

PledPharma

Initiation of coverage
Report
Important Event

Positive tones from PP-99 project

Risk and Return Potential

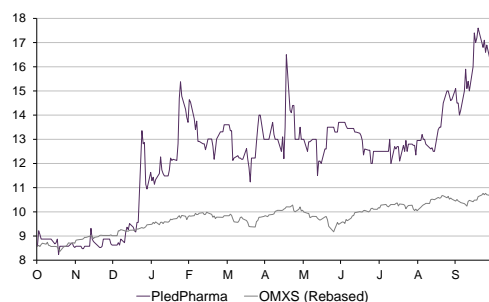
Return Potential	High
Risk	High Risk
Current Price	16,20
High/Low (12M)	17,60/8,23
Number of Shares (m)	21,9
Market Capitalisation (SEKm)	342
Net Debt (SEKm)	-55
Enterprise Value (SEKm)	287
Reuters/Bloomberg Listing	PLED.ST/PLED SS First North

Estimates and Valuation (SEK)

FY (Dec)	2012	2013E	2014E	2015E
Sales	0	0	174	134
EBITDA	-35	-31	141	105
EBIT	-35	-31	141	105
Pre-tax Result	-34	-30	141	105
EPS Adjusted	-1,67	-1,39	5,02	3,75
BVPS	2,65	1,92	6,85	10,53
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	-61,4	112,5	42,3
ROCE	869,3	1 171,1	-892,7	-244,6
Net Debt/Equity	-1,10	-1,00	-1,21	-1,23
EV/Sales	NM	NM	1,72	2,24
EV/EBITDA	NM	NM	2,1	2,9
EV/EBIT	NM	NM	2,1	2,9
P/E Adjusted	NM	NM	3,2	4,3
P/BV	3,25	8,45	2,37	1,54
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
21/02/2014	Q4 report	

See last page for the disclaimer.

All patients now treated in dose escalation phase

After a slow start to the PLIANT study patient recruitment now appears to be complete for the first phase. In total, six of six patients have been treated in the dose escalation phase, which means that the randomised phase with 126 patients from around 30 centres in Europe and the US can start. The company is planning for the start to take place in week 46. PledPharma also still expects the "top line" results from the entire study to be obtained in mid-2014. We expect PledPharma to release data from the open dose escalation phase in early 2014.

MANAMI study indicates positive results

PledPharma's PP-99 project (angioplasty) has completed a phase IIa clinical trial named MANAMI, and preliminary results show that the PLED substance is well tolerated by patients. It is worth pointing out that the MANAMI trial is a relatively small study but the results do show that there is a tendency to clinical effect. PledPharma reiterates what it has previously said, that it will place its focus and resources on oncology, but the company will still evaluate the commercial potential of the myocardial infarction indication. We currently do not anticipate any revenues from the PP-99 project in the foreseeable future.

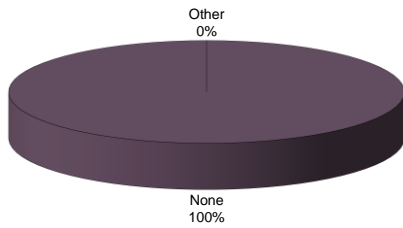
Costs lower than expected in the quarter

Revenue in the quarter was close to zero, which was consistent with expectations. However, costs were lower than expected, and much lower than in Q312. These totalled SEK 4.8m in the quarter, compared with SEK 6.3m in Q312 and SEK 6.1m in Q213. This is entirely a function of the slow patient intake for the PLIANT study since this governs expenses. Now that the company can begin the second phase we expect costs to increase in Q413.

Share performance stronger than the sector

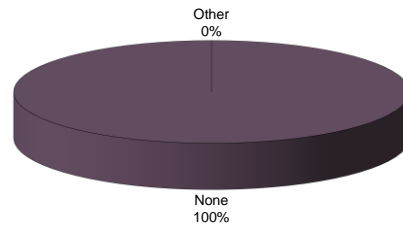
Over the past 12 months, the PledPharma share has risen slightly more than 94%, which is approximately twice as much as US biotech shares (AMEX Biotech) in general, which have risen by 54% over the same period. The main price driver for the share is still data from the PLIANT study. Increased clarity in this respect is not expected until next year.

PledPharma – Sales by Segment



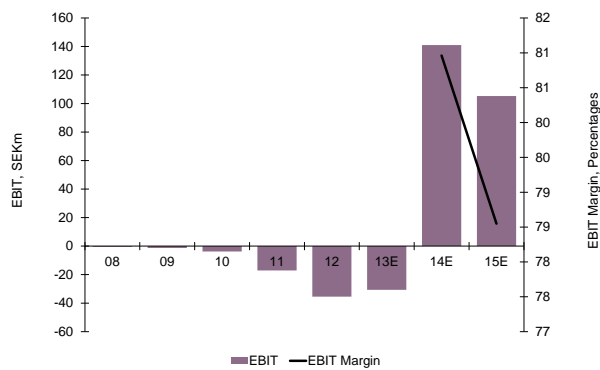
Source: Company Reports, Erik Penser Bankaktiefbolag

PledPharma – Sales by Market



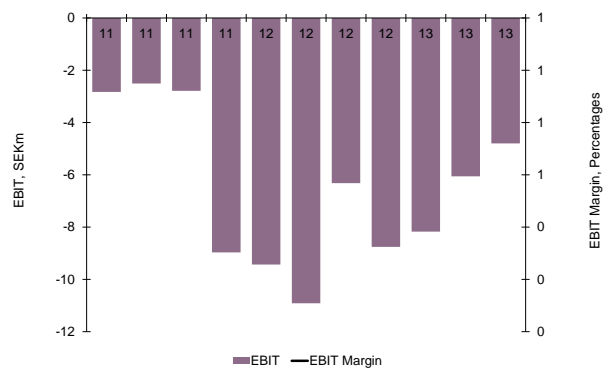
Source: Company Reports, Erik Penser Bankaktiefbolag

PledPharma – Full-year EBIT Performance



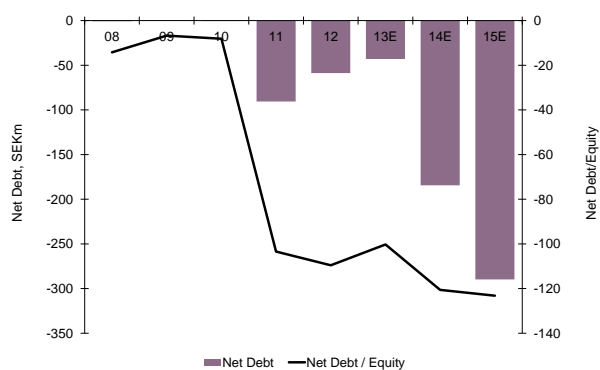
Source: Company Reports, Erik Penser Bankaktiefbolag

PledPharma – Quarterly EBIT Performance



Source: Company Reports, Erik Penser Bankaktiefbolag

PledPharma – Financial Position



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

PledPharma – Share Structure, Management

Market Cap (SEKm)	342	
No of Outstanding Shares (m)	21,9	
Avg No of Daily Traded Shares (000s)	14	
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	21 February 2014	

Source: Company Reports, Erik Penser Bankaktiefbolag

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 55m 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		
	Old	New	Change	Old	New	Change	Old	New	Change
Sales	0	0	-	174	174	0,0%	134	134	0,0%
EBIT	-31	-31	NM	141	141	0,0%	105	105	0,0%
EPS Adjusted	-1,39	-1,39	NM	5,02	5,02	0,0%	3,75	3,75	0,0%

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	-7	-8	-8
Other Operating Costs	-	-	-1	-1	-4	-20	-28	-24	-25	-21
EBITDA	-	-	-1	-1	-4	-17	-35	-31	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	-31	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	-30	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	-30	110	82

Cash Flow

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EBITDA	-	-	-1	-1	-4	-17	-35	-31	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	-35	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	-34	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	-34	141	105
Other Non-cash Adjustments	-	-	0	0	0	0	0	0	0	0
Net Debt	-	-	-1	-0	-1	-91	-59	-43	-184	-290

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	43	184	290
Total Current Assets	-	-	1	0	1	91	60	43	184	290
TOTAL ASSETS	-	-	5	6	8	91	60	43	184	290
EQUITY AND LIABILITIES										
Shareholder Equity	-	-	5	6	7	88	54	43	153	235
Minority Interest	-	-	0	0	0	0	0	0	0	0
Total Equity	-	-	5	6	7	88	54	43	153	235
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	43	184	290

Source: Company Reports, Erik Pensar 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	-1,39	5,02	3,75
EPS Adjusted	-	-	-2,70	-5,78	-12,61	-0,80	-1,67	-1,39	5,02	3,75
CEPS	-	-	-2,69	-5,77	-12,61	-1,64	-1,67	-1,39	6,43	4,81
Free Cash Flow	-	-	0,01	-0,00	-16,55	-1,18	-1,57	-1,63	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	1,92	6,85	10,53
Tangible Book Value (Excl Goodwill)	-	-	24,41	24,24	23,20	4,32	2,65	1,95	6,97	10,72
Net Asset Value	-	-	24,41	24,24	23,20	4,32	2,65	1,92	6,85	10,53
Net Debt	-	-	-3,47	-1,64	-1,89	-4,47	-2,90	-2,04	-8,41	-13,21
Enterprise Value	-	-	-	-	-	5,68	5,72	14,16	7,79	2,99
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	3,2	4,3
P/E Adjusted	-	-	-	-	-	NM	NM	NM	3,2	4,3
P/CEPS	-	-	-	-	-	NM	NM	NM	2,5	3,4
P/FCFPS	-	-	-	-	-	NM	NM	NM	2,5	3,4
FCF Yield	-	-	-	-	-	-11,6	-18,2	-10,1	39,8	29,6
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	8,45	2,37	1,54
P/Tangible BV	-	-	-	-	-	2,35	3,25	8,30	2,32	1,51
P/NAV	-	-	-	-	-	2,35	3,25	8,45	2,37	1,54
EV/Sales	-	-	NM	NM	NM	NM	NM	NM	1,72	2,24
EV/EBITDA	-	-	-	-	-	NM	NM	NM	2,1	2,9
EV/EBIT	-	-	-	-	-	NM	NM	NM	2,1	2,9
Share Price, Year-end	-	-	-	-	-	10,15	8,63	16,20	16,20	16,20
Share Price, High	-	-	-	-	-	18,01	19,12	17,60	-	-
Share Price, Low	-	-	-	-	-	7,15	8,23	8,63	-	-
Share Price, Average	-	-	-	-	-	11,36	10,85	12,98	-	-
Market Cap, Year-end and Current (SEKm)	-	-	-	-	-	206	175	342	355	355
Enterprise Value, Year-end and Current (SEKm)	-	-	-	-	-	115	116	287	300	300

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	-61,4	112,5	42,3
Return on Equity 5-Year Average	-	-	-	-	-	-	-	-45,8	-18,3	2,2
Return on Capital Employed, ROCE	-	-	-	-28,1	-65,1	-1 003,9	869,3	1 171,1	-892,7	-244,6
Return on Capital Employed 5-Year Average	-	-	-	-	-	-	-	188,7	15,7	-20,2

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	1,53	0,56

Financial Position

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Interest-bearing Net Debt (SEKm)	-	-	-1	-0	-1	-91	-59	-43	-184	-290
Equity Ratio	-	-	94,0	95,4	82,3	95,7	89,2	99,6	82,9	81,1
Net Debt/Equity	-	-	-0,14	-0,07	-0,08	-1,03	-1,10	-1,00	-1,21	-1,23
Net Debt/Market Cap	-	-	-	-	-	-0,44	-0,34	-0,13	-0,52	-0,82
Net Debt/EBITDA	-	-	1,3	0,3	0,1	5,3	1,7	1,4	-1,3	-2,8

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

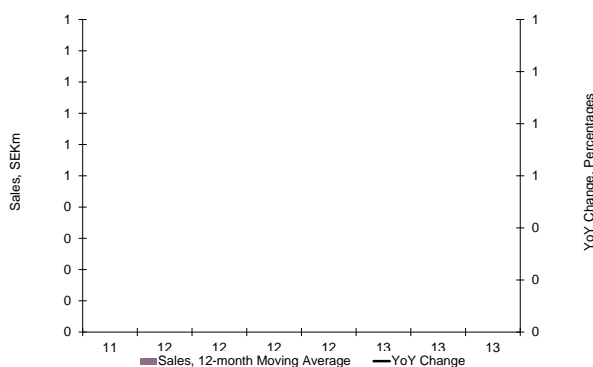
	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Net Sales	-	0	0	0	0	0	0	0	0	0	0	0
Other Operating Income	-	2	3	5	0	0	0	0	0	0	0	0
Other Operating Costs	-	-5	-5	-8	-9	-10	-11	-6	-9	-8	-6	-5
EBITDA	-	-3	-3	-3	-9	-9	-11	-6	-9	-8	-6	-5
Depreciation and Amortisation	-	-0	-0	-0	-0	-0	-0	-0	0	-0	-0	-0
EBIT	-	-3	-3	-3	-9	-9	-11	-6	-9	-8	-6	-5
Non-recurring Items	-	0	0	0	-17	0	0	0	0	0	0	0
Associated Companies	-	0	0	0	0	0	0	0	0	0	0	0
Net Financial Items	-	-0	0	0	1	0	0	1	0	0	-0	0
Pre-tax Result Reported	-	-3	-2	-2	-25	-9	-11	-6	-9	-8	-6	-5
Pre-tax Result Adjusted	-	-3	-2	-2	-8	-9	-11	-6	-9	-8	-6	-5
Tax	-	0	0	0	0	0	0	0	0	0	0	0
Minority Interest	-	0	0	0	0	0	0	0	0	0	0	0
Net Result Reported	-	-3	-2	-2	-25	-9	-11	-6	-9	-8	-6	-5

Growth Rates and Margins

	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Sales Growth, YoY	-	-	-	-	-	-	-	-	-	-	-	-
EBIT Growth, YoY	-	-	-	-	-	NM	NM	NM	NM	NM	NM	NM
EBITDA Margin	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EBIT Margin	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Pre-tax Margin Adjusted	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Tax Rate	-	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

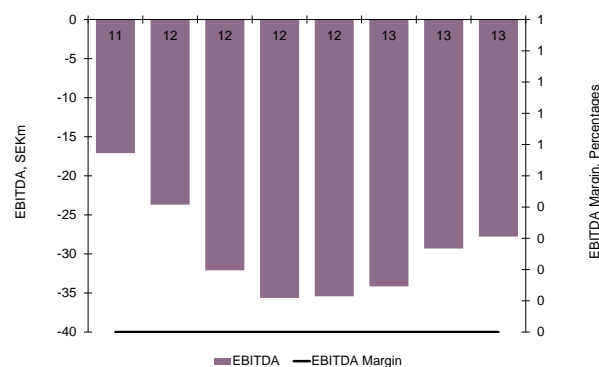
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – Sales, 12-month Moving Average



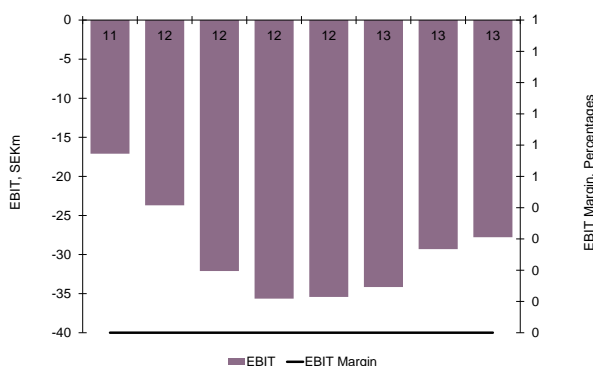
Source: Company Reports, Erik Penser Bankaktiebolag

PledPharma – EBITDA, 12-month Moving Average



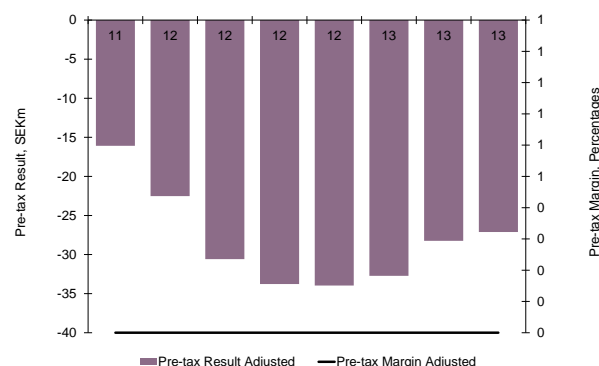
Source: Company Reports, Erik Penser Bankaktiebolag

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

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