



COMPANY UPDATE

06 May 2025
Sweden
Healthcare

Research analysts:

Klas Palin

Nav: 4.6

Share price: 0.90

Fair value range: SEK 1.7-2.5

Karolinska Development

High discount to NAV – Q1(25) review

Improved cash position

In Q1(25), KDEV's cost efficiency efforts translated into a decline in personnel costs to SEK6.1m (7.2m), but a SEK-9.5m fair value loss contributed to the net loss of SEK-14.2m. Operating cash flow improved Y/Y but stayed negative at SEK-6.5m. During Q1 KDEV invested SEK15.5m in follow-on rounds and generated SEK29.7m from divesting shares in OssDsign and Promimic, ending the quarter with SEK51.1m in cash.

NAV discount remains elevated

With the majority of its portfolio holdings in unlisted companies, valuation volatility remains relatively low. By the end of Q1(25), KDEV's portfolio was valued at SEK1,103m, reflecting a 2% Q/Q decline. This decrease was primarily driven by the divestments and, to a lesser extent, decline in the share price of Modus Therapeutics. NAV declined by 1% during the quarter to SEK1,230m, corresponding to a NAVPS of SEK4.6.

Mixed bag of news from Umecrine

Umecrine Cognition remains KDEV's largest holding by far. The timeline for the ongoing Phase Ib/Ila trial for golexanolone in patients with primary biliary cholangitis has been extended due to technical issues related to capsule production. As a result, topline results are now expected in early 2026; previous guidance was mid-2025. On 1 April, Viktor Drvota replaced Anders Karlsson as CEO and will split his time between KDEV and Umecrine. Meanwhile, preclinical studies showed promising results in that golexanolone normalises dopamine loss in Parkinson's disease models. Further research is being supported by a Michael J. Fox Foundation grant.

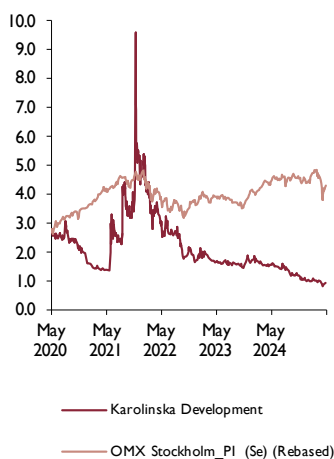
Fair value range adjusted

We slightly narrow our fair value range to SEK1.7–2.5 per share (SEK1.7–2.6). The discount to NAV remains pronounced, with the shares currently trading at a 79% discount. Over the next 12 months, we identify several potential value-driving catalysts, with the topline results from Umecrine's ongoing Phase Ib/Ila trial being the most significant.

Upcoming events

- AGM 2025: 15 May 2025
- Q2 Report: 29 Aug 2025
- Q3 Report: 14 Nov 2025

Share price -5Y



Share price discount to NAV (%)

Karolinska Development NAV (Q4(24)	per share (SEK)	% of portfolio	Q3(24)	per share (SEK)	% of portfolio
Modus Therapeutics (listed)	37	0.1	3%	43	0.2	4%
OssDsign (listed)	28	0.1	3%	45	0.2	4%
AnaCardio	61	0.2	5%	61	0.2	5%
KDev Investments	219	0.8	20%	218	0.8	20%
Boost Pharma	10	0.0	1%	5	0.0	0%
Dilafor	50	0.2	5%	46	0.2	4%
PharmNovo	35	0.1	3%	35	0.1	3%
SVF Vaccines	28	0.1	3%	26	0.1	2%
Umecrine	627	2.3	57%	626	2.3	56%
KCIF Co-Investment Fund	9	0.0	1%	9	0.0	1%
Total listed	65			88		
Total unlisted	1 038			1 026		
Investment portfolio	1 103			1 114		
Other receivables/liabilities	127			124		
Total NAV	1 230			1 238		
NAVPS	4.6			4.6		

Source: Carnegie Research, FactSet, Millstream & company data

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NAV slightly lower

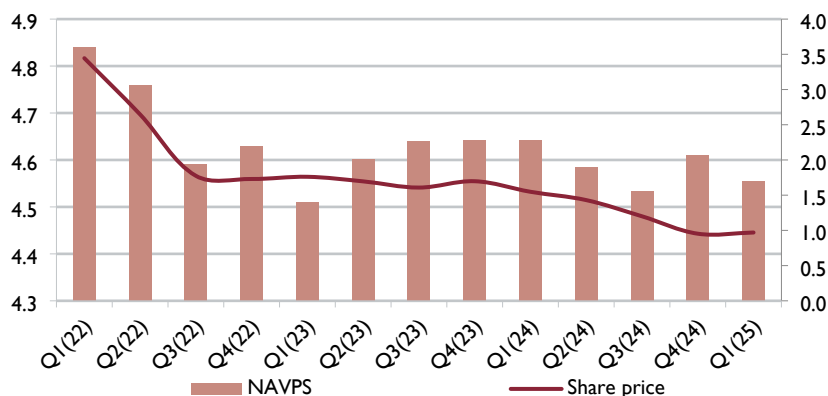
The portfolio's net asset value (NAV) declined by 1% Q/Q in Q1(25). The notable decrease in the value of the OssDsign holding reflects a partial divestment, with KDEV's stake reduced from 4.9% to 2.6%. During Q1 KDEV also reduced its position in Promimic, with the remaining 12% shareholding now included under KDev Investments. Overall, these divestments have strengthened the company's cash position, and we would not be surprised if the remaining stake in OssDsign were fully divested, if necessary, to secure additional liquidity.

Quarterly NAV development 2023-2025 (SEKm)

Karolinska Development	2023				2024				2025	
Net asset value, SEKm	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	change Q/Q
Modus Therapeutics	29	34	32	41	27	25	39	43	37	-15%
OssDsign	36	37	54	73	92	85	61	45	28	-36%
Promimic	5	7	8	10	10	11	11	7	-	
Total listed assests	69	79	94	125	129	120	112	95	65	-31%
AnaCardio	45	45	45	45	53	53	53	61	61	0%
Boost Pharma	-	-	-	-	-	2	2	5	10	100%
Dilafor	28	34	40	40	40	46	46	46	50	10%
PharmNovo	20	30	30	34	34	28	28	35	35	0%
SVF Vaccines	16	17	18	21	23	26	26	26	28	5%
Umecrine	584	585	585	588	589	589	610	626	627	0%
KCIF Co-Investment Fund	8	9	8	8	8	8	8	9	9	-5%
KDev Investments	208	221	225	234	230	235	238	218	219	0%
Total unlisted assets	910	941	952	970	978	987	1010	1026	1038	1%
Investment portfolio	979	1020	1046	1095	1107	1107	1122	1121	1103	-2%
Net of other liabilities and debts*	112	105	77	73	80	81	73	82	76	-7%
Cash and cash equivalent	127	118	130	85	67	50	29	42	51	22%
Total investment portfolio	1218	1243	1253	1253	1254	1238	1224	1245	1230	-1%
Total NAV	1218	1243	1253	1253	1254	1238	1224	1245	1230	-1%
Total NAV (SEK) Q/Q (%)	-	2%	1%	0%	0%	-1%	-1%	2%	-1%	n.a.
Net debt	-127	-118	-130	-85	-67	-50	-29	-42	-51	22%
NAV/share (SEK)	4.5	4.6	4.6	4.6	4.6	4.6	4.5	4.6	4.6	-1%
Closing share price (SEK)	1.8	1.7	1.6	1.7	1.5	1.4	1.2	1.0	1.0	2%
Discount to NAV	-61%	-63%	-65%	-63%	-67%	-69%	-74%	-79%	-79%	0 pp.
Net debt/NAV	-10%	-9%	-10%	-7%	-5%	-4%	-2%	-3%	-4%	23%

Source: Carnegie Research, company materials, *incl. divested assests

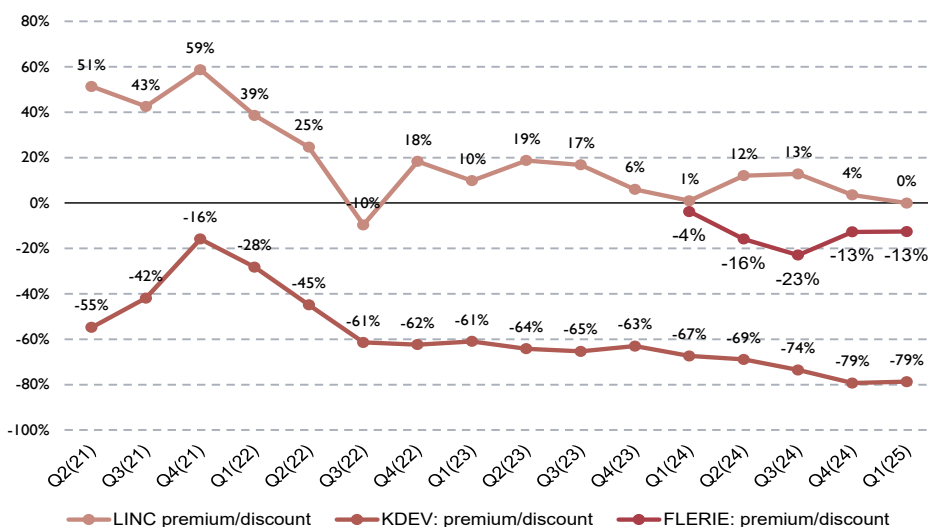
NAVPS and share price development 2022-2025 (SEK)



Source: Carnegie Research

As illustrated on the previous page, following a year of share price decline, we observed some stability in Q1 as optimism gradually returned to the sector. However, the discount to NAV remains exceptionally high at 79%, well above that of other Sweden-listed life science investment companies. As previously noted, we believe this can be partly explained by KDEV's more concentrated portfolio, its limited exposure to commercial-stage companies, and its relatively weaker financial position.

NAVPS premium/discount KDEV, Flerie, and Linc (SEK)

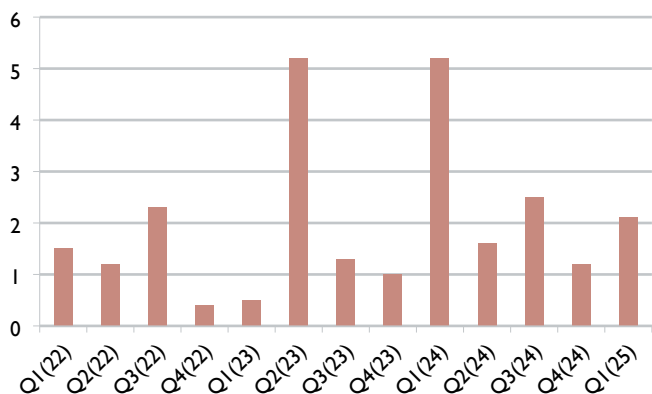


Source: Carnegie Research, company materials, Infront

Market trends and index performance

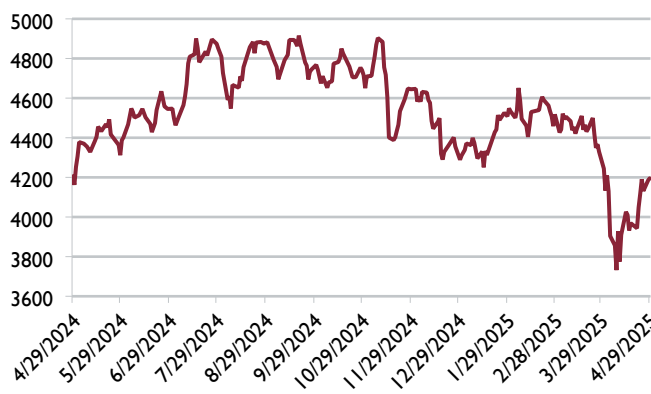
We view KDEV as highly sensitive to overall market sentiment. The year began on a positive note, supported by stronger performance in sector indices and renewed IPO activity. However, the resurgence of market volatility in early Q2 has put pressure on sector activity, likely limiting access to capital and dampening co-investor appetite. This renewed volatility appears largely driven by increased uncertainty surrounding political developments in the US, which has weighed on market stability and negatively affected growth outlooks.

Healthcare and Life Science IPOs (USDbn)*



Source: Carnegie Research, Dealforma, *global perspective

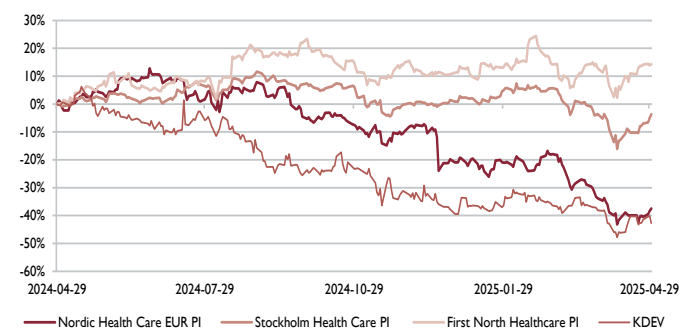
Nasdaq Biotech Index last 12 months



Source: Carnegie Research, Infront

We have seen the broader Swedish healthcare indices, including the First North Healthcare Index, partially recover from the sharp sell-offs in early April. However, we believe that a broader based recovery, particularly for smaller, loss-making companies, will require a sustained period of lower market volatility.

Share price and reference index performance last 12 months



Source: Carnegie Research, Infront

Share price and reference index performance last five years



Source: Carnegie Research, Infront

Expected and potential news flow in the next twelve months

With a large part of its portfolio companies in clinical development, we argue the KDEV share price is highly sensitive to the news flow, particularly news from its largest holdings.

- **Umecrine Cognition**, KDEV's largest holding by value and, in our view, the primary value driver of the share price, is currently evaluating golexanolone in a Phase Ib/IIa trial in patients with primary biliary cholangitis. The study has encountered delays due to issues with capsule production, and KDEV now expects topline results in early 2026, previous guidance of mid-2025. On a more positive note, Umecrine has presented promising preclinical data for golexanolone in models of Parkinson's disease, demonstrating therapeutic potential beyond its current lead indication. Additionally, effective 1 April, former CEO Anders Karlsson was succeeded by Viktor Drvota.
- **Dilafor** is preparing for the final stage of development following positive interactions with regulatory authorities in Europe and the US regarding the design of its upcoming pivotal Phase III studies for tafoxiparin in labour priming. With increased clarity around the study design, we believe, the company may attract renewed interest from potential partners, increasing the likelihood of a licensing deal or acquisition.
- **AnaCardio** secured SEK205m in financing earlier this year to support its ongoing Phase Ib/IIa study of its candidate drug, AC01, in patients with heart failure with reduced ejection fraction. Following positive developments in Phase Ib, the company is now preparing to release topline results from the Phase IIa part later this year. We view this as a key de-risking event and a potentially significant value driver for the company.
- **BOOST Pharma**, following positive data in a Phase I/II study, is preparing to initiate a pivotal study in 2026. We believe additional capital will be needed for the study and, hopefully, KDEV can maintain its ownership position during such a capital raise. From a value perspective, we believe, BOOST Pharma could be one of KDEV's holdings with the most significant potential upside compared to its current reported value in the NAV, which might become more evident as its treatment progresses in development.
- **Modus Therapeutics** is expected to report data later this year from the first part of its ongoing Phase II study. So far, KDEV has shouldered a significant portion of the financing for the company, and hopefully positive clinical data may attract increased interest from other investors.

Valuation

Following the Q1 report and recent share price developments of its listed holdings, we tighten our fair value range for Karolinska Development to SEK1.7–2.5 (SEK1.7-2.6) per share. This range is derived from the reported NAV, where we apply a discount of 50–70% to its unlisted assets, while our valuation of the listed assets is based on their current market value. We consider our 70% discount level to reflect the challenging market conditions and investor scepticism around exit opportunities. In contrast, the upper end of our fair value range assumes an improving market environment and greater visibility of portfolio value through KDEV's activities.

There are several direct and indirect factors that we believe affect market valuation for investment companies compared to NAV and thus determine whether investment companies trade at a discount or premium versus the NAV. Among the most significant risk factors are the company's track record and overall risk profile, as these greatly influence investor confidence and value. A strong track record of successful exits and effective risk management can help mitigate discounts, while higher perceived risk and a lack of demonstrated success can lead to deeper discounts.

KDEV currently trades at one of the highest discounts to NAVPS among listed life science investment companies, reflecting low investor confidence in its ability to create value and achieve financial self-sustainability. However, as demonstrated in 2021, a successful exit can rapidly shift market perception, narrowing the discount to NAV to below 20%.

Fair value range of Karolinska Development (SEKm)

Company			
<u>Listed portfolio</u>	Current market valuation		
Modus Therapeutics			30
OssDsign			31
Sum			61
<u>Unlisted portfolio</u>	Discount to NAV 70%	Discount to NAV 50%	
AnaCardio	18		30
Boost Pharma	3		5
Dilafor (direct)	15		25
PharmNovo	11		18
SVF	8		14
Umechrine	188		313
KCIF Co-Investment Fund	3		4
KDev Inv. ex Dilafor	11		18
Dilafor (indirect)	55		92
KDev Investments tot	66		109
Forendo earn-outs	23		38
Sum	334		557
Total value	395		618
Net cash	51		51
Fair value	446		669
Fair value per share (SEK)	1.7		2.5

Source: Carnegie Research

Risks

Here we outline some key risks that apply to Karolinska Development specifically and to the entire life science sector. We believe the main risks to our valuation are associated with the outcomes of clinical trials, competition, and financing needs. The list below is not meant to be exhaustive but rather includes only those risks that we find most relevant.

Dependence on successful exits

The company's future financial performance and capacity to support upcoming investments is dependent on successful exits within the next one to three years. If these exits do not materialise, it could adversely affect the NAV and increase its need to raise capital from its shareholders, further decrease investor confidence.

High exposure to clinical-stage companies with high risk

The portfolio's significant focus on private, early-stage loss-making drug development companies, which often have limited visibility, increases the risk due to the inherent uncertainties in drug development. The nature of drug development makes it challenging to predict capital needs beyond the short term, potentially leading to funding shortfalls or dilution of existing investments.

NAV valuation risks

Although KDEV uses a considered overall conservative approach to valuing its portfolio, relying on recent funding rounds for upward revaluations introduces risk. This method can delay valuation updates, meaning the portfolio's value may not reflect current market conditions or recent company developments promptly. Positive changes might not be captured until the next funding round, potentially understating the NAV. Conversely, negative developments could lead to abrupt downward adjustments, increasing volatility and making it harder for investors to assess the real-time performance of their investments.

Regulatory hurdles

The pharmaceutical market is highly regulated in 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.

Competition

Drug development is highly competitive, with thousands of clinical projects in development. Even as clinical trials may meet their goals, the commercial opportunity may be limited by stronger data from competitors

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