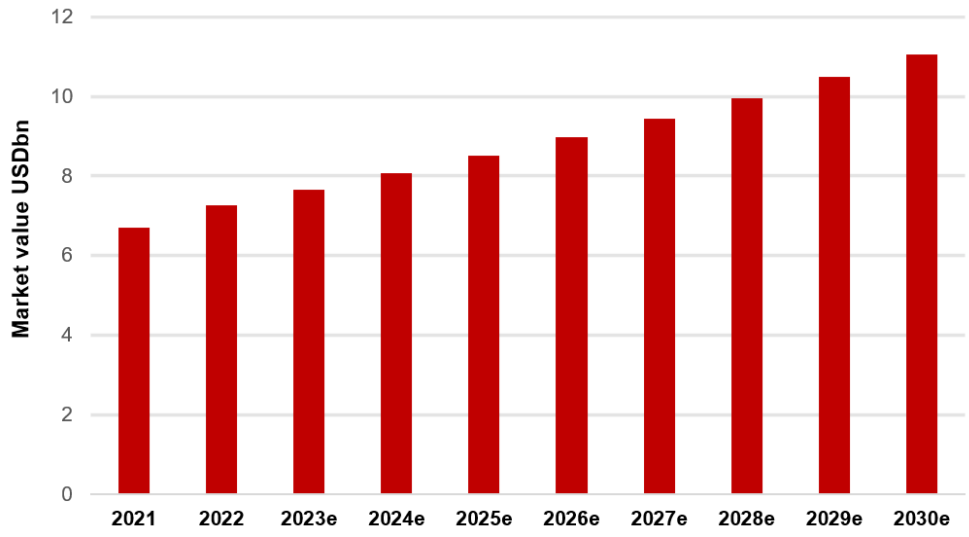
DSM product markets

The DSM technology utilised by the company is based on organic elements and is capable of being bio-absorbed, yielding substantial benefits for the creation of novel products, thanks to its versatility. Accordingly, the technology boasts a broad spectrum of applications and is adaptable to numerous therapeutic domains. As the trend towards biodegradable solutions gains momentum, the company anticipates the DSM platform playing a pivotal role in driving growth and expanding the product portfolio. However, the company's current focus lies primarily on three distinct application areas: advanced wound care, minimal invasive surgery, and advanced drug delivery system.

Advanced wound care

The global market for advanced wound care was valued at USD6.7bn in 2021 and is poised to grow at a CAGR of 5.4% in 2022–2030e, according to Grand View Research. This upsurge is attributed to the rising incidence of chronic diseases globally, which is driving demand for advanced wound care products. Additionally, the growing elderly population, often with slower healing capabilities, is expected to propel market growth.

Global advanced wound care market in 2021–2030e (USDbn)



Source: Grand View Research, Redeye Research

One specific area where advanced wound care products are in high demand is in the treatment of diabetic foot ulcers, which are common among diabetic patients. According to ScienceDirect, diabetic foot ulcers afflict more than 25% of diabetic patients and can result in foot amputation in up to 20% of cases. As the number of diabetic patients increases, the use of advanced wound care products is thus also anticipated to rise.

The advanced wound care market comprises numerous small and large manufacturers, meaning a highly fragmented industry. We expect this abundance of players to intensify competitive rivalry during the forecast period. To fortify their product portfolios, major players are engaging in collaborations, product launches, mergers, and acquisitions.

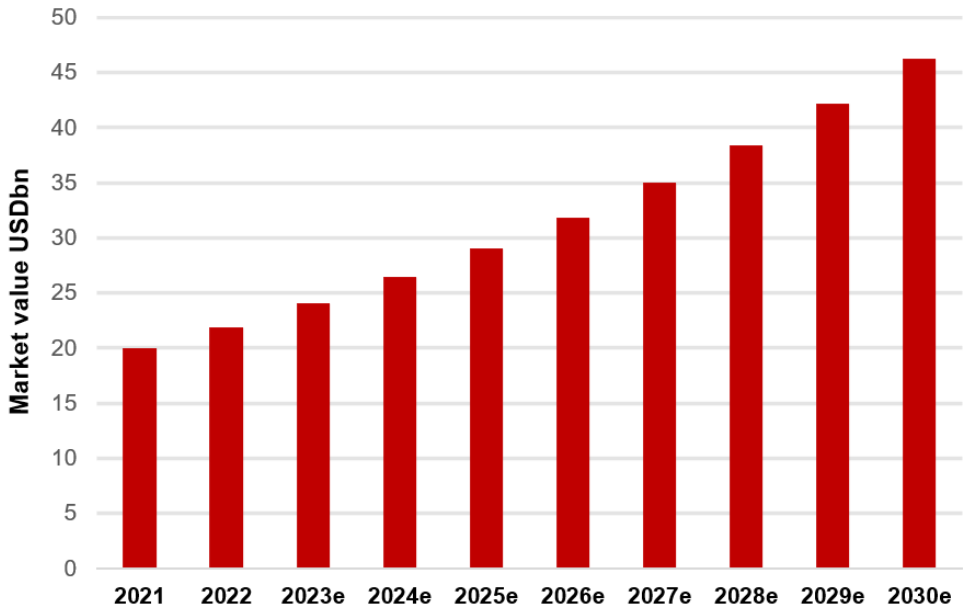
Magle develops SmartGel and its second-generation hydrogel SmartGel II in this segment. Similar gel based wound care solutions on the market include Contipro's Hyiodine, B. Braun's Prontosan Wound Gel X and ConvaTec's GranuGEL.

It is also worth noting there are some pharmaceutical wound care products in development, such as Tissue Repair's drug candidate TR-987, which incorporates the API Glucoprime to activate the body's immune cells to defend against pathogenic microorganisms.

Minimally invasive surgery

Grand View Research valued the global market for minimally invasive surgical instruments at USD19.96bn in 2021 and projects it to grow at a CAGR of 9.8% in 2022–2030e. Minimally invasive surgery has gained in popularity as the procedures often offer similar outcomes to in-patient and conventional open surgeries but with significantly lower costs and risks, providing substantial value to both patients and insurance providers. This trend is likely to continue in the years to come, owing to technological advancements and a rising number of product approvals by various market players. The launch of new products should generate robust growth for the industry during the forecast period.

Global minimally invasive surgical instruments market in 2021–2030e (USDbn)



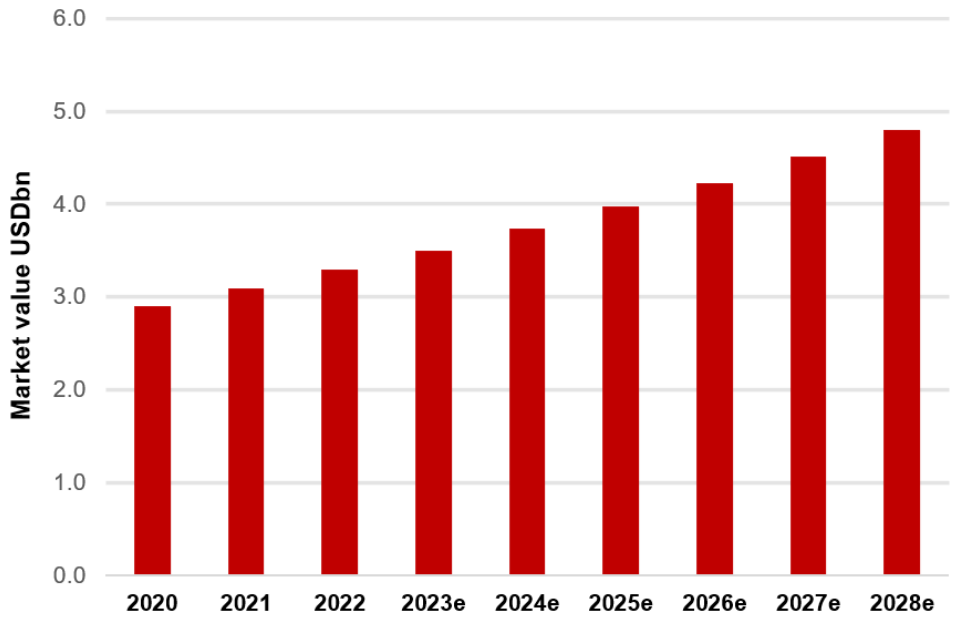
Source: Grand View Research, Redeye Research

Magle's product development in minimally invasive surgery focuses primarily on tumour treatment in the liver, lungs, uterus and prostate through its EmboCept product line, and pancreatic leakage through its SmartPAN product.

SmartPAN does not have any direct competition at present, and it holds the promise of occupying an unrivalled position thanks to its status as a first-in-class product. Magle itself has identified just a small number of projects in development that may in the future constitute competition to SmartPAN. However, these emerging products are still in early stages and require substantial investments in terms of time, resources, and development before they can compete with SmartPAN.

The company's EmboCept products face more concrete competition as there are plenty of products intended for vascular embolisation to treat tumours. The global embolisation market was valued at USD2.9bn in 2020 and is expected to grow at a CAGR of 6.5% until 2028, according to Grand View Research. The increasing prevalence of cancer and other chronic diseases, technological advancements in embolisation devices, and the increasing demand for minimally invasive procedures are among the key factors driving growth in this market.

Global vascular embolisation market in 2020–2028e (USDbn)



Source: Grand View Research, Redeye Research

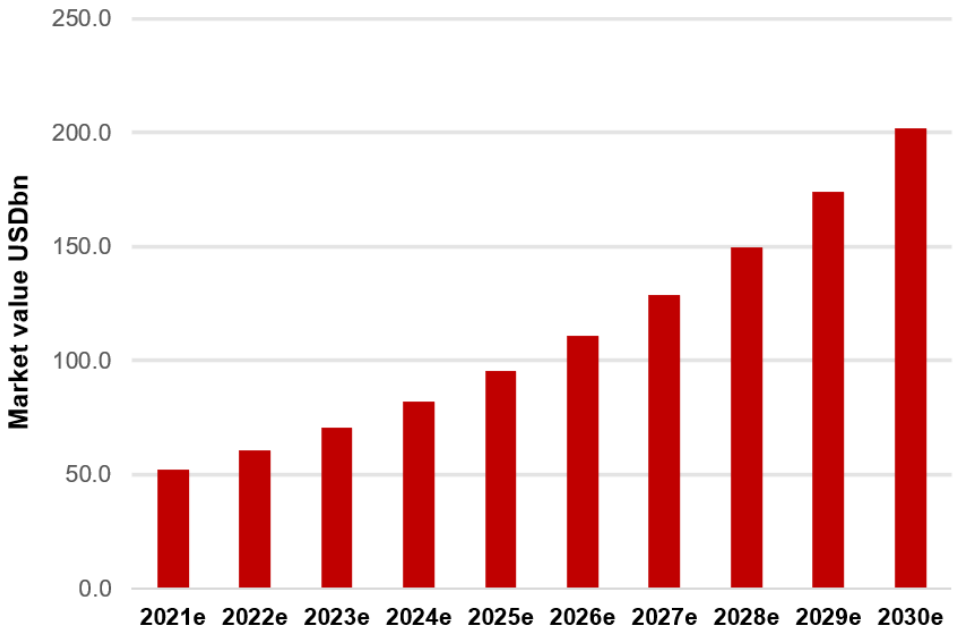
Among the leading competitors are Merit Medical Systems' Embosphere Microspheres, Sirtex's SIR-Spheres, Medtronic's Onyx Liquid Embolic System and AZUR Peripheral Hydrocoil. We argue that Embosphere Microspheres is most similar to EmboCept, as these are also small, biocompatible microspheres that can be used for embolisation in a variety of applications.

Advanced drug delivery system

The advanced drug delivery market has emerged as a vital area of focus for pharmaceutical companies, researchers, and medical practitioners worldwide. This market is characterised by the use of innovative technologies and techniques that aim to enhance drug delivery to their target sites in the body. Some of the most popular techniques employed in advanced drug delivery systems include nanotechnology, liposomes, and microparticles. These technologies facilitate the efficient, targeted, and safe delivery of drugs, minimising toxicity and improving efficacy.

According to a report by Precedence Research, the global advanced drug delivery system market has been on a steady growth trajectory, with a market size of USD52.3bn recorded in 2021. The market is projected to maintain this upward trajectory, growing at a CAGR of 16.2% until 2030. By the end of this forecast period, the market is expected to reach a value of around USD201.45bn, driven by increasing demand for improved drug delivery systems across multiple therapeutic areas.

Global advanced drug delivery system market in 2021–2030e (USDbn)



Source: Precedence Research, Redeye Research

Most of the world's largest pharmaceutical companies invest heavily in R&D to create new and innovative drug delivery systems that can improve the effectiveness, safety, and convenience of drug treatments. They often collaborate with academic institutions and smaller industry partners to bring new drug delivery technologies to the market. Other important players in this field include drug delivery technology providers, such as Catalent, Aptar Pharma, and Evonik.

Financials

Historical financials

Magle Group is still a newly formed entity, having been established in 2021. When looking at Magle's historical finances, it is worth noting that financial years 2017–2020 are figures for Magle Chemoswed, which was established in 2017. The lack of a uniform prior financial history can somewhat limit analysis and financial interpretation of the company's historical numbers.

Historical financials, 2017–2023 (SEKm)

Magle Group: Historical finances (SEKm)										
(SEKm)	2017	2018	2019	2020	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022
Net sales	**112.7**	**106.0**	**127.6**	**142.3**	**132.2**	**30.2**	**35.5**	**34.1**	**45.9**	**145.7**
Other income	13.8	14.8	11.9	3.9	12.3	2.3	3.5	0.1	2.9	8.8
Total revenues	**126.5**	**120.8**	**139.5**	**146.3**	**144.4**	**32.5**	**38.9**	**34.2**	**48.8**	**154.5**
COGS	-4.6	-16.9	-27.6	-30.4	-21.3	-2.9	-0.9	-4.1	-6.1	-14.0
Gross Profit	**121.8**	**103.9**	**111.9**	**115.9**	**123.2**	**29.7**	**38.0**	**30.0**	**42.8**	**140.5**
Operating Expenses	-105.6	-100.4	-98.5	-99.7	-106.3	-23.2	-30.3	-25.2	-36.9	-116.9
EBITDA	**16.2**	**3.5**	**13.4**	**16.2**	**16.9**	**6.5**	**7.7**	**4.9**	**5.9**	**23.6**
EBIT	**7.0**	**-3.9**	**0.1**	**4.5**	**5.3**	**3.4**	**4.2**	**1.5**	**2.9**	**10.6**
EPS	N/A	N/A	N/A	0.2	0.4	0.3	0.3	0.1	0.2	0.8
Sales growth (%)	**N/A**	**-6%**	**20%**	**12%**	**-7%**	**-1%**	**6%**	**6%**	**28%**	**10%**
Gross margin	108%	98%	88%	81%	93%	98%	107%	88%	93%	96%
EBITDA margin (%)	14%	3%	10%	11%	13%	21%	22%	14%	13%	16%
EBIT margin (%)	6%	-4%	0%	3%	4%	11%	12%	4%	6%	7%
Net income margin (%)	4%	-3%	1%	2%	4%	10%	10%	3%	5%	6%

Source: Redeye research, Magle Chemoswed

Between 2017 and 2022, Magle increased its sales from SEK113m to SEK146m, indicating a CAGR of around 5.3%. While this is a somewhat low sales growth development, we believe the growth has largely been hampered by the COVID-19 pandemic. The markets in which the company operates have been seriously affected by the coronavirus outbreak and global political uncertainty, resulting in a presumed negative impact on demand and logistics of purchases for both the company's customers and suppliers. This has led to a combined impact on supply and demand, ultimately hurting Magle's revenues since 2020.This was particularly evident in the company's sales of generic APIs and income from the long-term royalty-based licensing agreement.

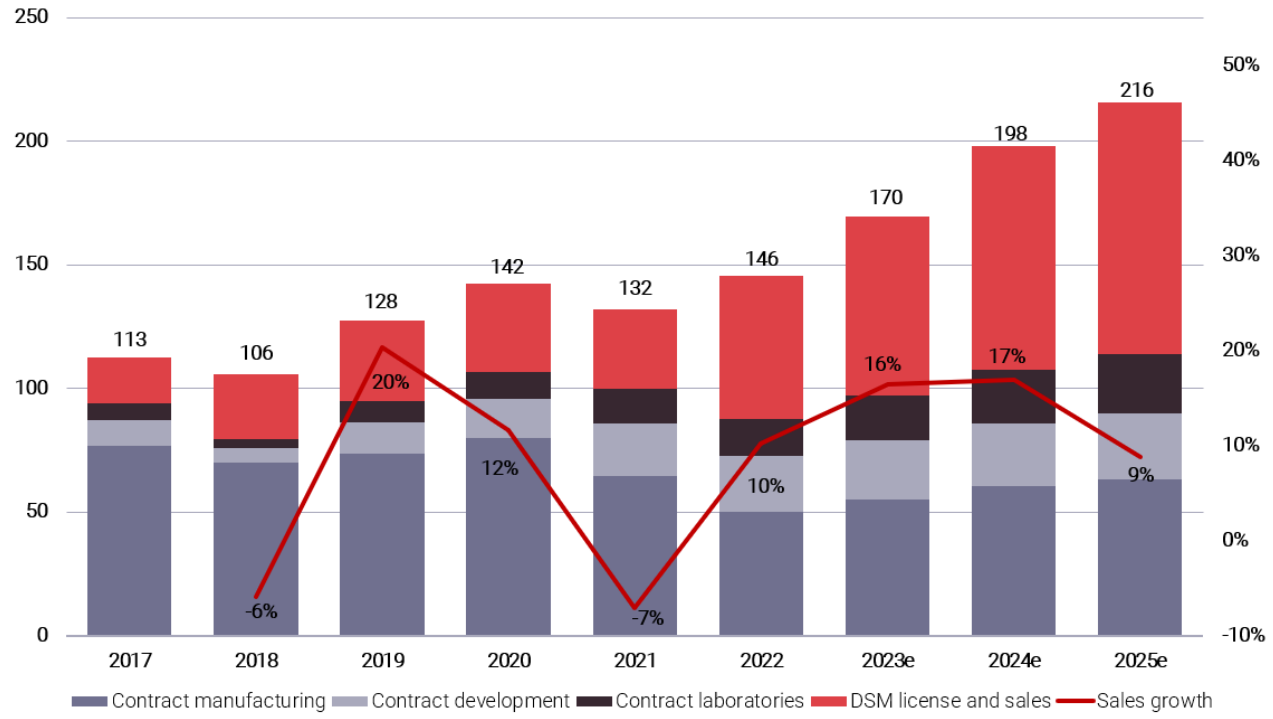
Moreover, during this period, Magle has primarily operated as a CDMO business. As a reference point, the overall average annual revenue growth (CAGR) for the CDMO industry in 2017–2022 was around 6%. Magle has thus largely followed the industry average growth rate for the past five years.

Financial forecasts

Sales estimates

We expect Magle to experience an increase in sales growth in 2023–2025 thanks to a transition in operational priorities toward the DSM technology platform products. Magle currently has three approved products from its DSM platform, with several more candidates in the pipeline. Given the expected full market launch of SmartPAN and the launch of AXXO Woundgel in the Middle East in 2023, along with a geographically expanded sales team, we believe accelerated sales figures will already be evident in 2023.

Net sales and sales growth, by income type, 2017–2025e (SEKm)

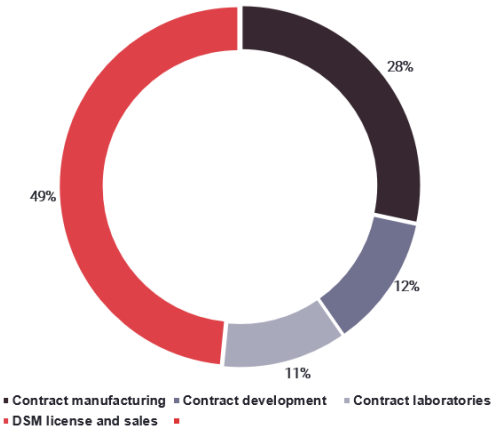


Source: Redeye research, Magle Chemoswed

Our sales estimates of SEK216m for 2025e indicates a CAGR of 12.7% between 2022 and then. Given SEK101m stemming from the sales of its DSM products, this indicates that the DSM segment will contribute to roughly 50% of total sales, as we believe the DSM revenue streams will grow at an increasing rate. We expect Magle's sales figures to largely correlate with the company's number of marketed products and investments in its sales force.

Net sales, by income type, in 2025e and expected portfolio timeline

Magle Group: Sales per segment, 2025e (%)



Magle Group: Product portfolio, by indication

Project	Indication	Status	Timeline 2023	2024	2025
SMARTPAN	Pancreas surgery procedures	Approved/in post-market study			
SMARTGEL/AXXO WoundGel	Advanced wound care	Approved			
EMBOCEPT S	Liver/lung cancer	Approved			
EMBOCEPT M	Benign prostatic hyperplasia	Validation			
EMBOCEPT L	Benign uterine fibroids	Validation			
EMBOCEPT P	Lung cancer	Validation			
SmartGel II	Advanced wound care	Pre-clinical			
SMARTBONE	Dental bone tissue engineering	Pre-clinical			

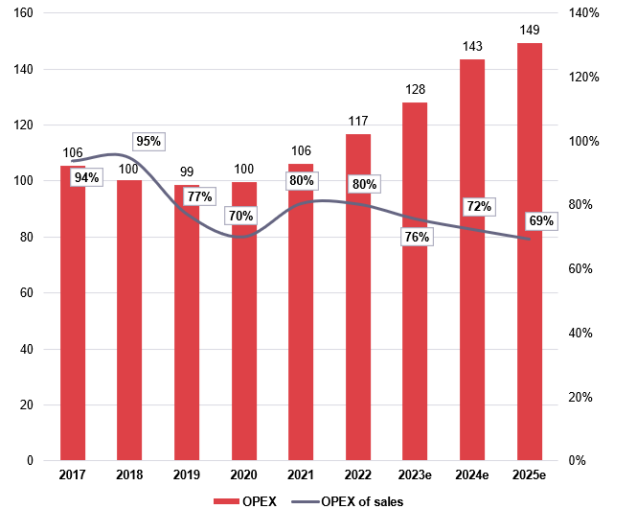
Source: Redeye research, Magle Chemoswed

COGS and OPEX expectations

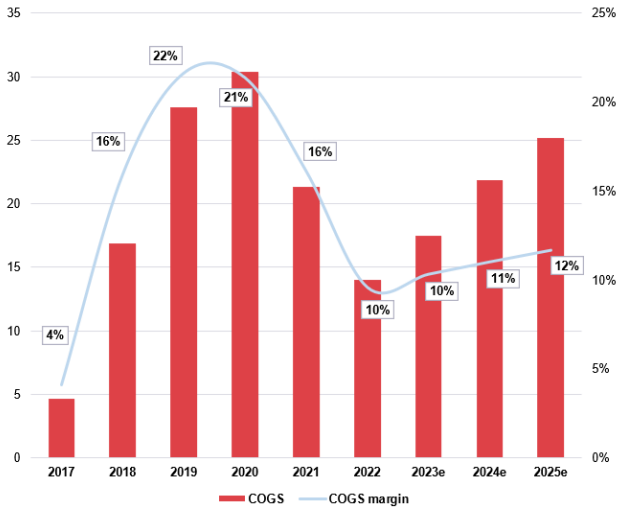
Historically, Magle's annual OPEX has remained relatively stable, hovering around SEK100m. Nonetheless, there has been a minor uptick in OPEX in recent years due to the sales team expansion and investments in the DSM platform. We expect this to persist as Magle continues to expand its commercial team, as the DSM products necessitate further sales and marketing investments. We thus forecast a gradual rise in OPEX each year, reaching SEK149m by 2025e.

Operating expenditures and COGS, 2017–2025e (SEKm)

Magle Group: Operating expenditures (SEKm)



Magle Group: COGS (SEKm)



Source: Redeye research, Magle Chemoswed

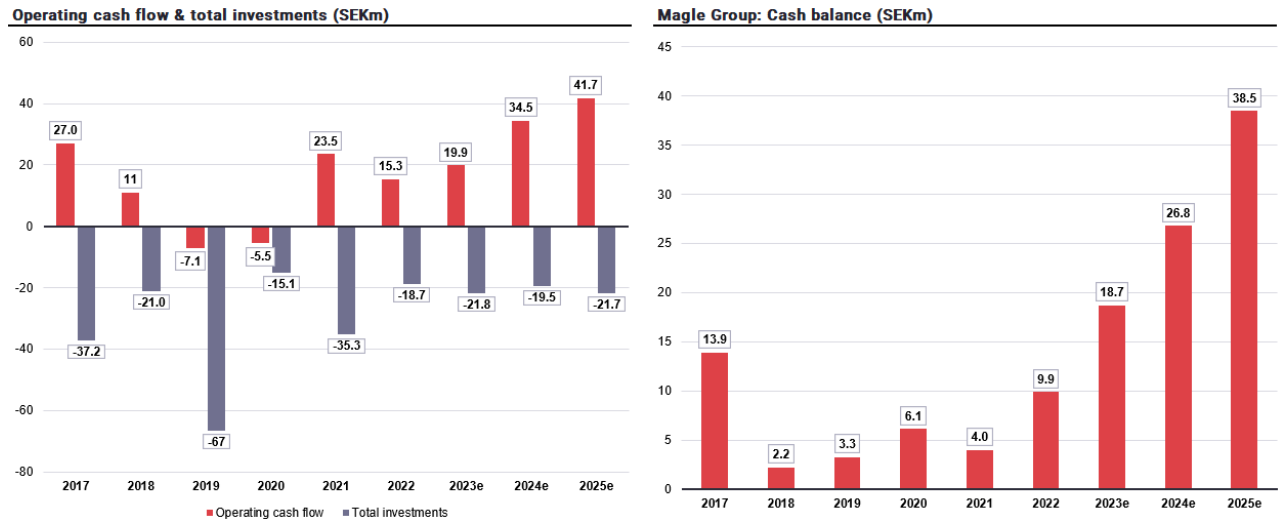
Due to Magle's transition towards the DSM platform, however, we anticipate a decrease in OPEX margins since DSM product sales are less labour-intensive and have higher operating margins than the CDMO segment.

Cash flows and cash position

Magle has performed one rights issue since its public listing in 2020. This was in early 2021, when the company raised some SEK20m. We note, however, that the proceeds from the issue were spent in full on the strategic acquisition of PharmaCept GmbH.

Magle reported operating cash flows of some SEK15.3m for 2022, while cash flows from investing activities amounted to SEK-18.7m and financial cash flows reached SEK9.2m. In total, net cash flows came in at SEK5.9m. While the company reported a quite low cash position of SEK6.3m and a negative net cash flow of SEK-3.6m in its recent Q1 2023 report, this was primarily due to higher-than-usual investments in assets (SEK-5.8m) due to the expanded CDMO fill and finish production capabilities. As we expect the company to keep net cash flows positive in the future, we do not factor in any further rights issues for now. However, we do not write off the possibility a potential capital raise to perform further strategic acquisitions, should the opportunity arise.

Operating cash flows, total investments and cash balance, 2017–2025e (SEKm)



Source: Redeye research, Magle Chemoswed

Moreover, the company has an outstanding warrant programme, extending the opportunity to purchase 225,000 shares in Q4 2023. These are exclusively granted to managing director Justin Pierce (150,000 warrants) and Fredrik Andersson (75,000 warrants). It is important to note that the subscriptions price is set at SEK25 per share, meaning these warrants are relatively close to the current share price and could be out-of-the-money during the exercise period should an unfortunate share price development occur.

In our financial forecasts and valuation model, we expect the warrant programme to be exercised in its entirety, and we thus include the subscription proceeds of SEK5.6m in our cash flow forecast for Q4 2023 and factor in a dilution effect of approximately 2%.

Earnings and profitability

Based on historical data, we estimate the gross sales margins for Magle's different revenue streams at roughly 35–40% for its contract manufacturing, 30–50% for its generics manufacturing, 25–35% for its contract development, and 80–90% for its DSM products. Consequently, we believe an operational shift towards the DSM products will spell a durable increase in the company's profitability and earnings.

Financial estimates for Magle Group, 2022–2025e (SEKm)

Magle Group: Financial forecast (SEKm)								
(SEKm)	2022	Q1 23	Q2 23e	Q3 23e	Q4 23e	2023e	2024e	2025e
Net sales	**145.7**	**38.7**	**43.7**	**41.8**	**45.3**	**169.5**	**198.2**	**215.6**
Other income	8.8	2.8	3.8	0.1	3.2	9.9	10.7	11.5
Total revenues	**144.4**	**41.5**	**47.5**	**41.9**	**48.5**	**179.3**	**208.9**	**227.1**
COGS	-14.0	-4.1	-4.6	-4.1	-4.7	-17.5	-21.8	-25.2
Gross profit	**140.5**	**37.4**	**42.9**	**37.8**	**43.8**	**161.8**	**187.0**	**201.9**
Operating expenses	-116.9	-29.9	-34.0	-29.9	-34.3	-128.2	-143.4	-149.4
EBITDA	**23.6**	**7.5**	**8.8**	**7.9**	**9.4**	**33.6**	**43.6**	**52.5**
EBIT	**10.6**	**4.3**	**5.1**	**4.3**	**5.6**	**19.3**	**27.7**	**35.2**
EPS	0.2	0.1	0.1	0.1	0.1	0.4	0.3	1.2
Sales growth (%)	**-7%**	**-1%**	**6%**	**6%**	**28%**	**10%**	**7%**	**17%**
Gross profit margin (%)	96%	97%	98%	91%	97%	95%	94%	94%
EBITDA margin (%)	16%	19%	20%	19%	21%	20%	22%	24%
EBIT margin (%)	7%	11%	12%	10%	12%	11%	14%	16%
Net income margin (%)	4%	10%	11%	3%	2%	5%	12%	11%

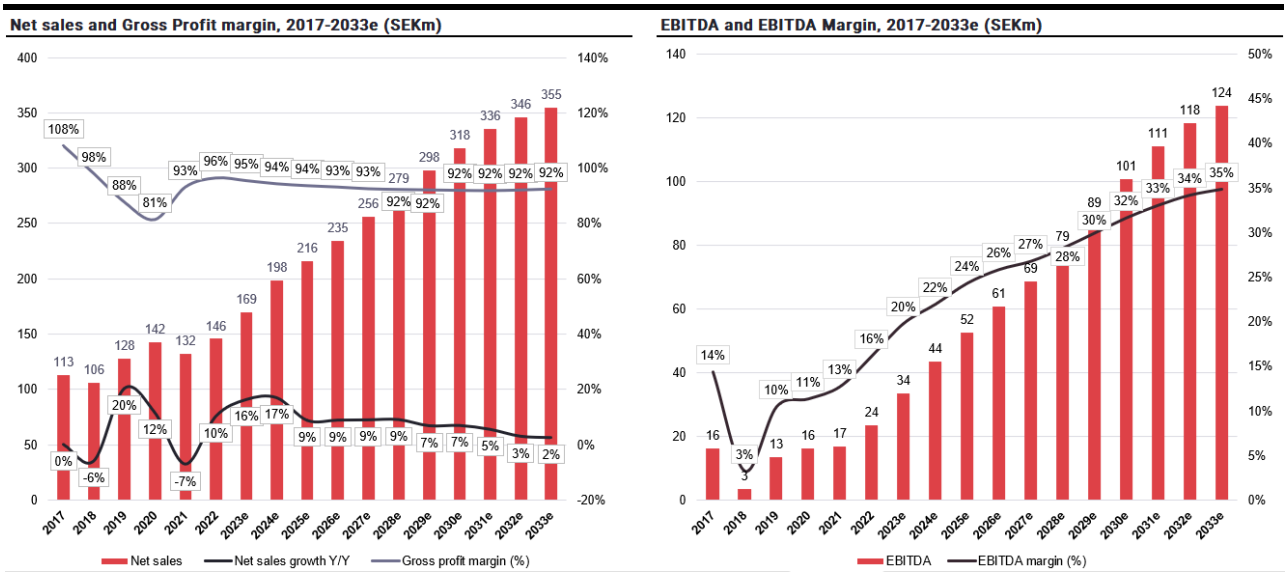
Source: Redeye research, Magle Chemoswed

Previously, Magle had three financial goals by 2025: 1) a minimum gross margin of 83%, 2) a minimum EBITDA margin of 20%, and 3) ensuring that the DSM technology platform (excluding royalties) represented no less than 25% of total revenues. We believe all three are realistic and feasible thanks to the shift in priorities toward the DSM products. Accordingly, we estimate a gross margin of 94%, an EBITDA margin of 23%, and that DSM products (excluding royalties) account for 26% of total sales.

Long-term financial forecasts

We forecast sales surpassing SEK300m in 2030e, with the DSM products offering an increasing contribution to the company's total revenues. We believe relative sales growth will be strongest in the initial years ahead, before slightly diminishing in the long term. Accordingly, we expect a CAGR of 12.7% for 2022–2025e, followed by a CAGR of 5% for 2026e–2037e.

Net sales and gross profit margin, and EBITDA and EBITDA margin, 2017–2033e (SEKm)



Source: Redeye research, Magle Chemoswed

In contrast to this, we estimate EBITDA continuing on its accelerating trajectory in both the short and long terms. We expect the EBITDA margin to approach 35% in the long term.

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 to the assumptions used in our valuation process. However, we apply a WACC of 11% 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%. While Magle Group is founded on strategic acquisitions and we assess it as capable of leveraging its business via acquisitions, we do not factor in any M&A activity in our current valuations due to the many uncertainties in such speculations.

- Base case = SEK40 per share (c30% upside)
- Bull case = SEK58 per share (c90% upside)
- Bear case = SEK25 per share (c-15% downside)

Base case: SEK40

Our base case valuation of Magle Chemoswed amounts to SEK40 per share, based on a DCF model throughout our 2023e–2037e forecast period. We argue the company is well positioned to accelerate its sales in the near term thanks to the increasing focus on its DSM platform products and an expanding international presence. While the success of the commercial rollout of its DSM products will be a determinant factor for the case, the company is also built on a foundation of stable revenue streams through its CDMO business.

Base case DCF model

DCF (SEKm)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Net sales	**169.5**	**198.2**	**215.6**	**234.7**	**255.7**	**278.8**	**297.8**	**318.4**	**335.9**	**345.9**	**354.6**	**363.5**	**372.5**	**381.9**	**391.4**
NOPAT	15.4	22.0	28.0	33.3	38.2	44.9	51.9	59.8	66.9	72.0	70.4	72.1	74.0	75.8	77.7
Changes in NWC	-11.4	-3.2	-3.4	-3.5	-3.7	-3.8	-4.0	-4.1	-4.3	-4.4	-4.6	-4.7	-4.8	-4.9	-5.1
Capex & investments in intangibles	-17.5	-14.3	-15.4	-16.5	-17.7	-18.9	-20.3	-21.7	-24.4	-26.3	-28.3	-30.4	-32.7	-35.2	-38.7
Free cash flow	**0.7**	**20.3**	**26.5**	**32.1**	**37.3**	**44.4**	**51.5**	**59.4**	**65.0**	**69.0**	**65.9**	**66.1**	**66.2**	**66.2**	**64.5**
Discounted free cash flow	**0.7**	**17.6**	**20.7**	**22.6**	**23.6**	**25.4**	**26.5**	**27.6**	**27.1**	**25.9**	**22.3**	**20.2**	**18.2**	**16.4**	**14.4**

Valuation summary (SEKm) - Base case			
WACC	11.0%	DCF value 2023–2027*	94.5
Terminal growth	2.5%	DCF value 2028–2037	222.7
Terminal EBIT	25.0%	Terminal value	171.9
Tax rate	20.6%	**DCF value**	**489.1**
Sales CAGR 2023–2027	12.7%	Net debt	49.4
Sales CAGR 2028–2037	3.8%	Equity value	439.6
EBITDA margin 2023–2027	23.0%	Number of shares	11.1
EBITDA margin 2028–2037	32.7%	**Equity value per share**	**40**

Source: Redeye research

**Includes current cash position and an assumed exercise of warrants in 2023.*

In our base case, we assume a sales CAGR of 12.7% for 2023e–2027e and 3.8% for 2028e–2037e, along with average EBITDA margins of 23% for 2023e–2027e and 32.7% for 2028e–2037e. Furthermore, we assume a terminal growth rate of 2% and EBIT of 25%.

Our base case suggests around 30% upside potential from today's share price of approximately SEK30. We believe that increasing sales growth in quarterly reports, primarily attributed to its DSM products, along with regulatory approvals and potential collaboration agreements, will constitute the key catalysts and could close the valuation gap.

Sensitivity analysis

Our valuation of Magle Chemoswed is highly affected by the WACC we attribute to the company, along with our assumptions for terminal EBIT margin and revenue growth. WACC plays an essential part in calculating the DCF and reflects the uncertainties related to the company and the market. We illustrate the impact of applying changes to these variables on our base case valuation in a sensitivity analysis below.

Magle – Sensitivity analysis

Magle Group: Sensitivity analysis

		WACC				
		9%	10%	11%	12%	13%
EBIT margin	21.0%	32.6	29.6	**26.7**	24.6	22.2
	23.0%	40.7	37.0	**33.3**	30.7	27.8
	25.0%	**48.9**	**44.4**	**40.0**	**36.9**	**33.3**
	27.0%	57.0	51.9	**46.7**	43.0	38.9
	29.0%	58.7	53.3	**48.0**	44.3	40.0
		9%	10%	**11%**	12%	13%
Growth	1.5%	43.5	39.5	**35.6**	32.8	29.6
	2.0%	46.2	42.0	**37.8**	34.8	31.5
	2.5%	**48.9**	**44.4**	**40.0**	**36.9**	**33.3**
	3.0%	51.6	46.9	**42.2**	38.9	35.2
	3.5%	54.9	49.9	**44.9**	41.4	37.4

Source: Redeye research

Peer analysis

We have identified a set of Scandinavian medtech companies with similar business models and market outlooks to that of Magle's DSM segment. While it is challenging to find entirely comparable companies, comparing Magle to a cohort of similar companies can provide additional insight into the company's current and future valuation.

Magle – Peer analysis

Peer analysis

(SEKm)	EV	Net sales	EBITDA	P/E	EV/Sales		EV/EBITDA	
Company		2022	2022		2022	2023E	2022	2023E
Bactiguard	2,859	253.5	-6.4	-53.3x	11.3x	9.4x	-444.6x	207.9x
Sedana Medical	1,497	122.9	-83.1	-25.7x	12.2x	9.0x	-18.0x	-22.2x
Kontigo Care	103	28.5	7.0	34.4x	3.6x	3.1x	14.7x	8.3x
ArcticZymes	1,616	141.3	42.3	56.5x	11.4x	10.5x	38.2x	37.3x
Paxman	665	145.9	15.7	-61.7x	4.4x	2.9x	41.0x	17.0x
Dignitana	342	73.8	-6.8	-15.3x	4.8x	3.3x	-51.6x	13.6x
Stille	392	246.3	42.1	19.4x	1.6x	1.4x	9.3x	8.9x
Probi	1,793	618.3	136.3	50.4x	2.9x	2.7x	13.2x	10.0x
Median	1,081	143.6	11.4	2.0x	4.6x	3.2x	11.2x	11.8x
Magle Group*	313	145.7	23.6	28.9x	2.2x	2.1x	13.5x	11.4x

Source: Redeye research

*Based on Redeye estimates for financial year 2023.

Looking at the table above, Magle's EV/sales ratio is lower than its peers for both 2022 figures and financial estimates for 2023e. We believe the presumed discount in relation to its peers strengthens our view of upside potential in the stock based on our DCF approach. However, it

is important to note that the listed peers are strictly medtech companies, while Magle's current sales mainly come from revenue streams beyond its DSM products, such as its lower-margin CDMO business. As a result, the gap in EV/sales valuation between Magle and its peers can be explained by the fact that lower-margin businesses are typically valued at more conservative EV/sales than high-margin ones. Despite this, our research suggests Magle is undervalued even for a CDMO business, as the average EV/sales ratio for CDMO companies is around 4x.

By contrast, Magle does not appear to be valued at a discount to peers in terms of EV/EBITDA. Based on the figures for 2022, the median EV/EBITDA ratio of the listed peers is 11.2x, while Magle's ratio is 13.5x. However, looking estimates for the year ahead, this is expected to switch. The median 2023e EV/EBITDA ratio of the peers is 11.8x, while Magle's multiple is estimated at 11.4x, as we expect Magle to increase its EBITDA margins in the future.

Magle – Historical valuation metrics for 2020–2023e

Valuation metrics				
(SEKm)	2020	2021	2022	2023e
EV	452	357	318	348
EV/S	3.2	2.7	2.2	2.1
EV/EBIT	100.0	67.3	30.0	21.0
EV/FCF	159.9	(166.6)	54.0	45.4
EPS	0.2	0.4	0.8	1.2

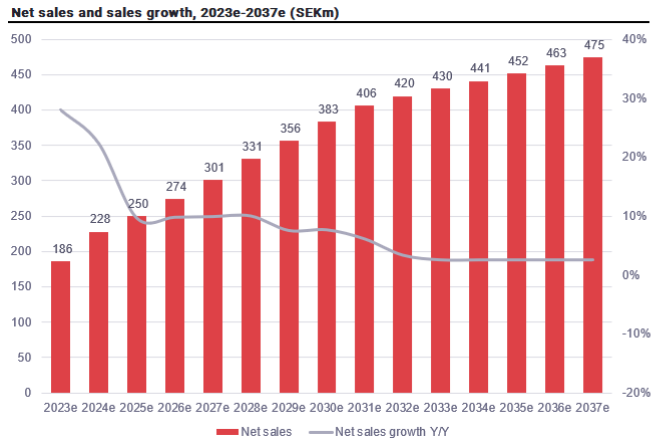
Source: Redeye research

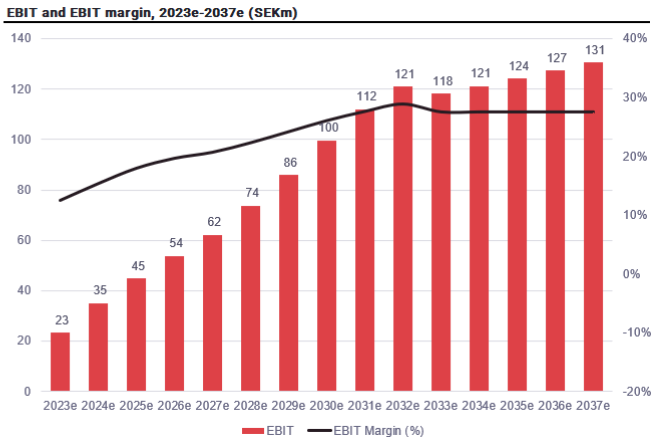
Bull case: SEK58

Our bull case reflects a more optimistic scenario than our base case and is largely based on a more significant market uptake for the company's DSM products. In this scenario, we assume the company successfully manages to expand its geographical presence both within and outside of Europe, broadening its customer reach. Moreover, we assume a more rapid market penetration for its DSM products, leading to increased short-term sales growth.

Accordingly, we assume an increased sales CAGR of 12.8% for 2023e–2027e and 4.1% for 2028e–2037e, along with average EBITDA margins of 25.4% for 2023e–2027e and 36.1% for 2028e–2037e. We also assume a terminal growth rate of 2.5% and a more optimistic terminal EBIT of 27.5%.

Key assumptions in our bull case





Valuation summary (SEKm) - Bull case			
WACC	11.0%	DCF value 2023–2027*	133.7
Terminal growth	2.5%	DCF value 2028–2037	309.9
Terminal EBIT	27.5%	Terminal value	244.4
Tax rate	20.6%	**DCF value**	**688.1**
Sales CAGR 2023–2027	12.8%	Net debt	49.4
Sales CAGR 2028–2037	4.1%	Equity value	638.6
EBITDA margin 2023–2027	25.4%	Number of shares	11.1
EBITDA margin 2028–2037	36.1%	**Equity value per share**	**58**

Source: Redeye research

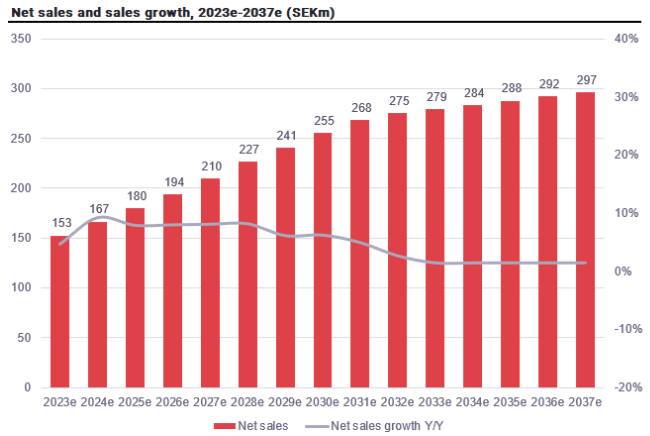
** Includes current cash position.*

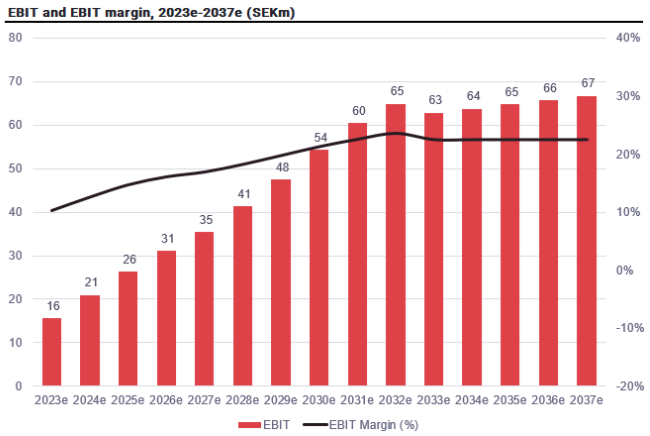
Bear case: SEK25

Our bear case valuation reflects a more pessimistic scenario than our base case, with us assuming a slower transition in sales towards the DSM segment owing to lower market uptake than expected and difficulties in the geographical expansion.

Accordingly, we model a lower sales CAGR of 8.3% for 2023e–2027e and 3.0% for 2028e–2037e, along with average EBITDA margins of 20.7% for 2023e–2027e and 29.4% for 2028e–2037e. Similarly, we also assume a more pessimistic terminal growth rate of 2% and a terminal EBIT of 22.5%.

Key assumptions in our bear case



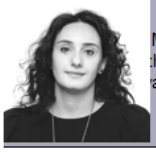


Valuation summary (SEKm) - Bear case			
WACC	11.0%	DCF value 2023–2027*	72.9
Terminal growth	1.5%	DCF value 2028–2037	154.2
Terminal EBIT	22.5%	Terminal value	105.4
Tax rate	20.6%	**DCF value**	**332.4**
Sales CAGR 2023–2027	8.3%	Net debt	49.4
Sales CAGR 2028–2037	3.0%	Equity value	283.0
EBITDA margin 2023–2027	20.7%	Number of shares	11.1
EBITDA margin 2028–2037	29.4%	**Equity value per share**	**25**

Source: Redeye research

** Includes current cash position.*

Appendix I – Executive Management

Name	Position	Shares	Options
Justin Pierce	Chief Executive Officer		
 Justin is a highly qualified individual with a Masters in European commercial law and a PhD in law, both from Lund University. In 2015, he assumed the position of CEO at Magle Life Sciences, having previously served as an advisor to the company since 2012. Under his leadership, Magle Life Sciences has successfully acquired Chemoswed and Adroit Science, while also overseeing the merger and restructuring of Magle Chemoswed.		0	150000
Petra Jönsson Sjölin	Chief Financial Officer		
 Petra has more than eigth years of finance experience, specialising in the life science industry and start-up companies, as well as serving in executive leadership teams. She obtained a degree of excellence in Business Management and Business Finance from IHM Business School in Malmö.		0	0
Fredrik Andersson	Chief Operations Officer		
 With a BSc in chemical engineering, specialising in pharma from Malmö University, Fredrik brings a wealth of knowledge and experience in analytical chemistry and drug development. Having worked within the organisation since 1999, Fredrik has been an integral part of Magle Chemoswed's senior management team since 2019.		0	75,000
Simon Jegou	Chief Strategy Officer		
 Simon boasts over 16 years of international experience in the Life Science industry, having held diverse management roles in R&D, Innovation, and Business Development. He earned his PhD in Materials Chemistry from LTH, the Faculty of Engineering at Lund University.		0	0
Helena Ossmer Thedius	Chief Marketing & Innovation Officer		
 Helena's academic background includes a BSc in Chemical Engineering, as well as an Executive Master's degree in Leadership & Management and Finance from Executive MBA Mgruppen. With extensive experience in the Life Science industry, she has held several senior positions in marketing, commercialisation, and business development. Prior to joining Magle Group, Helena served as Marketing & Innovation Director at TePe Oral Hygiene Products, a leading oral health company.		0	0
Megi Medzmariashvili	Senior legal counsel		
 Megi has a Masters in European Business Law from Lund University and has also completed her PhD in Law at the same institution. As the in-house Senior Legal Counsel, Megi provides valuable support to the company in its various endeavors such as listing, acquisitions, mergers, and legal compliance programs. Her key responsibilities include contract management, corporate actions, and ensuring compliance with market rules, among others.		0	0

Appendix II – Board of Directors

Name	Position	Shares	Options
Hans Henrik Lidgard	Chairman of the board		
 Hans Henrik has a distinguished career, having co-founded the law firm Vinge, served as Executive Vice President of AB Leo in Helsingborg, and as CEO of Pharmacia EC in Brussels. Since 1997, he has been active with his own company, Magle AB, while also serving as a Professor of Law (now Emeritus) at Lund University. His research interests primarily lie in European competition and intellectual property law.		7,988,112	0
Sven-Christer Nilsson	Director		
 Sven-Christer has a BSc from Lund University and has also completed the Advanced General Management Program at INSEAD/CEDEP. He has been a member of the Board of Directors of CEVA,. CEVA operates in the markets for signal processors, sensor networks, and AI processors. Sven-Christer previously served as the CEO of Ericsson between 1998-99. He has also held recent board positions at Assa Abloy AB, SprintNextel, Inc., and the Swedish Defense Materiel Administration.		54,000	0
Mats Pettersson	Director		
 Mats holds a Master of Business Administration and is a former Authorized Public Accountant. He started his career as a public accountant and then transitioned to the pharmaceutical industry in the 1970s, working for what later became the Pharmacia group. With more than 40 years of experience in the pharmaceutical industry, Mats has been part of several management groups within Pharmacia and has been responsible for several transformative mergers and acquisitions. He played a key role as a driving force behind the spin-off and stock exchange introduction of Biovitrum (now known as SOBI) and also served as its first CEO.		216,000	0
Martin Lidgard	Director		
 Martin Lidgard is the CEO and founder of Web Manuals, which is now a leading provider of document digitisation solutions for the aviation industry worldwide. With a background in software development and business consultancy, Lidgard established the company in 2012. He holds a degree in Engineering Physics from Lund Institute of Technology in Sweden.			
Malin Malmsjö	Director		
 Malin Malmsjö is a globally recognised authority in the field of oculoplastic surgery and holds the positions of Professor and Senior Consultant in Ophthalmology at Skåne University Hospital. Her research interests are primarily focused on the development of innovative non-invasive imaging methods to better delineate tumour margins and improve periorbital cancer surgery outcomes by monitoring blood perfusion. Malin is also the Head of the Department of Ophthalmology and has written 140 scientific publications and book chapters. Furthermore, she is credited with inventing and holding patents for award-winning medical devices designed for use in heart and vascular surgery.		172,800	0
Joel Eklund	Director		
 Joel Eklund obtained a BA in Philosophy, Politics, and Economics from the University of Oxford. He served as the CEO of TePe Munhygienprodukter AB from 2012 to 2019. Presently, he holds the position of Chairman of the Board at both TePe Munhygienprodukter AB and Eklund Foundation.		1,142,586	0
Ingela Fritzon	Employee representative		
 Ingela holds a PhD. in Organic Chemistry from Lund University, and she possesses significant experience in drug development from her tenure at Active Biotech. Ingela has been working as a Development Chemist at Magle Chemoswed since 2016.		0	0

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 consider the people behind the company as solid components of the business and factors that support our investment case. CEO Justin Pierce has been a part of the company for more than 10 years, having orchestrated the merger and restructuring of Magle Chemoswed. The founder and chair of board, Hans Henrik Lidgard, has extensive experience in the industry, business development, and intellectual property law. Given the track record of the company's key personnel, we believe shareholders can be confident in their decision-making capabilities.

Business: 4

Magle Group is an amalgamation of two interconnected business units: a CDMO under the umbrella of Magle Chemoswed; and a developer of medical technology products under Magle Pharmacept, utilising its DSM proprietary technology platform. Magle owns its manufacturing and development facilities, allowing it to manage drug substances and biopharmaceuticals as well as develop and manufacture its own medical technology products. We argue Magle has managed to achieve synergies through its unique advantage of in-house access to the entire value chain: discovery, research, production, manufacturing, and distribution.

Financials: 2

Since the establishment of Magle Chemoswed in 2017, the company has operated at a profit. Between 2017 and 2022, Magle increased its sales from SEK113m to SEK146m, indicating a CAGR of around 5.3%. While we argue that this is a somewhat disappointing development, we believe its growth has largely been hampered by the COVID-19 pandemic, and we estimate an acceleration in sales and EBITDA growth in the years ahead.

	2021	2022	2023e	2024e
INCOME STATEMENT				
Net sales	132	146	169	198
Cost of Revenues	9	5	8	11
Gross Profit	123	141	162	187
Operating Expenses	106	117	128	143
EBITDA	17	24	34	44
Depreciation & Amortization	12	13	14	16
EBIT	5	11	19	28
Net Financial Items	2	-20	-3	0
EBT	6	9	16	28
Income Tax Expenses	1	2	3	6
Non-Controlling Interest	0	0	0	0
Net Income	5	7	13	22
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	4	10	15	23
Inventories	20	31	33	36
Accounts Receivable	35	31	42	45
Other Current Assets	0	0	0	0
Total Current Assets	58	73	90	103
Non-current assets				
Property, Plant & Equipment, Net	0	101	117	125
Goodwill	0	0	0	0
Intangible Assets	71	83	84	90
Right-of-Use Assets	0	2	2	2
Shares in Associates	0	0	0	0
Other Long-Term Assets	0	1	1	1
Total Non-Current Assets	71	186	203	218
Total Assets	129	259	294	321
Liabilities				
Current liabilities				
Short-Term Debt	4	14	24	28
Short-Term Lease Liabilities	0	2	2	3
Accounts Payable	0	10	15	16
Other Current Liabilities	0	36	29	33
Total Current Liabilities	4	61	71	79
Non-current liabilities				
Long-Term Debt	26	32	37	41
Long-Term Lease Liabilities	3	3	5	5
Other Long-Term Liabilities	2	16	18	20
Total Non-current Liabilities	31	51	60	66
Non-Controlling Interest	0	0	0	0
Shareholder's Equity	121	147	163	176
Total Liabilities & Equity	157	259	294	321
CASH FLOW				
NOPAT	4	9	23	33
Change in Working Capital	-32	39	-13	0
Operating Cash Flow	24	15	16	35
Capital Expenditures	-14	-10	-12	-8
Investment in Intangible Assets	-16	-4	-6	-6
Investing Cash Flow	-35	-19	-22	-20
Financing Cash Flow	10	9	11	-7
Free Cash Flow	-6	2	-1	20

DCF Valuation Metrics	**Sum FCF (SEKm)**
Initial Period (2023e–2027e)	85
Momentum Period (2028e–2032e)	133
Stable Period (2033e–)	265
Firm Value	483
Net Debt (last quarter)	49
Cash position	6
Equity Value	440
Fair Value per Share	40

	2021	2022	2023e	2024e
CAPITAL STRUCTURE				
Equity Ratio	0.9	0.6	0.6	0.5
Debt to equity	0	0	0	0
Net Debt	26	36	46	46
Capital Employed	125	198	223	242
Working Capital Turnover	2	9	6	7
GROWTH				
Revenue Growth	-7%	10%	16%	17%
Basic EPS Growth	77%	60%	70%	69%
Adjusted Basic EPS Growth	77%	60%	70%	69%
PROFITABILITY				
ROE	4%	6%	8%	13%
ROCE	4%	5%	9%	11%
ROIC	3%	5%	11%	14%
EBITDA Margin (%)	13%	16%	20%	22%
EBIT Margin (%)	4%	7%	11%	14%
Net Income Margin (%)	4%	5%	8%	11%
VALUATION				
Basic EPS	0.4	0.7	1.2	2.0
Adjusted Basic EPS	0.4	0.7	1.2	2.0
P/E	71.0	39.3	24.1	14.8
EV/Sales	2.7	2.3	2.1	1.9
EV/EBITDA	21.1	14.0	10.7	8.6
EV/EBIT	67.3	31.0	18.6	13.4
P/B	2.7	2.0	1.9	1.9

SHAREHOLDER STRUCTURE	**CAPITAL %**	**VOTES %**
Hans Henrik Lidgard	74.0%	74.0%
Familjen Eklund	10.6%	10.6%
Mats Pettersson	2.0%	2.0%
Tibia Konsult AB	2.0%	2.0%
Birka Stock Aktiebolag	1.9%	1.9%

SHARE INFORMATION	
Reuters code	MAGLE
List	First North
Share price	30
Total shares, million	10.8

MANAGEMENT & BOARD	
CEO	Justin Pierce
CFO	Petra Jönsson Sjölin
Chairman	Hans Henrik Lidgard

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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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Redeye Rating (2023-05-17)

Rating	People	Business	Financials
5p	7	6	2
3p - 4p	152	148	40
0p - 2p	25	30	142
Company N	184	184	184

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Kevin Sule owns shares in the company: No
Filip Einarsson 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.