

Faron Pharmaceuticals

Company report

03/06/2023 07:30



Antti Siltanen
+358 45 119 6869
antti.siltanen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Verisyöpätutkimus BEXMAB täydessä vauhdissa" published on 3/6/2023 at 7:24 am

inde
res.

Blood cancer study BEXMAB in full swing

We reiterate our Reduce recommendation and EUR 3.0 target price for Faron after the H2 report. Faron has prepared for increased bexmarilimab production and accelerated its BEXMAB study, which resulted in higher R&D costs and a weaker result than we expected. Our estimate changes are marginal, as we recently updated our assessment of the progress of the drug development program. The valuation picture remains unchanged compared to our assessment in January, as there have been no major changes in the timing or financial outlook of the studies.

Blood cancer study BEXMAB has progressed rapidly while MATINS and BEXCOMBO wait for FDA review

Faron does not yet have revenue and value creation relies on successful progress of uncertain drug development studies toward commercialization. Faron reported high willingness among patients to participate in the BEXMAB study with the positive initial results released at the end of the year, which accelerated patient recruitment. MATINS and BEXCOMBO studies wait for FDA feedback and further plans to be published after this. Faron also reported an investigator initiated Traumakine study, starting later this year, and an investigator initiated BEXLUNG study starting after delays.

Rapid progress of BEXMAB and preparation for production scaling weakened profitability

Faron's operating loss was EUR 14.1 million, which was much higher than we expected. The company announced that it has begun scaling the production of the bexmarilimab drug together with its subcontractor to prepare for future needs. The development and testing of the scaling processes increased costs. The company also reported that the BEXMAB study had proceeded quickly, which pushed the costs of the study forward. Administrative costs were in line with our expectations. Cash and cash equivalents amounted to EUR 7.0 million at the end of the year. However, this information is already obsolete as Faron arranged an issue of some EUR 12 million in January. Current funds will suffice until May, so we expect financial arrangements again in the near future.

Slight revisions to estimates, as we recently assessed the overall drug development program

Our estimates are based on an assessment of the progress of the studies and their risk-adjusted modeling described in more detail in [our extensive report](#). We recently assessed the progress of Faron's drug development program [in our company update](#), which is still relevant. The information now reported did not bring any substantial changes to our view of the content of the drug development program or the timing of its progress. We have brought the timing of BEXMAB's costs forward a little and passed on our estimates of the revenues from the partnership agreement. These changes are temporal so we do not feel they have an essential impact on the actual equity story, which is based on the commercialization of drug candidates once their safety and efficacy has been proven.

Valuation picture remains unchanged before discussions with authorities and decisions on the future of MATINS and BEXCOMBO

The DCF calculation still indicates a EUR 3 fair value for the share. Due to the high uncertainty associated with the assumptions, the valuation tolerances are high. Considering the tolerances, we do not feel that the overvaluation of the share is blatant, but speaks for maintaining a cautious view. Compared to Nordic pharmaceutical companies, Faron is priced (and rightly so) higher than the peers. We point out that if the drug development is successful, the share is probably far more valuable than currently, but on the other hand, failure would lead to a loss of capital. Thus, the company is a high-risk investment as typical in the industry.

Recommendation

Reduce

(previous Reduce)

EUR 3.00

(previous EUR 3.00)

Share price:

3.74



Key figures

	2022	2023e	2024e	2025e
Revenue	0.0	0.0	0.0	9.0
growth-%				
EBIT adj.	-27.4	-15.8	-3.1	-1.8
PTP	-28.7	-16.1	-1.4	-2.1
EPS (adj.)	-0.48	-0.25	-0.05	-0.03
Dividend	0.00	0.00	0.00	0.00
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	neg.	neg.	neg.	neg.
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	>100	>100	>100	29.7

Source: Inderes

Guidance

Faron does not provide any guidance

Share price



Source: Millistream Market Data AB



Value drivers

- High need for new cancer drugs
- Target market is estimated to grow to USD 140 billion by 2030 (CAGR 16.8 %)
- Very defensive sector
- Possibility of globally sold drugs whose annual revenue potential is calculated in billions and Faron's cash flow in hundreds of millions
- Potential can also materialize through a cooperation agreement or acquisition



Risk factors

- Drug development requires substantial front-loaded investments
- Failed drug development is likely to result in permanent loss of invested capital
- Success depends on the safety and efficacy of drug candidates, which may prove insufficient in studies
- If market entry is successful, the market share, sales price and royalties involve uncertainties

Valuation	2023e	2024e	2025e
Share price	3.74	3.74	3.74
Number of shares, millions	63.5	63.5	63.5
Market cap	237	237	237
EV	266	267	269
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	neg.	neg.	neg.
P/S	>100	>100	26.2
EV/Sales	>100	>100	29.7
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Production ramp-up and R&D costs moving forward depressed profitability

Estimates vs. outcome H2'22

- The operating loss was EUR 14.1 million, which was clearly more than our expectation due to R&D costs. Administrative costs developed according to our expectations.
- The increase in R&D costs is explained by costs related to scaling of bexmarilimab production and the rapid recruitment of patients for the BEXMAB study.
- Recruitment for clinical trials in the US will be reflected in higher R&D costs also in the future.
- According to the company, BEXMAB has progressed slightly faster than expected when patients want to be included in the study after the first promising results were released at the end of the year.
- Thus, the increase in costs seen now reflects the rapid progress of BEXMAB and our overall estimate of the study costs has not changed.
- The company's financial situation was in line with our expectations and with the company's previous statements. We expect new financing arrangements during spring.

Estimates MEUR / EUR	H2'21	H2'22	H2'22e	H2'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	0.0	0.0	0.0					0.0
EBIT	-10.7	-14.1	-8.7				62%	-27.4
PTP	-10.6	-15.6	-9.2				70%	-28.7
EPS (reported)	-0.21	-0.31	-0.14				121%	-0.48
DPS	0.00	0.00	0.00					0.00

Source: Inderes

Changes in modeling

Estimate revisions 2023e-2024e

- We have moved the costs of the BEXMAB study forward in our estimate from 2024 to 2023, due to the study progressing faster than expected.
- We estimate that Faron needs funding to expand its drug development program through the partnership agreement, and we have assumed EUR 50 million for this in our modeling for 2023-2024. We have moved the modeled funding forward by six months to begin in H2'23.
- The above change will lower the modeled income and increase the operating loss for 2023 but increase income for 2025.
- Due to BEXMAB's rapid progress, the likelihood of early market access has been slightly raised in 2025.
- For other studies, we do not make any changes for the time being and wait for further information on future discussions with the FDA and concrete facts about the start of MATINS and BEXCOMBO studies and their structure.

Estimate change drivers

- The results of published research may change our assessment of the probability of commercialization of drug candidates. Changes in probabilities are directly reflected in our estimates.
- Share issues affect our estimates through changes in the financial position and the number of shares
- Any commercialization agreements would have a strong impact on the company's ability to finance its drug development program.

Ennustemuutokset	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	Actualized	%	Old	New	%	Old	New	%
Revenue	0.0	0.0		0.0	0.0	-100 %	0.0	0.0	0 %
EBIT	-22.1	-27.4	-24 %	-0.8	-15.8	1844 %	-1.7	-1.1	-36 %
PTP	-22.3	-28.7	-29 %	-1.1	-16.1	1347 %	-2.0	-1.4	-30 %
EPS (excl. NRIs)	-0.37	-0.48	-29 %	-0.02	-0.25	1262 %	-0.03	-0.02	-34 %
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source:
Inderes

Valuation image remains unchanged

The valuation is based on risk-adjusted estimates

Our valuation is based on risk-adjusted estimates that consider the binary risk of research failure. Our estimate model is described in more detail in our recent [extensive report](#). In the absence of revenue and profitability, our valuation is based on the DCF model and peer analysis.

DCF value remained unchanged at EUR 3

The risk adjusted DCF still gives the share a value of EUR 3, which is around one-fifth below the market cap. We point out that the model is very sensitive to the assumptions used, so changes in assumptions can change the share value indicated by the model a lot. Modeling is based on historical probabilities of drug development being successful and high-quality epidemiological and medical data (GlobalData). Nevertheless, we believe investors should look at DCF in this type of share more as indicative than a precise indicator of share value.

The average cost of capital (WACC) is 11.0% in our DCF model, and therefore at a typical level for drug development companies. From a business perspective, WACC is raised by uncertainty of the timing of revenue, the drug's sales price, the achievable revenue, and the terms of possible cooperation agreements, including the royalty percentage. On the other hand, the industry's defensive nature and the strong cash flows resulting from market entry limit the risk level.

The present value of Faron's share is strongly based on 2028-2032 cash flows. The impact of 2023-2027 is negative on the present value of the share.

Valuation is highish compared to peers

As peer companies, we use listed clinical stage drug development companies in the Nordic countries. The median market cap of the peers is EUR 49 million, clearly below Faron's EUR 236 million. The difference compared to clinical stage II companies is even greater (median market cap 31 MEUR) although there is considerable variation. We believe Faron deserves a higher valuation than its peers based on its large target market and the potential of its three drug candidate programs. However, the valuation difference to the peers is, in our opinion, still unjustifiably large.

Target price unchanged thanks to stable development

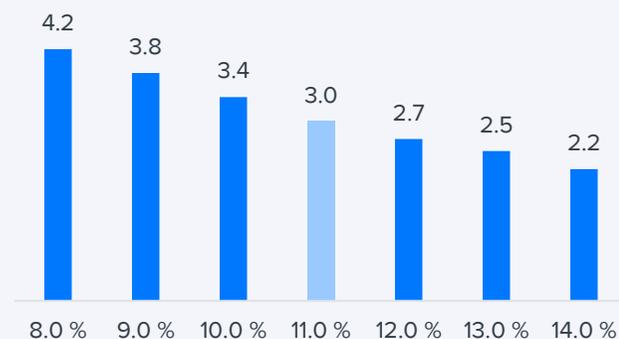
We reiterate our EUR 3 target price and our Reduce recommendation, as indicated by the DCF value. Our view of the risk level of the company's business remains unchanged, i.e. the risk is at the highest level of 4 indicating the risk of losing capital related to the investment and the high estimate risk. The share price has remained at the level of our previous update. Thus, we estimate that the expected return and risk ratio has remained unchanged and the value of the share is close to the top of the fair value range we estimate.

We remind investors of the importance of diversification, as the failure of drug development can lead to ultimate loss of invested capital. The nature of a share investment also includes potential large movements in one direction or another, for example through unexpected research or financial news.

Valuation	2023e	2024e	2025e
Share price	3.74	3.74	3.74
Number of shares, millions	63.5	63.5	63.5
Market cap	237	237	237
EV	266	267	269
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	neg.	neg.	neg.
P/S	>100	>100	26.2
EV/Sales	>100	>100	29.7
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Share price's sensitivity to WACC used in DCF model



Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price		3.30	2.91	3.24	3.71	3.74	3.74	3.74	3.74
Number of shares, millions	31.0	43.3	46.9	53.2	59.8	63.5	63.5	63.5	63.5
Market cap		143	136	172	222	237	237	237	237
EV	-1.9	138	135	169	228	266	267	269	265
P/E (adj.)	0.0	neg.	neg.	neg.	neg.	neg.	neg.	neg.	52.4
P/E	0.0	neg.	neg.	neg.	neg.	neg.	neg.	neg.	52.4
P/FCF	0.0	neg.	neg.	neg.	neg.	neg.	neg.	neg.	64.1
P/B	0.0	88.7	neg.	58.8	neg.	neg.	neg.	neg.	neg.
P/S	0.0	>100	>100	>100	>100	>100	>100	26.2	9.8
EV/Sales	neg.	>100	>100	>100	>100	>100	>100	29.9	10.9
EV/EBITDA	0.1	neg.	neg.	neg.	neg.	neg.	neg.	neg.	52.4
EV/EBIT (adj.)	0.1	neg.	neg.	neg.	neg.	neg.	neg.	neg.	55.0
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes

Income statement

Income statement	H1'21	H2'21	2021	H1'22	H2'22	2022	H1'23e	H2'23e	2023e	H1'24e	H2'24e	2024e	2025e	2026e
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	24.3
EBITDA	-10.3	-10.5	-20.8	-13.5	-13.9	-27.4	-7.8	-7.8	-15.6	0.0	0.0	-0.8	-1.5	5.1
Depreciation	-0.2	-0.2	-0.3	0.2	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.3	-0.3	-0.2
EBIT (excl. NRI)	-10.4	-10.7	-21.1	-13.4	-14.1	-27.4	-7.9	-7.9	-15.8	0.0	0.0	-1.1	-1.8	4.8
EBIT	-10.4	-10.7	-21.1	-13.4	-14.1	-27.4	-7.9	-7.9	-15.8	0.0	0.0	-1.1	-1.8	4.8
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-0.1	0.0	-0.1	0.3	-1.5	-1.2	-0.2	-0.2	-0.3	0.0	0.0	-0.3	-0.3	-0.3
PTP	-10.6	-10.6	-21.2	-13.1	-15.6	-28.7	-8.0	-8.0	-16.1	0.0	0.0	-1.4	-2.1	4.5
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-10.6	-10.6	-21.2	-13.1	-15.6	-28.7	-8.0	-8.0	-16.1	0.0	0.0	-1.4	-2.1	4.5
EPS (adj.)	-0.20	-0.20	-0.40	-0.24	-0.26	-0.48	-0.13	-0.13	-0.25	0.00	0.00	-0.02	-0.03	0.07
EPS (rep.)	-0.20	-0.20	-0.40	-0.24	-0.26	-0.48	-0.13	-0.13	-0.25	0.00	0.00	-0.02	-0.03	0.07

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	1.1	1.5	1.4	1.3	1.2
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.9	1.2	1.2	0.9	0.7
Tangible assets	0.2	0.3	0.3	0.3	0.4
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	12.1	9.8	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	5.2	2.8	0.0	0.0	0.0
Cash and equivalents	6.9	7.0	0.0	0.0	0.0
Balance sheet total	13.2	11.3	1.4	1.3	1.2

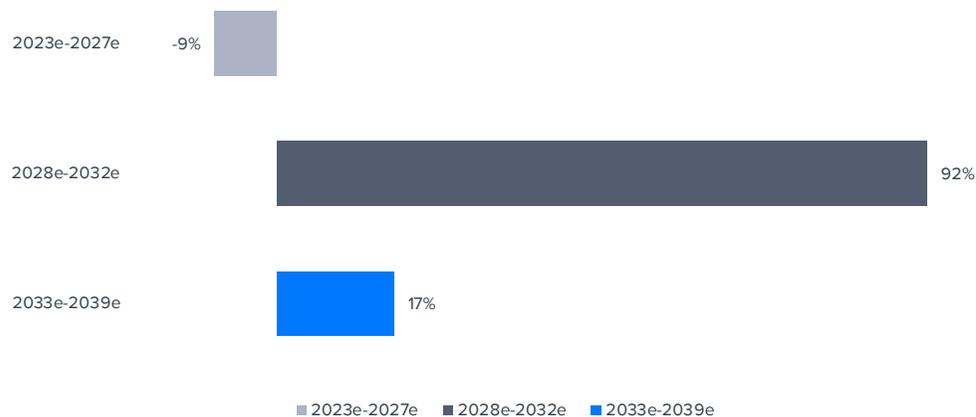
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	2.9	-11.5	-27.6	-28.9	-31.0
Share capital	2.7	2.7	2.7	2.7	2.7
Retained earnings	-116.3	-143.7	-159.8	-161.2	-163.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	117	130	130	130	130
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	3.1	12.3	24.7	25.7	27.4
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.2	0.0	0.0	0.0
Long term debt	2.9	11.1	24.2	25.2	26.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.2	1.0	0.5	0.5	0.5
Current liabilities	7.2	10.5	4.3	4.5	4.7
Short term debt	0.4	1.9	4.3	4.5	4.7
Payables	6.7	8.6	0.0	0.0	0.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	13.2	11.3	1.4	1.3	1.2

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e
Revenue growth-%	0.0 %	0.0 %	0.0 %	226120.6 %	168.4 %	45.6 %	53.4 %	28.2 %	20.6 %	8.1%	7.9 %	4.1%	4.1%
EBIT-%	-685650.0 %	-394523.5 %	-76864.0 %	-19.6 %	19.9 %	44.6 %	62.9 %	69.8 %	74.1%	75.2 %	76.3 %	76.5 %	76.8 %
EBIT (operating profit)	-27.4	-15.8	-1.1	-1.8	4.8	15.8	34.1	48.6	62.2	68.1	74.6	77.9	81.3
+ Depreciation	0.0	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
- Paid taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.6	-14.9	-15.5	-16.2
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Change in working capital	4.3	-5.8	0.0	0.0	-1.2	-0.6	-0.9	-0.8	-0.7	-0.3	-0.4	-0.2	-0.2
Operating cash flow	-23.2	-21.4	-0.8	-1.5	3.8	15.4	33.4	48.0	61.6	54.3	59.5	62.3	65.0
+ Change in other long-term liabilities	1.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Gross CAPEX	-0.4	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Free operating cash flow	-22.5	-22.2	-0.9	-1.7	3.7	15.3	33.2	47.8	61.5	54.2	59.3	62.1	64.8
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCFF	-22.5	-22.2	-0.9	-1.7	3.7	15.3	33.2	47.8	61.5	54.2	59.3	62.1	64.8
Discounted FCFF		-20.4	-0.8	-1.2	2.5	9.2	18.1	23.4	27.1	21.5	21.3	20.0	18.8
Sum of FCFF present value		198	218	219	220	218	209	190	167	140	118	97.1	77.0
Enterprise value DCF		198											
- Interesting bearing debt		-13.0											
+ Cash and cash equivalents		7.0											
-Minorities		0.0											
-Dividend/capital return		0.0											
Equity value DCF		192											
Equity value DCF per share		3.0											

Cash flow distribution



Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	10.0 %
Equity Beta	1.37
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	11.0 %
Weighted average cost of capital (WACC)	11.0 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	0.0	0.0	0.0	0.0	0.0	EPS (reported)	-0.36	-0.40	-0.48	-0.25	-0.02
EBITDA	-16.4	-20.8	-27.4	-15.6	-0.8	EPS (adj.)	-0.36	-0.40	-0.48	-0.25	-0.02
EBIT	-16.7	-21.1	-27.4	-15.8	-1.1	OCF / share	-0.36	-0.42	-0.39	-0.34	-0.01
PTP	-16.9	-21.2	-28.7	-16.1	-1.4	FCF / share	-0.35	-0.44	-0.38	-0.35	-0.01
Net Income	-16.9	-21.2	-28.7	-16.1	-1.4	Book value / share	-0.04	0.06	-0.19	-0.43	-0.46
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	8.4	13.2	11.3	1.4	1.3	Revenue growth-%	0 %	0 %	0 %	0 %	0 %
Equity capital	-1.9	2.9	-11.5	-27.6	-28.9	EBITDA growth-%	27 %	27 %	32 %	-43 %	-95 %
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	27 %	27 %	30 %	-42 %	-93 %
Net debt	-1.4	-3.5	6.0	28.5	29.7	EPS (adj.) growth-%	18 %	10 %	20 %	-47 %	-91 %
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	NA	NA	NA	NA	NA
EBITDA	-16.4	-20.8	-27.4	-15.6	-0.8	EBIT (adj.)-%	NA	NA	NA	NA	NA
Change in working capital	-0.7	-1.5	4.3	-5.8	0.0	EBIT-%	NA	NA	NA	NA	NA
Operating cash flow	-17.1	-22.4	-23.2	-21.4	-0.8	ROE-%	14063.1 %	-3920.3 %	671.2 %	82.4 %	4.9 %
CAPEX	-0.2	-0.5	-0.4	-0.1	-0.1	ROI-%	-676.3 %	-588.9 %	-707.3 %	-1320.9 %	-127.7 %
Free cash flow	-16.6	-23.6	-22.5	-22.2	-0.9	Equity ratio	-22.1 %	22.3 %	-101.8 %	-1948.5 %	-2280.2 %
						Gearing	73.9 %	-119.5 %	-52.0 %	-103.3 %	-102.7 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	>100	>100	>100	>100	>100						
EV/EBITDA (adj.)	neg.	neg.	neg.	neg.	neg.						
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.						
P/E (adj.)	neg.	neg.	neg.	neg.	neg.						
P/B	neg.	58.8	neg.	neg.	neg.						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
08-08-22	Accumulate	2.80 €	2.44 €
26-08-22	Accumulate	2.80 €	2.22 €
17-10-22	Accumulate	2.50 €	1.97 €
10-01-23	Reduce	3.00 €	3.71 €
06-03-23	Reduce	3.00 €	3.74 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**