



COMPANY UPDATE

05 March 2025
Sweden
Healthcare

Research analysts:

Klas Palin

Initiator Pharma

Share price: SEK6.8

Fair value range: SEK16.0–23.0

Partner collaboration is at the top of the agenda – Q4(24) review

Positive cash flow in Q4(24)

With the focus fully on business development and no ongoing clinical activities, operating expenses in Q4(24) remained low, at DKK2.7m. Additionally, cash flow from operations was positive, bolstered by an annual payout of DKK4.8m under the Danish tax credit system. By the end of 2024, Initiator Pharma held a cash position of DKK13.4m, providing financial support through 2025 at the current activity level.

Industry interest growing

As communicated for more than a year, Initiator Pharma sees promising opportunities to expand its lead programmes into female sexual dysfunction (FSD). While no final decision has been made on which indications to prioritise, the company highlights chronic pain conditions within FSD, as pudafensine has previously demonstrated effects on both pain and sexual response. Although the Q4(24) report did not provide updates on the progress of the company's business development activities, Initiator Pharma notes growing industry interest in its pipeline for sexual dysfunction.

Fair value range lowered to SEK16–23 (SEK17–25)

With no major updates on future project plans or partnership opportunities, visibility remains fairly limited. We see greater clarity in these processes as the primary catalyst for the equity story, as we do not currently identify any other fundamental triggers on the agenda. To account for the risk that our timeline assumptions for IP2018's development may have been slightly too optimistic, we are adjusting our valuation range.

Upcoming events

- Q1 Report: 09 May 2025
- AGM 2025: 23 May 2025
- Q2 Report: 22 Aug 2025

Changes in this report			
	From	To	Chg
EPS adj. 2025e	n.a.	-0.25	n.a.
EPS adj. 2026e	n.a.	-0.35	n.a.
EPS adj. 2027e	n.a.	-0.49	n.a.

Key facts	
No. shares (m)	56.2
Market cap. (USDm)	36
Market cap. (SEKm)	379
Net IB Debt. (SEKm)	-31
Adjustments (SEKm)	0
EV (2025e) (SEKm)	348
Free float	75.0%
Avg. daily vol. ('000)	41
Risk	High Risk
Fiscal year end	December
Share price as of (CET)	04 Mar 2025 00:00

Key figures (SEK)		2024	2025e	2026e	2027e
Sales (m)		0	0	0	0
EBITDA (m)		-15	-14	-21	-31
EBIT (m)		-15	-14	-21	-31
EPS		-0.24	-0.25	-0.35	-0.49
EPS adj.		-0.24	-0.25	-0.35	-0.49
DPS		0.00	0.00	0.00	0.00
Sales growth Y/Y		n.a.	n.a.	n.a.	n.a.
EPS adj. growth Y/Y		+chg	-chg	-chg	-chg
EBIT margin		n.m.	n.m.	n.m.	n.m.
P/E adj.		n.m.	n.m.	n.m.	n.m.
EV/EBIT		neg.	neg.	neg.	neg.
EV/EBITA		neg.	neg.	neg.	neg.
EV/EBITDA		neg.	neg.	neg.	neg.
P/BV		25.6	12.4	7.5	16.2
Dividend yield		0.0%	0.0%	0.0%	0.0%
FCF yield		-3.2%	-3.4%	-6.2%	-7.6%
Equity/Total Assets		96.7%	98.4%	95.8%	86.3%
ROCE		-71.7%	-63.1%	-52.8%	-83.7%
ROE adj.		-99.7%	-62.6%	-49.1%	-73.7%
Net IB debt/EBITDA		0.9	2.2	2.3	0.7

Share price - 5Y

— Initiator Pharma
— OMX Stockholm_PI (Se) (Rebased)

High/Low (12M)

SEK10.4/6.5

Perf.	3M	6M	12M	YTD
Abs.	-8.2	-12.3	-25.0	-1.5
Rel.	-9.3	-15.2	-33.5	-6.6

Source: Carnegie Research, FactSet, Millstream & company data

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Equity story	
Near term: 6–12m	Initiator Pharma has made significant progress in its project portfolio in recent years, reducing development risks for key assets like pudafensine and IP2018. However, given the need for extensive Phase III studies to achieve approval, we believe securing a partner is crucial for advancing its erectile dysfunction programmes. As a result, we see delivering a partnership as a key near-term catalyst for the company's equity story.
Long term: 5Y+	Securing partners to advance its lead assets to regulatory approval could position Initiator Pharma as a highly profitable company within a five-year horizon. Although development risks have been mitigated to some extent, they remain considerable compared to those faced by more mature companies with an established track record of profitability.
Key risks:	<ul style="list-style-type: none">• Development risks related to pudafensine and IP2018• Unsuccessful in finding partners to its projects• The need for additional capital to fund pipeline projects may result in further equity dilution

Company description

Initiator Pharma, founded in 2016 by members of its management team as a spin-off from the Danish publicly listed company Saniona, focuses on targets within the central and peripheral nervous systems. Its most advanced projects include pudafensine for organic erectile dysfunction (ED) and IP2018 for psychogenic ED, both with the potential to become first-in-class drugs.

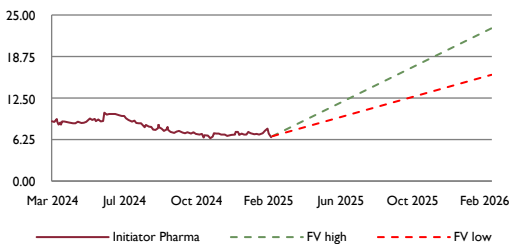
Key industry drivers	Industry outlook	Largest shareholders	
<ul style="list-style-type: none">• Growing prevalence of erectile dysfunction• Increasing interest in CNS related diseases	<ul style="list-style-type: none">• Pharma companies need to fill their pipelines as patent expiration looms for many large selling drugs	Linc AB	18.0%
		Adrigo Asset Management	9.2%
		Avanza Pension	5.9%

Cyclicality	Key peers
Cyclicality: N/A	We believe the closest peers to Initiator Pharma is Saniona, IRLAB Therapeutics, Dicot Pharma and Cinclus Pharma

Valuation and methodology

We use a probability-adjusted cash flow model, where each project is valued individually and then aggregated in a sum-of-the-parts model (SOTP). In the valuation, we have focused on the company's clinical projects, where we see a clear plan for advancing these further in development.

Fair value range 12m



The upper end of our fair value range is based on our SOTP valuation model, using a WACC of 16%, while the lower end applies to a 20% discount. In both valuation scenarios, we assume the company's lead assets advance toward market approval with the support of a partner. However, the lower estimate reflects continued weak investor sentiment toward biotech, whereas the upper estimate assumes improved market conditions.

Valuation and risks

We value Initiator Pharma with a fair value range of SEK16–23 per share (SEK17–25). The range is derived from an SOTP analysis, where we have used a WACC of 16–20%. The lowered range is primarily due to slight adjustments of the development timelines.

Our valuation of Initiator Pharma is based on a sum-of-the-parts (SOTP) model, where we assess each project over its patent lifespan. We include only projects with a clear path forward, whether driven by the company or a partner. Our forecasts are risk-adjusted according to the respective development phase.

Pudafensine is the lead asset

Pudafensine is Initiator Pharma's most advanced asset, currently being developed as a treatment for erectile dysfunction (ED). It specifically targets older men who do not achieve satisfactory results with established PDE5 inhibitors (e.g., Viagra, Cialis). This patient group accounts for approximately 30% of all men with ED, representing around 10 million individuals in the EU and the US. We forecast that the next step for pudafensine will be Phase III studies, expected to run for 2–3 years. If the data is positive, a potential launch could take place in late 2029, with peak sales projected to reach USD1.3bn by 2037. Pudafensine may also have potential as a treatment for neuropathic pain, with forecasted peak sales of USD450m. We believe securing a partner is crucial for the next phase and anticipate a deal in 2025, with a total deal value of USD300m and sales-based royalties of 12–16%. Following the positive Phase IIb data readout, we estimate the likelihood of approval in ED of 39%.

IP2018 is also being developed for ED but specifically targets younger individuals who, in addition to ED, experience mild to moderate depression. In many cases, the treatment of depression itself triggers ED in these patients. We forecast peak sales of USD600m, with a potential market entry in 2031 (previously 2030). Additionally, we have factored in a risk-adjusted partnership deal worth a total of USD200m in 2027, along with sales-based royalties of 12–16%. Based on promising Phase IIa results, we estimate a LOA of 19%.

Sum-of-the-parts - Valuation						
Project	Indication	Likelihood of approval (LOA)	Peak sales (USDm)	Estimated launch	NPV* WACC (16%)	NPV* WACC (20%)
Pudafensine	Organic ED	39%	1 300	2029	1 055	762
	Neuropathic Pain	10%	450	2031	51	34
IP2018	Psychogenic ED	19%	600	2031	202	144
Pipeline valuation					1 309	940
Net cash					20	20
Shared costs					-50	-39
NPV					1 278	921
Number of shares					56.2	56.2
NPV per share (SEK)					22.8	16.4

* SEKm

Sensitivity analysis - WACC value per share (SEK)					
	14%	16%	18%	20%	22%
Pudafensine	23.4	19.7	16.7	14.2	12.1
IP2018	4.3	3.6	3.0	2.6	2.2
Initiator Pharma	27.0	22.8	19.3	16.4	14.0

Sensitivity analysis - Pudafensine / LOA (ED) value per share (SEK)					
	19%	29%	39%	49%	59%
Pudafensine	10.4	13.6	16.7	19.9	23.0
IP2018	3.0	3.0	3.0	3.0	3.0
Initiator Pharma	13.0	16.2	19.3	22.5	25.6

Source: Carnegie Research

Risks

Initiator Pharma faces several risks as a company, and here we outline the key challenges we have identified. However, this list is not intended to be exhaustive. The biggest risks to our estimates are related to the clinical development uncertainties and the potential for prolonged study timelines, which could increase the need for additional financing.

Clinical development risks

Investing in pharmaceutical development companies carries significant risk, including the possibility of negative clinical study results, which could lead to the discontinuation of a project and a complete loss of its value. However, we see a slightly lower risk than usual for Initiator's projects, as the two projects on which we base our valuation have been evaluated in phase I clinical studies, providing a better understanding of their safety and tolerability.

Financial risks

Initiator Pharma has recurring capital needs, despite maintaining a very lean and cost-effective organisation. As its projects advance through clinical development, operating costs typically increase. To successfully execute its development plan and strategy, we believe the company will need to further strengthen its financial position in 2025. However, the extent of this capital requirement will depend on whether a partnership deal is secured.

Regulatory hurdles

The pharmaceutical market is highly regulated across all major regions. To bring a product to market, extensive clinical testing is required to demonstrate both efficacy and a manageable safety profile. However, once approved, the clinical data package not only supports commercialisation but also helps maintain exclusivity against competition.

Commercialisation risks

The company's most advanced projects target major primary care indications. We believe a partnership or collaboration with a strong industry player will be crucial for a successful product launch.

Competition risks

Even though ED is prevalent, competition from other drugs in development remains low. However, while pudafensine and IP2018 target patients who do not respond to existing PDE5 inhibitors, these established drugs set a high bar for success.

Financial statements

Profit & loss (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Sales	0	0	0	0	0	0	0	0	0	0
COGS	0	0	0	0	0	0	0	0	0	0
Gross profit	0	0	0	0	0	0	0	0	0	0
Other income & costs	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
EBITDA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Depreciation PPE	0	0	0	0	0	0	0	0	0	0
Depreciation lease assets	0	0	0	0	0	0	0	0	0	0
Amortisation development costs	0	0	0	0	0	0	0	0	0	0
Amortisation other intangibles	0	0	0	0	0	0	0	0	0	0
Impairments / writedowns	0	0	0	0	0	0	0	0	0	0
EBITA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Amortization acquisition related	0	0	0	0	0	0	0	0	0	0
Impairment acquisition related	0	0	0	0	0	0	0	0	0	0
EBIT	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
Net financial items	0	-1	0	-1	-2	-1	0	0	0	0
of which interest income/expenses	0	0	0	0	0	0	0	0	0	0
of which interest on lease liabilities	0	0	0	0	0	0	0	0	0	0
of which other items	0	-1	0	-1	-2	-1	0	0	0	0
Pre-tax profit	-13	-10	-10	-24	-44	-28	-15	-14	-21	-31
Taxes	2	2	2	3	6	5	2	0	2	4
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit	-10	-8	-9	-21	-38	-23	-13	-14	-20	-27
Adjusted EBITDA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Adjusted EBITA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Adjusted EBIT	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Adjusted net profit	-10	-8	-9	-21	-38	-23	-13	-14	-20	-27
EBITDA growth Y/Y	-chg	+chg	-chg	-chg	-chg	+chg	+chg	+chg	-chg	-chg
EBITA growth Y/Y	-chg	+chg	-chg	-chg	-chg	+chg	+chg	+chg	-chg	-chg
EBIT growth Y/Y	-chg	+chg	-chg	-chg	-chg	+chg	+chg	+chg	-chg	-chg
EBITDA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBITA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Tax rate	18.9%	16.9%	15.1%	13.1%	12.9%	17.4%	12.8%	0.8%	7.0%	12.0%
Cash flow (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
EBITDA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-31
Paid taxes	2	2	2	2	3	6	5	2	0	2
Change in NWC	-3	-1	0	-12	8	5	-2	0	-1	3
Non cash adjustments	0	-1	0	-1	-3	-1	0	-1	-1	-2
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	-14	-9	-8	-34	-33	-18	-12	-13	-24	-29
Capex tangible assets	0	0	0	0	0	0	0	0	0	0
Capitalised development costs	0	0	0	0	0	0	0	0	0	0
Capex - other intangible assets	0	0	0	0	0	0	0	0	0	0
Acquisitions/divestments	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Total investing activities	0	0	0	0	0	0	0	0	0	0
Net financial items	0	-1	0	-1	-2	-1	0	0	0	0
Lease payments	0	0	0	0	0	0	0	0	0	0
Dividend paid and received	0	0	0	0	0	0	0	0	0	0
Share issues & buybacks	21	2	14	42	37	0	17	30	40	0
Change in bank debt	0	0	0	0	0	0	0	0	0	0
Other cash flow items	0	0	0	13	0	3	-15	0	0	0
Total financing activities	21	2	14	55	37	3	1	30	40	0
Operating cash flow	-14	-9	-8	-34	-33	-18	-12	-13	-24	-29
Free cash flow	-14	-9	-8	-34	-33	-18	-12	-13	-24	-29
Net cash flow	7	-6	6	21	5	-15	-11	17	16	-29
Change in net IB debt	7	-7	6	8	5	-18	5	17	16	-29
Capex / Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
NWC / Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Carnegie Research & company data

Financial statements, cont.

Balance sheet (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Acquired intangible assets	0	0	0	0	0	0	0	0	0	0
Other fixed intangible assets	0	0	0	0	0	0	0	0	0	0
Capitalised development	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	0	0	0	0
Lease assets	0	0	0	0	0	0	0	0	0	0
Other IB assets (1)	0	0	0	0	0	0	0	0	0	0
Other non-IB assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	0	0	0	0	0
Inventories (2)	0	0	0	0	0	0	0	0	0	0
Receivables (2)	0	1	0	1	2	1	0	0	1	2
Prepaid exp. & other NWC items (2)	0	0	0	15	2	0	0	0	2	0
IB current assets (1)	0	0	0	0	0	0	0	0	0	0
Other current assets	2	2	2	3	6	5	2	0	2	4
Cash & cash equivalents (1)	14	8	14	34	39	24	13	31	48	22
Current assets	17	11	16	54	48	30	15	31	53	27
Total assets	17	11	16	54	48	30	15	31	53	27
Shareholders' equity	17	10	14	35	34	11	15	31	51	23
Minorities	0	0	0	0	0	0	0	0	0	0
Other equity	0	0	0	13	13	15	0	0	0	0
Total equity	17	10	14	35	34	11	15	31	51	23
Deferred tax	0	0	0	0	0	0	0	0	0	0
LT IB debt (1)	0	0	0	0	0	0	0	0	0	0
Other IB provisions (1)	0	0	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0	0	0
Other non-IB liabilities	0	0	0	0	0	0	0	0	0	0
LT liabilities	0	0	0	13	13	15	0	0	0	0
ST IB debt (1)	0	0	0	0	0	0	0	0	0	0
Payables (2)	0	1	1	5	1	0	0	0	1	2
Accrued exp. & other NWC items (2)	0	0	0	0	0	3	0	0	1	2
Other ST non-IB liabilities	1	0	1	1	1	0	0	0	0	0
Liabilities - assets held for sale	0	0	0	0	0	0	0	0	0	0
Current liabilities	1	2	1	5	2	3	1	1	2	4
Total equity and liabilities	17	11	16	54	48	30	15	31	53	27
Net IB debt (=1)	-14	-8	-14	-21	-27	-9	-13	-31	-48	-22
Net working capital (NWC) (=2)	0	0	0	11	3	-2	-1	-1	1	-2
Capital employed (CE)	17	10	14	48	47	27	15	31	51	23
Capital invested (CI)	0	0	0	11	3	-2	-1	0	1	-2
Equity / Total assets	96%	87%	92%	65%	70%	37%	97%	98%	96%	86%
Net IB debt / EBITDA	1.2	0.8	1.3	0.9	0.6	0.3	0.9	2.2	2.3	0.7
Per share data (SEK)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Adj. no. of shares in issue YE (m)	23.16	23.59	27.71	43.77	52.36	52.47	56.16	56.16	56.16	56.16
Diluted no. of Shares YE (m)	23.16	23.59	27.71	43.77	52.36	52.47	56.16	56.16	56.16	56.16
EPS	-0.65	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.25	-0.35	-0.49
EPS adj.	-0.65	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.25	-0.35	-0.49
CEPS	-0.64	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.25	-0.35	-0.49
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	0.72	0.42	0.52	0.80	0.65	0.21	0.26	0.54	0.90	0.42
Performance measures	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
ROE	-91.4%	-62.6%	-71.5%	-85.3%	-111.4%	-101.3%	-99.7%	-62.6%	-49.1%	-73.7%
Adj. ROCE pre-tax	-112.8%	-75.3%	-84.2%	-77.3%	-93.0%	-75.7%	-71.7%	-63.1%	-52.8%	-83.7%
Adj. ROIC after-tax	2463.3%	-4149.5%	-127773.6%	-357.7%	-509.0%	-7761.2%	887.1%	2818.5%	-19730.8%	3900.6%
Valuation	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
FCF yield	-3.6%	-2.3%	-2.1%	-9.0%	-8.6%	-4.7%	-3.2%	-3.4%	-6.2%	-7.6%
Dividend yield YE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend + buy backs yield YE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
EV/Sales YE	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EV/EBITDA YE	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBITA YE	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBITA adj. YE	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT YE	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/E YE	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
P/E adj. YE	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
P/BV YE	3.75	17.59	8.59	10.18	9.33	43.44	26.02	12.40	7.48	16.21
Share price YE (SEK)	2.68	7.39	4.47	8.14	6.06	9.24	6.85	6.75		

Source: Carnegie Research & company data

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