



FLASH NOTE

Vicore Pharma Holding AB (VICO-SE)

Acquisition of INIM brings HealthCap on board

KEY TAKEAWAY

Vicore has announced its intention to acquire INIM Pharma AB, a private Swedish biotech company focused on severe rare lung diseases, through a share issue that will lead to INIM's majority shareholder and leading VC firm HealthCap becoming Vicore's largest shareholder. In connection with the acquisition, Vicore's Board of Directors proposes a SEK80m rights issue and the distribution of the majority of Vicore's shareholding in recently listed I-Tech to current shareholders ahead of the acquisition and rights issue. Both transactions require approval of an EGM to be held on 13 August 2018. The acquisition of INIM complements Vicore's lead asset C21 in Phase IIa for idiopathic fibrosis ("IPF") and brings on board a successful, well-known life science investor. We expect the SEK80m rights issue plus SEK20m net cash from INIM to extend Vicore's cash runway until at least H2/2019E. We maintain our OUTPERFORM recommendation and SEK43 target price.

Acquisition of INIM Pharma AB brings in complementary asset for lung disease

INIM Pharma focuses on inhaled immunomodulatory drugs. Its lead asset, due to enter Phase I in 2019, is a local treatment for severe lung diseases such as IPF which is being developed with Nanologica using their drug delivery technology. Vicore will pay for the acquisition through the issue of 8.851m shares, diluting current shareholders by 35.8%.

Leading European VC firm HealthCap becomes Vicore's largest shareholder

Following the transaction, HealthCap, INIM's majority shareholder with an 85% share, will hold 30.4% of Vicore shares. HealthCap is a leading European venture capital firm focused on life sciences that was an early investor in multiple European biotech success stories including Algeta and Wilson, sold to Bayer and Alexion for \$2.9bn and \$855m, respectively. Thus, we expect Vicore to benefit from the extensive scientific, medical, operational, and financing knowledge and expertise of the seasoned HealthCap team.

SEK80m rights issue plus net cash from INIM extends cash runway to H2/2019E

The proposed rights issue of SEK80m is already covered by 56.5%, with HealthCap subscribing to its pro rata share. The resulting cash inflow, together with the SEK20m net cash on INIM's balance sheet, should extend Vicore's cash runway to at least H2/2019E on our current estimates.

Majority of I-Tech shares to be distributed to current Vicore shareholders

As part of the deal, Vicore's Board proposes to distribute the majority of the shareholding in I-Tech (listed on Nasdaq First North in May) equating to 2.075m shares to Vicore shareholders ahead of the acquisition and rights issue.

OUTPERFORM

Price target SEK43.00

Price SEK11.50

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COMPANY DESCRIPTION

Vicore Pharma is a clinical-stage Swedish biotech company focused on the development of orphan drugs for rare fibrotic diseases with no or limited treatment options. Vicore has designed, synthesized and patented a unique collection of small, non-peptide molecules that stimulate the AT2R within the Renin Angiotensin System. The RAS plays a critical role in maintaining blood pressure, as well as fluid and salt balance. The lead asset is C21, a small molecule AT2R agonist in Phase IIa development for IPF, a rare, but fatal condition that causes lung scarring, stiffness and shortness of breath, with a prognosis worse than for most common cancers. Vicore is leveraging its strong scientific heritage in discovering and developing AT2R agonists to both identify additional fibrotic orphan indications for C21 as well as novel follow-on compounds for development in non-orphan indications. The company completed its initial public offering on the Nasdaq First North Stockholm on 10 December 2015.

SCENARIOS

Base Case - GP Investment Case

C21 successfully completes the Phase IIa proof-of-concept trial in Q3/2019E and enters a pivotal trial in 2020E, leading to US and European approval in 2023E. C21 demonstrates similar efficacy to current treatments but an improved safety profile and achieves peak sales of c.\$1.4bn. A global licensing deal is signed in 2022E consisting of \$1bn in upfront and milestone payments plus royalties on sales.

Bluesky Scenario

C21 demonstrates a survival benefit in the pivotal trial in IPF and becomes standard of care with peak sales >\$3bn. Vicore signs a more lucrative licensing deal than we currently model.

Downside risk

C21 fails in Phase IIa or the trial needs to be stopped early due to safety issues. Vicore is unable to raise equity or debt before the current cash balance is exhausted by YE2018E.

SWOT

Strengths: Novel, patented approach for the treatment of fibrotic orphan diseases; strong scientific rationale and preclinical data supporting the development of C21 in IPF.

Weaknesses: limited resources; need to raise equity or debt before YE2018E.

Opportunities: develop C21 for other fibrotic orphan indications beyond IPF; develop follow-on compounds in non-orphan indications with support from partners.

Threats: a key competitor drug demonstrates a survival benefit in pivotal trials and enters the market before C21, potentially limiting its market opportunity.

INDUSTRY EXPECTATIONS

Idiopathic pulmonary fibrosis is a relatively "common" orphan disease with high unmet medical need, since the two current treatment options are associated with limited efficacy and poor tolerability. The IPF market was worth c.\$1.8bn in 2017E (up c.25% YoY) and has experienced high growth since Esbriet (pirfenidone) and Ofev (nintedanib) were approved in 2011 and 2014, respectively. Experts predict that the future treatment paradigm will consist of combination therapy, which should allow multiple therapies with complementary mechanisms of action to be successful.

Important Disclosures: Non-Independent Research

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I, Brigitte de Lima, PhD, CFA, hereby certify that the views regarding the companies and their securities expressed in this research report are accurate and are truly held. I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this research report.

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Companies Mentioned in this report

- (HEALTHCAP (VC FUND))
- (I-TECH AB (ITECH SS))
- (INIM PHARMA AB (PRIVATE COMPANY))
- Vicore Pharma Holding AB (VICO-SE)

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Vicore Pharma Holding AB Rating History as of 02/07/2018

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VICO-SE

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