

PledPharma

PLIANT study continues

Initiation of coverage
Report
Important Event

Risk and Return Potential

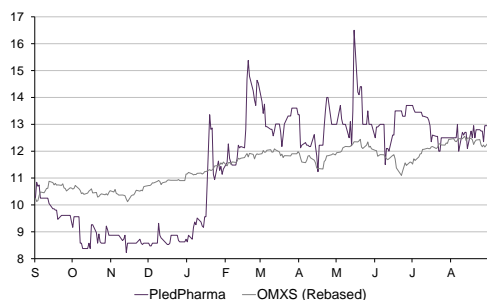
Return Potential	High
Risk	High Risk
Current Price	12.95
High/Low (12M)	16.50/8.23
Number of Shares (m)	21.9
Market Capitalisation (SEKm)	273
Net Debt (SEKm)	-59
Enterprise Value (SEKm)	214
Reuters/Bloomberg Listing	PLED.ST/PLED SS First North

Estimates and Valuation (SEK)

FY (Dec)	2012	2013E	2014E	2015E
Sales	0	0	174	134
EBITDA	-35	-40	141	105
EBIT	-35	-40	141	105
Pre-tax Result	-34	-39	141	105
EPS Adjusted	-1.67	-1.83	5.02	3.75
BVPS	2.65	1.51	6.43	10.12
Dividend	0.00	0.00	0.00	0.00
EPS Growth	NM	NM	NM	-25.3
EBIT Margin	NM	NM	81.0	78.5
ROE	-48.1	-89.2	124.1	44.4
ROCE	869.3	1,503.2	-890.9	-244.6
Net Debt/Equity	-1.10	-1.01	-1.22	-1.24
EV/Sales	NM	NM	1.29	1.68
EV/EBITDA	NM	NM	1.6	2.1
EV/EBIT	NM	NM	1.6	2.1
P/E Adjusted	NM	NM	2.6	3.5
P/BV	3.25	8.60	2.01	1.28
Dividend Yield	0.0	0.0	0.0	0.0

Source: Company Reports, Erik Penser Bankaktiebolag

Price trend, 12 months



Source: FactSet

Date	Event	Place
25/10/2013	Q3 report	

See last page for the disclaimer.

4 of 6 patients now treated in dose escalation phase

After a slow start to the PLIANT study, patient recruitment appears to have now improved. In total, four of six patients have been treated in the dose escalation phase and PledPharma is hopeful of being able to move to the randomised phase in the second half of 2013. PledPharma also still expects the "top line" results from the entire study to be obtained in mid-2014. In total more than 20 doses of PledOx have been administered, and the results are in line with management's expectations. We expect PledPharma to release data from the open dose escalation phase in early 2014. Aside from the two remaining patients in the dose escalation phase, the US requires an additional three patients treated with FOLFOX and Avastatin before going into the randomised phase of the study.

Licensing discussions are expected to take off next year

PledPharma announced in May that it had engaged IMS Consulting Group to advise on the licensing of PledOx. We believe that live discussions with potential partners may not take place until next year, once the PLIANT study is drawing to a close. A licensing contract will probably only be in place once data from the study is known.

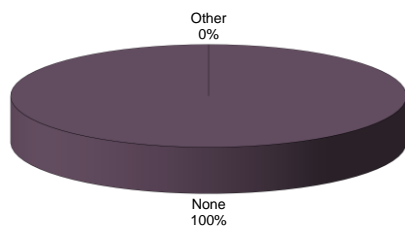
Lower costs than expected in the quarter

Revenue in the quarter was close to zero, which was consistent with expectations. However, costs were lower than expected, and much lower than in Q113. These totalled SEK 6m in the quarter, compared with SEK 8m in Q113 and SEK 11m in Q212. This is entirely a function of the slow patient intake during the first half since this governs the cost of the PLIANT study. The low costs should therefore be considered as having been simply pushed forward until later in the year. Forecast changes are thus marginal.

Share performance in line with the sector

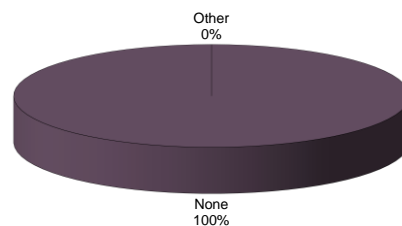
Over the past 12 months, the PledPharma share has risen slightly more than 30%, which is about on par with US biotech shares (AMEX Biotech) in general. The main price driver for the share is still data from the PLIANT study. Increased clarity in this respect is not expected until next year.

PledPharma – Sales by Segment



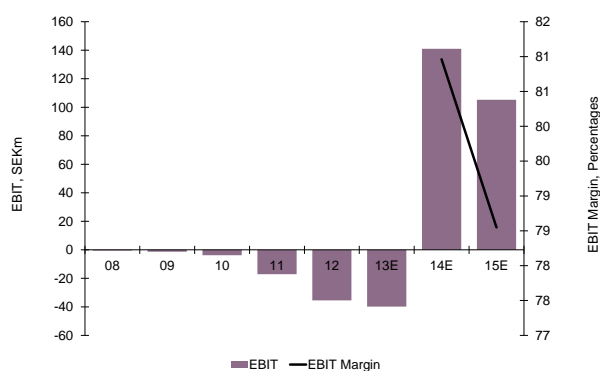
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Sales by Market



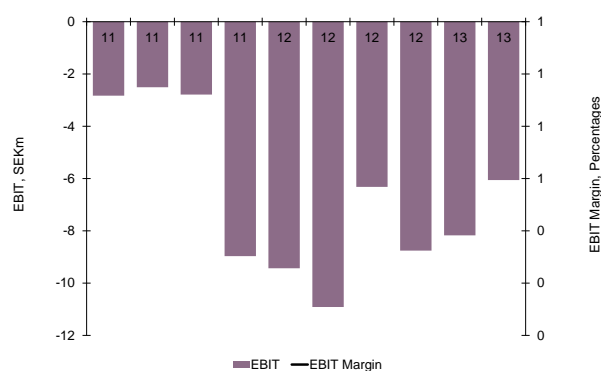
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Full-year EBIT Performance



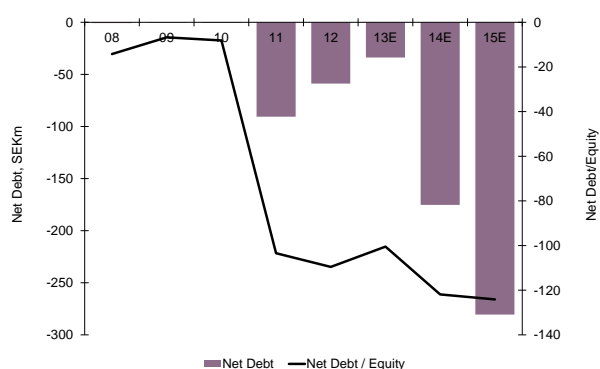
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Quarterly EBIT Performance



Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Financial Position



Note: Negative numbers indicate a net cash position
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Share Structure, Management

Market Cap (SEKm)	273	
No of Outstanding Shares (m)	21.9	
Avg No of Daily Traded Shares (000s)	12	
Free Float (Shares)	100.0%	
Main Shareholders	Votes	Shares
Staffan Persson, bolag	25.6%	25.6%
Peter Lindell, bolag	16.4%	16.4%
Länsförsäkringar	5.3%	5.3%
Torsten Almén	4.0%	4.0%
Others	48.7%	48.7%
Chairman	Håkan Åström	
CEO	Jacques Näsström	
CFO	Michaela Johansson	
IR	Jacques Näsström	
Phone Number / Internet	+46 8 6797210 / www.pledpharma.se	
Next Report	25 October 2013	

Source: Company Reports, Erik Penser Bankaktiebolag

Investment case

A unique therapy for a major and widespread disease

PledPharma is developing a drug that reduces the side effects of chemotherapy in cancer patients. Adverse reactions are usually serious in approximately half of patients with the currently available standard treatments using chemotherapy, and mean that either the dose has to be reduced or the therapy cease. This in turn means the patient's life may be shortened. A drug that alleviates the side effects could in practice result in increased doses and/or longer treatments, which should have positive anti-cancer effects. In addition to cancer, PledPharma is working with a development project for patients with acute myocardial infarction. Given that PledOx for cancer treatment is still in a relatively early stage of development, the regulatory risk is high. However, we believe that it is smaller relative to other drugs in the same early phase. This is for the simple reason that the basic substance in PledOx has been on the market for a long time as a contrast agent and has been shown to have a good safety profile.

PledOx is approaching the time for a potential partnership

PledPharma's substance, PledOx, is currently in phase IIb trials, as a pre-treatment for standard chemotherapy for colon cancer. The first patient was recently enrolled and the study is expected to provide top line results in mid-2014. If the results are positive and support further development of the product, PledPharma plans to find a partner for its further development. We estimate that a partnership contract could be worth as much as SEK 2bn over the five year period 2014E-2018E, and imply double-digit percentage royalties on future sales of PledOx.

Stable financial position

We estimate that PledPharma's current net cash of SEK 59m is enough to take PledOx through the phase IIb trials that just started. We then anticipate that revenue from any partnership contract for PledOx will fund the continued development of the company. The technology in PledPharma is currently valued at approximately SEK 200m, indicating that the market ascribes the share a high risk. If PledPharma successfully concludes a partnership and achieves a market launch of PledOx, we estimate the value of the share, using a 25% annual required return, as approximately SEK 48. If it is not successful with PledOx for the treatment of cancer, the company is likely to require new funding in 2014 if it is to continue the development.

PledPharma – Our Estimate Changes (SEK)									
	2013E			2014E			2015E		
	Previous	Latest	Change	Previous	Latest	Change	Previous	Latest	Change
Sales	0	0	NM	174	174	0.0%	134	134	0.0%
EBIT	-40	-40	NM	141	141	0.0%	15	15	0.0%
EPS adj.	-1.70	-1.83	NM	4.86	5.02	3.3%	3.63	3.75	3.4%

Source: Erik Penser Bankaktiebolag

PledPharma – Income Statement, Cash Flow and Balance Sheet (SEKm)

Income Statement

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Net Sales	-	-	0	0	0	0	0	0	174	134
Other Operating Income	-	-	1	1	2	10	1	0	0	0
Personnel Costs	-	-	-1	-1	-2	-7	-8	-9	-8	-8
Other Operating Costs	-	-	-1	-1	-4	-20	-28	-31	-25	-21
EBITDA	-	-	-1	-1	-4	-17	-35	-40	141	105
Depreciation	-	-	-0	-0	-0	-0	-0	-0	-0	-0
Amortisation of Goodwill	-	-	0	0	0	0	0	0	0	0
EBIT	-	-	-1	-1	-4	-17	-35	-40	141	105
Non-recurring Items	-	-	0	0	0	-17	0	0	0	0
Associated Companies	-	-	0	0	0	0	0	0	0	0
Net Financial Items	-	-	0	0	0	1	1	1	0	0
Pre-tax Result	-	-	-1	-1	-4	-33	-34	-39	141	105
Tax	-	-	0	0	0	0	0	0	-31	-23
Minority Interest	-	-	0	0	0	0	0	0	0	0
Net Result	-	-	-1	-1	-4	-33	-34	-39	110	82

Cash Flow

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EBITDA	-	-	-1	-1	-4	-17	-35	-40	141	105
Change in Working Capital	-	-	0	0	1	2	2	-5	0	-0
Other Operating Cash Items	-	-	0	0	0	-0	0	0	0	0
Operating Cash Flow	-	-	0	0	-3	-15	-33	-44	141	105
Net Financial Costs	-	-	0	-0	-0	1	1	1	0	0
Taxes Paid	-	-	0	0	0	-0	0	0	0	0
Capital Expenditure	-	-	0	0	-2	-9	-0	-0	-0	-0
Free Cash Flow	-	-	0	-0	-5	-24	-32	-44	141	105
Dividends	-	-	0	0	0	0	0	0	0	0
Acquisitions	-	-	0	0	0	0	0	0	0	0
Disposals	-	-	0	0	0	0	0	0	0	0
Equity Issue/Share Buybacks	-	-	0	0	0	114	0	0	0	0
Other Adjustments	-	-	0	0	0	0	0	0	0	0
Total Cash Flow	-	-	0	-0	-5	90	-32	-44	141	105
Other Non-cash Adjustments	-	-	0	0	0	0	0	0	0	0
Net Debt	-	-	-1	-0	-1	-91	-59	-34	-175	-281

Balance Sheet

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
ASSETS										
Goodwill	-	-	0	0	0	0	0	0	0	0
Other Intangible Assets	-	-	5	5	8	0	0	0	0	0
Tangible Assets	-	-	0	0	-	0	0	0	0	0
Shares in Participations	-	-	0	0	0	0	0	0	0	0
Other Fixed Assets	-	-	0	0	0	0	0	0	0	0
Total Fixed Assets	-	-	5	5	8	0	0	0	0	0
Inventories	-	-	0	0	0	1	1	0	0	0
Accounts Receivable	-	-	0	0	0	0	0	0	0	0
Other Current Assets	-	-	0	0	0	0	0	0	0	0
Cash and Cash Equivalents	-	-	1	0	1	91	59	34	175	281
Total Current Assets	-	-	1	0	1	91	60	34	175	281
TOTAL ASSETS	-	-	5	6	8	91	60	34	175	281
EQUITY AND LIABILITIES										
Shareholder Equity	-	-	5	6	7	88	54	34	144	226
Minority Interest	-	-	0	0	0	0	0	0	0	0
Total Equity	-	-	5	6	7	88	54	34	144	226
Long-term Financial Liabilities	-	-	0	0	0	0	0	0	0	0
Pension Provisions	-	-	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	-	-	0	0	0	0	0	0	0	0
Other Long-term Liabilities	-	-	0	0	0	0	0	0	31	54
Total Long-term Liabilities	-	-	0	0	0	0	0	0	31	54
Current Financial Liabilities	-	-	0	0	0	0	0	0	0	0
Accounts Payable	-	-	0	0	1	1	2	0	0	0
Tax Liabilities	-	-	0	0	0	0	0	0	0	0
Other Current Liabilities	-	-	0	0	0	2	4	0	0	0
Total Current Liabilities	-	-	0	0	1	4	7	0	1	0
TOTAL EQUITY AND LIABILITIES	-	-	5	6	8	91	60	34	175	281

Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Valuation and Key Ratios (SEK)

Per Share Data

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EPS Reported	-	-	-2.70	-5.78	-12.61	-1.64	-1.67	-1.83	5.02	3.75
EPS Adjusted	-	-	-2.70	-5.78	-12.61	-0.80	-1.67	-1.83	5.02	3.75
CEPS	-	-	-2.69	-5.77	-12.61	-1.64	-1.67	-1.83	6.43	4.81
Free Cash Flow	-	-	0.01	-0.00	-16.55	-1.18	-1.57	-2.07	6.45	4.80
Dividend	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book Value	-	-	24.41	24.24	23.20	4.32	2.65	1.51	6.43	10.12
Tangible Book Value (Excl Goodwill)	-	-	24.41	24.24	23.20	4.32	2.65	1.53	6.55	10.30
Net Asset Value	-	-	24.41	24.24	23.20	4.32	2.65	1.51	6.43	10.12
Net Debt	-	-	-3.47	-1.64	-1.89	-4.47	-2.90	-1.60	-7.99	-12.79
Enterprise Value	-	-	-	-	-	5.68	5.72	11.35	4.96	0.16
Diluted No of Shares, Weighted Average (m)	15.1	15.1	0.2	0.2	0.3	20.2	20.2	21.1	21.9	21.9
Diluted No of Shares, Year-end (m)	-	-	0.2	0.2	0.3	20.2	20.2	21.9	21.9	21.9

Valuation

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
P/E Reported	-	-	-	-	-	NM	NM	NM	2.6	3.5
P/E Adjusted	-	-	-	-	-	NM	NM	NM	2.6	3.5
P/CEPS	-	-	-	-	-	NM	NM	NM	2.0	2.7
P/FCFPS	-	-	-	-	-	NM	NM	NM	2.0	2.7
FCF Yield	-	-	-	-	-	-11.6	-18.2	-16.0	49.8	37.1
Dividend Yield	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Dividend Payout Ratio Adjusted	-	-	NM	NM	NM	NM	NM	NM	0.0	0.0
P/BV	-	-	-	-	-	2.35	3.25	8.60	2.01	1.28
P/Tangible BV	-	-	-	-	-	2.35	3.25	8.45	1.98	1.26
P/NAV	-	-	-	-	-	2.35	3.25	8.60	2.01	1.28
EV/Sales	-	-	NM	NM	NM	NM	NM	NM	1.29	1.68
EV/EBITDA	-	-	-	-	-	NM	NM	NM	1.6	2.1
EV/EBIT	-	-	-	-	-	NM	NM	NM	1.6	2.1
Share Price, Year-end	-	-	-	-	-	10.15	8.63	12.95	12.95	12.95
Share Price, High	-	-	-	-	-	18.01	19.12	16.50	-	-
Share Price, Low	-	-	-	-	-	7.15	8.23	8.63	-	-
Share Price, Average	-	-	-	-	-	11.36	10.85	12.56	-	-
Market Cap, Year-end and Current (SEKm)	-	-	-	-	-	206	175	273	284	284
Enterprise Value, Year-end and Current (SEKm)	-	-	-	-	-	115	116	214	225	225

Growth Rate and Margins

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Sales Growth, YoY	-	-	-	NM	NM	NM	NM	NM	NM	-23.1
EBIT Growth, YoY	-	-	-	NM	NM	NM	NM	NM	NM	-25.4
EPS Adjusted Growth, YoY	-	-	-	NM	NM	NM	NM	NM	NM	-25.3
EBITDA Margin	-	-	NM	NM	NM	NM	NM	NM	81.0	78.6
EBITA Margin	-	-	NM	NM	NM	NM	NM	NM	81.0	78.5
EBIT Margin	-	-	NM	NM	NM	NM	NM	NM	81.0	78.5
Pre-tax Margin Adjusted	-	-	NM	NM	NM	NM	NM	NM	81.0	78.5
Net Margin Adjusted	-	-	NM	NM	NM	NM	NM	NM	63.2	61.2
Tax Rate	-	-	NM	NM	NM	NM	NM	NM	22.0	22.0

Profitability

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Return on Equity, ROE	-	-	-	-25.2	-60.2	-34.0	-48.1	-89.2	124.1	44.4
Return on Equity 5-Year Average	-	-	-	-	-	-	-	-51.3	-21.5	-0.6
Return on Capital Employed, ROCE	-	-	-	-28.1	-65.1	-1,003.9	869.3	1,503.2	-890.9	-244.6
Return on Capital Employed 5-Year Average	-	-	-	-	-	-	-	255.1	82.5	46.6

Capital Expenditure and Efficiency

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Capital Expenditure	-	-	0	0	2	9	0	0	0	0
Capex/Sales	-	-	NM	NM	NM	NM	NM	NM	0.0	0.0
Capex/Depreciation	-	-	0.0	0.0	1,069.0	2,569.7	50.0	4.7	4.6	4.6
Inventory/Sales	-	-	NM	NM	NM	NM	NM	NM	0.0	0.0
Receivables/Sales	-	-	NM	NM	NM	NM	NM	NM	0.0	0.0
Payables/Sales	-	-	NM	NM	NM	NM	NM	NM	0.1	0.1
Net Working Capital/Sales	-	-	NM	NM	NM	NM	NM	NM	-0.1	-0.1
Asset Turnover	-	-	-	0.00	0.00	0.00	0.00	0.00	1.67	0.59

Financial Position

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Interest-bearing Net Debt (SEKm)	-	-	-1	-0	-1	-91	-59	-34	-175	-281
Equity Ratio	-	-	94.0	95.4	82.3	95.7	89.2	99.3	82.0	80.5
Net Debt/Equity	-	-	-0.14	-0.07	-0.08	-1.03	-1.10	-1.01	-1.22	-1.24
Net Debt/Market Cap	-	-	-	-	-	-0.44	-0.34	-0.12	-0.62	-0.99
Net Debt/EBITDA	-	-	1.3	0.3	0.1	5.3	1.7	0.8	-1.2	-2.7

Note: Key ratios based on fully diluted number of shares. Historical key ratios are calculated using the year-end share price.

Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Quarterly Operating Performance (SEKm)

Income Statement

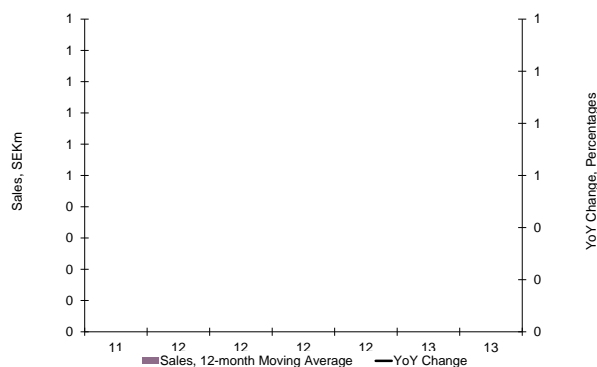
	Q310	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213
Net Sales	-	-	0	0	0	0	0	0	0	0	0	0
Other Operating Income	-	-	2	3	5	0	0	0	0	0	0	0
Other Operating Costs	-	-	-5	-5	-8	-9	-10	-11	-6	-9	-8	-6
EBITDA	-	-	-3	-3	-3	-9	-9	-11	-6	-9	-8	-6
Depreciation and Amortisation	-	-	-0	-0	-0	-0	-0	-0	-0	0	-0	-0
EBIT	-	-	-3	-3	-3	-9	-9	-11	-6	-9	-8	-6
Non-recurring Items	-	-	0	0	0	-17	0	0	0	0	0	0
Associated Companies	-	-	0	0	0	0	0	0	0	0	0	0
Net Financial Items	-	-	-0	0	0	1	0	0	1	0	0	-0
Pre-tax Result Reported	-	-	-3	-2	-2	-25	-9	-11	-6	-9	-8	-6
Pre-tax Result Adjusted	-	-	-3	-2	-2	-8	-9	-11	-6	-9	-8	-6
Tax	-	-	0	0	0	0	0	0	0	0	0	0
Minority Interest	-	-	0	0	0	0	0	0	0	0	0	0
Net Result Reported	-	-	-3	-2	-2	-25	-9	-11	-6	-9	-8	-6

Growth Rates and Margins

	Q310	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213
Sales Growth, YoY	-	-	-	-	-	-	-	-	-	-	-	-
EBIT Growth, YoY	-	-	-	-	-	-	NM	NM	NM	NM	NM	NM
EBITDA Margin	-	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EBIT Margin	-	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Pre-tax Margin Adjusted	-	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Tax Rate	-	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

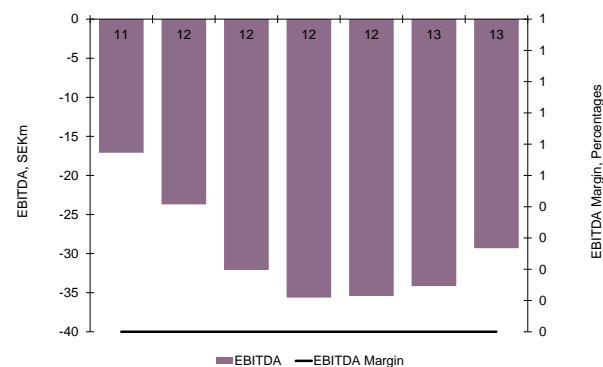
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Sales, 12-month Moving Average



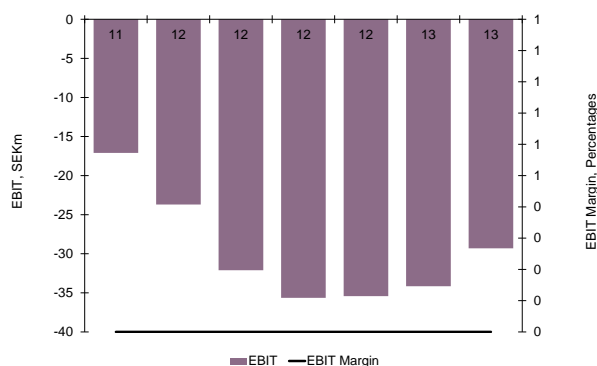
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – EBITDA, 12-month Moving Average



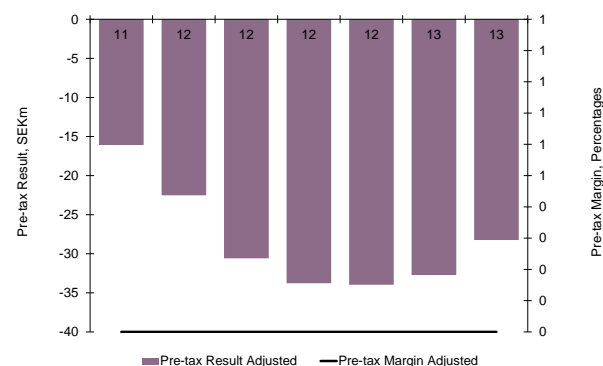
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – EBIT, 12-month Moving Average



Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Pre-tax Result, 12-month Moving Average



Source: Company Reports, Erik Penser Bankaktiebolag

This publication has been compiled by Erik Penser Bankaktiebolag for public dissemination and is not investment advice. The contents are based on information from publicly available sources which are deemed reliable. No guarantee is given as to the accuracy or completeness of the contents of the document , or the forecasts provided.

Erik Penser Bankaktiebolag's consent is required to copy or distribute this publication in whole or in part.

The publication should not and may not be disseminated or made available to any person in the United States (other than as provided in Rule 15a – 16 of the Securities Exchange Act of 1934) , Canada or any other country which has statutory restrictions on the dissemination and availability of the contents of the material. The information in the publication should not be considered as a request or recommendation to enter into transactions. The information does not take into account an individual recipient's investment knowledge and experience , financial situation or investment goals. Therefore , the information does not constitute a personal recommendation or investment advice. Erik Penser Bankaktiebolag disclaims all liability for direct or indirect loss which may be based on this publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or it may become entirely worthless. The fact that an investment has performed well historically is no guarantee for the future.

Erik Penser Bankaktiebolag has drawn up "Ethical Rules" and "Guidelines in respect of Conflicts of Interest". The aim of these rules and guidelines is to protect against and prevent conflicts of interest arising between departments in the company , and is based on restrictions (Chinese Walls) in communications. However , a client or advisory relationship may arise between an issuer and a department other than the research department. Erik Penser Bankaktiebolag has drawn up internal restrictions as to when trading may be conducted in respect of a financial instrument which is the subject of Investment Analysis.

In this publication , the analyst has reported and represented his or her personal opinion of an issuer and/or financial instrument. Erik Penser Bankaktiebolag may receive remuneration from the company described in the document. The remuneration is preset and independent of the contents of this document. The person or persons who compiled this publication do not have any business relationship with the company described in the document.

Erik Penser Bankaktiebolag is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority.

Erik Penser Bankaktiebolag (*publ.*)
Biblioteksgatan 9 Box 7405 103 91 STOCKHOLM
tel: +46 8 463 80 00 fax: +46 8 678 80 33 www.penser.se