



COMPANY UPDATE

Healthcare

Fair value: SEK9.8–14.2

Share price: SEK3.90

Initiator Pharma

Expanding into vulvodynia and securing financing

Research analysts:

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The business development process for pudafensine in ED appears to have temporarily stalled, prompting the company to advance its plans for the asset in the female sexual dysfunction indication, vulvodynia. To fund this, a SEK56m rights issue and a financing agreement with MAC Clinical Research have been secured. However, we have cut our fair value to SEK9.8–14.2 (16.0–22.0) to reflect dilution and a revised outlook.

Expanding into vulvodynia. To further explore the potential of pudafensine, Initiator Pharma is expanding into female sexual dysfunction by initiating a proof-of-concept Phase IIa study in vulvodynia. Recruitment is expected to begin in H2 2025, with the company aiming to complete the study by end-2026. Vulvodynia is a prevalent chronic genital pain condition affecting women, with no currently approved treatments, highlighting a significant unmet medical need.

Strengthening its financials. The company is set to conduct a preferential rights issue of ~SEK56m to support the expansion, secured to around 86%. In addition, it has entered into a financing agreement with its principal shareholder, MAC Clinical Research, covering clinical trial costs of up to GBP2.5m (~SEK32.5m). Combined, we believe this should provide funding through to the expected readout of the vulvodynia study in late 2026.

Revising estimates. We see a risk that discussions with potential partners may be prolonged, possibly causing delays in advancing the ED projects. As a result, we have pushed out our development assumptions by one year. While the new study in vulvodynia is set to increase costs in the near term, the financing structure with MAC Clinical Research is likely to help reduce cash burn in 2026–27 compared to our previous estimates.

Fair value range lowered. To reflect our model adjustments and expected dilution from the upcoming share issue, we have lowered our fair value to SEK9.8–14.2 (16.0–22.0).

Changes in this report				Key figures (DKK)					Share price – 5-year	
	From	To	Ch	2024	2025e	2026e	2027e			
EPS adj. 2025e	-0.22	-0.28	-26%	0	0	0	0			
EPS adj. 2026e	-0.35	-0.26	+25%	-15	-19	-21	-32			
EPS adj. 2027e	-0.51	-0.41	+18%	-15	-19	-21	-32			
Upcoming events				EPS	-0.24	-0.28	-0.26	-0.41		
				EPS adj.	-0.24	-0.28	-0.26	-0.41		
				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	10.1	6.6	18.7	15.7		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	-6.6%	-10.7%	-9.9%	-19.6%		
				Equity/Total Assets	96.7%	97.2%	74.6%	68.2%		
				ROCE	-71.7%	-90.5%	-110.0%	n.m.		
				ROE adj.	-99.7%	-81.0%	-96.3%	-264.6%		
				Net IB debt/EBITDA	0.9	1.4	0.5	0.2		
									High/Low (12M)	
									SEK10.4/3.9	
									Perf.	3M 6M 12M YTD
									Abs.	-46.58 -41.35 -56.67 -43.07
									Rel.	-41.07 -46.38 -58.26 -46.77

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 potential near-term catalyst in the company's equity story.

Long term outlook: 5Y+

With a lean, virtual organisation, securing partners to advance its 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 is 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: No

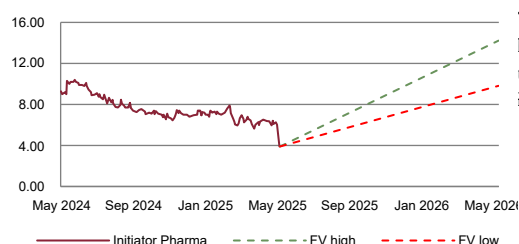
Key peers

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

Valuation and methodology

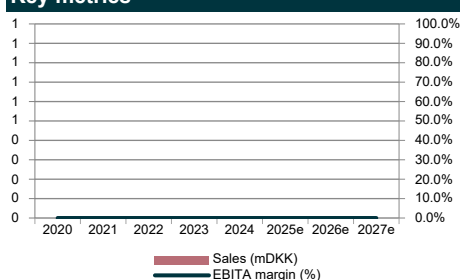
We use a probability-adjusted cash flow model, where each project is valued individually and then aggregated in a sum-of-the-parts model (SOTP). In the valuation, we have focused on the company's clinical projects, where we see a clear plan for advancing these further in development.

Fair value range 12M

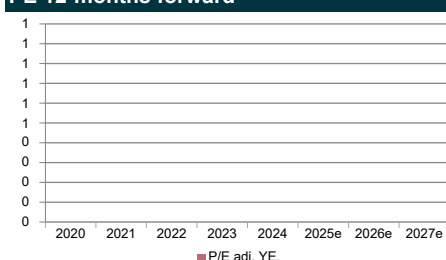


The upper end of our fair value range is based on our SOTP valuation model, using a WACC of 16%, while the lower end applies to a 20% discount. In both valuation scenarios, we assume the company's lead assets advance towards market approval with the support of a partner. However, the lower estimate reflects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

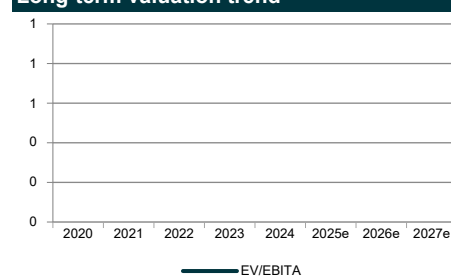
Key metrics



PE 12-months forward



Long-term valuation trend



Source: DNB Carnegie (estimates) & company data

Valuation and risks

We have lowered our fair value for Initiator Pharma to SEK9.8–14.2 (16.0–22.0), reflecting dilution from the upcoming share issue and increased uncertainty about timelines for its clinical asset. The range is derived from an SOTP analysis, applying a WACC of 16–20%.

In our sum-of-the-parts (SOTP) valuation, we include the clinical assets where we see a clear path to market. Each project is assessed over its expected patent lifespan, and our forecasts are risk-adjusted according to the respective development phase.

Pudafensine – the lead asset

In preclinical models, pudafensine has shown promising results across several indications; however, the strongest support from clinical data is currently in erectile dysfunction (ED). In ED, pudafensine targets men who do not achieve satisfactory results with well-established PDE5 inhibitors (e.g. Viagra, Cialis). We estimate this patient group accounts for ~30% of all men with ED, representing around 10m individuals in the EU and the US. To achieve market approval, we believe regulators require safety and efficacy data from two Phase III studies. However, given the significant cost of such trials, we view securing a partner as crucial for advancing to the next phase of development.

Following recent news flow, we see increasing uncertainty around the development timelines of the ED asset and have therefore pushed out our expectation for a potential partner deal to 2026 (previously 2025). Based on this updated view, we now estimate a potential market launch in late 2030 (previously 2029), with peak sales reaching USD1.3bn by 2038e. We assign a 39% probability of approval in the ED indication.

Pudafensine may also have potential as a treatment for neuropathic pain, for which we forecast peak sales of USD450m. Note that our model currently does not include the recent expansion into vulvodynia.

IP2018 is also being investigated in ED, with a specific focus on younger individuals, who, in addition to ED, experience mild to moderate depression. The project is trailing somewhat behind pudafensine in terms of development timelines, and we now estimate market entry in 2032 (previously 2031), with peak sales at USD600m. Based on the promising Phase IIa results, we assign a likelihood of approval (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	2030	745	504
	Neuropathic Pain	10%	450	2031	49	32
IP2018	Psychogenic ED	19%	600	2032	164	114
Pipeline valuation					958	650
Net cash**					59	59
Shared corporate costs					-50	-39
NPV					967	670
Number of shares**					68.2	68.2
NPV per share (SEK)					14.2	9.8

* SEKm, **adjusted for the secured amount in the upcoming rights issue

Sensitivity analysis - WACC value per share (SEK)

	14%	16%	18%	20%	22%
Pudafensine	14.3	11.6	9.6	7.9	6.5
IP2018	2.9	2.4	2.0	1.7	1.4
Initiator Pharma	17.2	14.2	11.8	9.8	8.3

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

	19%	29%	39%	49%	59%
Pudafensine	6.0	7.8	9.6	11.4	15.0
IP2018 (LOA fixed at 19%)	2.0	2.0	2.0	2.0	2.0
Initiator Pharma	8.2	10.0	11.8	13.6	17.2

*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. We believe that the current financing, together with proceeds from the upcoming preferential rights issue, should provide sufficient funding to support operations into 2027. In our estimates we have also included a capital raise in 2028 of DKK30m.

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	-19	-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	-19	-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	-19	-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	-19	-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	-19	-21	-32
Taxes	2	2	2	3	6	5	2	2	3	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	-17	-18	-28
Adjusted EBITDA	-13	-9	-11	-23	-42	-27	-15	-19	-21	-32
Adjusted EBITA	-13	-9	-11	-23	-42	-27	-15	-19	-21	-32
Adjusted EBIT	-13	-9	-11	-23	-42	-27	-15	-19	-21	-32
Adjusted net profit	-10	-8	-9	-21	-38	-23	-13	-17	-18	-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%	10.5%	12.5%	11.3%
Cash flow (DKKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
EBITDA	-13	-9	-11	-23	-42	-27	-15	-19	-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	3	-4
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	-19	-18	-36
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	0	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	2	3
Total financing activities	21	2	14	55	37	3	1	32	2	33
Operating cash flow	-14	-9	-8	-34	-33	-18	-12	-19	-18	-36
Free cash flow	-14	-9	-8	-34	-33	-18	-12	-19	-18	-36
Net cash flow	7	-7	6	21	5	-15	-11	13	-16	-3
Change in net IB debt	7	-7	6	8	5	-18	5	13	-16	-3
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	1	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	2	3	4
Cash & cash equivalents (1)	14	8	14	34	39	24	13	26	10	7
Current assets	17	11	16	54	48	30	15	29	13	17
Total assets	17	11	16	54	48	30	15	29	13	17
Shareholders' equity	17	10	14	35	34	11	15	28	10	12
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	10	12
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	13	17
Net IB debt (=1)	-14	-8	-14	-21	-27	-9	-13	-26	-10	-7
Net working capital (NWC) (=2)	0	0	0	11	3	-2	-1	0	-3	1
Capital employed (CE)	17	10	14	48	47	27	15	28	10	12
Capital invested (CI)	0	0	0	11	3	-2	-1	0	-3	1
Equity / Total assets	96%	87%	92%	65%	70%	37%	97%	97%	75%	68%
Net IB debt / EBITDA	1.2	0.8	1.3	0.9	0.6	0.3	0.9	1.4	0.5	0.2
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	68.23	68.23	68.23
Diluted no. of Shares YE (m)	23.16	23.59	27.71	43.77	52.36	52.47	56.16	68.23	68.23	68.23
EPS	-0.65	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.28	-0.26	-0.41
EPS adj.	-0.65	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.28	-0.26	-0.41
CEPS	-0.64	-0.35	-0.34	-0.59	-0.80	-0.44	-0.24	-0.28	-0.26	-0.41
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	0.41	0.14	0.17
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%	-81.0%	-96.3%	-264.6%
Adj. ROCE pre-tax	-112.8%	-75.3%	-84.2%	-77.3%	-93.0%	-75.7%	-71.7%	-90.5%	-110.0%	-298.2%
Adj. ROIC after-tax	2463.3%	-4149.5%	-127773.6%	-357.7%	-509.0%	-7761.2%	887.1%	4265.6%	1164.3%	3523.0%
Valuation	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
FCF yield	-7.5%	-4.7%	-4.4%	-18.7%	-18.0%	-9.7%	-6.6%	-10.7%	-9.9%	-19.6%
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	2.73	12.59	6.34	7.39	6.24	29.09	16.93	6.56	18.75	15.74
Share price YE (DKK)	1.95	5.29	3.30	5.90	4.05	6.19	4.46	2.67		

Source: DNB Carnegie (estimates) & company data

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