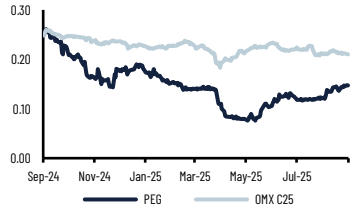
Pharma Equity Group

Market: OMXC Small Cap	Ticker: PEG	Share price (DKK): 0.148	Market cap (DKK): 181m	Net debt (DKK): 17.8m	Enterprise value (DKK): 199m

Share information



Ytd	-22.4%	1 year:	-44.1%
1 month:	22.4%	Since IPO:	-85.3%

Note: * Closing prices of 09.09.2025, have been used. IPO date 28.03.2023, subscription price DKK 1.0.

Financials

(DKKm)	2023	2024	2025E*
Revenue	0	0	11.0
Revenue growth	*0%*	*0%*	*n/a*
Research & Development	-9.1	-9.0	n/a
EBIT	-20.6	-21.3	n/a
Profit before tax	-26.6	-26.2	-7.0 to -4.0
Total Cash flow	0.4	0.0	n/a
Cash position	4.2	4.2	n/a

Note: *Pharma Equity Group's own guidance, and reflects EBT, before any gains/losses relating to fair value adjustments of the Portinho S.A receivable.

Pipeline

Product Candidate	Phase IIa	Phase IIb	Phase III
RNX-011	Completed*	Ongoing	
RNX-041	Completed	On-hold*	
RNX-051	Completed	CTA submission exp. H2 2025	
RNX-021, RNX-022, RNX-023	Completed – on hold		

Note: RNX-041 currently deprioritized with focus on finding a partner for RNX-011 and RNX-051

Company description

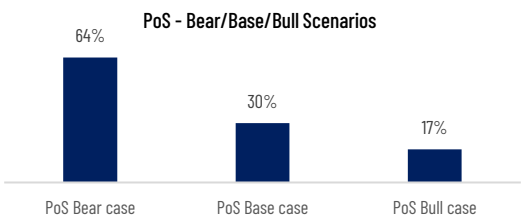
Pharma Equity Group (PEG) is a Danish biotech company based in Horsholm, north of Copenhagen, and listed on Nasdaq Copenhagen since March 2023. PEG has invested in Reponex Pharmaceutical, which has a pipeline of product candidates in Phase II within the following therapeutic areas: peritonitis, wound healing, pouchitis (Crohn's disease), and colorectal cancer. Based on a repositioning and reformulation strategy, PEG plans to out-license their product candidates to partners to minimize operational development and financial risk.

Investment Case

Revenue guidance of around DKK 11m in 2025 suggests management confidence in securing an attractive partnership agreement in 2025 as PEG continues clinical progress in its leading assets. PEG received approval for its Phase IIb clinical trial in September 2025 for its RNX-011 (Peritonitis) asset. A phase IIb study for the RNX-051 asset is being planned, with PEG seeking a partner to co-fund and co-develop a large study of around 900 patients.

PEG maintained its guidance with its H1 2025 results, for DKK 11m in partner-driven revenue. The recent approval to initiate its RNX-011 Phase IIb clinical trial strengthens PEG's partner negotiation position. Medium-term cash burn should remain moderate with plans to fully out-license pipeline assets based on Phase IIb results. Despite limited cash-on-hand, PEG maintains a lean cost base of around DKK 5-6m per quarter. The near-term capital position is contingent on an imminent partner agreement or settlement of the Portinho receivable with book value DKK 58m. Short-term financing or an equity capital raise may be used to bridge the funding gap as PEG develops towards cash flow break-even, driven by milestones and royalties from partner agreements.

From a valuation perspective, our base case assigns around 31% Probability of Success (PoS) to achieve regulatory approval and commercialize the pipeline through partnerships. This compares to a benchmark POS of 29% for a Phase II product attaining FDA approval, across indications, according to biostatistics (see p2 and 3 for more). Clinical development and partnership agreements are likely key triggers to justify a higher clinical probability of success and/or strengthen the commercialisation outlook.



Note: Probability of success (PoS) model based on PEG assumptions, general market assumptions and HCA assumptions. Graph is illustrative.

Key investment reasons

By focusing on drug repositioning and pursuing an out-licensing strategy post-Phase II, PEG avoids costly Phase III trials and commercialization alongside generally lower clinical risk, given previous API approval. This strategy reduces execution risk and allows scalability with relatively lean resources and, therefore, provides an opportunity to invest in the typically high-risk-high-reward biotech business model with an adjusted risk profile.

PEG's lead programs, RNX-011 (peritonitis) and RNX-051 (colorectal cancer), are both entering pivotal Phase II trials in H2 2025. These indications represent large unmet needs, where positive data could trigger licensing deals and unlock significant value.

Beyond the two lead candidates, PEG retains rights to additional Phase II programs in inflammatory bowel disease and chronic wounds, with the option to invest in additional attractive projects across the Biotech and Medtech universe. This provides diversification once capital and partnerships allow progress.

The market-implied PoS, based on the model assumptions for PEG successfully implementing its partner-based strategy, is in line with the historical average benchmark for drug candidates entering Phase II trials. However, PEG's repositioning strategy based on active pharmaceutical ingredients (API's), which have previously attained FDA clearance, may lower clinical risk.

Key investment risks

Investing in the development of drugs and life science products is generally risky and requires patience and a high-risk appetite. PEG's valuation is concentrated in its two lead Phase II programs (RNX-011 and RNX-051). While a repositioning strategy may lower development risk, clinical failure, regulatory setbacks, or commercialisation challenges can impact the investment case.

With cash reserves highly strained and operations financed through convertible loans, PEG relies on timely partnerships or may seek additional capital raises, which require participation to avoid dilution. Such raises can also be challenged if markets are characterized by low risk appetite.

PEG's programs target therapeutic areas such as colorectal cancer, where entrenched treatments exist. Convincing physicians, payers, and partners of clear advantages in efficacy, safety, or cost may be more challenging than expected.

The DKK 58-89m Portinho claim remains locked in arbitration with repeated postponements. While management is confident of repayment in 2026, prolonged delays or an adverse ruling would erode balance sheet strength.

Appendix – Discussion of assumptions in DCF-model

The model

This one-pager does not aim to determine a price target for Pharma Equity Group (PEG) shares but rather provides investment perspectives using a simplified Discounted Cash Flow (DCF) model across different scenarios. The model uses scenarios to indicate the extent to which PEG's current market capitalization reflects the implied probability of success (PoS) for its pipeline products to achieve marketing authority and successful commercialization, based on the model assumptions described below.

PEG currently has multiple pipeline product candidates around Phase II, ranging from pending Phase IIb initiation to Phase IIb patient enrolment . We include RNX-011, RNX-051, and RNX-041 (somewhat deprioritized) assets in our model since PEG is focusing resources on these assets with the highest potential. We exclude RNX-021, RNX-022, and RNX-023. We estimate the larger share of the value (NPV) is derived from the RNX-011 and RNX-051 products, which have completed Phase IIa trials. We compare the market-implied PoS to the average historical likelihood (PoS) of a pipeline product that has completed Phase I clinical trials and reaching a successful launch of around 29%, based on biostatics.

Market size and market growth

The addressable market sizes of the different pipeline projects used in the model are company-guided by PEG, based on publicly available documents such as its IPO prospectus, presentations, or conference calls. We assume a midpoint market size of USD 1.5-2.0 billion for Bacterial Peritonitis (RNX-011), The market size for the Crohn's disease/pouchitis indication (RNX-041) is expected to grow to around USD 4.7 billion in 2025. Finally, the market size for the treatment and prevention of colorectal cancer (RNX-051) is currently around USD 10 billion. We apply a conservative growth rate of 2% to each market and a negative growth rate to PEG's market share of -50% following patent expiry for each indication to reflect increased competition and avoid an unrealistic compound effect in the value of future cash flows.

Market share and revenue

Various levels of peak market share are assumed to reflect factors such as the addressable share of the market, product strength (unmet need), market competition, patent protection, and more. Adjusting peak market share is our primary differentiating factor between the base, bear, and bull scenarios.

Our base case assumes a peak market share for Bacterial Peritonitis (RNX-011) of 10%, based on strong Phase IIa efficacy, significantly improving patient discharge times following surgery. For the inflammatory bowel disease project (RNX-041), we assume a peak market share of 7.5%, as it initially targets only pouchitis, the smaller portion of the overall market. Lastly, for the treatment and prevention of colorectal cancer (RNX-051), we assume a 20% peak market share, reflecting strong Phase IIa (MEFO) study efficacy data to reduce bacterial biomass/biofilm and increase T-cell prevalence, which could significantly improve patient outcomes if successful. Generally, a high market share is difficult to obtain immediately after product launch; however, for simplicity reasons, we model a linear penetration curve from the expected launch year. From a cash flow timing perspective, it is important to understand that the expected implementation of a partner strategy will bring forward cash flow to PEG before the partner obtains the expected peak market share due to milestones paid upfront.

Discount rate

The model uses a discount rate of 15%, reflecting the generally high level of investment risk and uncertainty typically associated with forecasting future cash flows from biotech companies. The development of the different indications probably reflects different levels of uncertainty, but the model uses the widely accepted 15% within the industry.

Probability of successful launch (PoS)

Based on historical data from Biostatistics research containing 5,764 pipeline projects across all indications in pharmaceutical and biotech companies, the average historical likelihood of a pipeline project passing from Phase II through to launch with FDA clearance is around 29%. PEG's repositioning strategy may reflect a higher likelihood of clinical success. Alternatively, funding insecurity and possible dilutive capital raises can weigh negatively on implied POS vs a benchmark.

EBIT-margin and royalty rates

According to the S&P Capital IQ financial system, five-year average EBIT margins within major pharmaceutical and biotech companies are approximately 30%. Looking at biotech companies specifically, the five-year average is approximately 50%, reflecting generally more focused business models, which are often based on higher economies of scale and partnership or out-licensing deals, which is also the strategy for PEG. However, to be conservative, the model assumes an EBIT margin of 40%, which reflects that PEG will continue to have some development, sales, and administrative costs even when various partnership deals have been made.

In addition to an estimated EBIT margin of 40%, PEG has communicated expectations for an average royalty rate of 25% across partnership deals. We generally consider this high compared to industry standards and other assumptions in the market. We instead model a 20% royalty rate for RNX-011, a 15% RNX-051 to reflect a partner sharing a larger share of the Phase II trial of >900 participants, and a 10% royalty rate for RNX-041 to reflect its deprioritized nature. High royalty rates may be attainable, despite partner funding requirements, given the pipeline assets' novel medical therapeutic approach and lower clinical risk due to repositioning. However, we remain cautious awaiting further details from an expected partnership deal in 2025, which can clarify the royalty rate and milestone potential of its agreements.

Capital increases

The existing cash position is highly constrained with PEG exiting Q2 2025, with a cash position of DKK 0.7m. The limited cash position raises the likelihood of a dilutive capital raise in the near term unless a partnership with an upfront payment, in line with guidance, is found very soon. A full or partial payment of the Portinho receivable can also extend the cash runway, with a book value of DKK 58m, however, a resolution is less likely short term, given ongoing arbitration court proceedings. PEG's current cash position suggests additional dilutive equity financing is likely necessary to bridge the gap until PEG is cash-flow positive through a combination of milestones and royalties.

Appendix – Results and Conclusion

Scenarios

Based on the previously mentioned assumptions regarding market size and growth, level of profitability, royalty rates, market share and discount rate, different scenarios can be simulated to assess how much the market is implicitly discounting the successful likelihood of launch of the different pipeline projects in PEG. As illustrated, the model has simulated the implicit likelihood in 3 scenarios: a bear-, base- and bull-case scenario using the indicated level of peak market share levels as the main differentiator. Accordingly, the remaining criteria discussed are assumed to be the same in all scenarios.

Base case scenario

In the base case scenario, we use an EBIT margin of 40%, maintain our royalty rate assumptions for 20%, with peak market shares of RNX-011: 10%, RNX-041: 7.5%, and RNX-051: 20%. Our base case model suggests that the market currently implicitly assumes there is around a 30% probability of successful launch (PoS) for the product candidates. This compares to a historical average level of success of 29% for drug development projects currently in Phase II trials across all types of indications, noting that PEG's pipeline candidates have completed Phase IIa and are therefore more clinically developed than the benchmark baseline.

Bear case scenario

In the bear case scenario, our model estimates lower peak market shares of RNX-011: 5.0%, RNX-041: 5.0%, and RNX-051: 10.0%. The remaining model assumptions are maintained, including EBIT margin, royalty rates, launch date, and time to peak market share. Based on our bear case model, the market currently implicitly attributes around 64% probability of successful launch (PoS) and commercialization of PEG's active pipeline candidates.

Bull case scenario

In the bull case scenario, our model estimates lower peak market shares of RNX-011: 15.0%, RNX-041: 15.0%, and RNX-051: 30.0%. The remaining model assumptions are maintained, including EBIT margin, royalty rates, launch date, and time to peak market share. Based on our bull case model, the market currently implicitly attributes around 17% probability of successful launch (PoS) and commercialization of PEG's active pipeline candidates.

Conclusion

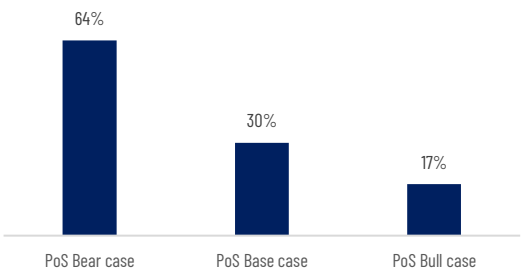
The three scenario simulations all suggest a relatively low level of market confidence for PEG to successfully launch their three active pipeline product candidates (through partnership) when compared to the average historical level in the biotech industry for product candidates commencing Phase II to go through launch with FDA clearance. In the base case scenario, the market assumes a roughly in-line with historical probability of success; however, not adjusting for the repositioning strategy or the Phase IIa trial completion, suggesting that the value potential for a successful approval and commercialization of PEG's pipeline is roughly reflected in the shares.

A repositioning strategy means that PEG develops new therapeutic uses, combinations, or delivery methods for already known active pharmaceutical ingredients rather than discovering entirely new molecules. Because the safety and toxicity profiles of the drugs are already known, it is generally considered to have a lower clinical risk. However, Phase IIa, Phase IIb, and Phase III trials are still necessary to determine efficacy for the intended application of the new indications. Reponex's repositioning strategy rests on repurposing existing, safe compounds for new local applications in high-need indications.

The PoS is at or below the historical average for the base and bull case scenarios, reflecting that changes to peak market share assumptions have a considerable impact on the implied POS of PEG's pipeline portfolio. Despite an in-line with benchmark implied valuation, clinical development in the commenced Phase IIb RNX-011 trial and/or a partnership and Clinical Trial Application for the RNX-051 candidate can reduce clinical uncertainty and are key triggers to unlocking value for PEG.

Also, a low PoS is generally not uncommon for biotech companies still in their developing phase, as it can also reflect that the market assesses there is a relatively high likelihood that the company in question, PEG, will need to raise additional, potentially diluting capital. However, following the latest strengthening of the capital position and expected revenue from partner agreements in 2025, the likelihood of a large dilutive capital raise is reduced. One or more partnership agreements will also provide greater insights into the expected path towards break-even and profitability.

PoS - Bear/Base/Bull Scenarios



Note: Probability of success (PoS) model based on general market assumptions and HC Andersen Capital assumptions.