



COMPANY UPDATE

Healthcare

Fair value: SEK16.0–22.0

Share price: SEK6.0

Initiator Pharma

Remains in cash preservation mode – Q1 2025 review

Research analysts:

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The Q1 2025 report did not include any major updates on Initiator Pharma's sexual dysfunction programmes, nor any new information regarding ongoing partnership discussions. With no clinical activities currently under way, costs remained very low during the quarter. Given the current operational focus, we estimate that existing funding will support activities through early 2026.

Opex at a low point. Costs remained low in Q1, consistent with previous quarters, with opex at DKK-2.7m and operating cash flow at a similar level. As of the end of Q1, the cash position stood at DKK10.8m, which we believe is sufficient to finance the current level of business activities into early 2026.

Modest estimate revisions. We have slightly lowered our cost assumptions for the current year following the Q1 outcome, with only minor revisions to the rest of our estimates.

The big question remains unanswered. As a small company with limited resources, partner collaborations are essential for advancing the erectile dysfunction (ED) programmes into later-stage development. The Q1 report did not provide information on the progress of partnering discussions. However, in parallel to these discussions, the company continues its preparations for the next phase of development, including a pivotal Phase III study for pudafensine and potential combination studies with well-established PDE5 inhibitors.

Partner collaborations the big trigger. A key element of the equity story centres on advancing the company's late-stage assets, ideally through partner collaborations. In our view, any clarity on the progress of these discussions would represent a significant catalyst for both our valuation and the share price. We revise our fair value range to SEK16–22 (SEK16–23).

Changes in this report				Key figures (DKK)					Share price – 5-year	
	From	To	Chg	2024	2025e	2026e	2027e			
EPS adj. 2025e	-0.25	-0.22	+12%	0	0	0	0			
EPS adj. 2026e	-0.35	-0.35	-1%	-15	-14	-21	-32			
EPS adj. 2027e	-0.49	-0.51	-5%	-15	-14	-21	-32			
Upcoming events				EPS	-0.24	-0.22	-0.35	-0.51		
				EPS adj.	-0.24	-0.22	-0.35	-0.51		
				DPS	0.00	0.00	0.00	0.00	High/Low (12M) SEK10.4/5.6	
				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.	Perf. 3M 6M 12M YTD Abs. -14.61 -15.21 -34.57 -12.12 Rel. -6.97 -16.57 -34.61 -13.73	
				EV/EBITA	neg.	neg.	neg.	neg.		
				EV/EBITDA	neg.	neg.	neg.	neg.		
				P/BV	15.7	8.3	4.4	4.2		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	-5.2%	-6.0%	-10.1%	-13.4%		
				Equity/Total Assets	96.7%	97.2%	94.1%	91.0%		
				ROCE	-71.7%	-64.1%	-52.6%	-59.0%		
				ROE adj.	-99.7%	-57.9%	-49.3%	-52.8%		
				Net IB debt/EBITDA	0.9	2.0	2.3	1.6		

Source: DNB Carnegie (estimates), FactSet, Infront & company data

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Equity story

Near term: within 12M

Initiator Pharma has made significant progress across its project portfolio in recent years, reducing development risks in its key assets pudafensine and IP2018. However, given the need for extensive and costly Phase III trials to reach market approval, we believe that securing a partner is critical to advancing its erectile dysfunction programmes. As such, delivering partnership agreements stands out as a key near-term catalyst in the company's equity story.

Long term outlook: 5Y+

With a lean, virtual organisation, securing partners to advance its lead assets toward regulatory approval could position Initiator Pharma as a highly profitable company. Our estimates suggest that pudafensine holds peak sales potential exceeding USD1bn in the erectile dysfunction indication alone. Although development risks have been mitigated to some extent, the business risk remains considerable compared to those faced by more mature companies with an established track record of profitability.

Key risks:

- 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. Since early 2024, the pipeline has expanded to include indications within female sexual dysfunction.

Key industry drivers

- Growing prevalence of sexual dysfunction
- Increasing interest in CNS related diseases

Industry outlook

- We believe there are a growing demand for improved treatments of ED
- Pharma companies need to fill their pipelines as patent expiration looms for many large selling drugs

Largest shareholders, capital

Linc AB	18.0%
Adriago Asset Management	9.3%
Avanza Pension	6.1%

Cyclicality

Cyclicality: N/A

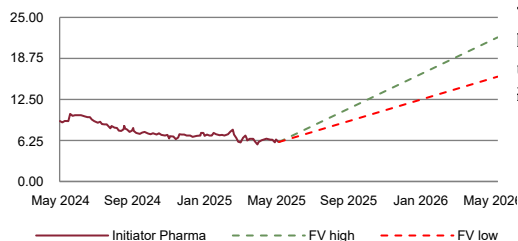
Key peers

We view the closest peers to Initiator Pharma is Saniona, IRLAB Therapeutics, Dicot Pharma and Cinclus Pharma

Valuation and methodology

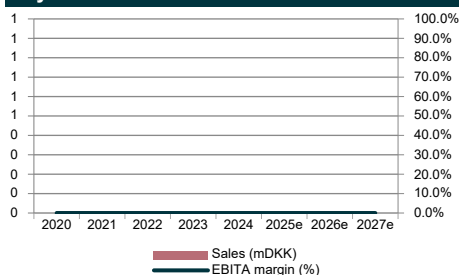
We use a probability-adjusted cash flow model, where each project is valued individually and then aggregated in a sum-of-the-parts model (SOTP). In the valuation, we have focused on the company's clinical projects, where we see a clear plan for advancing these further in development.

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 towards 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.

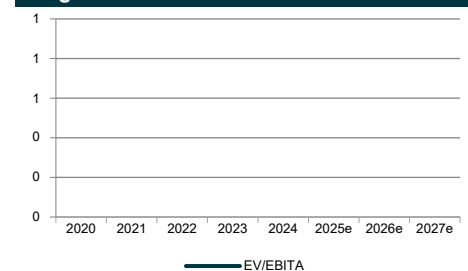
Key metrics



PE 12-months forward



Long-term valuation trend

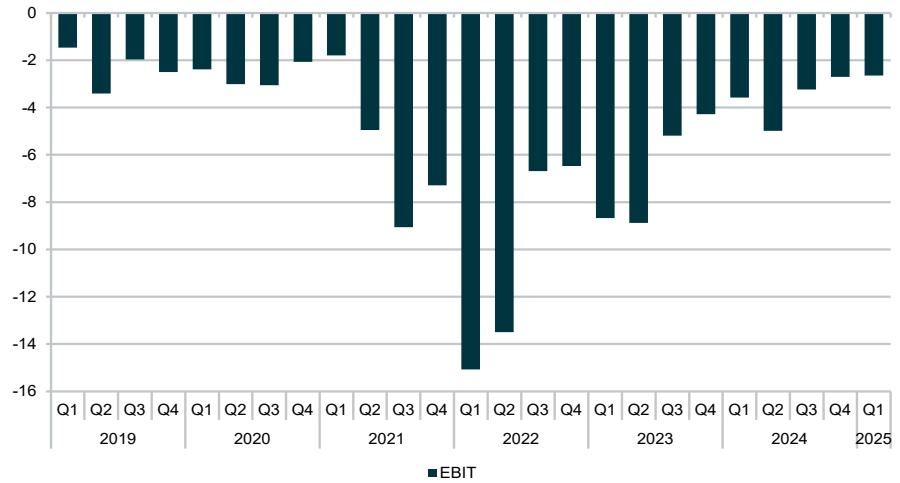


Source: DNB Carnegie (estimates) & company data

Key charts

After clinical activities ended in H2 2023, opex has declined significantly as the company has shifted its focus towards partnering efforts

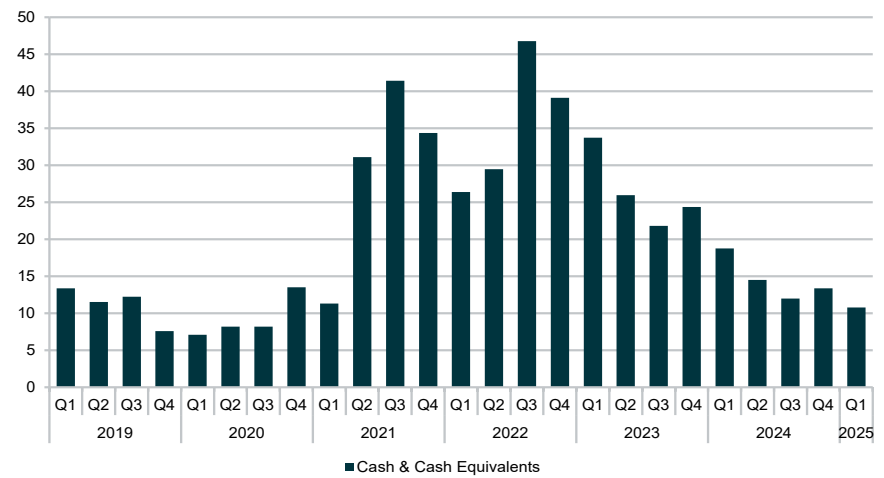
Operating result (DKKkM)



Source: DNB Carnegie

As costs have come down, the overall burn rate has remained low, and we expect the current cash position to provide runway into early 2026

Cash and cash equivalents (DKKkM)



Source: DNB Carnegie

Valuation and risks

We value Initiator Pharma with a fair value range of SEK16–22 per share (SEK16–23). The range is derived from an SOTP analysis, where we have used a WACC of 16–20%.

Our valuation 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 we estimate 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 our forecasted peak sales of USD450m.

We believe securing a partner is crucial for the next phase and forecast 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	1 013	736
	Neuropathic Pain	10%	450	2031	49	33
IP2018	Psychogenic ED	19%	600	2031	192	138
Pipeline valuation					1 254	907
Net cash					16	16
Shared costs					-50	-39
NPV					1 220	884
Number of shares					56.2	56.2
NPV per share (SEK)					21.7	15.7

* SEKm

Sensitivity analysis - WACC value per share (SEK)

	14%	16%	18%	20%	22%
Pudafensine	22.4	18.9	16.1	13.7	11.7
IP2018	4.1	3.4	2.9	2.5	2.1
Initiator Pharma	25.7	21.7	18.4	15.7	13.5

Sensitivity analysis - Pudafensine / LOA (ED) value per share (SEK)*

	19%	29%	39%	49%	59%
Pudafensine	10.1	13.1	16.1	19.1	22.2
IP2018 (LOA fixed at 19%)	2.9	2.9	2.9	2.9	2.9
Initiator Pharma	12.4	15.5	18.4	21.5	24.6

*WACC at 18%

Source: DNB Carnegie

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 (DKKm)	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	-32
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	-32
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	-32
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	-32
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	-32
Taxes	2	2	2	3	6	5	2	1	1	3
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	-12	-20	-28
Adjusted EBITDA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-32
Adjusted EBITA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-32
Adjusted EBIT	-13	-9	-11	-23	-42	-27	-15	-14	-21	-32
Adjusted net profit	-10	-8	-9	-21	-38	-23	-13	-12	-20	-28
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%	9.6%	6.3%	10.5%
Cash flow (DKKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
EBITDA	-13	-9	-11	-23	-42	-27	-15	-14	-21	-32
Paid taxes	2	2	2	2	3	6	5	0	0	0
Change in NWC	-3	-1	0	-12	8	5	-2	0	-2	1
Non cash adjustments	0	-1	0	-1	-3	-1	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	-14	-9	-8	-34	-33	-18	-12	-14	-23	-31
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	25	45	30
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	2	1	1
Total financing activities	21	2	14	55	37	3	1	27	46	31
Operating cash flow	-14	-9	-8	-34	-33	-18	-12	-14	-23	-31
Free cash flow	-14	-9	-8	-34	-33	-18	-12	-14	-23	-31
Net cash flow	7	-7	6	21	5	-15	-11	13	23	0
Change in net IB debt	7	-7	6	8	5	-18	5	13	23	0
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: DNB Carnegie (estimates) & company data

Financial statements, cont.

Balance sheet (DKK m)	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	0	0
Prepaid exp. & other NWC items (2)	0	0	0	15	2	0	0	1	5	7
IB current assets (1)	0	0	0	0	0	0	0	0	0	0
Other current assets	2	2	2	3	6	5	2	1	1	3
Cash & cash equivalents (1)	14	8	14	34	39	24	13	27	50	50
Current assets	17	11	16	54	48	30	15	29	56	60
Total assets	17	11	16	54	48	30	15	29	56	60
Shareholders' equity	17	10	14	35	34	11	15	28	53	55
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	28	53	55
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	2	2
Accrued exp. & other NWC items (2)	0	0	0	0	0	3	0	1	2	3
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	3	5
Total equity and liabilities	17	11	16	54	48	30	15	29	56	60
Net IB debt (=1)	-14	-8	-14	-21	-27	-9	-13	-27	-50	-50
Net working capital (NWC) (=2)	0	0	0	11	3	-2	-1	0	2	1
Capital employed (CE)	17	10	14	48	47	27	15	28	53	55
Capital invested (CI)	0	0	0	11	3	-2	-1	0	2	1
Equity / Total assets	96%	87%	92%	65%	70%	37%	97%	97%	94%	91%
Net IB debt / EBITDA	1.2	0.8	1.3	0.9	0.6	0.3	0.9	2.0	2.3	1.6
Per share data (DKK)	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	-0.22	-0.35	-0.51
EPS adj.	-0.65	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.22	-0.35	-0.51
CEPS	-0.64	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.22	-0.35	-0.51
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	0.50	0.94	0.97
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%	-57.9%	-49.3%	-52.8%
Adj. ROCE pre-tax	-112.8%	-75.3%	-84.2%	-77.3%	-93.0%	-75.7%	-71.7%	-64.1%	-52.6%	-59.0%
Adj. ROIC after-tax	2463.3%	-4149.5%	-127773.6%	-357.7%	-509.0%	-7761.2%	887.1%	3053.9%	-2651.6%	-1889.5%
Valuation	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
FCF yield	-5.9%	-3.7%	-3.5%	-14.7%	-14.1%	-7.6%	-5.2%	-6.0%	-10.1%	-13.4%
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	2.73	12.59	6.34	7.39	6.24	29.09	16.93	8.32	4.38	4.24
Share price YE (DKK)	1.95	5.29	3.30	5.90	4.05	6.19	4.46	4.12		

Source: DNB Carnegie (estimates) & company data

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