Initial Research 2025-06-19

Gabather: High potential in specific modulation

- Novel therapeutics addressing the $GABA_A$ receptor system in the CNS
- An exploratory phase II study in schizophrenia is ongoing
- We initiate coverage with a fair value of SEK 0.092 per share

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Stock ticker:	GABA
Industry:	Pharmaceuticals
Listed on:	Nasdaq First North
Latest share price (SEK):	0,05
Market cap (MSEK):	11,8
Enterprise Value (MSEK):	6,8
Total number of shares (M):	236,20
- of which free float (M):	235,53

VHCF fair value per share

DCF model	SEK 0,092

	Gabather
Address:	Forskargatan 20J 151 36 Södertälje
Webpage:	gabather.com
CEO:	Michael-Robin Witt

Main owners (Dec 31 2024)	**Capital (%)**
Nordnet Pensionsförsäkring	12,2
Thomas Nilsson	6,6
Avanza Pension	6,0
Johan Zetterstedt	4,7
Michael-Robin Witt	3,7

Share price history (SEK)

	-1m	-3m	-12m
Change (%)	15,0	-23,0	-89,0
52 wk range (Low/Hi) - SEK			0,03/0,45

Source: Västra Hamnen Coporate Finance

Gabather is a drug developer in precision medicine targeting mental health disorders. By developing a specific $GABA_A$ receptor modulator in the central nervous system (CNS), the company engages in a new approach to a therapeutic area with great unmet medical need. Few new therapies have been introduced in recent years, and existing treatments often lack specificity and are associated with severe side effects.

The lead drug candidate, *GT-002*, is a potential first-in-class drug with solid clinical data from phase I studies. These data include results of a randomised placebo-controlled phase Ib study, which showed that the drug candidate affects the activity in the CNS and reaches the targeted areas in the brain.

GT-002 is currently undergoing an exploratory phase II study in schizophrenia, the *TOTEMS* study, financed by **Innovation Fund Denmark**. The first patient data in the three-year study is expected to be available during the second half of 2025.

Gabather is seeking a partner for the later-stage development of its pipeline assets. The company has several discussions ongoing, and according to management, a deal could potentially be reached as early as Q4 2025.

Progress in science and updated approaches have recently sparked great interest from the industry in the CNS field. For instance, in November 2024, **Acadia Pharmaceuticals** signed a licensing deal worth a total of MUSD 610 for an ion channel modulator in phase I, developed by Danish **Saniona**.

Gabather's current market cap amounts to approximately MSEK 11, which we believe is significantly undervalued given the market potential. Acknowledging the development risk, we also recognise a substantial financial risk in the company. The shareholder base is fragmented, and we expect a financing round in Q1 2026, should a license deal not materialise.

In our model, we estimate GT-002's potential in schizophrenia, addressing the US, Japan, and the five largest markets in Europe. We apply a WACC of 20.6 per cent and a likelihood of approval (LOA) of 15 per cent. Our risk-adjusted DCF model implies a fair value of SEK 0.092 per share.

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What does Gabather do?

GABA receptor modulation in the CNS

Gabather, founded in 2014 and listed on Nasdaq First North Growth Market since 2018, develops potential first-in-class treatments for mental health disorders. Gabather has a pipeline of compounds directed towards the $GABA_A$ receptor system in the central nervous system (CNS). The lead asset, *GT-002*, is a small-molecule, highly specific modulator of $GABA_A$ receptors in the CNS. GT-002 is currently being evaluated in an exploratory phase II study in schizophrenia funded by Innovation Fund Denmark.

The company's strategy is to find support for further development through clinical data, partner with a larger company for another phase II study and later-stage development, and evaluate GT-002 in other indications than schizophrenia.

Addressing cognitive disorders

The causes of mental illness are complex. Research suggests that mental and cognitive symptoms are caused by an imbalance between the neurotransmitters in the brain. Several treatments have been developed to address the serotonine and the dopamine systems. Antidepressants often target serotonin, and antipsychotic drugs commonly address dopamine. Treatments against anxiety and sedatives are directed towards the GABA system.

GABA – gamma-butyric acid – is the primary inhibitory neurotransmitter in the CNS. The neurotransmitter decreases the activity in the nerve cell. Together with the excitatory neurotransmitter glutamate, GABA is present in nearly 90 per cent of all nerve signals in the CNS. An accurate regulation of the GABA transmission is crucial for the proper function of many aspects of the brain.

The GABA type A ($GABA_A$) receptor is a ligand-gated ion channel involved in the regulation of cognition, memory, learning, motor function, circadian rhythms, neural development, and adult neurogenesis.

Pipeline

Gabather has developed a library of $GABA_A$ receptor modulators with the potential to affect several psychiatric cognitive disorders, such as mild cognitive impairment, major depressive disorder, anxiety, autism, bipolar disorder, and schizophrenia. In the second half of 2025, preclinical data are expected from one of these pipeline compounds, and a drug candidate will be selected.

GT-002 is the lead asset

GT-002 is a positive allosteric modulator (PAM) binding preferentially to a specific subunit of the $GABA_A$ receptor. Examples of $GABA_A$-binding PAMs include benzodiazepines and barbiturates. Benzodiazepines cause sedation, respiratory depression, cardiovascular depression, dizziness, weakness, instability, and dependence.[1] Barbiturates slow the CNS and cause sleepiness, euphoria, lack of constraint, memory impairment, poor judgment, and poor coordination.

GT-002 affects both the frequency and the sustainability of the flow of chloride ions through the ligand-gated ion channel. This approach could provide a more specific modulation of the $GABA_A$ receptor, avoiding many of the side effects.

Solid phase I data

Successful phase I studies.

The drug candidate has successfully been evaluated in three phase I studies. Safety, tolerability and pharmacokinetics showed favourable data in both the single and the multiple ascending dose studies. The first two parts of the clinical phase I were completed in 2019 and 2020, respectively.

Promising phase Ib results

The third part, a phase Ib study, was a target engagement study evaluating safety, tolerability for a therapeutic dose of GT-002. The study was a double-blind, placebo-controlled crossover study, also measuring the effect of the drug candidate on the brain activity using electroencephalogram (EEG) and functional magnetic resonance imaging (fMRI). GT-002 was compared to a placebo and lorazepam, a benzodiazepine. The phase Ib study was completed in 2024, and the final analysis was published in April 2025.

Positive results from the target engagement study

After two hours, a significant increase in EEG-alpha activity was observed in the subjects who received GT-002 compared to both the placebo and the benzodiazepine reference compound, lorazepam.

The alpha band power in the EEG is known to be linked with, for instance, cognitive functions, relaxation and reduced anxiety. Patients with severe symptoms of schizophrenia often show low alpha band power on the EEG. The study results indicate a therapeutic effect of GT-002.

The fMRI data converged with the EEG findings. GT-002 affected brain activity in key cognitive and sensorimotor regions in the brain. The drug candidate produces a sustained, significant change in brain activity, suggesting a long-lasting effect on the CNS, which is different from both the placebo and the reference compound.

[1] Edwards & Preuss (2024), "GABA Receptor Positive Modulators", StatPearls

Table 1: Västra Hamnen's estimated timeline

Source: Västra Hamnen Corporate Finance

An exploratory phase II study underway

Phase II initiated

In 2024, Gabather entered an agreement with the Centre for Neurospsychiatric Schizophrenia Research (CNSR) at the Psychiatric Centre in Glostrup, Denmark, for a phase II study with GT-002 in patients with schizophrenia. The study is financed by the Innovation Fund Denmark, with the first patient included in Q2 2025.

The study is a single-centre, double-blind, placebo and active comparator-controlled, randomised, four-way crossover study with single exposure.

The study will include 20 patients with schizophrenia aged between 18 and 45. The patients have been subject for an unchanged psychotic treatment for at least three months. These subjects have been clinically stable for a minimum of three months.

In addition, 30 healthy subjects between 18 and 45 years of age will be included in the control group.

Study plan

Each subject will receive a single dose of all four treatments in a random sequence.

The doses are add-ons to antipsychotic treatment:

- GT-002
- A benzodiazepine reference compound
- Placebo

The participants will be in the study for about nine weeks, from the initial meeting to the final safety control. Gabather expects the first patient data to be available during the second half of 2025 and the whole study to be completed in 2027.

Objectives

The objective of the TOTEMS study is to evaluate the acute effect on $GABA_A$ receptor modulation by GT-002. Patients will be tested on cognitive performance, including attention, memory, and problem-solving abilities.

Neurophysiological activity will be measured by EEG, electromyography (EMG), and resting-state EEG to analyse how GT-002 affects brain oscillations, neural connectivity and the excitation-inhibition balance.

Development timeline for GT-002

The TOTEMS study will be completed in 2027, and the results will guide the company in the next step. We believe a second phase II study in schizophrenia will be initiated before the TOTEMS study is completed.

A second phase II study in 2027

We estimate that a study evaluating the therapeutic effect of GT-002 in patients with schizophrenia will start in 2027 and be completed in 2029. The study will include more participants and take more time than the TOTEMS study. We model for a tight schedule, and are aware that unexpected events regarding financing, production, planning, and execution could affect the timeline.

The phase II studies will form the basis for a pivotal phase III study, which we estimate could be initiated in 2030. After the three-year phase III study, Gabather will be able to file for regulatory approval in 2033. If we consider a year between filing and approval, the company will be able to launch GT-002 in 2034.

Additional potential of GT-002

The EEG-fMRI study indicates a potential for GT-002 in other diseases. The company has already started to explore other areas.

Preparations made to explore GT-002 in FTD

Frontotemporal dementia

In 2023, Gabather indicated a project to develop GT-002 as a treatment for frontotemporal dementia (FTD), a condition without a cure. The company was planning discussions with the European Medicinal Agency in order to apply for orphan drug designation status.

Although the study plan, synopsis, study group members, and logistics are in place, further development is currently hindered by financial constraints. Therefore, the financial potential will not be included in our model until a first study can receive funding.

Financing

In March 2025, Gabather raised a gross amount of MSEK 6.4 in a preferential unit issue. The proceeds will provide the company with funding throughout 2025, according to management.

Excercise of TO7 in November 2025

In the unit issue, the warrant TO7 was included. The exercise period starts on November 17 and ends on December 1, 2025. If fully subscribed, TO7 could add MSEK 5.3 – 17.4, depending on the subscription price, which will be determined before the subscription period.

The company is actively searching for a partner for further development of GT-002 and its pipeline assets.

Key personnel and management

Michael-Robin Witt is the Chief Executive Officer and joined in 2014. He holds a PhD. in Neuropharmacology from the Royal School of Pharmacy, Copenhagen, Denmark. Previous assignments include senior line and project management positions in Neurosearch, AstraZeneca R&D and KaroBio. In 2007, Robin-Witt co-founded Axcentua Pharmaceuticals, where he acted as CSO for 5 years before joining Lead Discovery Malaysia in 2012. He currently holds the positions of CEO and CSO. Stock ownership and relatives: 76,926 shares and 25,642 of TO5 and 50,000 of TO22/25.

Christine Ryan joined in 2017 and is the company's COO. Ryan holds a PhD in Neuroscience from the University of Cambridge, UK and an MBA from the Stockholm School of Economics. Following a post-doc at the Brain Research Institute, St Hans Hospital, Roskilde, Denmark. She has previously led preclinical research at companies ranging from AstraZeneca to smaller biotechs like Karo Bio AB and Cerca Insights. Stock ownership and relatives: 10,650 shares

Kristofer Svensson holds a master's degree in economics from Stockholm University. He has also studied psychology and has experience from the Swedish Armed Forces. Previous experiences include several years as CFO in the pharmaceutical industry. Stock ownership and relatives: 16,446 shares and 3,289 of TO5 and 25,000 of TO22/25.

Production

GT-002 is a stable small molecular-weight compound, administered orally through a capsule. Gabather has established the manufacturing process and has produced enough of GT-002 to cover the completion of the TOTEMS study. The company will assign a contract manufacturing organisation for the production of the study material for the second phase II study and for other preclinical and clinical activities.

Intellectual property rights

Gabather pursues an active intellectual property rights (IPR) strategy. In March 2024, the company submitted applications to the US Patent Office regarding new findings from the target engagement study with GT-002. The provisional patents will protect the medical uses of GT-002 in psychiatric disorders until 2039.

What is the market potential?

Our projection of the market potential is defined by the treatment market for schizophrenia in the five largest markets in Europe, the US, and Japan. There is a significant market potential in other countries, e.g. China, but for now we limit our projection to the abovementioned markets.

Schizophrenia

According to a report published in The Lancet in 2024, neurological disorders are now the leading cause of ill health and disability worldwide. The report has studied mortality, prevalence, years lived with disability (YLDs), years of life lost, and disability-adjusted life-years (DALYs) between 1990 and 2021.[2]

Schizophrenia also causes significant social and economic costs

Worldwide, approximately 24 million people are affected by schizophrenia, according to the World Health Organization.[3] Despite its relatively low prevalence, the disorder is associated with significant social and economic costs, apart from the health concerns. The economic burden of schizophrenia is estimated to BUSD 343.2 annually in the US alone.[4]

People with schizophrenia have an exceptionally shorter life expectancy than the general population. According to studies, it is approximately 20 years shorter. A person with schizophrenia also has a higher risk of somatic diseases, especially cardiovascular diseases.[5] Other factors include a higher risk for suicide, adverse effects from psychotic drugs and unhealthy lifestyles including smoking, alcohol abuse and lack of physical activity.[6]

[2] Steinmetz et al, (2024), Global, regional and national burden of disorders...,The Lancet
[3] WHO (2022) Schizophrenia
[4] Kadakia et al. (2022), The Economic Burden of Schizophrenia in the United States , J Clin Psychiatry
[5] Glahn Wernlund (2015) Excess mortality in schizophrenia
[6] Laursen, (2012) Life expectancy and cardiovascular mortality in persons with schizophrenia

Treatment strategy

There is no cure for schizophrenia. Lifelong medical treatment often alleviates the symptoms. Patients are commonly referred to a combination of drugs to achieve manageable symptoms.[7] Antidepressants and antipsychotic drugs are the most frequent treatments that could cause severe side effects such as nausea, insomnia, akathisia, sexual dysfunction, myocarditis, among others.

Positioning

Gabather aims to position GT-002 as a first-line treatment, but will initially accept a different regimen as a second-line treatment or in combination with existing treatments.

Given the first-in-class properties and its side effect profile, the significantly lower price than existing alternatives could be an advantage for GT-002.

Pricing

Bristol Myers Squibb's (BMS) recently approved treatment, *Cobenfy* is priced at an annual cost of around USD 22,000. Due to low production costs and a different chemical composition, we believe that GT-002 will be priced significantly lower. We use a conservative estimate of USD 2,220 per annum.

How is the competitive situation?

The CNS field has recently been subject to rising interest from the pharmaceutical industry after a long period of disinterest. In September 2024, the FDA approved BMS's *Cobenfy*, also known as *KarXT*, a drug developed by Karuna Therapeutics. This is the first approved schizophrenia drug with a new mode of action in decades. The drug targets cholinergic receptors rather than standard-of-care dopamine receptors.[8]

BMS acquired Karuna Therapeutics for BUSD 14 in December 2023, with great expectations on Cobenfy becoming a blockbuster as soon as 2026. Analysts have projected annual peak sales of BUSD 10.[9] In the first quarter of 2025, BMS reported Cobenfy sales of MUSD 27.[10]

New ventures use updated science and technological progress to find new approaches to CNS diseases.[11] Gabather aims to offer a treatment specifically aimed at schizophrenia. Today, patients are referred to symptom-relieving treatments developed for other mental disorders, such as antipsychotics or antidepressants.

What is the earnings outlook?

Launch of GT-002 in 2034

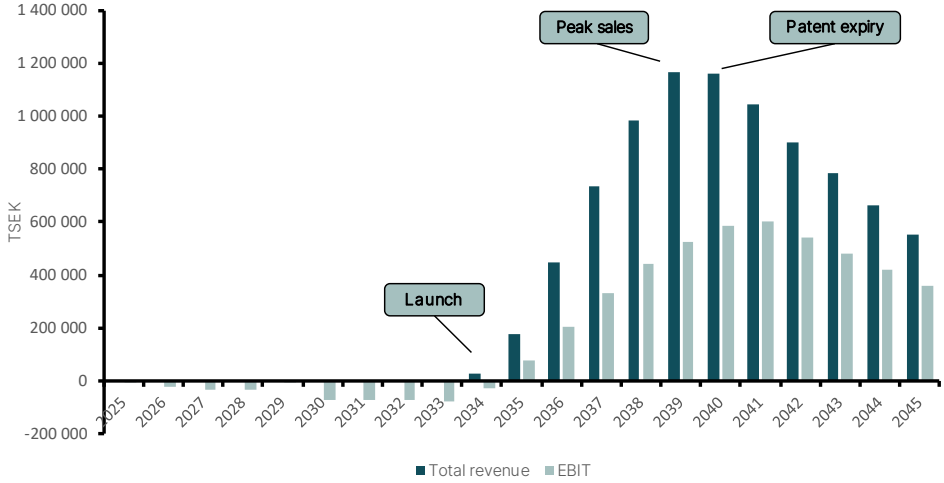
In our model, we project that GT-002 will be launched in Q2 2034. Graph 1 shows that the company will generate sales of MSEK 1,167 and a net profit of MSEK 417 in 2039. Given our price assumption of TSEK 2.2 in the US and TSEK 1.1 in the EU4, UK and Japan. We apply a gross-to-net price of 80 per cent, representing a 20 per cent discount to distributors compared to end customers, following the industry benchmark.[12]

[7] Mayo Clinic website, Schizophrenia
[8] US Food and Drug Administration, (2024), FDA approves drug with new mechanism of action...
[9] Dunleavy (2024), For Bristol Myers Squibb's newly approved schizophrenia drug..., Fierce Pharma
[10] Bristol Myers Squibb (2025), Q1 Report 2025
[11] Shah-Neville (2024), 10 neuroscience biotech companies you should know about, Labiotech
[12] Thornblad and Carlsson (2021), Biotech Valuation, A playbook for dealmakers, MSC Nordics

Peak sales of MSEK 1,167 in 2039

We estimate that the commercialisation of GT-002 will follow a launch curve, reaching a market share of 3.92 per cent in 2039 with peak sales of MSEK 1,167 in the same year. Thereafter, sales are estimated to decline due to patent expiry in 2039 and increased competition from generics and other treatments. We estimate that 101,000 patients to be treated annually by 2039.

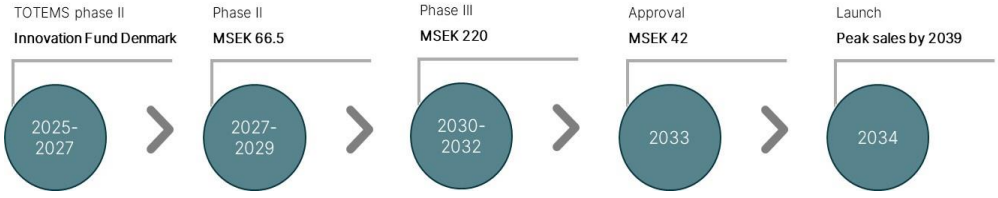
Graph 1: Revenue and EBIT estimate



Source: Västra Hamnen Corporate Finance

On the cost side, we estimate the total costs associated with the clinical development in schizophrenia to amount to MSEK 831.

Table 2: Cost overview



Source: Västra Hamnen Corporate Finance

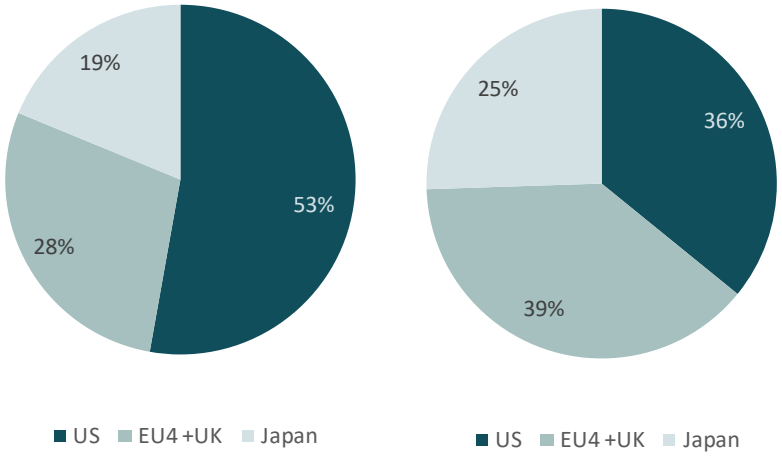
Improving the EBIT margin

After launch, we have modelled for different cost items as a percentage of sales, according to industry benchmarks.[13] The cost of goods sold (COGS) is 15 per cent of sales in our model. We assume selling, general and administrative expenses (SG&A) to be 20 per cent until peak market share in 2037, and ten per cent thereafter. Research and development (R&D) amounts to 20 per cent of sales in our model. These costs are decreasing slightly after patent expiry in 2039. Hence, the EBIT margin will initially be 39 per cent at launch, increase continually, and reach 65 per cent at the end of our projection period.

[13] Ibid

We assume a similar launch curve in all regions. The US, EU4, the UK and Japan are estimated to be of similar size in terms of treated patients. Due to a higher price level in the US, we estimate that this market will account for 53 per cent of Gabather's total sales in the peak year, 2039.

Graph 2: Sales split by region 2039 (left), treated patients split by region 2039 (right)



Source: Västra Hamnen Coprorate Finance

To conclude, we expect Gabather to reach commercialisation in 2034 with sales of MSEK 24.6 and be profitable by 2035 with a net income of MSEK 77.3. Sales will follow a launch curve, reaching peak sales of MSEK 1,167 in 2039, representing a 3.92 per cent market share and 101,000 treated patients. We expect Gabather to achieve an EBIT margin of 39 to 65 per cent and the US to be its largest market.

What is the cash situation?

By Q1 2025, Gabather reported cash holdings of MSEK 1.5. In February 2025, Gabather carried out a share issue, adding MSEK 6.4 before transaction costs. The capital raised will finance development work with the preclinical assets and preparations for a phase I study in a new indication.

The warrant TO7 will be exercised in November 2025, and if fully subscribed, it could add MSEK 5-17, depending on the subscription price.

We expect a financing round in early 2026 of MSEK 25 to fund preparations for a phase II study with GT-002 in schizophrenia. We project further financing rounds as the drug candidate advances in clinical development. These steps will probably be taken together with a partner.

What is behind the numbers?

Deferred tax asset

In our research, we try to look beyond the reported numbers to see if the company uses accounting methods or reports items off the income statement or balance sheet, which could impact our interpretation of its official figures. The underlying financials of the company could be stronger or weaker than they look at first glance, and this could be important for our valuation.

Due to previously reported losses, we estimate that Gabather has accumulated losses of MSEK 128. Due to the uncertainty of when the firm would reach profitability, the deferred tax asset is not recognised on the balance sheet.

Incurred losses can be used to offset future tax payments. We estimate that the company's accumulated loss of MSEK 128 will grow to MSEK 556 in 2034 before Gabather's first year of profitability in 2035. We estimate that this tax asset will decrease until mid-2037, when the company will start paying taxes.

What could go wrong?

Financial risk

A major issue in the investment case is the financial risk. Gabather is a small drug developing company with a fragmented shareholder base. Progress in the projects is important to gather support from its shareholders for further financing.

Gabather will eventually need a partner to advance its projects through late-stage clinical development, approval and market launch.

Development risk,

Despite promising results in the target engagement study, development risk is substantial, as in all early-stage drug development projects. Interim data from the phase II study will be crucial for the prospects of later-stage development. There is also a clinical risk if GT-002 is not compatible as an add-on to existing treatments. We have assigned an LOA of 15 per cent at this stage to reflect this risk.

Commercialisation risks

The process for regulatory approval could be lengthy and differ between regions. At launch, competition from existing and new treatments could change market prices and penetration more than in our forecast and affect profitability.

People

Gabather is a small organisation and is highly dependent on keeping its staff. Development plans and timelines could be severely affected if Gabather is not able to keep its personnel.

What is the fair value of the share?

DCF valuation

Our DCF calculation comprises two steps. Firstly, we estimate the fair enterprise value based on our estimated projections. Secondly, we multiply the enterprise value by a risk coefficient, reflecting the probability of it reaching our forecast. This method is recommended for developing companies before reaching sustainable profits. Learn more about our DCF model in the appendix.

We derive the discount factor, the weighted average cost of capital (WACC), from the *capital asset pricing model* (CAPM). We use benchmarks for the equity risk premium and additional risk premia associated with small-cap companies as accounted for in PwC's report *Equity Risk Premium on the Swedish market* from 2025.[14] We also include

[14] PwC Riskpremiestudien 2025.

the interest rate from Gabather's long-term debt. The WACC in our model amounts to 20.6 per cent.

Moreover, we have used a terminal growth rate of 2 per cent.

Table 3: DCF model assumptions

MSEK	2023	2024	2025e	2026e	2027e	2028e	2029e	2030e
Total revenues	-	-	-	-	-	-	-	-
EBIT	-9,5	-7,7	-4,7	-20,1	-34,5	-35,2	-5,0	-73,3
Adj. Taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NOPLAT (= EBIT - tax)	**-9,5**	**-7,7**	**-4,7**	**-20,1**	**-34,5**	**-35,2**	**-5,0**	**-73,3**
Depreciation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Capex + Working cap	2,2	-0,0	-0,3	-0,1	-0,1	-0,1	-0,1	-0,1
Net cash flow	**-7,3**	**-7,7**	**-5,0**	**-20,2**	**-34,6**	**-35,2**	**-5,1**	**-73,3**

DCF (MSEK)	
WACC	21%
Enterprise value (EV)	111,7
Prob of profitability	15%
Risk adjusted EV	16,8
Warrants	0,0
Net cash (= cash - debt)	5,0
Fair value market cap	**21,8**
Diluted no of shares (M)	236,20
Fair value/share (SEK)	**0,09**

Sensitivity analysis (SEK)

WACC \ Prob of profitability	10%	15%	20%	25%
25%	0,03	0,04	0,04	0,05
23%	0,05	0,06	0,07	0,09
21%	0,07	0,09	0,12	0,14
19%	0,10	0,14	0,18	0,21
17%	0,14	0,20	0,26	0,32

Source: Västra Hamnen Corporate Finance

LOA of 15 per cent

To adjust for the development risk, we use a likelihood of approval (LOA) to be 15 per cent from phase I to approval for GT-002. This specific probability is a benchmark for the development of drug candidates in CNS. The LOA is applied to the final enterprise value in our DCF valuation.

We estimate a fair value per share of SEK 0.092

Partnership deals

Median deal of MUSD 116

In this scenario, we have valued Gabather based on partnership deals made in the sector. According to Thornblad and Carlsson, the median partnership deal value (out of 345 deals) within CNS indications between 2008 and 2018 was MUSD 75. This is a total value including an upfront payment and milestone payments. To simplify, we assume a successful phase II study, and we have modelled for a deal to materialise in 2029 to finance and complete the phase III study.

If we discount this value with our WACC and apply an EV/Sales multiple of 3x, we get an enterprise value of MSEK. In this scenario, we have chosen an EV/sales multiple of 3x based on a discount to peers Sobi and Calliditas, which are valued at 5x. We then apply an LOA of 19.5 per cent, reflecting the probability from phase II to approval. Additionally, we adjust for projected net debt and cash holdings, and we get a share price of SEK 0.71.

Table 4: Calculation overview

TSEK	Median	Number of deals
CNS	713 250	345
Discounted value (t=5, WACC=20,6%)	279 520	
EV/Sales	3x	
EV	838 559	
LOA	19,5%	
Risk adjusted EV	163 519	
- Debt	0	
+ Cash	5 005	
Equity value	168 524	
Share price (SEK)	0,71	

Source: Thornblad and Carlsson, CapitalIQ, Västra Hamnen Corporate Finance

Table 5: Sensitivity analysis

		LOA				
		9,5%	14,5%	**19,5%**	24,5%	29,5%
EV/Sales	1x	0,13	0,19	0,25	0,31	0,37
	2x	0,25	0,36	0,48	0,60	0,72
	3x	0,36	0,54	**0,71**	0,89	1,07
	4x	0,47	0,71	0,94	1,18	1,42
	5x	0,58	0,88	1,17	1,47	1,77

Source: CapitalIQ, Västra Hamnen Corporate Finance

The Acadia-Saniona deal worth MUSD 610

A recent example of a deal is Acadia Pharmaceuticals' license agreement with Saniona, worth MUSD 610 in November 2024, regarding Saniona's drug candidate *SAN711* or *ACP-711*, as it is now called. The drug candidate is a specific $GABA_A$ receptor modulator initially aimed at essential tremor, a neurological condition that includes shaking and trembling movements. ACP-711 is currently undergoing a multiple ascending dose study in phase I.

Table 6: Three relevant deals (MUSD)

Date	Licensee	Licensor	Area/asset	Upfront	Milestones	Total value	Type
2024-11-26	Acadia Pharmaceuticals	Saniona	SAN711	28	147	610	License
2023-12-22	Bristol Myers Squibb	Karuna Therapeutics	KarXT			14 000	M&A
2023-12-16	AbbVie	Cerevel	emraclidine			8 700	M&A

Source: Västra Hamnen Corporate Finance

Other relevant deals

In December 2023, AbbVie acquired Cerevel Therapeutics for BUSD 8.7 in an all-cash bid. Cerevel's main asset, *emraclidine*, was evaluated in two separate phase II trials in schizophrenia. In 2024, AbbVie announced that the studies failed as the drug candidate did not outperform the placebo.

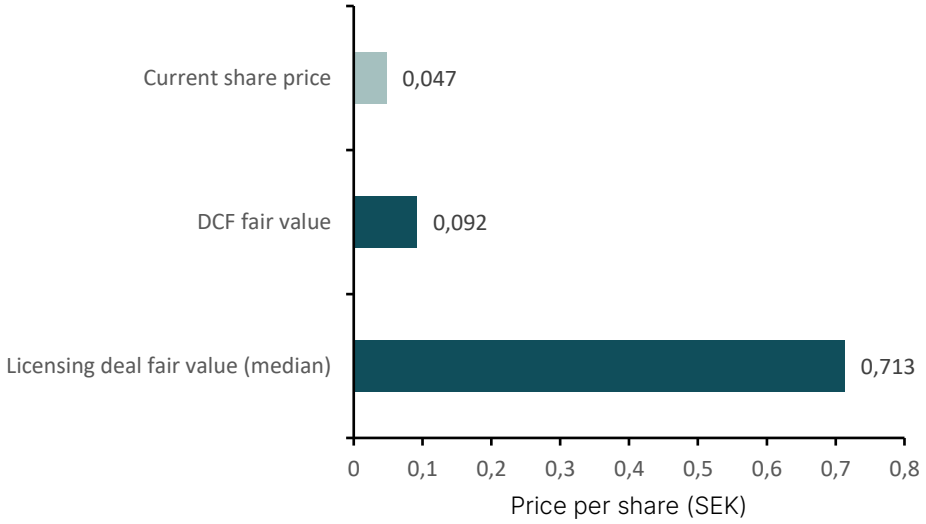
The deals mentioned show that the industry is willing to invest in new CNS treatments despite the risk of failure.

To summarise the valuation, we see that the methods used imply an upside of around 85 per cent from today's level.

The need to find alternative therapies for CNS conditions, the industry's underlying interest in investing in promising drug candidates.

Given the obvious financial risk and substantial development risk, we believe Gabather offers great potential at the current valuation.

Graph 3: Valuation summary



Source: Västra Hamnen Corporate Finance

Potential triggers

Study results

The exploratory phase II study in schizophrenia is underway. The first patient data will be available during the second half of 2025.

Licensing deals

A common practice in the life science industry is that larger pharmaceutical companies invest in smaller firms' development projects. Gabather follows this strategy. A licensing deal after showing proof of concept in phase II will deliver significant value for the shareholders. Management has also opened the possibility to partner before the phase II study is completed.

Additional indications

Gabather has chosen schizophrenia as the model indication. The company has great hope that its approach can have an effect on other cognitive mental disorders, such as FTD, depression, and Alzheimer's disease.

Funding

The latest rights issue will keep the company financed throughout 2025. Thereafter, the company needs new funding for the preparations of a new phase II study and the development of its pipeline.

Upcoming events

Financial calendar

30 Jun 2025	Annual General Meeting
28 Aug 2025	Q2 report 2025
27 Nov 2025	Q3 report 2025
26 Feb 2026	Year-end report 2025

Appendix:

Valuation method

Early-stage companies usually report negative net profits and may have many years left until they turn a profit. Sometimes they even have years until their first significant sales revenues. The difficulty in valuing growth companies with limited historical records is that the valuation rests on uncertain estimates of future earnings, more uncertain than for companies with years of stable profits on record. There is little in terms of historical figures on which to base estimates of future revenues, future profit margins and other items.

To handle these challenges, we choose to follow a generally accepted method for valuing growth companies described by finance professor Aswath Damodaran, among others. Instead of scaling the discount rate (WACC) to account for all the risks and uncertainties associated with a young company, we use a two-stage valuation approach: [15]

- First, we estimate fair enterprise value under the explicit assumption that the company survives until its first year of sustainable profits. We use a WACC commensurate with the circumstances of the company once it reaches profitability.

- Second, we adjust the estimated enterprise value by multiplying it by a probability factor reflecting the likelihood that the company survives.

With each passing period after the initial valuation, the probability factor may be adjusted based on the company's development and our updated assessment of its chances of survival.

Discount rate WACC

To estimate the fair value of the company, we use a well-established model to calculate the present value of future cash flows. In this model, there are several assumptions and parameters that we discuss here.

An important factor in the model is the discount rate for the future cash flows. We use the company's weighted average cost of capital (WACC) and other recognised risk premiums. The WACC is derived from the weighted cost of equity and debt. To calculate the cost of equity, we use the Capital Asset Pricing Model (CAPM), with an added small-cap premium:

$$Re = Rf + Rp + \beta(Rm - Rf)$$

The risk-free rate (Rf), the market premium (Rm-Rf) and the small cap premium (Rp) are all taken from PwC's 2023 risk premium study.[16] The beta value for Gbather's share is based on beta values for peers. The process can be described in three steps:

[15] Damodaran, Aswath, (2009), Valuing Young, Start-up and Growth Companies: Estimation Issues and Valuation Challenges, Stern School of Business, New York University.
[16] PWC, (2025), Riskpremiestudien, https://www.pwc.se/riskpremiestudien

1. First, we calculate each company's beta, where, according to Koller et.al (2020), we used monthly returns over five years. As the identified peer companies are active on a global level, we have used the broad index S&P 500 as the market index.
2. We then calculate the unlevered beta for each company according to the formula: $\frac{B_L}{(1+\frac{D}{E}*(1-t))} = B_u$
   We can now calculate the median value of the beta values of the peer group without debt.
3. In the last step, we take into account the indebtedness of Gabather according to the formula: $B_u * \left(1 + \frac{D}{E} * (1-t)\right) = B_L$

By taking the capital structure into account in the beta calculation, we create a more dynamic beta value. This approach captures a leverage effect on equity, which increases as leverage increases.

To conclude, we get a WACC of 20.6 per cent.

Glossary

Abbreviation	Name	Description
CNS	The central nervous system	
CNSR	Centre for Neuropsychiatric Schizophrenia Research	A Danish research organisation owned by
DALYS	Disability-adjusted life-years	
EEG	Electroencephalogram	Measures the electrical activity in the brain, observes abnormalities in the brain waves
fMRI	Functional magnetic resonance imaging	Tracks and produces images of the blood flow in the brain
FTD	frontotemporal dementia	
GABA	Gamma-aminobutyric acid	Inhibitory neurotransmitter in the CNS
GABAA	Gamma-aminobutyric acid a	Part of the ligand-gated ion channel complex
PAM	Positive allosteric modulator	Increases the agonist affinity and/or efficacy to the receptor
TOTEMS	Target Oscillations in the Excitation-Inhibition Balance in Schizophrenia	The phase II study in collboration with CNSR in Denmark
YLD	Years lived with diasbility	

Income Statement - Annual Data

kSEK	2023	2024	2025	2026	2027	2028	2029	2030
Net Sales	0	0	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total COGS	0	0	0	0	0	0	0	0
Payroll expenses	-4 142	-3 797	-2 613	-3 486	-4 298	-4 653	-5 036	-5 451
Other external costs	-5 337	-3 857	-2 110	-16 633	-30 208	-30 505	0	-67 833
Other operating expenses	5	-33	2	0	0	0	0	0
EBITDA	-9 474	-7 687	-4 721	-20 119	-34 506	-35 158	-5 036	-73 285
Depreciation & Amortization	0	0	0	0	0	0	0	0
EBIT	-9 474	-7 687	-4 721	-20 119	-34 506	-35 158	-5 036	-73 285
Financials, net	38	20	-33	0	0	0	0	0
EBT	-9 436	-7 667	-4 754	-20 119	-34 506	-35 158	-5 036	-73 285
Taxes	0	0	0	0	0	0	0	0
Net Income/Loss	-9 436	-7 667	-4 754	-20 119	-34 506	-35 158	-5 036	-73 285
Earnings per share (SEK)	0	0	-0	-0	-0	-0	-0	-0
Growth (%)								
Net revenues	na	na	na	na	na	na	na	na
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	neg	neg	neg	neg	neg	neg	neg	neg
Total OPEX	neg	neg	neg	neg	neg	neg	neg	neg
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2023	2024	2025	2026	2027	2028	2029	2030
Inventories	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0	0
Other receivables	1 525	528	443	440	457	478	501	526
Prepaid expenses and accrued income	142	272	232	237	247	259	272	285
Cash and cash equivalents	5 543	878	731	2 038	75 480	40 270	35 179	161 837
Total current assets	7 315	1 783	1 688	3 058	76 553	41 396	36 360	163 076
Tangible assets	0	0	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	0	0	0
Financial assets	50	50	50	50	50	50	50	50
Total fixed assets	50	50	50	50	50	50	50	50
Total assets	7 365	1 833	1 738	3 108	76 603	41 446	36 410	163 126
Accounts payable	548	766	900	887	881	879	879	879
Accrued expenses and prepaid income	3 824	2 891	2 572	2 565	2 570	2 571	2 572	2 572
Other current liabilities	2 506	2 351	2 307	2 316	2 319	2 320	2 320	2 320
Current tax liabilities	0	0	0	0	0	0	0	0
Total current liabilities	6 878	6 008	5 780	5 768	5 770	5 770	5 770	5 770
Total non-current liabilities	0	0	0	0	0	0	0	0
Total equity	486	-4 175	-4 042	-2 660	70 834	35 676	30 640	157 355
Total Liabilities and Equity	7 364	1 833	1 738	3 108	76 603	41 446	36 410	163 126

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2023	2024	2025	2026	2027	2028	2029	2030
Cashflow from operating activities	-9 436	-7 667	-4 754	-20 119	-34 506	-35 158	-5 036	-73 285
Changes in working capital	2 222	-3	-280	-75	-52	-52	-55	-57
Cashflow from investment activities	0	0	0	0	0	0	0	0
Cashflow from financing activites	6 485	3 139	5 251	21 500	108 000	0	0	200 000
Cashflow for this period	-729	-4 531	-147	1 306	73 442	-35 210	-5 091	126 658
Beginning of period cash balance	6 272	5 543	878	731	2 038	75 480	40 270	35 179
Ending cash balance	5 543	878	731	2 038	75 480	40 270	35 179	161 837

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025e	Q3 2025e	Q4 2025e	Q1 2026e
Net Sales	0	0	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0	0	0
Total revenue	0	0	0	0	0	0	0	0
Total COGS	0	0	0	0	0	0	0	0
Payroll expenses	-1 186	-643	-667	-527	-681	-695	-709	-723
Other external costs	-518	-734	-731	222	-762	-777	-793	-809
Other operating expenses	-20	0	0	2	0	0	0	0
EBITDA	-1 724	-1 377	-1 398	-303	-1 443	-1 472	-1 502	-1 532
Depreciation & Amortization	0	0	0	0	0	0	0	0
EBIT	-1 724	-1 377	-1 398	-303	-1 443	-1 472	-1 502	-1 532
Financials, net	6	4	3	-33	0	0	0	0
EBT	-1 718	-1 373	-1 395	-336	-1 443	-1 472	-1 502	-1 532
Taxes	0	0	0	0	0	0	0	0
Net Income/Loss	-1 718	-1 373	-1 395	-336	-1 443	-1 472	-1 502	-1 532
Earnings per share (SEK)	-0	-0	-0	-0	-0	-0	-0	-0
Y-o-Y Growth (%)								
Net revenues	na	na	na	na	na	na	na	na
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	neg	neg	neg	neg	neg	neg	neg	neg
Total OPEX	neg	neg	neg	neg	neg	neg	neg	neg
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025e	Q3 2025e	Q4 2025e	Q1 2026e
Inventories	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0	0
Other receivables	275	173	528	439	364	387	443	421
Prepaid expenses and accrued income	508	76	272	166	263	200	232	222
Cash and cash equivalents	989	2 132	878	5 005	3 667	2 246	731	20 629
Total current assets	2 813	3 039	1 783	5 743	4 794	3 192	1 688	21 599
Tangible assets	0	0	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	0	0	0
Financial assets	50	50	50	50	50	50	50	50
Total fixed assets	50	50	50	50	50	50	50	50
Total assets	2 863	3 089	1 833	5 793	4 844	3 242	1 738	21 649
Accounts payable	289	492	766	1 304	713	819	900	934
Accrued expenses and prepaid income	3 631	2 750	2 891	1 978	2 813	2 608	2 572	2 493
Other current liabilities	2 508	2 550	2 351	2 135	2 386	2 356	2 307	2 296
Current tax liabilities	0	0	0	0	0	0	0	0
Total current liabilities	6 428	5 792	6 008	5 417	5 911	5 782	5 780	5 722
Total non-current liabilities	0	0	0	0	0	0	0	0
Total equity	-3 565	-2 703	-4 175	376	-1 067	-2 540	-4 042	15 927
Total Liabilities and Equity	2 863	3 089	1 833	5 793	4 844	3 242	1 738	21 649

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025e	Q3 2025e	Q4 2025e	Q1 2026e
Cashflow from operating activities	-1 718	-1 373	-1 395	-336	-1 443	-1 472	-1 502	-1 532
Changes in working capital	-507	281	218	-424	106	50	-13	-70
Cashflow from investment activities	0	0	0	0	0	0	0	0
Cashflow from financing activites	848	2 291	0	4 887	0	0	0	21 500
Cashflow for this period	-1 377	1 199	-1 177	4 127	-1 338	-1 422	-1 514	19 898
Beginning of period cash balance	2 366	989	2 132	878	5 005	3 667	2 246	731
Ending cash balance	989	2 132	878	5 005	3 667	2 246	731	20 629

Source: Västra Hamnen Corporate Finance

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