Scenario valuation of shares in AUXESIS PHARMA HOLDING AB (publ) prior to launch of the company's pain-relieving skin preparation ASA.P® and COXYPET® (559195-6486)

Confidential
2023-02-27

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Conclusion

Valuation simulation									
Mid value WACC	30,4%			Liquidity requirement	0,0%				
AUXESIS PHARMA HOLDING AB (publ)	Weigthed average cost of capital (discount rate)								
	26%	27%	28%	29%	30%	31%	32%	33%	34%
Enterprise value (EV)	**436 233**	**401 226**	**369 733**	**341 314**	**315 598**	**292 266**	**271 046**	**251 701**	**234 028**
Net debt(-)	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676
Liquidity requirement	-555	-555	-555	-555	-555	-555	-555	-555	-555
Share value (Equity value)	**426 002**	**390 995**	**359 502**	**331 083**	**305 367**	**282 035**	**260 815**	**241 470**	**223 797**

The value of 100% of AUXESIS PHARMA HOLDING AB (publ) amounts to 305 367 TSEK based on the scenario described in the report

	Multiples	
	EV/EBITDA	EV/Sales
Listed companies		
Sun Pharmaceutical Industries Ltd.	28,85	5,24
Johnson & Johnson	14,33	4,37
GlaxoSmithKline plc	23,13	6,50
Pfizer Inc.	23,23	6,50
Sanofi	8,80	2,78
AstraZeneca PLC	25,49	5,22
Merck & Co., Inc.	13,47	4,84
Bayer Aktiengesellschaft	7,70	1,80
Average	**18,13**	**4,66**
Median	**18,73**	**5,03**
Auxesis Pharma (Avg 2023-2029)	1,88	0,93

Source: Yahoo Finance as of 2023-02-28

- Enterprise Value (EV) in AUXESIS PHARMA HOLDING AB (publ) is calculated within the interval 224 028 – 436 233 TSEK with a direction value of 315 598 TSEK. Enterprise value refers to the value of the business, i.e. the value today of the future return that the business is expected to give rise to in the future, regardless of how one chooses to finance the company. The direction value of 315 598 TSEK is the best estimate of the value of the unsecured business for AUXESIS PHARMA HOLDING AB (publ) given the scenario described in the report.
- Weighted average cost of capital (WACC) amounts to 30,4%.
- In order to obtain the value of the shares in companies, interest-bearing debt, financial assets and liquidity requirements must be taken into account. AUXESIS PHARMA HOLDING AB (publ) have interest-bearing debt that amounts to 9 595 TSEK and debt to management of the company of 85 TSEK but the company also have financial assets and cash account that amounts to 4 TSEK consider as of 2022-12-31. It should also be noted that there are intra-group assets and liabilities between the companies in the AUXESIS PHARMA HOLDING AB (publ) group. In this valuation report, however, AUXESIS PHARMA HOLDING AB (publ) is valued as a group and hence these items cancel each other out. This gives a total net debt of 9 676 TSEK (4 – 9 595 – 85) and justifies a negative adjustment item of the corresponding value based on the balance sheet as of 2022-12-31.
- In order to obtain the value of the shares in the company, the company's liquidity requirements must also be taken into account. The liquidity requirement in the business aims to ensure that a new owner does not take over an underfunded company with problems managing its commitments in the short term. In order to assess the company's liquidity requirements and the net need for working capital (net working capital), analysis of the company's historical development in the balance sheet on a monthly basis over a relatively long period of time is required, which is not within the scope of this valuation work. The liquidity requirement. A rough estimate and standard assessment of the adjustment item can be carried out by analyzing the company's running costs.
- Enterprise value can also be compared with the relative valuation of comparable companies through analysis of the multiples EV/EBITDA and EV/Sales. The table to the right shows that the average EV/EBITDA-multiple for listed comparable companies amounts to 18,13x, which is higher than the EV/EBITDA-multiple for AUXESIS PHARMA HOLDING AB, (publ) which amounts to 1,88x based on the average in EBITDA during the forecast period 2023 – 2029 for AUXESIS PHARMA HOLDING AB (publ). However, we believe that the EV/EBITDA-multiple for AUXESIS PHARMA HOLDING AB (publ) is in line with expectations, taking into account the company's specific situation and risk. AUXESIS PHARMA HOLDING AB (publ) is a small unlisted development company with a different risk situation, which justifies a discount when compared with the listed large companies above, and the assessment is that a large discount is justified in this case.
- The overall conclusion based on the analysis of multiples is that the return valuation in the range of 224 028 – 436 233 TSEK with a direction value of 315 598 TSEK constitutes a reasonable valuation of the debt/cash-free enterprise value (EV) given the scenario described in the report. Considering the company's current net debt and liquidity requirements, the conclusion is that the direction value of 305 367 TSEK constitutes the best estimate of the share value for 100% of the shares in AUXESIS PHARMA HOLDING AB (publ) given the scenario described in the report. In the case of future investments and transactions in AUXESIS PHARMA HOLDING AB (publ), the company's net financial debt shall be taken into account as of the respective transaction date.

Introduction

This report ("Report") has been prepared for AUXESIS PHARMA HOLDING AB (publ) ("Company") in regards of a scenario valuation of AUXESIS PHARMA HOLDING AB (publ) in prior to launch of the company's pain-relieving skin preparation ASA.P® and COXYPET® The report has been prepared in accordance with our, Fintegrity AB's ("Fintegrity"), letter of assignment dated 2023-02-01 and sent general terms and conditions. This report is confidential and intended for representatives of the Company. Copies of the report is only allowed to be distributed to management, board members, owners, investors and advisors that assist the Company with issues directly linked to the Report. Fintegrity undertakes no obligation to provide third parties with additional information. Fintegrity shall have no liability and take no responsibility for conclusions based on data, forecast and information presented by the Company. Please contact us for any type of clarification.

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Assignment and purpose

Fintegrity has been commissioned by Roar Adelsten and Lars Larsson ("Management") to perform a scenario valuation of AUXESIS PHARMA HOLDING AB (publ) prior to the launch of the company's pain-relieving skin preparation ASA.P® and COXYPET® trout to assess the market value of all shares (100%) in AUXESIS PHARMA HOLDING AB (publ) as of 2023-01-01 ("Valuation date") provided that the Company succeeds in fulfilling the assumptions described and carrying out the activities described in the scenario

NOTE! The intention of Fintegrity's engagement is to describe a scenario and provide supporting documentation which could serve as a basis for discussion in relation to future investments and/or ownership structure changes in the company. The estimated value in this report represents an estimation based on a scenario received from the Management of the company and does not constitute Fintegrity's professional estimation based on the company's current and/or actual resources and conditions.

Sources and collected information

Estimated value in the Report is our professional assessments based on public information and internal information collected from the management and the methods we present in the report. All the sources and information that have been used are presented in Appendix 1. Notice that these calculations are not a precise science with perfect predictions and have elements of subjective judgments and analysis which means that the conclusions can be different for other parts about the values of the parameters in the Company. This report not includes a detailed investigation or audit of the information we collected from the Company. A draft of this report have first been sent and approved of the Management.

Definition of market value

With market value is meant the expected price of which a transfer of ownership could take place on an open and unregulated market between unforced and willing buyers and sellers having equal information. The price from an actual transfer can deviate from an assessed market value due to specific transfer circumstances such as the parts subjective assessment of the target company's development possibilities, risk situation, negotiation strength and possible synergy effects.

Valuation method

Discounted cash flow valuation (DCF) means that the value is derived from discounting the Company's expected future cash flows. The cash flow is calculated to present value with a discount rate which reflects the weighted cost of capital for equity and loan financing after tax, to reflect the investments relative risk and time value of money. To obtain the value of the shares adjusting the value of the enterprise with respect of the Company's current financial structure.

Relative valuation means that the Company value is derived from how similar companies are priced at stock market or have been priced during real transactions. Starting point for the valuation is the pricing which observations show other stakeholder's judgement of comparable companies risk (discount rate) and growth potential which can be relevant as basis for the current valuation.

Substance valuation means an adjustment of the Company's balance sheet with respect for over- or under values in assets or debts. Eventual over- or under values are based on their potential of return.

Valuation approach

We have chosen to use discounted cash flow valuation (DCF) as valuation approach regarding AUXESIS PHARMA HOLDING AB (publ) as of 2023-01-01 with purpose to assess the market value of 100% of the shares in the Company.

Company description

Owner and corporate structure

Captigenics AB 72,46%

Moustapha Hassan 4,85%

Roar Adelsten 7,00%

Övriga ägare 15,69%

AUXESIS PHARMA HOLDING AB (publ)

Acet Medica AB 95,78%

COXYPET PHARMA AB 100,00%

Valuation object

SWOT

Strengths

- Competent team with leading researchers in the field
- International cooperation partners
- SME status from EMA
- R&D portfolio with preparations for several markets
- High entry barriers

Weakness

- Small organization with great dependence on people
- Facing launch and delicate expansion phase
- Regulated markets where launch requires permission
- Long cycles from research to product

Opportunities

- Global market potential
- Patentable products
- More strategic partners
- Continued R&D investments
- Products with wide areas of use for both humans and animals
- Focus on cosmetics

Threat

- Competition from resource-rich players
- Capital requirements to carry out launch and expansion

- From the ownership and group structure up to the left, it appears that AB (publ) is the parent company within the group, which also consists of the subsidiaries Acet Medica AB and COXYPET PHARMA AB. AUXESIS PHARMA HOLDING AB (publ). In this valuation report, it is the group as a whole for AUXESIS PHARMA HOLDING AB (publ) that is in focus and the group will continue to be synonymous with the abbreviation "Auxesis Pharma" in this report.

The company's operations and products – R&D company with leading research in aspirin and pain-relieving skin preparations

- AUXESIS PHARMA HOLDING AB (publ) is an R&D company that conducts research in pain-relieving drugs that can be used directly on the skin. The company has an internationally well-known research team at the Karolinska Institutet that has been conducting research in the field since 2016. AUXESIS PHARMA HOLDING AB (publ) has recently achieved SME status from the European Medicines Agency (EMA), which means that the company receives assistance from the EMA to a greater extent through the steps required to develop market approved products.

- The company's primary product that is about to be launched is ASA.P®, which is a preparation based on aspirin (acetylsalicylic acid) in liquid form, which means that the preparation can be applied to the skin through a liquid spray, which means that the preparation acts as a local pain reliever and acts directly on the skin, and side effects which can occur as the preparation wears off the blood is reduced. ASA.P® is an over-the-counter medicine and will be distributed and sold without the need for medical prescriptions where the areas of use are for ailments such as mouth sores, insect bites, burns from stinging nettles, jellyfish and sunburn as well as infections. The preparation is useful for animals and the group is also conducting research so that the preparation will be launched as an animal medicine through the group company COXYPET PHARMA AB under the COXYPET® brand. All products are trademark protected. In the long term, there is also the possibility of using the preparation in the cosmetics industry. Medicines are a regulated industry that requires authorization for launch and ASA.P® is still in the authorization process where the preparation is expected to undergo the final steps in the fall of 2023 through a clinical study conducted on humans with an upcoming market launch in the first quarter of 2024. The company will also leave filed a patent application regarding ASA.P® to protect the product before launch.

Strategy and business plan – Licensing of the drug and distribution through strategic partners paves the way for rapid expansion

- The Company has had an collaboration with PHARMA AMERICA HOLDING INC in the USA. Their solutions combine medical developments in neuroscience, pharmacology and psychology. At the moment they are focusing on other business areas so the collaboration is on stand by. However The Company owns 2,00% in PHARMA AMERICA HOLDING INC.

- AUXESIS PHARMA HOLDING AB (publ) plans to build a factory in Sweden for cover sales and distribution in Sweden, Denmark and Finland for a period of 1 year. After the period of 1 year, almost all other countries, the distributors will manage their own production and sales on a licensee basis.

Market

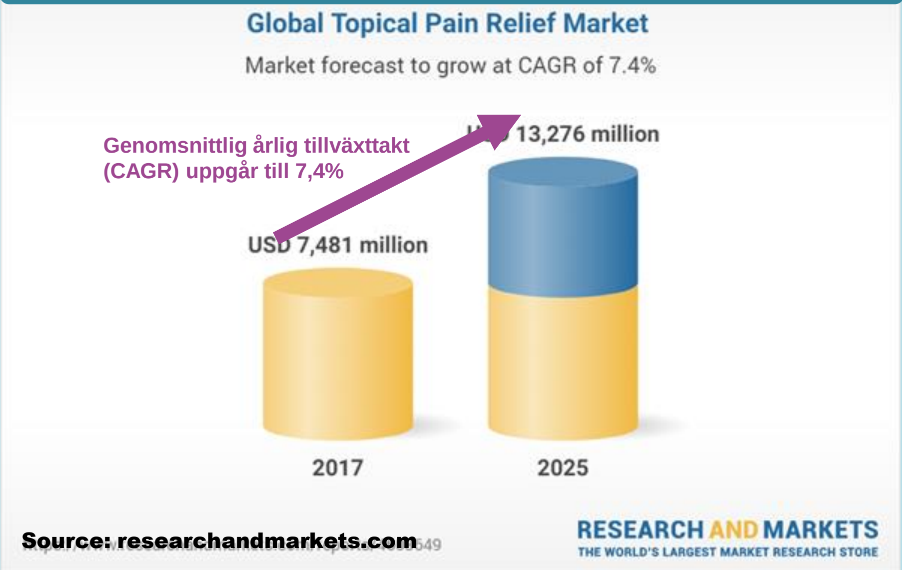
Markets in growth and increased need for pain relief

- Pain creates discomfort for people worldwide, which creates a need for the development of solutions, medicines and preparations that reduce people's pain and suffering. The global market for pain relief is also expected to grow significantly in the coming years and according to industry evaluators such as Research and Markets, the global market for pain relief is estimated to amount to 13 276 million USD in the year 2025, which can be compared to 7 481 million USD in the year 2017. This corresponds to a average annual growth rate (CAGR – Compound Annual Growth Rate) of 7,4% during the years 2018 - 2025, as can be seen from the image up to the right. The growing market for pain relief is driven, among other things, by increased rheumatism and pain for ailments arising from diseases that are becoming more common with an increasingly elderly population, as well as an increased use of pain relief by people active in sports.
- A significant structural change that drives increased use of pain relief is that the new generation of drugs will give rise to fewer side effects and fewer environmentally harmful effects as oral dosing of pain relief preparations can be replaced by locally acting gels and sprays. This means that the pain relief only works on the skin area that is exposed to pain instead of the whole body and also means that fewer potentially harmful substances are released into nature through the drain. Based on the above changes regarding the dosage of pain-relieving preparations, the assessment is that AUXESIS PHARMA HOLDING AB (publ) research and upcoming products are at the right time and the company has products that are well positioned to take advantage of these changes and gain market shares, paving the way for a large market potential with high future growth. AUXESIS PHARMA HOLDING AB (publ) is also expected to be able to offer similar preparations that will be able to be applied to animals. This represents another great market potential as pets become increasingly important in people's lives and many pet owners visit the vet more often and spend more and more money on their animals.

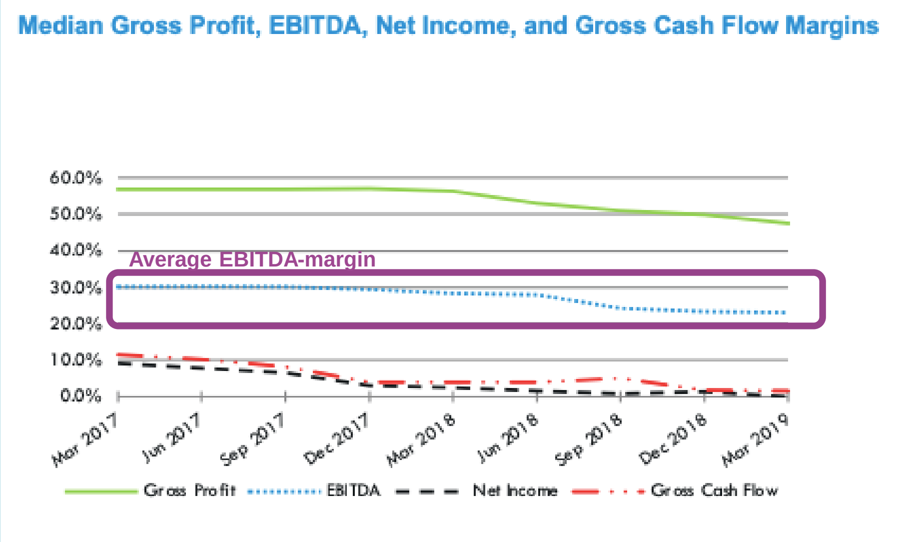
More Industry with establishment barriers and good profitability

- The market for pharmaceuticals is a regulated market for both prescription and non-prescription drugs. This means that the launch of market-approved products is preceded by research and authorization processes with long cycles and that the products are often patentable. Due to the fact that the industry is patent-intensive and the difficulty and lead time in launching products also creates barriers to establishment for competitive players and means that a good price picture can be maintained, which paves the way for good profitability. This is also illustrated in the graph down to the right, which shows the average profitability in the pharmaceutical sector. The graph shows, among other things, that the average EBITDA margin amounted to approx. 30% in the year 2017 and approx. 25% in the years 2018 – 2019. The assessment is therefore that there are good opportunities for AUXESIS PHARMA HOLDING AB (publ) to achieve high profitability and strong EBITDA margins at the launch of the company's products.
- The profitability potential for AUXESIS PHARMA HOLDING AB (publ) can also be compared with the profitability and EBITDA-margin for the pharmaceutical company Moderna, Inc which have an similar business model as AUXESIS PHARMA HOLDING AB (publ). In the graph below we can see that EBITDA-margin for Moderna is above 60% during the last year.

Global pain relief market

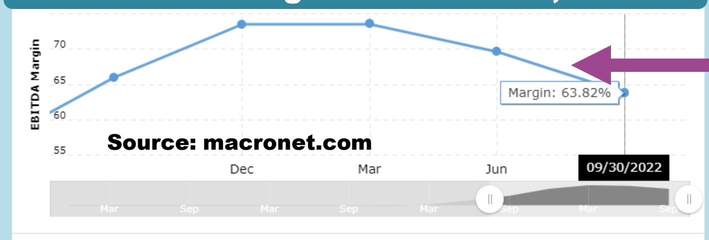


EBITDA-margin in the pharmaceutical sector



Source: Cogent Valuation

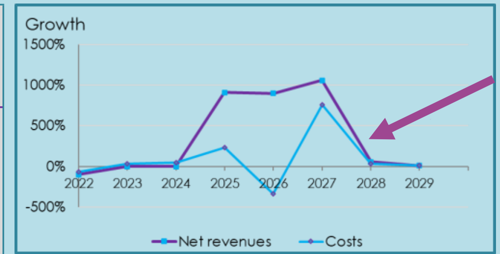
EBITDA-margins for Moderna, Inc



EBITDA-margin is over 60% for the pharmaceutical company Moderna, Inc

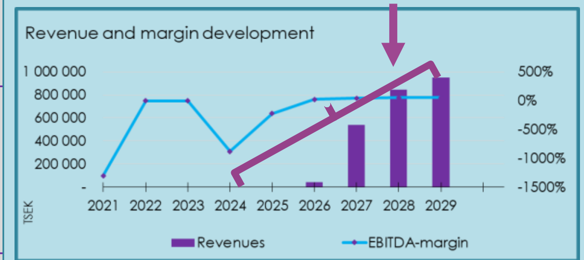
Financial analysis

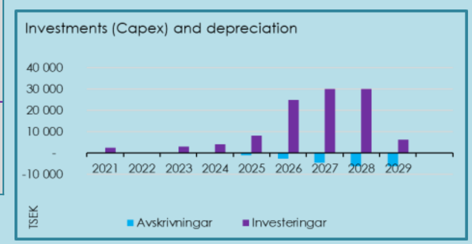
Analysis									
TSEK	History*		Forecast period						
AUXESIS PHARMA HOLDING AB (publ)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Gross revenues	0	0	0	1 845	18 600	186 000	2 155 000	3 379 500	3 800 000
Net revenues	**441**	**0**	**0**	**461**	**4 647**	**46 475**	**538 458**	**844 417**	**949 485**
Costs	-6 162	-2 219	-3 000	-4 498	-14 992	34 981	299 837	399 783	449 756
Operating profit (EBITDA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Amortization on goodwill	0	0	0	0	0	0	0	0	0
Operating profit (EBITA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Depreciation	0	-4	0	0	-1 188	-2 776	-4 591	-6 285	-6 285
Operating profit (EBIT)	**-5 721**	**-2 223**	**-3 000**	**-4 037**	**-11 532**	**8 718**	**234 029**	**438 349**	**493 444**
Investments	2 369	150	3 000	4 000	8 000	25 000	30 000	30 000	6 285
Working capital	6 902	5 496	6 000	7 837	11 619	23 237	107 692	168 883	170 907
Growth									
Net revenues	n.a.	-100,0%	n.a.	n.a.	908,1%	900,0%	1058,6%	56,8%	12,4%
Costs	n.a.	-64,0%	35,2%	49,9%	233,3%	-333,3%	757,1%	33,3%	12,5%
EBITDA	n.a.	-61,2%	35,2%	34,6%	156,3%	-211,1%	1976,1%	86,3%	12,4%
EBITA	n.a.	-61,2%	35,2%	34,6%	156,3%	-211,1%	1976,1%	86,3%	12,4%
EBIT	n.a.	-61,1%	35,0%	34,6%	185,7%	-175,6%	2584,5%	87,3%	12,6%
Margins									
EBITDA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBITA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBIT	-1297,3%	n.a.	n.a.	-875,6%	-248,1%	18,8%	43,5%	51,9%	52,0%
Operating capital									
Investments / revenues	537,2%	n.a.	n.a.	867,7%	172,1%	53,8%	5,6%	3,6%	0,7%
Depreciation / revenues	n.a.	n.a.	n.a.	0,0%	-25,6%	-6,0%	-0,9%	-0,7%	-0,7%
Fixed assets / Revenue	n.a.	n.a.	n.a.	2131,5%	358,0%	83,6%	11,9%	10,4%	9,3%
Working capital / revenues	1565,1%	n.a.	n.a.	1700,0%	250,0%	50,0%	20,0%	20,0%	18,0%



After the launching and high growth the market is maturing an the growth will decrease which is a normal business

Compound annual growth rate (CAGR) after launching amounts to 460,0% during the period 2024 – 2029





Starting points and assumptions that form the basis for this scenario valuation

- The company begins a strategic collaboration with one of the major players in the pharmaceutical industry that handles manufacturing and distribution, which means that AUXESIS PHARMA HOLDING AB (publ) licenses and receives licensing revenue (net revenues) from the products
- AUXESIS PHARMA HOLDING AB (publ) will carry out some of its own manufacturing of the preparations in Poland, but the predominant part consists of license income, where the license income amounts to 25% of the intended consumer price which is a little bit higher than the average in the industry
- The company achieves approved results in the remaining steps in the licensing process and launches AS A.P® on major markets in 2024 and reaches license revenue of 461 TSEK in 2024 and 4 650 TSEK in 2025
- The company also achieves success in the research work with COXYPET® and is continuously establishing itself in more international markets through strategic collaborations from the year 2026, which generates license revenue of 46 475 TSEK during the year 2026, which increases to 538 458 TSEK during the year 2027 when collaborations on international markets get full impact
- The company succeeds in financing the capital requirement of approx. 64 000 TSEK during the years 2023 – 2026 to carry out the launch and expansion and obtains patents in major markets
- The company achieves a sustainable EBITDA margin of 52,6% in the longer term

- **Revenues:** Due to the fact that AUXESIS PHARMA HOLDING AB (publ) is a company within R&D during the start-up phase, the company has not generated any significant revenue historically and the revenue that appears in the accounts is before capitalized development costs and consulting efforts.

Financial analysis (cont'd)

Analysis									
TSEK	History*		Forecast period						
AUXESIS PHARMA HOLDING AB (publ)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
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Net revenues	**441**	**0**	**0**	**461**	**4 647**	**46 475**	**538 458**	**844 417**	**949 485**
Costs	-6 162	-2 219	-3 000	-4 498	-14 992	34 981	299 837	399 783	449 756
Operating profit (EBITDA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Amortization on goodwill	0	0	0	0	0	0	0	0	0
Operating profit (EBITA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Depreciation	0	-4	0	0	-1 188	-2 776	-4 591	-6 285	-6 285
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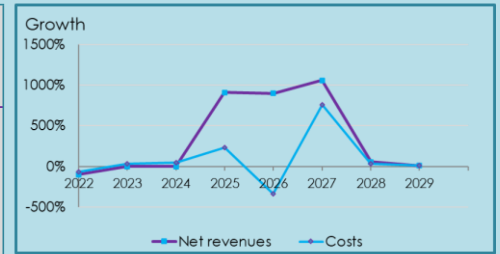
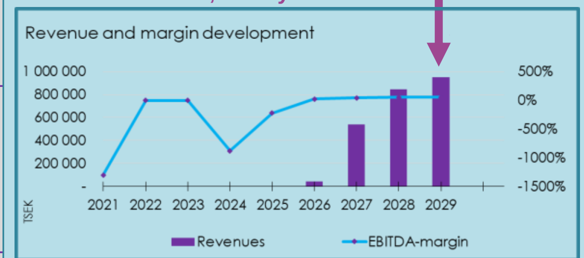
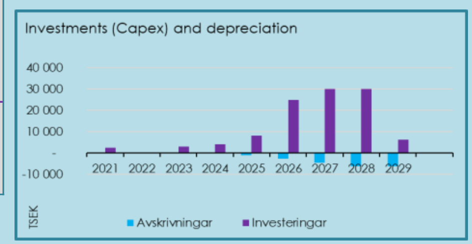
Investments	2 369	150	3 000	4 000	8 000	25 000	30 000	30 000	6 285
Working capital	6 902	5 496	6 000	7 837	11 619	23 237	107 692	168 883	170 907
Growth									
Net revenues	n.a.	-100,0%	n.a.	n.a.	908,1%	900,0%	1058,6%	56,8%	12,4%
Costs	n.a.	-64,0%	35,2%	49,9%	233,3%	-333,3%	757,1%	33,3%	12,5%
EBITDA	n.a.	-61,2%	35,2%	34,6%	156,3%	-211,1%	1976,1%	86,3%	12,4%
EBITA	n.a.	-61,2%	35,2%	34,6%	156,3%	-211,1%	1976,1%	86,3%	12,4%
EBIT	n.a.	-61,1%	35,0%	34,6%	185,7%	-175,6%	2584,5%	87,3%	12,6%
Margins									
EBITDA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBITA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBIT	-1297,3%	n.a.	n.a.	-875,6%	-248,1%	18,8%	43,5%	51,9%	52,0%
Operating capital									
Investments / revenues	537,2%	n.a.	n.a.	867,7%	172,1%	53,8%	5,6%	3,6%	0,7%
Depreciation / revenues	n.a.	n.a.	n.a.	0,0%	-25,6%	-6,0%	-0,9%	-0,7%	-0,7%
Fixed assets / Revenue	n.a.	n.a.	n.a.	2131,5%	358,0%	83,6%	11,9%	10,4%	9,3%
Working capital / revenues	1565,1%	n.a.	n.a.	1700,0%	250,0%	50,0%	20,0%	20,0%	18,0%



The EBITDA-margin is expected to reach 36,9% in year 2028



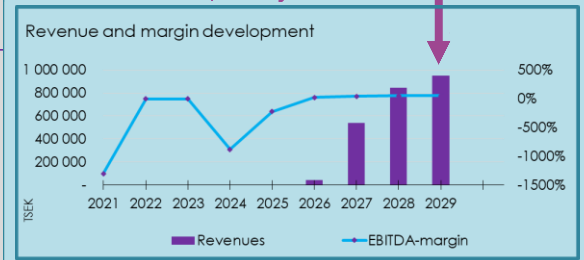


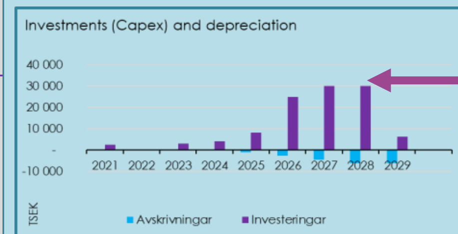
- **Revenues (cont'd):** As the company's products are still undergoing stability studies and clinical trials in order to be approved, the company is estimated not to achieve any revenue in 2022 and 2023. The products are estimated to have undergone all permit processes and be market-ready in 2024, and as the first volumes are launched on the market, the products are also estimated to generate the first license revenues, which are estimated to amount 461 TSEK in the year 2024. The assessment is that the products will reach a wider distribution in the year 2025 through the company's partners channeling the products onto the market, which also results in increased sales volumes and the revenues are estimated to increase to 4 650 TSEK, which corresponds to a turnover growth of 908.1%.
- The company is deemed to have established collaborations with distributors in the majority of strategic markets with an international distribution network from the year 2026 onwards, which also significantly affects the license income, which is estimated to increase to 46 475 TSEK and corresponds to a turnover growth of 900%. The assessment is that the company will reach a large spread on the global market during the year 2027 and that the license revenues will amount to 538 458 TSEK. The assessment is that the company will reach its full potential in the distribution network on the global market in the year 2029, which means that the turnover will increase to 949 485 TSEK. Sustained long-term growth is estimated at 2.5%, which is in line with the general macroeconomic development and the Swedish Riksbank's inflation target.
- **Operating profit (EBITDA – Earnings before interest, taxes, depreciation and amortization):** Because the company is about to launch and enter the commercialization phase in 2024, the company has not achieved any profitability yet and the company's operating profit EBITDA was estimated to amount to -2 215 TSEK in 2022. Because the company will continue to have to work with permit processes to prepare and make the products market-ready, the operating profit EBITDA is also estimated to be negative in the year 2023 and amount to - 3 000 TSEK. Due to the fact that the company will have to implement stoppages in building organization and preparing the products for the market, the operating profit is also estimated to be negative in the years 2024 and 2025 and the EBITDA is estimated to amount to – 4 037 TSEK and - 10,334 TSEK respectively.

Financial analysis (cont'd)

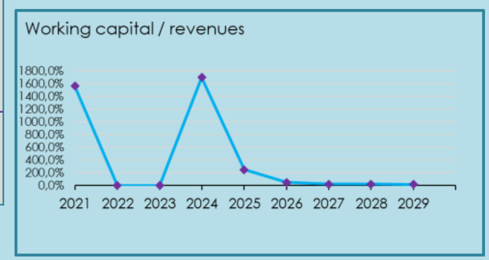
Analysis									
TSEK	History*		Forecast period						
AUXESIS PHARMA HOLDING AB (publ)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Gross revenues	0	0	0	1 845	18 600	186 000	2 155 000	3 379 500	3 800 000
Net revenues	**441**	**0**	**0**	**461**	**4 647**	**46 475**	**538 458**	**844 417**	**949 485**
Costs	-6 162	-2 219	-3 000	-4 498	-14 992	34 981	299 837	399 783	449 756
Operating profit (EBITDA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Amortization on goodwill	0	0	0	0	0	0	0	0	0
Operating profit (EBITA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Depreciation	0	-4	0	0	-1 188	-2 776	-4 591	-6 285	-6 285
Operating profit (EBIT)	**-5 721**	**-2 223**	**-3 000**	**-4 037**	**-11 532**	**8 718**	**234 029**	**438 349**	**493 444**
Investments	2 369	150	3 000	4 000	8 000	25 000	30 000	30 000	6 285
Working capital	6 902	5 496	6 000	7 837	11 619	23 237	107 692	168 883	170 907
Growth									
Net revenues	n.a.	-100,0%	n.a.	n.a.	908,1%	900,0%	1058,6%	56,8%	12,4%
Costs	n.a.	-64,0%	35,2%	49,9%	233,3%	-333,3%	757,1%	33,3%	12,5%
EBITDA	n.a.	-61,2%	35,2%	34,6%	156,3%	-211,1%	1976,1%	86,3%	12,4%
EBITA	n.a.	-61,2%	35,2%	34,6%	156,3%	-211,1%	1976,1%	86,3%	12,4%
EBIT	n.a.	-61,1%	35,0%	34,6%	185,7%	-175,6%	2584,5%	87,3%	12,6%
Margins									
EBITDA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBITA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBIT	-1297,3%	n.a.	n.a.	-875,6%	-248,1%	18,8%	43,5%	51,9%	52,0%
Operating capital									
Investments / revenues	537,2%	n.a.	n.a.	867,7%	172,1%	53,8%	5,6%	3,6%	0,7%
Depreciation / revenues	n.a.	n.a.	n.a.	0,0%	-25,6%	-6,0%	-0,9%	-0,7%	-0,7%
Fixed assets / Revenue	n.a.	n.a.	n.a.	2131,5%	358,0%	83,6%	11,9%	10,4%	9,3%
Working capital / revenues	1565,1%	n.a.	n.a.	1700,0%	250,0%	50,0%	20,0%	20,0%	18,0%

The EBITDA-margin is expected to reach 52,6% in year 2029





AUXESIS PHARMA HOLDING AB (publ) need to invest in R&D during the forecast period



- **Operating profit (EBITDA – Earnings before interest, taxes, depreciation and amortization) (cont'd):** As the company reaches increased sales volumes through the distribution network, the volumes also result in profitability, which is gradually strengthened, and the EBITDA margin is estimated to amount to 24,7% in the year 2026. Increased volumes also give rise to scalability in production and distribution, and the assessment is therefore that the volumes provide leverage in profitability and the EBITDA margin is estimated to increase to 44,3% in the year 2027. The company offers the products through strategic collaborations with international pharmaceutical companies that manufacture and distribute the products where the company receives licensing income from the distributor and for this reason the company can also conduct operations with a cost-effective and lean organization.
- This also gives rise to good profitability and the EBITDA margin is estimated to amount to 52,7% in the year 2028. The company's patent for the products also means that the company has the opportunity to control the pricing and that the products are not as exposed to competition as products that are open to free competition and the company is thus expected to be able to maintain good profitability from the year 2029 onwards with an EBITDA margin of 52,6%. The relatively high EBITDA margin is explained by the company providing a business model that generates licensing income and is based on strategic collaborations with major pharmaceutical players that provide manufacturing and distribution.
- **Investments (CAPEX) (cont'd):** By developing pharmaceutical products, the company conducts an R&D-intensive business that requires investments in development work, and the company's capitalized development costs amounted to 2 826 TSEK in the year 2022. The company is also estimated to need to carry out continued investments in R&D to refine and further develop the products in the coming years and the investment need is estimated to amount to 3 000 TSEK in the year 2023 and 4 000 TSEK in the year 2024.

Financial analysis (cont'd)

Analysis									
TSEK	History*		Forecast period						
AUXESIS PHARMA HOLDING AB (publ)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
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Operating profit (EBITDA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Amortization on goodwill	0	0	0	0	0	0	0	0	0
Operating profit (EBITA)	**-5 721**	**-2 219**	**-3 000**	**-4 037**	**-10 344**	**11 494**	**238 620**	**444 634**	**499 729**
Depreciation	0	-4	0	0	-1 188	-2 776	-4 591	-6 285	-6 285
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Net revenues	n.a.	-100,0%	n.a.	n.a.	908,1%	900,0%	1058,6%	56,8%	12,4%
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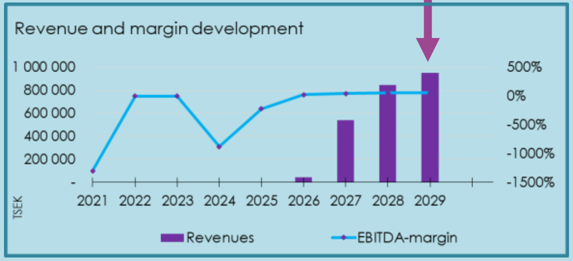
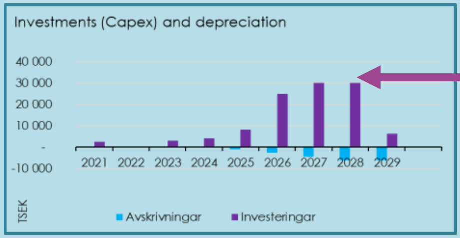
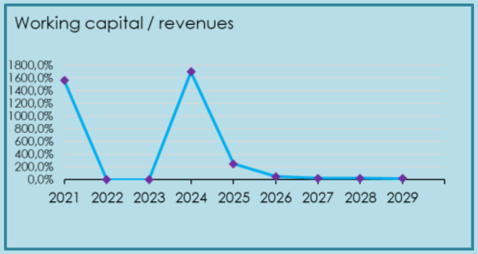
EBIT	n.a.	-61,1%	35,0%	34,6%	185,7%	-175,6%	2584,5%	87,3%	12,6%
Margins									
EBITDA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBITA	-1297,3%	n.a.	n.a.	-875,6%	-222,6%	24,7%	44,3%	52,7%	52,6%
EBIT	-1297,3%	n.a.	n.a.	-875,6%	-248,1%	18,8%	43,5%	51,9%	52,0%
Operating capital									
Investments / revenues	537,2%	n.a.	n.a.	867,7%	172,1%	53,8%	5,6%	3,6%	0,7%
Depreciation / revenues	n.a.	n.a.	n.a.	0,0%	-25,6%	-6,0%	-0,9%	-0,7%	-0,7%
Fixed assets / Revenue	n.a.	n.a.	n.a.	2131,5%	358,0%	83,6%	11,9%	10,4%	9,3%
Working capital / revenues	1565,1%	n.a.	n.a.	1700,0%	250,0%	50,0%	20,0%	20,0%	18,0%

The EBITDA-margin is expected to reach 52,6% in year 2029





AUXESIS PHARMA HOLDING AB (publ) need to invest in R&D during the forecast period



- **Investments (CAPEX) (cont'd):** In order to maintain the position as a leading player in non-prescription skin preparations within aspirin and continue to be at the forefront of the field, the assessment is also that the company will need to implement investments to take develop and develop next-generation preparations as well as expand the research work in pharmaceutical cosmetics and the investment requirement is estimated to amount to 8 000 TSEK in the year 2025 and 25 000 TSEK in the year 2026 to increase to 30 000 TSEK in the years 2027 and 2028. The depreciation period for the R&D efforts is estimated to amount to 15 years. In the long term, however, the assessment is that the investment need and depreciation are in parity with each other and the reinvestment need is estimated to amount to 6 285 TSEK in the year 2029. The investment need then relates in percentage parity to the income with a growth rate of 2,5%.
- **Working capital:** Working capital consists of the company's operating assets and liabilities, such as accounts receivable and accounts payable. As the company's turnover is estimated to be very modest in the coming years, the working capital tie-up as a percentage of turnover is also estimated to be high and amount to 1700,0% in the year 2024 and 250,0% in the year 2025. As the company's turnover increases, however, the working capital tie-up as a percentage of sales to gradually decrease and the assessment is that the working capital tie-up will decrease to 50,0% in the year 2026. As the company continues to grow, however, the assessment is that the company's bargaining power vis-à-vis suppliers and customers will be strengthened, which will result in more efficient working capital tie-up and the working capital tie-up is estimated to amount to 20,0% in the year 2027 to decrease to 18,0% from the year 2029.

WACC – Weighted discount rate for discounting cash flows

WACC	
Risk-free rate (Rf)	2,0%
Equity risk premium (Rm)	7,8%
Small company risk premium	5,0%
Company specific risk premium	20,0%
Cost of equity (Re)	**34,8%**
Interest on debt	5,0%
Tax	20,6%
Long-term interest rate after tax (Rs)	**5,6%**
Equity ratio (E)	85,0%
Debt ratio (S)	15,0%
Capital structure	**100,0%**
Weighted average cost of capital (WACC)	**30,4%**
WACC = Re * E + Rs * S	

Risk-free rate - Based on return of a Swedish government bond with a 10-year term Dec. 2022

Market risk premium – Based on PwC's study "Risk premiums on the Swedish stock market" June 2022

General risk premium supplement when the company is an small unlisted smaller company

A company-specific risk premium of 20,0% is justified in the light of:

- Small organization with great dependence on key people
- The company is facing a launch and a sensitive commercialization phase
- Capital requirements to carry out launch and expansion

The long-term interest rate after tax is calculated at 5,6%, which corresponds to the risk-free rate of 2,0% with an addition of 5,0%

Optimal ratio of equity in relation to debt financing is estimated at15%

Based on these assumptions, the weighted average cost of capital (WACC) can be calculated to 30,4%

Discounted cash flow valuation

Free cash flow

AUXESIS PHARMA HOLDING AB (publ)	2023	2024	2025	2026	2027	2028	2029	Sustainable
Earnings before interest and tax (EBIT)	-3 000	-4 037	-11 532	8 718	234 029	438 349	493 444	505 780
Tax	0	0	0	0	-46 181	-90 300	-101 649	-104 191
Reversal of depreciation	0	0	1 188	2 776	4 591	6 285	6 285	6 442
Investments	-3 000	-4 000	-8 000	-25 000	-30 000	-30 000	-6 285	-6 442
Changes in working capital	-504	-1 837	-3 782	-11 619	-84 454	-61 192	-2 024	-2 692
Free cash flow	**-6 504**	**-9 874**	**-22 126**	**-25 125**	**77 986**	**263 142**	**389 771**	**398 897**

Valuation simulation

Mid value WACC	30,4%	Liquidity requirement	0,0%

AUXESIS PHARMA HOLDING AB (publ)	Weigthed average cost of capital (discount rate)								
	26%	27%	28%	29%	30%	31%	32%	33%	34%
Enterprise value (EV)	**436 233**	**401 226**	**369 733**	**341 314**	**315 598**	**292 266**	**271 046**	**251 701**	**234 028**
Net debt(-)	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676
Liquidity requirement	-555	-555	-555	-555	-555	-555	-555	-555	-555
Share value (Equity value)	**426 002**	**390 995**	**359 502**	**331 083**	**305 367**	**282 035**	**260 815**	**241 470**	**223 797**

The sustained operating profit after depreciation (EBIT) of 505 780 TSEK and the free cash flow of 398 897 TSEK continue with a growth rate of 2.5% per year into eternity. The level of 2.5% is also in line with the average GDP growth in the long term and in line with the Riksbank's inflation target

Note that an operating profit that lies further into the future has a lower present value as of today's date because of the time value of money and future cash flows are associated with uncertainty and risk through the discount rate (WACC). The further into the future the cash flow is expected to be generated, the higher the risk that it will actually occur. The discounted perpetual value calculated by Gordon's formula and taking into account the risk in the future is included in the enterprise value and the valuation range in the table up to the right

- The valuation method used in this valuation report is a discounted cash flow valuation (DCF) together with a supplementary analysis of multiples to evaluate the company's value. DCF-valuation means that the company's value is derived from the company's future return being discounted to the current valuation date. As a return measure, in this case, the free cash flow is used, which is the cash flow generated by the operating business. By discounting any future free cash flow from the business is calculated at present value with a discount rate (WACC) that reflects the weighted capital cost of equity and debt financing to reflect the company's risk and the time value of money. A crown or euro today is usually worth more than a crown or euro tomorrow.

Free cash flow

- Calculation of the free cash flow is based on the company’s Earnings before interest and taxes (EBIT), which is estimated at 505 780 TSEK as a sustainable level, which then will growth in percentage parity to revenues with a sustainable growth rate of 2,5%.

- Changes in working capital are based on how the relationship between working capital assets and working capital liabilities changes between years, where a minus sign means that the company ties up more working capital and plus sign means that the company needs less working capital. In long term working capital is expected to increase as this is an logical consequence when sales and revenues increase and the company needs more working capital assets such as accounts receivable when the company continues to grow. Working capital is measured as the percentage of revenues and the assessment is that the working capital amounts to 18,0% of revenues in the long term.

- From the summary above, it is estimated that the company's expected free cash flow is estimated at 398 897 TSEK as a sustainable level which, in line with the operating profit (EBIT), will then growth in percentage parity with the sustainable growth rate of 2,5%.

Discounted cash flow valuation (cont'd)

Free cash flow

AUXESIS PHARMA HOLDING AB (publ)	2023	2024	2025	2026	2027	2028	2029	Sustainable
Earnings before interest and tax (EBIT)	-3 000	-4 037	-11 532	8 718	234 029	438 349	493 444	505 780
Tax	0	0	0	0	-46 181	-90 300	-101 649	-104 191
Reversal of depreciation	0	0	1 188	2 776	4 591	6 285	6 285	6 442
Investments	-3 000	-4 000	-8 000	-25 000	-30 000	-30 000	-6 285	-6 442
Changes in working capital	-504	-1 837	-3 782	-11 619	-84 454	-61 192	-2 024	-2 692
Free cash flow	**-6 504**	**-9 874**	**-22 126**	**-25 125**	**77 986**	**263 142**	**389 771**	**398 897**

Valuation simulation

Mid value WACC	30,4%	Liquidity requirement	0,0%

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Net debt(-)	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676	-9 676
Liquidity requirement	-555	-555	-555	-555	-555	-555	-555	-555	-555
Share value (Equity value)	**426 002**	**390 995**	**359 502**	**331 083**	**305 367**	**282 035**	**260 815**	**241 470**	**223 797**

The Enterprise value (EV) takes into account both the discounted value of the free cash flow during the forecast period in the table to the right as well as the perpetual value which is based on a sustained growth rate in the cash flow of 2.5% per year as described on the previous page

Valuation summary

- Mid value of Weighted Average Cost of Capital (WACC) is 30,4% with underlying calculation under the WACC-section in this report.
- The discounted cash flow valuation of the debt/cash-free enterprise (EV = Enterprise Value) in AUXESIS PHARMA HOLDING AB (publ) is calculated in the range of 234 028 – 436 233 TSEK with a direction value of 315 598 TSEK. Enterprise value refers to the value of the business, i.e. the value today of the future return that the business is expected to generate in the future. Enterprise value is independent of the company's financing and represent the value of the company in a cash/debt-free situation. The direction value of 315 598 TSEK is the best estimate of the value of the debt/cash-free enterprise value of AUXESIS PHARMA HOLDING AB (publ) based on the scenario described in the report.
- In order to obtain the value of the shares in companies, interest-bearing debt, financial assets and liquidity requirements must be taken into account. AUXESIS PHARMA HOLDING AB (publ) have interest-bearing debt that amounts to 9 595 TSEK and debt to management of the company of 85 TSEK but the company also have financial assets and cash account that amounts to 4 TSEK consider as of 2022-12-31. It should also be noted that there are intra-group assets and liabilities between the companies in the AUXESIS PHARMA HOLDING AB (publ) group. In this valuation report, however, AUXESIS PHARMA HOLDING AB (publ) is valued as a group and hence these items cancel each other out. This gives a total net debt of 9 676 TSEK (4 – 9 595 – 85) and justifies a negative adjustment item of the corresponding value based on the balance sheet as of 2022-12-31.
- In order to obtain the value of the shares in the company, the company's liquidity requirements must also be taken into account. The liquidity requirement in the business aims to ensure that a new owner does not take over an underfunded company with problems managing its commitments in the short term. In order to assess the company's liquidity requirements and the net need for working capital (net working capital), analysis of the company's historical development in the balance sheet on a monthly basis over a relatively long period of time is required, which is not within the scope of this valuation work. The liquidity requirement. A rough estimate and standard assessment of the adjustment item can be carried out by analyzing the company's running costs. A rough estimate is that the liquidity requirement amounts to 555 TSEK, which corresponds to the company's average costs over a 3-month period in the year 2022.
- Considering the company's current net debt and liquidity requirements, the conclusion is that the direction value of 305 367 TSEK constitutes the best estimate of the share value for 100% of the shares in AUXESIS PHARMA HOLDING AB (publ) given the scenario described in the report. In the case of future investments and transactions in AUXESIS PHARMA HOLDING AB (publ), the company's net financial debt shall be taken into account as of the respective transaction date.

Multiples

2022	Enterprise value (EV in TSEK)		
Multiples	Low range value 436 233	Mid range value 315 598	High range value 234 028
EV/Sales	n.a	n.a	n.a
EV/EBITDA	-196,59	-142,23	-105,47
EV/EBITA	-196,59	-142,23	-105,47
EV/EBIT	-196,24	-141,97	-105,28

2023	Enterprise value (EV in TSEK)		
Multiples	Low range value 436 233	Mid range value 315 598	High range value 234 028
EV/Sales	n.a	n.a	n.a
EV/EBITDA	-145,41	-105,20	-78,01
EV/EBITA	-145,41	-105,20	-78,01
EV/EBIT	-145,41	-105,20	-78,01

2024	Enterprise value (EV in TSEK)		
Multiples	Low range value 436 233	Mid range value 315 598	High range value 234 028
EV/Sales	461,00	684,59	507,65
EV/EBITDA	-108,07	-78,18	-57,98
EV/EBITA	-108,07	-78,18	-57,98
EV/EBIT	-108,07	-78,18	-57,98

Average during the forecast period	Enterprise value (EV in TSEK)		
Average during 7 years Multiples	Low range value 436 233	Mid range value 315 598	High range value 234 028
EV/Sales	1,28	0,93	0,69
EV/EBITDA	2,59	1,88	1,39
EV/EBITA	2,59	1,88	1,39
EV/EBIT	2,64	1,91	1,42

- Relative valuation is based on the value of a company built on how similar companies are priced on the stock exchange or have been priced on transactions.
- As a basis for comparison, the following value-related key ratios have been used:
  - EV/Sales: The value of the enterprise in relation to revenues. The multiple is primarily affected by revenues growth and its gross profit margin, showing the cost of acquiring the company's revenues.
  - EV/EBITDA: The value of the enterprise in relation to earnings before depreciation. The multiple depends largely on the expectation of future earnings growth and the company's estimated risk.
  - EV/EBITA: The value of the enterprise in relation to profit before amortization of goodwill. The multiple depends largely on the expectation of future earnings growth and the company's estimated risk.
  - EV/EBIT: The value of the enterprise in relation to earnings after depreciation. The multiple is due to future earnings growth, but also captures effects from different investment levels between the companies.

Comparable companies (Peers)

- AUXESIS PHARMA HOLDING AB (publ) is an innovative R&D company with a focus on research in aspirin and pain-relieving skin care preparations. This also means that there are few comparable listed companies on the Swedish market as the company is focused on an area of activity that is dominated by large international companies in the pharmaceutical industry.
- For this reason, we rely on international pharmaceutical companies that conduct research and develop drugs and preparations in topical pain relief. The following listed companies are identified in the area: Sun Pharmaceutical Industries Limited, Johnson & Johnson, GlaxoSmithKline plc, Pfizer Inc. and Sanofi. The comparison also includes large pharmaceutical companies with similar operations such as AstraZeneca PLC, Merck & Co., Inc. and Bayer Aktiengesellschaft.
- Data for the comparison companies is obtained from Yahoo Finance as of 2023-02-28 and is presented on the following pages.

Multiples (cont'd)

2022	Enterprise value (EV in TSEK)		
	Low range value	Mid range value	High range value
Multiples	**436 233**	**315 598**	**234 028**
EV/Sales	n.a	n.a	n.a
EV/EBITDA	-196,59	-142,23	-105,47
EV/EBITA	-196,59	-142,23	-105,47
EV/EBIT	-196,24	-141,97	-105,28

2023	Enterprise value (EV in TSEK)		
	Low range value	Mid range value	High range value
Multiples	**436 233**	**315 598**	**234 028**
EV/Sales	n.a	n.a	n.a
EV/EBITDA	-145,41	-105,20	-78,01
EV/EBITA	-145,41	-105,20	-78,01
EV/EBIT	-145,41	-105,20	-78,01

2024	Enterprise value (EV in TSEK)		
	Low range value	Mid range value	High range value
Multiples	**436 233**	**315 598**	**234 028**
EV/Sales	461,00	684,59	507,65
EV/EBITDA	-108,07	-78,18	-57,98
EV/EBITA	-108,07	-78,18	-57,98
EV/EBIT	-108,07	-78,18	-57,98

Average during the forecast period	Enterprise value (EV in TSEK)		
Average during 7 years	Low range value	Mid range value	High range value
Multiples	**436 233**	**315 598**	**234 028**
EV/Sales	1,28	0,93	0,69
EV/EBITDA	2,59	1,88	1,39
EV/EBITA	2,59	1,88	1,39
EV/EBIT	2,64	1,91	1,42

	Multiples	
Listed companies	EV/EBITDA	EV/Sales
Sun Pharmaceutical Industries Ltd.	28,85	5,24
Johnson & Johnson	14,33	4,37
GlaxoSmithKline plc	23,13	6,50
Pfizer Inc.	23,23	6,50
Sanofi	8,80	2,78
AstraZeneca PLC	25,49	5,22
Merck & Co., Inc.	13,47	4,84
Bayer Aktiengesellschaft	7,70	1,80
Average	**18,13**	**4,66**
Median	**18,73**	**5,03**
Auxesis Pharma (Avg 2023-2029)	1,88	0,93

Source: Yahoo Finance as of 2023-02-28

Comparison with public listed companies

- The table above shows that the average EV/EBITDA multiple for large international companies in the pharmaceutical industry amounts to 18,13x and that the average EV/Sales amounts to 4.66x based on current data.
- As AUXESIS PHARMA HOLDING AB (publ) is an early stage company facing the launch and commercialization phase in the coming years, the company has not yet built a corporate structure and organization that has achieved profitability, and for this reason it is problematic to compare the EV/EBITDA multiples of AUXESIS PHARMA HOLDING AB (publ) in the coming years with the average for the listed companies above. The company's early phase also means that it is problematic to compare with the EV/Sales multiples as AUXESIS PHARMA HOLDING AB (publ) will generate the first revenues from the research results and products in the year 2024 with a high growth rate in subsequent years.
- For the above reason, we start from the average EV/EVBITDA multiple during the forecast period 2023 – 2029. The assessment is that the EV/EBITDA multiple is most relevant in the comparison because it is above all future profitability that investors are interested in acquiring in this this case. Profitability multiples such as EV/EBITDA are also recommended in the guidelines for the valuation of unlisted companies presented in the International Private Equity and Venture Capital Valuation Guidelines 2018. The guidelines designed by IPEV and accepted as best practice by a large number of national organizations for investors in unlisted holdings. From the table with valuation multiples on the left, it appears that the EV/EBITDA multiple based on the average of the operating profit EBITDA during the forecast period 2023 – 2029 amounts to 1.88x, which is significantly lower than the average EV/EBITDA multiple for the listed companies of 18,13x

Multiples (cont'd)

2022	Enterprise value (EV in TSEK)		
	Low range value	Mid range value	High range value
Multiples	436 233	315 598	234 028
EV/Sales	n.a	n.a	n.a
EV/EBITDA	-196,59	-142,23	-105,47
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Source: Yahoo Finance as of 2023-02-28

Risk factors and discount when comparing multiples

- When comparing multiples, however, the company's specific situation and risk must be taken into account, and smaller companies are usually valued at a discount in relation to larger companies. This is because small companies are often characterized by a different risk situation, which means that these companies are valued at a discount in relation to larger companies. company. This is due to the fact that investors are expected to be compensated with returns in the form of a company-specific return premium as a result of the risk situation when investing in the company. This is usually referred to as the small company discount or small company premium.
- In addition to the general small company discount above, the company's specific situation and risks must also be taken into account. The listed companies above are larger international companies with higher turnover, larger workforce and more diversified with more branches of business and a larger product range, which entails lower risks and justifies a higher valuation compared to AUXESIS PHARMA HOLDING AB (publ).
- The lower EV/EBITDA multiple for AUXESIS PHARMA HOLDING AB (publ) is thus explained by the company's size, specific situation and risk, which means that smaller companies and companies with higher risk are valued at a discount compared to larger companies with lower risk. This at the same time as a large part of the sales and the average operating profit EBITDA on which the multiple is based is relatively far in the future. The assessment is therefore that a large discount is justified in relation to the average for the listed companies above.

Multiples (cont'd)

2022	Enterprise value (EV in TSEK)		
Multiples	Low range value 436 233	Mid range value 315 598	High range value 234 028
EV/Sales	n.a	n.a	n.a
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EV/EBIT	2,64	1,91	1,42

EV/EBITDA-multiple in pharmaceuticals sector

	9/30/21	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
EV/Revenues Multiple	3.5x	3.7x	4.3x	4.2x	4.2x	3.4x	3.4x	3.7x
EV/EBITDA Multiple	11.6x	11.1x	11.4x	12.0x	11.8x	11.3x	11.4x	12.0x
Price/Earnings Multiple	26.3x	16.2x	16.7x	25.5x	29.5x	32.5x	27.3x	29.2x
EV/Gross Cash Flows Multiple	26.7x	20.7x	24.0x	25.8x	29.1x	26.6x	26.3x	26.9x

Highest Multiple   Lowest Multiple   Median Multiple

Source: Cogent Valuation

Valuation multiples in pharmaceuticals over time

- The valuation multiples for AUXESIS PHARMA HOLDING AB (publ) can also be compared with how the valuation multiples for the pharmaceutical sector have developed over time. From the image up to the right, it appears that the average EV/EBITDA multiple for the sector was in the range of 11,4 – 12,0x during the period 2019:12 – 2021:06. This indicates that pharmaceutical companies are a sector that is valued relatively stably over time.
- Considering the risks and uncertainties that characterize AUXESIS PHARMA HOLDING AB (publ), however, the assessment is that the company should be valued at a large discount and the average EV/EBITDA multiple during the period 2023 – 2029 amounts to 1,88x, which is considered to be a reasonable multiple.

Conclusion

- The overall conclusion based on the analysis of multiples for comparable companies is that the return valuation within the range of 234 028 – 436 233 TSEK with a target value of 315 598 thousand constitutes the best estimate of the value of the unleveraged business (EV). In order to obtain the value of the shares in the company, however, the company's net debt must also be taken into account at the time.
- Considering the company's current net debt and liquidity requirements, the conclusion is that the target value of SEK 305,367 thousand constitutes the best estimate of the share value (100% of the shares) in AUXESIS PHARMA HOLDING AB (publ) given the scenario described in the report.

Appendix 1 – Restrictions and received information from the Company

- This Report has been written for the purpose previously reported and we do not accept any liability for its use for purposes other than this.
- Estimated value in the Report represents our qualifying assessment based on the available material and approaches described in this Report. However, we want to emphasize that valuation is not an exact science but has elements of subjective judgment, so different players can come to different conclusions about the market value of a company.
- Within the framework of this assignment, we have not conducted any detailed review or audit of the material and information we received from the Company. Copies of, or extracts, this Report may not be produced without our permission to anyone other than the Company's owner, management and its adviser.
- As a basis for the implementation of the mission, we have had access to the following materials:
  - Annual report for 2021
  - Preliminary income statement and balance sheet for 2022
  - Investment Memorandum as of 2023
  - Descpription the companys R&D progress
  - Article published on reserachandmarkets, "Topical Pain Relief Market by Therapeutic Class, Type, Formulation and Distribution Channel - Global Opportunity Analysis and Industry Forecast, 2018-2025", Avaliable: https://www.researchandmarkets.com/reports/4603649/topical-pain-relief-market-by-therapeutic-class
  - Article published on alliedmarketresearch.com, "Topical Pain Relief Market by Therapeutic Class", Avaliable : https://www.alliedmarketresearch.com/topical-pain-relief-market
  - Article published on Cogent Valuation, "Pharmaceuticals – Generics Q3: Quarterly Industry Update", Avaliable : http://cogentvaluation.com/wp-content/uploads/2021/11/Pharmaceuticals-3Q-2021.pdf
  - Article published on, "Medical Device IMAP M&A Sector Report – Europé", Avaliable : https://www.imap.com/media/publications/2021/02/medtech_report_2019_final.pdf
  - Information from the Companys website
  - Information collected from yahoofinance.com and macrotrend.net
  - Valuation report for Auexesis Pharma Holding AB issued by Fintegrity, as of 2022
- The material has been supplemented with oral information submitted by :
  - Roar Adelsten and Lars Larsson (Management)

Appendix 2 – Valuation methods

- **Discounted cash flow valuation (DCF-valuation)**
  - Discounted Cashflows Valuation means that the valuation is derived by discounting the company's expected future cashflows. It is often used today as the main valuation method when valuing unlisted companies.
  - The cashflows used as the basis for the calculations in the valuation are normally the cashflows that operations are expected to generate depending on how the company is financed. This means that the cashflows are not affected by forecasted interest costs or dividends, for example. However, the cashflow present value is calculated after taxes, which means that the discounted interest has to mirror a weighted cost of capital for owners' equity and debt financing after taxes. The valuation is calculated based on cashflows gives the value of operations assuming a certain given level of unencumbered capital.
  - To come to the value of the shares, the value is adjusted by expected results taking into account the company's current financial structure, meaning that it is decreased by net debt and increased by net assets, as well as non-operational assets.

- **Relative valuation**
  - Comparable Company Valuation means that the valuation is derived from comparing how similar publicly traded companies have been valued either on the stock exchange, or on the open market. The premise of this valuation method is that value has been verified by documented independent third-party transactions of the similar company, taking into account its risk level (calculated interest) and growth potential, which is highly relevant as reference for valuation of the target company.
  - The idea is to strive to find companies with as similar operations and structure as possible to the company being valued. However, it is often difficult to obtain information about the price for share transactions in unlisted companies. Additionally, known transactions are often not reliable for general comparison due to them being influenced by the specific circumstances of the particular transaction.
  - Differences between the comparison companies and the company to be valued, such as size and operational focus, need to be considered. These differences have an effect on level of business risk, as well as value drivers, growth potential, and profitability, which justify different levels of value and thus their resulting multipliers.
  - As comparisons are made between listed and unlisted companies, the reduced liquidity of holding 100% of the shares in an unlisted company relative to a smaller holding of shares in a listed company needs to be considered. A 100% shareholding does however give control over its operations and cashflow, unlike a smaller holding of listed shares. The counteractive effect of these differences is difficult to quantify, and thus, according to standard industry practice, our valuation assumes that these two counteractive elements cancel each other out.

Appendix 2 – Valuation methods (cont'd)

- **Net asset valuation**
  - Net Asset Valuation means an adjustment of the balance sheet with consideration taken for over and undervalued assets and liabilities. Any adjustments to assets or liabilities is based on their future value and ability to be realized.
  - Net Asset Valuation is often called a independent valuation method. However, because this method assumes the company continues to operate as a going concern, the approach often incorporates a DCF valuation in order to take into account the value of the company's intangible assets as well as synergies between these assets. If done correctly and completely, a Net Asset Valuation should be virtually identical to a DCF valuation.
  - Often a simplified form of Net Asset Valuation is applied, where only tangible assets and liabilities are taken into account and adjusted where known market value exists. This Net Asset Value as calculated can be used as a basis for comparison with and reconciliation tool for a DCF valuation. The difference between the Net Asset Valuation and the Simplified Net Asset Valuation should represent the value of intangible assets, including Good Will.

Appendix 3 – Return requirement

- **Weighted average cost of capital (WACC)**
  - Discounted Cashflows Valuation means that the valuation is derived by discounting the company's expected future cashflows. The calculated interest used should reflect an investors relative risk as well as the time value of money.
  - As the cashflows are forecast without consideration of financing transactions, the calculated interest rate used should mirror the weighted average cost of both owners' equity and debt financing after taxes. This is termed as the WACC.
  - The general formula for WACC is presented to the right. To get an estimate of WACC you need to estimate the cost of long-term debt financing, return requirements for owners' equity, and the expected debt to equity ratio (financing mix).

- **Cost for long-term debt financing**
  - The calculation for the weighted calculated interest rate needs to consider the cost of external financing, such as debt financing. The loan interest rate used should reflect the company's cost for long-term external financing.
  - The general formula for the cost of long-term debt financing is presented to the right. The interest rate is calculated by adding a risk premium to the risk-free rate. The risk premium should reflect the debt margin above the risk-free rate that a debtor would require in order to approve a long-term loan to the company.

$WACC = K_s * (s\%) + K_e * (e\%)$

WACC	Weighted average cost of capital
K_s	Cost of long-term debt financing (after taxes)
s%	% share of long-term debt financing
K_e	Cost of equity (Return requirement on equity)
e%	% share of equity

$K_s = (R_f + \text{debt margin}) * (1 – \text{tax rate})$

K_s	Cost of long-term debt financing (after tax)
R_f	Risk free interest rate
Debt-margin financing	Difference between the company`ss debt interest rate and the risk free interest rate
Tax rate	The company`s average tax rate

Appendix 3 – Return requirement (cont'd)

- **Return requirement on equity**
  - The value of the return requirements on owners' equity are typically based on the Capital Asset Pricing Model (CAPM). According to it, return requirements are calculated as the risk-free interest rate plus an expected market premium over and above the risk free rate, multiplied by a variable for market risk (Beta). Beta is a variable that mirrors and assets risk in relation to the market risk.
  - Empirical studies have shown that a CAPM alone can undervalue the risk premium for investments in companies with market values under 5 MSEK. In consideration of this, we have chosen to set the return requirement of owners' equity with an appropriate CAPM-based model that takes size and company-specific risk factors into account. This model is presented to the right.

- **Debt to equity ratio**
  - The debt to equity ratio should reflect the optimal relation between debt financing and equity financing at market value, for the current operations.
  - Debt financing should be obtainable without other security than the company's assets and equity. Companies with few tangible assets and low amounts of unencumbered capital in relation to its operational market value, as with many intellectual companies, is generally valued on the assumption of very low or no debt.

$$K_e\ (R_e) = R_f + \beta * (R_m - R_f) + SS_p + CS_p$$

R_e	Cost of equity (return requirement on equity)
R_f	Risk free interest rate (long-term)
β	Beta (the assets risk in relation to the market risk)
$(R_m – R_f)$	Market risk premium (the risk premium generally applied on the equity market additional to the risk free interest rate)
SS_p	Additional size related risk premium (data from empirical studies)
CS_p	Company specific risk premium (taking into account the company's unique risk situation)

Appendix 4 – Glossary of terms

- **Share value (Equity Value)** – The value of the outstanding shares of the company. Composed of the following components:
  - Value of the enterprise
  - +/- Net Assets
  - - Liquidity requirement
  - = Share value of outstanding shares

- **Company Specific Premium** – The extra return investors expect as compensation for bearing the specific risk associated with the company

- **Black Scholes Option Pricing Model** – The standard accepted model for stock option valuation

- **Discounting** – In the context of company valuation, the conversion of a company's future cashflows from operation to their respective present values as of the valuation date where one unit of money today is normally worth more than that same unit of money in the future. The future value is adjusted with a discounting rate that considers the effect of time and the risk/probability that a future amount is realized.

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)** – The net result of a company's operations before interest, taxes, depreciation and amortization are taken into account. Gives the cashflows operations generate while ignoring balance sheet effects.

- **EBITDA-margin** – Gives EBITDA in relation to turnover and is calculated by dividing EBITDA by turnover during the same period.

- **EBIT (Earnings Before Interest and Taxation)** – As EBITDA a measure of a company's net result before interest and taxes. Formal measure of a company's net financial result as it counts with the changes in value of the company's tangible and intangible assets.

- **EBIT-margin** – Gives the EBIT in relation to turnover during the same period.

- **Net debt** – Shows the interest-bearing loans from external debtors subtracted by financial assets free from operating encumbrances (such as corporate investment/savings accounts). Net Debt shows how a company chooses to finance its operations.

- **Trading days** – Day of the week in which trading takes place in the financial markets. Generally accepted as being 252 days a year.

- **Implied volatility** – The volatility the options market sets prices with. It can be implicitly calculated because all parameters except volatility itself are exogenic factors.

- **Liquidity requirement** – A measure of the cash required to meet the obligations of running the normal operations of a company without the need for external capital contributions. Expressed as a percentage of revenues/turnover.

- **LIIlquidity discount** – The discount used to adjust valuation of unlisted companies due to the difficulty of realizing a liquid value of their equity on a established market.

Appendix 4 – Glossary of terms (cont'd)

- **Time to maturity** – In stock option contexts, the time from the issuance of the stock option to the date at which the stock option must be exercised before it expires.

- **Market risk premium** – The extra return investors expect as compensation for bearing the unique circumstances of risk in a country's market. Defined as the difference between the expected return and the risk-free interest rate.

- **Multiple** – Expresses a ratio of two parameters important for a company's valuation – profitability, net result, or similar. It is used as a benchmark in cashflow and comparative valuation models, where each company's multiplier is compared within a peer group. Common multipliers include Price/Earnings, Enterprise Value (EV) /Sales, EV/EBITDA, and EV/EBIT.

- **Optimal capital structure** – The percentage of a company that is financed by equity versus debt in an optimal scenario. The return requirements of equity are typically notably higher than loan interest, but at the same time external debtors are usually not prepared to grant a company larger amounts of debt due to the higher risk of default.

- **Peer Group** – A selection of companies with similar characteristics used as a comparative benchmark.

- **Risk free interest rate** – A rate of return that an investor could receive without taking without being exposed to any notable risk. Commonly indicated by a government bond with a 5-10 year term.

- **Working capital** – The capital naturally bound to a company's operations on a free market. Consists of cash and cash equivalents, accounts receivable, inventory and other short-term assets subtracted by accounts payable, accrued liabilities, and other short term liabilities.

- **Working capital to revenues** – Expressed how large working capital is compared to revenues as a percentage.

- **Enterprise Value (EV) –** A Company's value defined as the present value of the company's future result of operations. Expresses the value of unencumbered operations and as such does not reflect how operations are financed. This allows it to be compared to other companies without considering their capital structure (debt vs equity financing).

- **Small company premium** – The extra return investors expect as compensation for bearing the high risk of investing in small companies.

- **Strike price** – The predetermined price of exercising stock warrants. Commonly used synonymously with the term exercise price, a more general term for stock options.

- **Stock warrant** – A financial instrument giving the holder the right to buy shares of a company at a predetermined price on the date of exercise.

Appendix 4 – Glossary of terms (cont'd)

- **Sustainable growth** – The level at which a company can be expected to continue to grow on the long term, normally 5 years or more, and can be assumed to be a constant at that time. Usually defined as following the general growth of a market's economy on a macro level (BNP) as well as the rate of inflation.

- **WACC (Weighted average cost of capital)** – An accepted discount rate used in company valuation models. Gives the weighted cost of capital between debt and equity financing with the respective source of financings required rate return taken into account.

- **Volatility** – Describes the variability of an assets possible return. This variation is commonly expressed as a standard deviation, i.e. the average variation from the median value.

- **Volume weighted share price** – A weighted mean value giving high volume trading days more weight relative to low volume trading days when calculating the average share price of a stock during a specific period.

Any questions?