

Update: Report Q2 2024

2024-08-13

Lipum: On track for completing phase I

- Promising interim data in the phase I study
- Raised a net of MSEK 73 and received a loan commitment of MSEK 20
- Awaiting the final read-out, we keep our fair value at SEK 10.81 per share

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Stock ticker: LIPUM
Industry: Biotech
Listed on: Nasdaq First North

Latest share price (SEK): 12.60
Market cap (MSEK): 267.3
Enterprise Value (MSEK): 248.9
Total number of shares (M): 21.2
- of which free float (M): 12.1

VHCF fair value per share
DCF model SEK 10.81

Lipum

Address: Tvistevägen 48C
907 36 Umeå

Webpage: lipum.se
CEO: Ola Sandborgh

Main owners (30 June 2024)

Owner	Capital (%)
Flerie Invest AB	56.8
Craafordska Stiftelsen	6.0
Nordnet Pensionsförsäkring AB	5.8
Försäkringsbolaget Avanza Pension	6.1
Christian von Koenigsegg	2.9

Share price history (SEK)



	-1m	-3m	-12m
Change (%)	48.2	92.4	37.3
52 w k range (Low /Hi) - SEK	5.85 / 13.00		

Source: Västra Hamnen Corporate Finance

In Lipum's Q2 report, CEO Ola Sandborgh repeated that he expects to complete the phase I study with SOL-116 during the second half of 2024. Interim results indicate that the study will meet its primary safety and tolerability endpoints. The drug candidate has also shown expected and preferred pharmacokinetics. Currently, the last group including rheumatoid arthritis patients is about to be concluded.

In April, Lipum raised MSEK 73 after costs to fund preparations for the upcoming phase II study. A large part of the proceeds has been assigned to the production of the drug candidate. The company collaborates with NorthX Biologics for this purpose. To facilitate keeping the pace in the development, the main shareholder Flerie provided Lipum with a loan commitment of MSEK 20. The facility is not yet used. The company reported cash holdings of MSEK 20.1 by the end of June.

For the quarter, Lipum reported higher research and development costs than anticipated. Personnel expenses came in above our estimate for the quarter, prompting us to model for slightly higher costs as we advance.

With the phase I study on track, financing activities completed for now, and the production process of SOL-116 started, we think the timeline for initiating the phase II study by early 2026 will hold. Delays are costly, and keeping the schedule will preserve confidence and value for the company.

We maintain our model assumptions until the phase I study is completed. Therefore, we keep our risk-adjusted fair value at SEK 10.81 per share for now.

Table 1: Estimates vs actual, Q2 2024

TSEK	Q2 '23	Q2 '24e	Q2'24 act	Diff
Net Revenues	0	0	0	0
Other Revenues	21	0	220	220
Total Revenues	21	0	220	220
Cost of Goods Sold	0	0	0	0
Gross Profit	21	0	220	220
Research and development cost	-12 237	-9 154	-16 632	-7 478
Personnel expenses	-1 692	-1 718	-2 192	-474
Other operating income	0	0	0	0
Other operating expenses	-87	0	-64	-64
Total OPEX	-14 016	-10 872	-18 888	-8 016
EBITDA	-13 995	-10 872	-18 668	-7 796
Amortisation and Depreciation	-12	-9	-12	-3
EBIT	-14 007	-10 881	-18 680	-7 799
Net Financial Items	58	-123	-116	7
EBT	-13 949	-11 004	-18 796	-7 792
Net Profit	-13 949	-11 004	-18 796	-7 792
Cash and Equivalents	12 364	64 453	20 131	-44 322
Total Equity	6 925	57 555	49 428	-8 127

Source: Västra Hamnen Corporate Finance

Encouraging interim data

The humanised antibody SOL-116 is targeted to inhibit the enzyme bile salt-stimulated lipase (BSSL), which is thought to play an important role in inflammatory processes. SOL-116 is undergoing a phase I study evaluating the safety, tolerability and pharmacokinetics of the drug candidate. The study also includes exploratory endpoints such as circulating levels of free BSSL and inflammatory biomarkers.

Positive interim phase I data

In June, Lipum announced the completion of the multiple dose (MD) part of the study. The eight healthy subjects received four doses of SOL-116 28 days apart or with a placebo. The subjects were followed up 90 days after the last dose.

The data show that the subjects had few adverse events and no adverse events were reported in subjects administered with SOL-116. The company also announced desirable and predictable pharmacokinetics, as was reported in the single ascending dose (SAD) part of the study. Further, none of the subjects were found to have anti-drug antibodies.

The results also suggest that the drug candidate is a potent BSSL-binding antibody that can effectively eliminate free-circulating BSSL in humans for up to 90 days after a single dose of SOL-116.

Currently, the last person remains to be dosed in the final group in the study. This group consists of eight rheumatoid arthritis (RA) patients receiving a single dose of SOL-116.

The phase I study is expected to be completed in 2024.

Rights issue completed

Rights issue added MSEK 73, loan facility of MSEK 20

In April, Lipum carried out a rights issue which added MSEK 73 after costs. The company has already started to invest the proceeds in the production of SOL-116 and other preparatory activities for coming phase II studies. Lipum has also received a loan commitment of MSEK 20 from its main shareholder **Flerie**. The 12-month commitment runs without collateral, starting on June 1, 2024. The loan facility will allow Lipum to carry out its planned activities in the coming year. Lipum has not yet used the facility.

The production process initiated

Agreement with NorthX Biologics

Lipum has signed an agreement with Swedish NorthX Biologics regarding the production of SOL-116 for the coming clinical trials. The collaboration has already started and Ola Sandborgh predicts the drug candidate will be ready for final tests by autumn 2025. The total cost of the production is estimated to be approximately MSEK 52 of which Lipum already has paid an upfront fee to NorthX Biologics. For this reason, Lipum reported a claim on suppliers on its balance sheet corresponding to around MSEK 25.

Lipum ended the quarter with MSEK 20.1 in cash holdings. The company has a VAT receivable of MSEK 11 which will be paid out in August.

New chair and board member

New board member with a commercial focus

At the AGM in May, board member **Ingemar Kihlström** was elected as the new chairman to succeed **Ulf Björklund** who stepped down.

Åsa Magnusson was elected as a new board member, underlining Lipum's commercial ambitions. Magnusson currently holds a position as Chief Engagement and Commercial Officer at **Vicore Pharma**. Her extensive experience in commercialising new treatments in the Nordics and internationally will add value to the board according to Lipum's election committee.

Contingent liability - audit of the Horizon 2020 project

In August, Lipum received a negative preliminary report regarding the Horizon 2020 project. The report implies that Lipum could be subject to repay EUR 400,000 of the grant received with an additional 25 per cent of the sum for indirect costs.

The European Commission has audited Lipum's Horizon 2020 grant of MEUR 2.2. The auditor claims that Lipum has wrongly classified consultancy costs.

Lipum does not agree and will submit its comments to the European Commission before the deadline of August 31, 2024. We do not think that the contingent liability substantially affects the valuation of the company.

We model phase IIa to start in 2026

Phase IIa to start in 2026

We estimate that the phase I study will be completed in 2024, that phase II will be initiated in Q1 2026, and completed in late 2028. In our initiation report, we scheduled a phase IIa study to begin in Q4 2025. This change does not affect the risk-adjusted DCF value.

We estimate that a phase III study will be conducted between 2029 and 2030 and that Lipum will receive regulatory approval in 2031 and will be able to start marketing SOL-116 by that same year. The first sales of SOL-116 are estimated to be generated in 2031.

The financial risk remains mid-term, as the phase II study needs to be financed. Long-term, progress in the clinical and preclinical development, and support from Flerie and other major shareholders will be key to supporting the current valuation.

No change in our assumptions for now

Even if the Swedish central bank has started to cut interest rates in 2024, we have not yet found support to lower the WACC in our model. According to PWC's 2024 edition of the report *Equity risk premium on the Swedish market stock market*, the risk premium has increased for small-cap companies compared to 2023.¹

LOA of 14.8 per cent in phase I

To adjust for the development risk, we use a likelihood of approval (LOA) from phase I to approval of 14.8 per cent for SOL-116. This specific probability is a benchmark for the development of biologic drug candidates. The LOA is applied to the final enterprise value in our DCF model.

As we do not have the final read-out from the phase I study, we are not yet inclined to change our LOA. According to the benchmark, the probability for biological drug candidates from phase II to approval is 20.0 per cent.² This probability would imply a fair value of SEK 14.61 per share, implying an equity value of MSEK 309, all things equal.

Table 2: Sensitivity analysis (value per share, SEK)

		LOA				
		4.8%	9.8%	14.8%	19.8%	24.8%
WACC	19.6%	4.49	9.18	13.87	18.57	23.26
	20.6%	3.96	8.10	12.24	16.37	20.51
	21.6%	3.50	7.15	10.81	14.47	18.12
	22.6%	3.09	6.33	9.56	12.80	16.03
	23.6%	2.74	5.60	8.47	11.34	14.20

Source: Västra Hamnen Corporate Finance

Clinical development is the most important risk factor in the model. Passing milestones according to the expected schedule de-risks the investment case, maintaining confidence in the company and increasing the value. Once the phase I is completed, we will review our assumptions.

We keep our fair value at SEK 10.81 per share

Therefore, we keep our fair value per share of SEK 10.81, corresponding to a market cap of MSEK 229.

¹ PWC Riskpremiestudien 2024, <https://www.pwc.se/riskpremiestudien>

² Thornblad and Carlsson (2021), *Biotech Valuation, A playbook for dealmakers*, MCS Nordics

Potential triggers

Study results

Lipum is concluding its phase I study during the second half of 2024. As reported above, the SAD and the MD part support further clinical development of SOL-116. The results from the last group, the one with RA patients, will be interesting for the coming development plans.

Additional indications

Lipum has chosen RA as the model indication. The company is hoping to find support to treat other diseases of chronic inflammation. During the spring of 2024, Lipum also filed for patents protecting SOL-116 when applied to inflammation-driven cancer.

Funding

The latest financing round and loan commitment from earlier this year will take Lipum through preparations for the phase IIa study. We model the next clinical study to start in Q1 2026, given regulatory approval and that funding is provided.

Licensing deals

Strategically, Lipum seeks a larger pharmaceutical company for the late-stage development of SOL-116. A licensing deal could be realised after showing proof of concept in phase II. Such an agreement would deliver significant value for the shareholders.

Upcoming events

Financial calendar

25 Oct 2024	Q3 report 2024
28 Feb 2025	Year-end report 2024

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	314	0	0	0	0	0
Total revenues	496	165	314	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	-45 539	-54 725	-40 788	-27 692	-27 692	-270 000
Personnel expenses	-6 189	-6 872	-8 784	-9 588	-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	-89	0	0	0	0	0
EBITDA	-37 914	-37 214	-54 098	-64 312	-51 166	-38 926	-39 852	-283 162
Amortisation & depreciation	-11	-40	-41	-38	-41	-46	-50	-56
EBIT	-37 925	-37 254	-54 140	-64 350	-51 207	-38 971	-39 902	-283 217
Financials, net	-160	76	-398	-3 293	-412	0	0	0
EBT	-38 085	-37 178	-54 537	-67 643	-51 619	-38 971	-39 902	-283 217
Taxes	0	0	0	0	0	0	0	0
Net profit	-38 085	-37 178	-54 537	-67 643	-51 619	-38 971	-39 902	-283 217
Earnings per share (SEK)	0.00							
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	453	490	530	574	621	673
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	3 678	3 981	4 310	4 665	5 049	5 465
Cash and cash equivalents	32 837	10 226	25 653	68 025	4 620	665 612	625 669	342 406
Total current assets	34 502	11 913	29 783	72 597	9 460	670 851	631 339	348 544
Shares in subsidiaries	0	0	0	0	0	0	0	0
Tangible assets	49	197	181	199	220	243	268	296
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	181	199	220	243	268	296
Total assets	34 551	12 110	29 964	72 796	9 680	671 094	631 607	348 840
Accounts payable	944	4 100	3 737	4 045	4 379	4 740	5 130	5 553
Short term tax liabilities	496	515	239	259	280	303	328	356
Short term debt	0	0	0	0	0	0	0	0
Other short term liabilities	228	230	126	109	107	107	107	107
Accrued cost & prepaid income	3 175	932	1 101	1 165	1 176	1 177	1 177	1 177
Total current liabilities	4 843	5 777	5 203	5 578	5 942	6 327	6 743	7 193
Long term liabilities	1 661	1 761	1 761	11 761	0	0	0	0
Total equity	28 046	4 572	23 000	55 357	3 738	664 767	624 864	341 647
Total equity and liabilities	34 550	12 110	29 964	72 696	9 680	671 094	631 607	348 840

Source: Västra Hamnen Corporate Finance

Cash flow statement

TSEK	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e
Operating activities	-37 979	-37 038	-54 496	-67 605	-51 577	-38 926	-39 852	-283 162
Changes in working capital	-14 427	912	-3 016	34	-5	-14	-16	-18
Investing activities	-60	-188	-26	-56	-62	-69	-76	-84
Financing activities	38 250	13 703	72 965	110 000	-11 761	700 000	0	0
Cash flow for the period	-14 216	-22 611	15 427	42 373	-63 405	660 992	-39 943	-283 263
Beginning cash balance	47 053	32 837	10 226	25 653	68 025	4 620	665 612	625 669
Ending cash balance	32 837	10 226	25 653	68 025	4 620	665 612	625 669	342 406

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

TSEK	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Net revenues	0	0	0	0	0	0	0	0
Other revenues	51	50	94	220	0	0	0	0
Total revenues	51	50	94	220	0	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	-10 366	-11 282	-11 091	-11 645
Sales expenses	-1 633	-1 798	-2 076	-2 192	-2 236	-2 281	-2 326	-2 373
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	0	0	0	0
EBITDA	-6 559	-9 519	-9 266	-18 668	-12 602	-13 563	-13 417	-14 018
Amortisation & depreciation	-13	-12	-12	-12	-9	-9	-9	-9
EBIT	-6 572	-9 531	-9 278	-18 680	-12 610	-13 572	-13 426	-14 027
Financials, net	-33	80	-35	-116	-123	-123	-823	-823
EBT	-6 605	-9 451	-9 313	-18 796	-12 733	-13 695	-14 249	-14 850
Taxes	0	0	0	0	0	0	0	0
Net profit	-6 605	-9 451	-9 313	-18 796	-12 733	-13 695	-14 249	-14 850
Earnings per share (SEK)	na							
Y-o-Y 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	-18.0%	-41.1%	-106.4%	308.1%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
ROIC	neg							

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

TSEK	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Accounts receivables	0	0	0	100	0	0	0	0
Prepaid costs & accrued income	213	374	369	435	444	453	462	471
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	3 606	3 678	3 752	3 827
Cash and cash equivalents	17 551	10 226	1 473	20 131	39 278	25 653	21 412	6 688
Total current assets	18 576	11 913	3 303	56 726	43 328	29 783	25 626	10 985
Shares in subsidiaries	0	0	0	0	0	0	0	0
Tangible assets	209	197	184	172	176	181	185	190
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	176	181	185	190
Total assets	18 785	12 110	3 487	56 898	43 504	29 964	25 811	11 175
Accounts payable	1 712	4 100	5 514	3 592	3 664	3 737	3 812	3 888
Short term tax liabilities	516	515	245	230	235	239	244	249
Short term debt	0	0	0	0	0	0	0	0
Other short term liabilities	162	230	116	25	133	126	100	96
Accrued cost & prepaid income	681	932	593	1 862	1 017	1 101	1 143	1 281
Total current liabilities	3 071	5 777	6 467	5 709	5 049	5 203	5 299	5 514
Long term liabilities	1 661	1 761	11 761	11 761				
Total equity	14 053	4 572	-4 741	49 428	36 695	23 000	8 751	-6 100
Total equity and liabilities	18 785	12 110	3 487	56 898	43 504	29 964	25 811	11 175

Source: Västra Hamnen Corporate Finance

Cash flow statement

TSEK	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Operating activities	-6 962	-9 463	-9 301	-18 784	-12 725	-13 686	-14 240	-14 841
Changes in working capital	-1 954	2 044	548	-35 523	31 885	74	13	130
Investing activities	0	0	0	0	-13	-13	-14	-14
Financing activities	13 733	100	0	72 965	0	0	10 000	0
Cash flow for the period	4 817	-7 319	-8 753	18 658	19 147	-13 626	-4 240	-14 725
Beginning cash balance	12 364	17 551	10 226	1 473	20 131	39 278	25 653	21 412
Ending cash balance	17 551	10 226	1 473	20 131	39 278	25 653	21 412	6 688

Source: Västra Hamnen Corporate Finance

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