

Update: Report Q3 2024

2024-10-29

Lipum: Progress towards the next phase

- Final patient dosed in the phase I study
- Production process of SOL-116 according to plan
- Adjusting the WACC leads to a new fair value of SEK 15.19 (10.81) per share



During the third quarter, **Lipum** reported continued progress in its clinical programme with the drug candidate *SOL-116* in rheumatoid arthritis (RA). Most significantly, the last patient in the ongoing phase I study was included and dosed. This means all participants and patients have been included and the study advances towards completion.

In parallel, Lipum's collaboration with **NorthX Biologics** regarding the production of SOL-116 is progressing as planned according to CEO **Ola Sandborgh**. The consistent development reduces the risk of setbacks, which could be costly to the project.

The company appointed Dr. **Peter Hovstadius** as the new Chief Medical Officer (CMO). He is a specialist in clinical pharmacology with extensive experience in both the pharmaceutical industry and academia.

Financially, Lipum reported a loss before tax of MSEK 1,680 in Q3. The operating cash flow was MSEK -7,258 and the company ended the quarter with cash holdings of MSEK 12,873. As the company is aiming to enter phase II in Q1 2026, new funding will be needed. We previously forecasted a financing round in Q3 2025 of MSEK 100, we now model for the same amount in Q2 2025.

We have also made adjustments to better align with general market conditions. Changes in interest rate assumptions have led to a slightly lowered weighted average cost of capital (WACC). Previously, the WACC was 21.8 per cent and is now 20.2 per cent.

We have not altered the risk adjustment, or the likelihood of approval (LOA) of SOL-116. Currently, we have an LOA of 14.8 per cent. As the company enters phase II, the LOA will increase to 22.4 per cent according to benchmark statistics.

In summary, the model changes have led to a higher fair value, SEK 15.19 (10.81) per share.

Table 1: Sensitivity analysis

WACC	Sensitivity analysis (value per share, SEK)				
	LOA				
	4.8%	9.8%	14.8%	19.8%	22.4%
18.2%	6.56	12.85	19.14	25.42	28.69
19.2%	5.87	11.45	17.02	22.60	25.49
20.2%	5.28	10.23	15.19	20.14	22.71
21.2%	4.76	9.17	13.58	17.99	20.29
22.2%	4.30	8.24	12.18	16.11	18.16

Lipum completes patient enrolment.

In September, Lipum announced that the eighth and final RA patient was included in the study. The antibody SOL-116 is aimed to block the target molecule bile salt-stimulated lipase (BSSL), which is thought to play an important role in inflammatory processes. The patient has been dosed with SOL-116 or with a placebo and the last follow-up will be carried out after 90 days, which will be the concluding clinical activity in the phase I study.

The clinical study report in Q1 2025

After the unblinding and data analysis, the clinical study report is expected to be finished in Q1 2025. As described in our previous note, the interim data suggest the drug candidate is safe, and has pharmacokinetic properties to support further development. No serious side effects were observed at the different dose levels.

The interim data also showed that none of the participants developed anti-drug antibodies, suggesting a low risk of immunogenicity. The full data analysis will provide Lipum with guidance for designing the next clinical development step.

Production of SOL-116 is underway

Preparations for phase II have already started. The collaboration with NorthX Biologics started in April and is advancing according to plan. Lipum made an upfront payment of MSEK 52, as accounted for in the Q2 report. The production and scale-up of the drug candidate is always a risk. The reported progress reduces the concerns for costly delays or other setbacks.

Exploring mode of action

In parallel with the clinical programme, Lipum initiated a collaboration with **Karolinska Institutet** in 2023. The two-year project explores the mode of action of SOL-116, and the role of BSSL in inflammatory processes. The project progresses as planned and the findings are expected to be reported during H1 2025.

New CMO appointed**The new CMO in place**

In Q3, Dr. **Peter Hovstadius** joined Lipum to replace **Karin Franck-Larsson** who has left the company at her own request. Dr. Hovstadius has experience from leading positions such as CMO at **XNK Therapeutics**, Chief Scientific Officer at **Novartis** and Research Director at **MSD**. According to CEO **Ola Sandborgh**, Dr. Hovstadius will contribute to Lipum with his experience in the CMO role as well as from pharmacology and clinical trials.

Financial update

In Q3, Lipum reported a loss before tax of MSEK 1,680 and an operating cash flow of MSEK -7,258. By the end of the quarter, the cash balance amounted to MSEK 12,873. In connection with the rights issue in Q2, Lipum received a short-term loan facility from its main owner **Flerie Invest**. By Q3, half of the facility was used.

The financial runway is decided by the pace in the development work. In the coming quarters, we expect costs to be fairly in line with previous quarters. During the second half of 2025, we model for rising costs as preparatory activities for the phase II study intensifies.

New funding required in Q2 2025

As guided for in the report, Lipum will require additional capital. In our original model, we planned for a financing round in Q3 of MSEK 100, we now estimate a capital raise in Q2. Note that the amount we forecast is the minimum amount required to fund the working capital and initiating the phase II study. Further out, the company will need additional financing to complete the phase II study and prepare for phase III.

Revised interest rate assumptions

Since we published the initiation report, the macroeconomic environment has changed. Leading central banks have shifted focus from restraining inflation to stimulating weaker growth during 2024.

Lower WACC due to lower interest rates

To reflect current market conditions we have updated our WACC calculation. The changes have resulted in a slightly lower discount factor, raising the fair value of the company. The revised WACC is 20.2 per cent, compared to the previous 21.8 per cent.

We keep the risk adjustment unchanged

We have not changed our scenario for SOL-116's market potential in RA, prices, time to market, or costs for the clinical studies.

The LOA remains at 14.8 per cent

We have also kept our risk adjustment. A major risk in the investment case is the development risk. As described in our initiation report, we adjust the DCF value with the current LOA to accommodate for this risk. The benchmark probability for a biological drug candidate in phase I is 14.8 per cent. In phase II, the LOA rises to 22.4 per cent.

Forthcoming activities

Lipum has not yet finished its phase I study and we keep our LOA until phase II. There are several activities that the company will carry out before starting to include patients in the next clinical phase. Below are some of the most significant:

- Present the clinical study report of the phase I study
- Planning and applying for the phase II trial
- Funding of the preparations and initiation of the next study
- Finish production of the drug candidate
- Appointing a suitable contract research organisation to carry out the study

The revised fair value is SEK 15.19 per share

In summary, the revised fair value of Lipum is SEK 15.19 per share.

Income Statement - Annual Data								
TSEK	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e
Net revenues	0	0	0	0	0	0	0	0
Other revenues	496	165	423	0	0	0	0	0
Total revenues	496	165	423	0	0	0	0	0
Cost of goods sold	0	0	0	0	0	0	0	0
Research and development cost	-31 606	-30 300	-25 188	-5 251	-27 692	-27 692	-27 692	-209 423
Personnel expenses	-6 189	-6 872	-7 639	-7 265	-10 378	-11 233	-12 159	-13 162
Sales expenses	0	0	0	0	0	0	0	0
Other operating income	0	0	0	0	0	0	0	0
Other operating expenses	-615	-207	-101	0	0	0	0	0
EBITDA	-37 914	-37 214	-32 505	-12 515	-38 070	-38 926	-39 852	-222 585
Amortisation & depreciation	-11	-40	-44	-34	-38	-41	-46	-51
EBIT	-37 925	-37 254	-32 549	-12 549	-38 108	-38 967	-39 897	-222 635
Financials, net	-160	76	-1 023	-2 594	-62	0	0	0
EBT	-38 085	-37 178	-33 573	-15 144	-38 169	-38 967	-39 897	-222 635
Taxes	0	0	0	0	0	0	0	0
Net profit	-38 085	-37 178	-33 573	-15 144	-38 169	-38 967	-39 897	-222 635
Earnings per share (SEK)	0.00	0.00	-0.26	-0.71	-1.80	-1.84	-1.88	-10.50
Growth (%)								
Net revenues	na							
EBITDA	na							
EBIT	na							
Net profit	na							
Of revenues (%)								
EBITDA margin	neg							
EBIT margin	neg							
EBT margin	neg							
Profit margin	neg							
Personnel costs	neg							
Total OPEX	neg							
Profitability (%)								
ROE	neg							
ROIC	neg							

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

TSEK	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e
Accounts receivables	0	0	0	100	0	0	0	0
Prepaid costs & accrued income	243	374	493	533	577	625	676	732
Inventories	0	0	0	0	0	0	0	0
Tax claims	0	0	0	0	0	0	0	0
Other short-term receivables	1 422	1 313	47 624	51 550	55 799	60 399	65 378	70 767
Cash and cash equivalents	32 837	10 226	13 262	84 659	40 845	697 631	653 126	425 501
Total current assets	34 502	11 913	61 379	136 842	97 222	758 654	719 180	497 000
Shares in subsidiaries	0	0	0	0	0	0	0	0
Tangible assets	49	197	164	181	200	221	243	269
Intangible assets	0	0	0	0	0	0	0	0
Financial assets	0	0	0	0	0	0	0	0
Total fixed assets	49	197	164	181	200	221	243	269
Total assets	34 551	12 110	61 543	137 023	97 421	758 875	719 423	497 269
Accounts payable	944	4 100	3 984	4 313	4 668	5 053	5 469	5 920
Short term tax liabilities	496	515	265	287	311	336	364	394
Short term debt	0	0	10 017	0	0	0	0	0
Other short term liabilities	228	230	98	68	63	62	62	62
Accrued cost & prepaid income	3 175	932	1 454	1 674	1 729	1 740	1 741	1 742
Total current liabilities	4 843	5 777	15 818	6 341	6 770	7 191	7 636	8 118
Long term liabilities	1 661	1 761	1 761	0	0	0	0	0
Total equity	28 046	4 572	43 964	128 821	90 651	751 684	711 787	489 151
Total equity and liabilities	34 550	12 110	61 543	136 923	97 421	758 875	719 423	497 269

Source: Västra Hamnen Corporate Finance

Cash flow statement

TSEK	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e
Operating activities	-37 979	-37 038	-33 529	-15 110	-38 132	-38 926	-39 852	-222 585
Changes in working capital	-14 427	912	-36 388	-3 426	-3 865	-4 227	-4 584	-4 964
Investing activities	-60	-188	-12	-51	-56	-62	-69	-76
Financing activities	38 250	13 703	72 965	89 983	-1 761	700 000	0	0
Cash flow for the period	-14 216	-22 611	3 036	71 397	-43 814	656 785	-44 505	-227 624
Beginning cash balance	47 053	32 837	10 226	13 262	84 659	40 845	697 631	653 126
Ending cash balance	32 837	10 226	13 262	84 659	40 845	697 631	653 126	425 501

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data								
TSEK	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024e	Q1 2025e	Q2 2025e
Net revenues	0	0	0	0	0	0	0	0
Other revenues	51	50	94	220	109	0	0	0
Total revenues	51	50	94	220	109	0	0	0
Cost of goods sold	0	0	0	0	0	0	0	0
Research and development cost	-4 922	-7 731	-7 259	-16 632	-48	-1 249	-1 274	-1 299
Sales expenses	-1 633	-1 798	-2 076	-2 192	-1 669	-1 702	-1 736	-1 789
Sales expenses	0	0	0	0	0	0	0	0
Other operating income	0	0	0	0	0	0	0	0
Other operating expenses	-55	-40	-25	-64	-12	0	0	0
EBITDA	-6 559	-9 519	-9 266	-18 668	-1 620	-2 951	-3 010	-3 088
Amortisation & depreciation	-13	-12	-12	-12	-12	-8	-8	-8
EBIT	-6 572	-9 531	-9 278	-18 680	-1 632	-2 959	-3 019	-3 096
Financials, net	-33	80	-35	-116	-48	-824	-824	-1 523
EBT	-6 605	-9 451	-9 313	-18 796	-1 680	-3 784	-3 843	-4 620
Taxes	0	0	0	0	0	0	0	0
Net profit	-6 605	-9 451	-9 313	-18 796	-1 680	-3 784	-3 843	-4 620
Earnings per share (SEK)	na	na	na	na	-0.08	-0.18	-0.18	-0.22
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	-13.8%	-21.5%	-23.2%	-13.9%	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

TSEK	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024e	Q1 2025e	Q2 2025e
Accounts receivables	0	0	0	100	0	0	0	0
Prepaid costs & accrued income	213	374	369	435	483	493	503	513
Inventories	0	0	0	0	0	0	0	0
Tax claims	0	0	0	0	0	0	0	0
Other short-term receivables	812	1 313	1 461	36 060	52 624	47 624	48 576	49 548
Cash and cash equivalents	17 551	10 226	1 473	20 131	12 873	13 262	18 618	93 335
Total current assets	18 576	11 913	3 303	56 726	65 980	61 379	67 697	143 395
Shares in subsidiaries	0	0	0	0	0	0	0	0
Tangible assets	209	197	184	172	160	164	168	172
Financial assets	0	0	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	0	0	0
Total fixed assets	209	197	184	172	160	164	168	172
Total assets	18 785	12 110	3 487	56 898	66 140	61 543	67 865	143 567
Accounts payable	1 712	4 100	5 514	3 592	3 906	3 984	4 064	4 145
Short term tax liabilities	516	515	245	230	260	265	271	276
Short term debt	0	0	0	0	10 017	10 017	20 000	0
Other short term liabilities	162	230	116	25	20	98	65	52
Accrued cost & prepaid income	681	932	593	1 862	2 428	1 454	1 584	1 832
Total current liabilities	3 071	5 777	6 467	5 709	16 631	15 818	25 983	6 305
Long term liabilities	1 661	1 761	1 761	1 761	1 761	1 761	1 761	1 761
Total equity	14 053	4 572	-4 741	49 428	47 748	43 964	40 121	135 502
Total equity and liabilities	18 785	12 110	3 487	56 898	66 140	61 543	67 865	143 567

Source: Västra Hamnen Corporate Finance

Cash flow statement

TSEK	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024e	Q1 2025e	Q2 2025e
Operating activities	-6 962	-9 463	-9 301	-18 784	-1 668	-3 776	-3 835	-4 611
Changes in working capital	-1 954	2 044	548	-35 523	-5 590	4 177	-780	-660
Investing activities	0	0	0	0	0	-12	-12	-13
Financing activities	13 733	100	0	72 965	0	0	9 983	80 000
Cash flow for the period	4 817	-7 319	-8 753	18 658	-7 258	389	5 356	74 716
Beginning cash balance	12 364	17 551	10 226	1 473	20 131	12 873	13 262	18 618
Ending cash balance	17 551	10 226	1 473	20 131	12 873	13 262	18 618	93 335

Source: Västra Hamnen Corporate Finance

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