Arctic Bioscience

Exciting times ahead

- Exciting HeROPA readout just around the corner
- Nutraceuticals disappoints for second half year in a row
- Change of analyst – BUY reiterated, TP NOK 17 (54)

HeROPA trigger next month

The HeROPA trial (Ph 2b) was fully recruited and all patients dosed in Jan/Feb '24, respectively. Readout of primary endpoint (PASI 50 after 6 months) is expected in 4-6 weeks. In addition, the company expects to publish a study on the mechanism of action of the HeROPA drug candidate HRO350 during autumn '24.

Soft Nutraceuticals, but HRO350 is the key

Nutra revenues in H1 fell y-o-y for the second half year in a row, which is a concern. However, we view this as a minor issue due to its modest importance for the investment case. The major value lies in HRO350, which we believe is well-positioned to become a novel drug in a large patient population in need of a new safe drug. Seeing as HRO350 has been through a rel. large Ph 1/pilot study of 64 patients with a statistically significant improvement in its primary endpoint and w/o safety concerns, we consider LOA to be higher than usual for Ph 2. We estimate an attractive ~35% LOA, well above empirical Ph 2 LOA of ~23% for lead autoimmune assets. The company needs capital of ~NOKm 300, of which we assume NOKm 100 to come from an equity raise, NOKm 100 as debt (NOKm 68 already secured) and NOKm 100 upfront from a partner.

Attractive valuation – reiterate BUY

With new analyst coverage, we have updated the model. The main changes are an update of the delayed timeline for both HRO350 and the factory, more conservative market share and price estimates due to newer potent drugs for moderate disease, and lower growth for Nutra. Nonetheless, given the weak share performance since the IPO, we view the stock as an interesting investment opportunity. Our stand-alone risk-adjusted NPV of Pharma yields NOK 10/share (102 de-risked) and NOK 1/share for Nutra. We also add cash and deferred tax asset. We reiterate our BUY recommendation with a TP of NOK 17 (54).

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Reason: Post-results comment

BUY ● HOLD ○ SELL ○

Healthcare

Estimate changes (%)

	2024e	2025e	2026e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

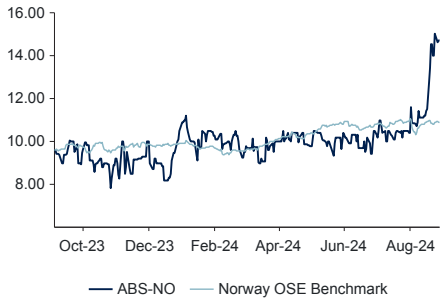
Source: ABG Sundal Collier

ABS-NO/ABS NO

Share price (NOK)	30/8/2024	13.50
Target price	(54.0)	17.0

MCap (NOKm)	365
MCap (EURm)	31
No. of shares (m)	25.4
Free float (%)	99.9
Av. daily volume (k)	6

Performance



NOKm	2023	2024e	2025e	2026e
Sales	34	38	153	54
EBITDA	-43	-42	83	-40
EBITDA margin (%)	-128.0	-110.5	54.3	-74.4
EBIT adj.	-49	-49	71	-52
EBIT adj. margin (%)	-143.9	-128.7	46.2	-97.4
Pretax profit	-46	-49	71	-52
EPS	-3.59	-3.83	4.39	-3.22
EPS adj.	-3.59	-3.83	4.39	-3.22
Sales growth (%)	-2.1	12.1	304.1	-64.8
EPS growth (%)	28.5	6.9	-214.6	-173.3

Source: ABG Sundal Collier, Company Data

	2025e	2026e
P/E (x)	3.1	-4.2
P/E adj. (x)	3.1	-4.2
P/BVPS (x)	1.19	1.39
EV/EBITDA (x)	5.0	-12.0
EV/EBIT adj. (x)	5.9	-9.2
EV/sales (x)	2.74	8.93
ROE adj. (%)	42.2	-30.7
Dividend yield (%)	0.0	0.0
FCF yield (%)	-1.0	-14.2
Le. adj. FCF yld. (%)	-1.0	-14.2
Net IB debt/EBITDA (x)	-0.2	-1.1
Le. adj. ND/EBITDA (x)	-0.2	-1.1

Company description

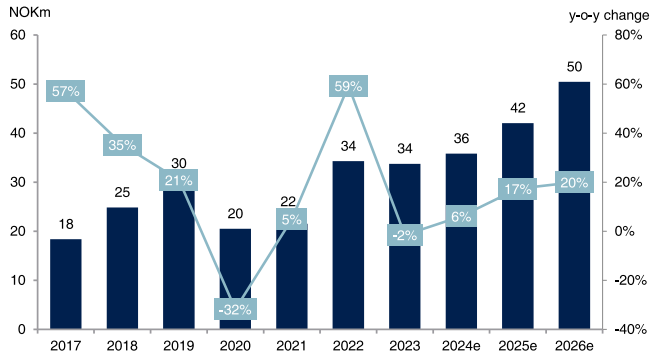
Arctic Bioscience is a Norwegian biotech company listed on Euronext Growth Oslo. The company leverages its patented and proprietary herring roe extract in two ways: various nutraceutical products along with pharmaceutical development for mild-moderate psoriasis. The global nutraceutical segment consists of premium omega-3 products sold under the brand name *Romega.* The pharmaceutical segment primarily consists of the drug candidate HRO350, which after a positive pilot study, currently in phase 2b with readout of primary endpoint expected in Q3'24.

Sustainability information

Risks

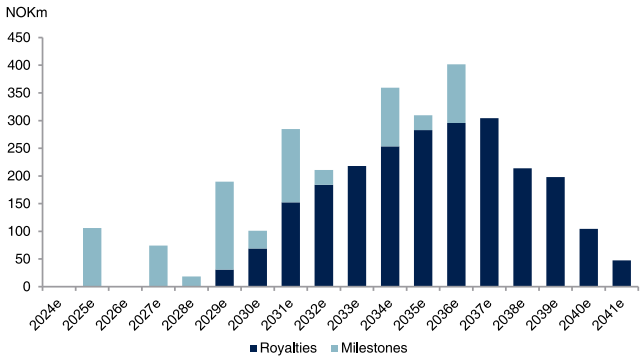
Clinical development failure is the greatest risk to Arctic Bioscience. Regulatory setbacks like requirements for further clinical data also pose risks. Commercial risks include slower and/or lower than expected uptake of approved products, and failures to secure licensing agreements with third parties.

Revenue, Nutraceuticals



Source: ABG Sundal Collier

Figure 1 - Revenue Pharmaceuticals, risk adjusted

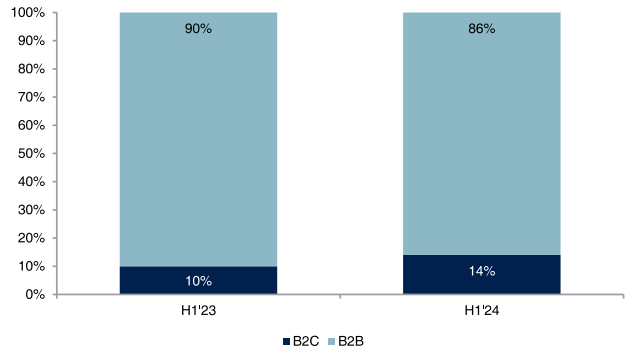


Source: ABG Sundal Collier

Nutraceuticals

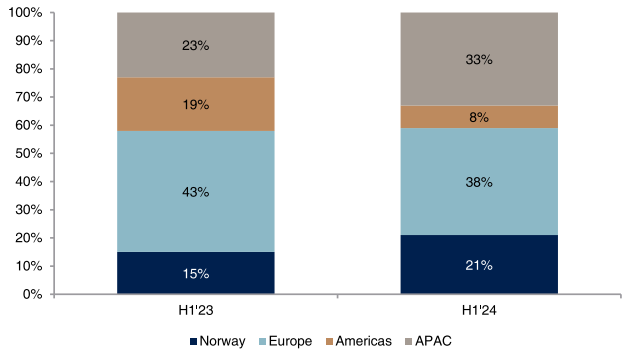
The nutraceutical business segment is currently Arctic Bioscience's only revenue-generating segment. It consists of the Romega brand, which is positioned as a premium Omega-3 brand. Unlike most other Omega-3 products, it is based on herring roe, which has benefits. Herring roe contains a high share of the fatty acid DHA (docosahexaenoic acid) as well as EPA (eicosapentaenoic acid). Furthermore, the products are rich in essential nutrients such as choline and vitamin D. What makes herring roe oil unique is that 1/3 of its fatty acids are in phospholipid form (i.e. with a phosphate group). Phospholipids are key components of cell membranes and are characterised by their amphiphilic nature. Amphiphilic means that the molecules are both water- and fat-soluble. These characteristics enable higher bioavailability and more efficient incorporation into the body's cell membranes. Arctic Bioscience has developed its own patented technology to gently extract the healthy fatty acids (i.e. separating the protein and lipid fractions) from the herring roe. Romega is sold in B2C as finished product (~15%) and in B2B as bulk ingredients to be used in other products (~85%).

Revenue by business line



Source: Company data, ABG Sundal Collier

Revenue by region



Source: Company data, ABG Sundal Collier

Pharmaceuticals - What is psoriasis?

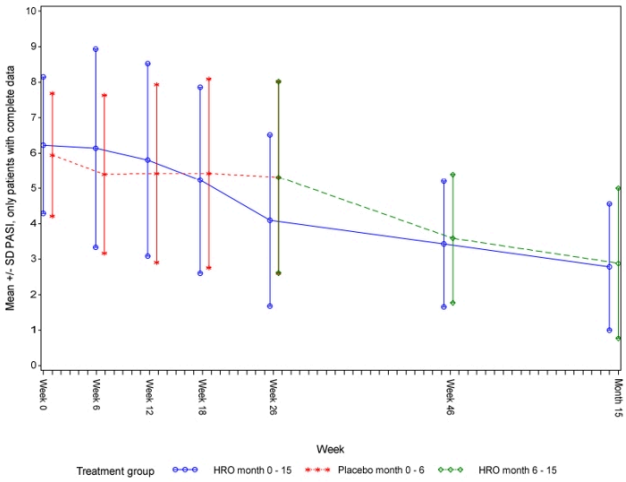
Psoriasis is a multifactorial chronic T-lymphocyte-mediated inflammatory disorder that affects 2–3% of the population globally, with the highest prevalence in Northern countries. It is associated with keratinocyte hyperproliferation, and is clinically characterised by red, clearly demarcated rounded spots. Plaque psoriasis (psoriasis vulgaris) constitutes ~85% of all cases. It occurs most commonly on the elbows, knees, scalp, lower back and hands. Psoriasis severity is divided into mild, moderate and severe disease. The mild-moderate population that Arctic Bioscience targets represents the vast majority of plaque psoriasis, with a share of 85-90%. Whilst new biologic drugs are highly effictive, they are reserved for severe and treatment-resistant moderate patients due to their very high prices and more problematic side effect profile. Current standard treatment for mild-moderate disease is greatly dominated by various topical (applied directly to the skin) steroid products, which unfortunately have local side effects like skin thinning, enlarged blood vessels and stretch marks, as well as systemic side effects in rare cases. They can also be tedious to apply daily. Helio- and phototherapy are other alternatives, but these can facilitate the development of skin cancer and are limited to sunny and urban regions, respectively. Many patients perceive these treatment modalities as inconvenient. Hence, we believe that there is an untapped market potential for a supportive oral drug, such as Arctic Bioscience's HRO350.

A widely used scoring system in clinical trials is *PASI* (Psoriasis Area and Severity Index). It combines the severity (redness, skin thickening and scale flaking) and percentage of affected area into one total score of 0 (no disease) to 72 (maximal disease, extremely severe). Mild psoriasis is considered as <5, moderate as 5-10 and severe as >10. This absolute value is used to classify the severity. In addition, PASI is used as a relative value, i.e. describing the relative improvement. In this sense would e.g. PASI 50 mean a 50% reduction in severity from base level. PASI 50 is an important milestone as it generally is considered to be the cut-off for clinical significance. PASI is known for being subjective as

well as too heavily weighing the area component. This negatively affects reproducibility and makes measuring improvements more difficult the milder the disease is. PASI is still the gold standard in psoriasis and accepted by regulatory authorities as a pivotal endpoint.

HRO350 – PSORAX35, pilot study (Ph 1b/2a)

Numerous studies have linked Omega-3 to improvements in inflammatory processes such as cardiovascular disease, but the efficacy data in psoriasis has been debated. Backed by a scientific rationale of reduced inflammation and anecdotal reports from Romega users of improvements in psoriasis, Arctic Bioscience initiated a pilot study in mild-moderate psoriasis in 2017. In the randomised, double-blind, placebo-controlled study of 64 adults, HRO350 met its primary endpoint of statistically significant PASI reduction vs. placebo at 26 weeks (p=0.045 at significance level 5%). The mean PASI reduction in the treatment group was 28% vs. 10% in the placebo group (confidence interval 95%). A nine month open-label extension study where HRO350 was administered to all patients who wanted it (58 out of 62 patients including also the placebo group) showed an increasing and durable response after 46 and 65 weeks. At 65 weeks (month 15) mean PASI reduction in the total group was 53%. The safety profile was solid during the entire period, with adverse effects in line with placebo.



Source: Tveit et al. (Int Journal of Clin and Exp Med Scienc, 2019)

HRO350 – HeROPA (Ph 2b)

Based on the encouraging data from the pilot study, Arctic Bioscience initiated the Ph 2b study *HeROPA* in May 2023. The study is a randomised, double-blind, placebo-controlled study recruiting 519 adults in five countries. Furthermore, the study has a dose-response design: 1050 mg HRO350 daily vs. 2100 mg HRO350 daily vs. placebo. After a one-year delay, due to late start-up and slow recruitment, the study was fully recruited and all patients dosed in January/February 2024, respectively. The primary endpoint is *PASI 50* (>50% reduction in PASI) at 26 weeks, which is set to be announced late September/early October. The twelve secondary endpoints, entailing various clinical parameters, will be measured at 4, 12, 26, 39, 52 and 60 weeks. The complete data set will be presented in 2025.

Assessment of data

We view the data from the pilot study as highly encouraging, but acknowledge the need for cautious interpretation. While there was a significant reduction in PASI at 26 weeks, none of the secondary endpoints including PASI 50 were met. This is of significant importance, as PASI 50 at 26 weeks is the primary endpoint in the HeROPA trial. This might be explained by psoriasis scoring being known as sub-optimal in quantifying improvements in milder cases. In fact, a post-hoc analysis at 26 weeks only showed effect in the moderate group. Still, we consider the magnitude engaging given it being a Ph 1 study.

The open-label extension study showed increasing and durable responses, which is a positive sign ahead of the HeROPA readout. However, given that PASI, along with all other

psoriasis scores, is notorious for being quite subjective, it is necessary to interpret these open-label findings in a cautious manner.

Considering that the pilot study including the extension study as well as patient records have indicated a somewhat slower disease response, we view the primary endpoint of achieving PASI 50 (50% reduction) within the relatively short timeframe of 26 weeks as potentially too ambitious. The gradual improvements seen in the pilot study, makes us more convinced with the readouts at 52 and 60 weeks. Also, we note that earlier results suggest that the effects might be difficult to prove statistically significant in mild disease. If clinical benefit is only proven in moderate patients (post-hoc analysis), there might be regulatory risks, as it is not certain that regulatory authorities would grant a broad mild/moderate label. Even though we still believe that a common label is most likely based on study design, disease pathophysiology and common legislative practice, we account for this risk by lowering the penetration rate for mild psoriasis. Regarding HRO350's safety, we currently do not identify any substantial risks.

HRO 350's proposed mechanism of action

Cellular studies have shown that the metabolism of polyunsaturated fatty acids, such as DHA and EPA, which herring roe is rich in, yieldss specialised pro-resolving mediators (SPMs), a set of signalling molecules that limit inflammation. Interestingly, studies suggest that SPMs may not only dampen pro-inflammatory activation (i.e. take the foot off the accelerator, as e.g. ibuprofen, diclofenac, etc. do), but actually provide regulatory signalling that can turn off the accelerator. They act as a novel class of immunoresolvers, limiting acute responses and helping to clear the battlefield in overly active inflammation causing tissue damage. Arctic Bioscience plans to publish a study on HRO350's MOA in psoriasis in autumn '24, which we hope will provide further insight into the drug's potential.

For these effects to unfold, it is crucial that the body is able to absorb the nutrients efficiently. As mentioned above, herring roe oil differs from other traditional fish oils in that it contains 1/3 of all fatty acids in the form of phospholipids. In addition to being key components of cell membranes, phospholipids are amphiphilic, i.e. they are both water and fat soluble, allowing for greater bioavailability and more efficient uptake into the body's cells.

Looking forward

In April 2022, the board of directors decided to postpone the construction of the full-size factory that was originally planned. The decision was made to extend the financial runway as well as wait for the Ph 2b readout to de-risk the case. Currently, the company plans to build a small-scale factory after positive Ph 2b data are at hand. We estimate construction costs for the small-scale factory at ~80m NOK. Construction is planned to finish before the start of Ph 3. We view the construction of a new small-scale factory as an important step forward, and one that will also boost the gross margin for Nutraceuticals. In our view, a gross margin improvement from the current level (~30%) is crucial for Nutraceuticals to become a real value-driving franchise.

Given a positive readout of Ph 2b, we consider it likely that Arctic Bioscience will out-license HRO350 to a pharma partner. This will provide Arctic Bisocience with both needed cash and an experienced organisation ready to fast-track HRO350 to the market. Since Arctic Bioscience has an established organisation in Norway, it could consider keeping HRO350 in-house for Scandinavia while out-licensing in the rest of Europe and the US. Still, we strongly believe that the company will go for a full out-licensing strategy.

The company has communicated that its base case is to run a common Ph 3 study for approval in both Europe and US. However, if the company fails to find a strong partner, US registration might be deprioritised. We assume a joint US+EU study in the model as we believe this should be feasible, but acknowledge the risk that this brings.

Other projects

In February '23 Arctic Bioscience acquired Arctic Algae for NOK 60m, which was fully financed by shares in Arctic Bioscience. Arctic Bioscience plans to substitute the herring roe

with algae in Nutraceuticals, preserving the herring roe for the pharmaceutical line. This is currently in a pilot phase, with smaller commercial batches expected in '26.

The company has also expressed its plans to develop a drug candidate for brain development in extremely premature children (<28 weeks), called Arctic Orphan. This patient group constitutes ~30k yearly patients in EU and US. Use in other autoimmune diseases has also been mentioned, but we consider this unlikely at present. A dermatological nutraceutical product has also been mentioned. As of now we model without these possible projects.

Market model and forecasts - HRO350

Market penetration and pricing

While new biologic drugs are highly efficacious, they are reserved for severe and treatment-resistant moderate patients due to their very high prices and more problematic side effect profiles. Standard treatment for mild-moderate patients has seen a limited degree of innovation beyond injectables against treatment-resistant moderate disease, and is still greatly dominated by various topical (applied to the skin) steroid products. Topical steroids are associated with an unfavourable side effect profile and can also be tedious to apply daily. This is also in line with current KOL views and official guidelines is to limit the use of topical steroids as much as possible. Methotrexate (a type of chemotherapy and immunosuppressant) and cyclosporine (calcineurin inhibitor) are old systemic agents that are effective, but can come with serious side effects, and have thus increasingly fallen out of favour. Phototherapy is effective, but can cause skin cancer and is time-consuming, as it requires the patient to visit a nearby dermatological clinic two-three times per week. Mild patients would benefit from new alternatives and there is a need for cheaper options for moderate patients. Dermatologists do not want to give biologics to all PASI 5-10 and phototherapy is not feasible for everyone.Therefore, we see a great potential for a drug like HRO350 in the mild-moderate setting.

Assuming that HRO350 achieves a mean PASI reduction in line with topical steroids (i.e. 40-50%), HRO350 would likely be positioned as a safe and convenient oral treatment within the psoriasis market. These advantages could warrant a higher price compared to standard generic topical steroids (~60 USD/month). Looking at the competitive landscape in this market segment, a few newer branded topical steroid-based drugs are available, such as Enstilar (combo of steroid+vitamin D analogue). It has become a popular drug due to its high efficacy, i.e. mean 80% PASI reduction after 4 weeks in its Ph 2 trial. However, it comes at a list price of ~1,400 USD/month while still having the safety issues associated with topical steroids.

We consider it unrealistic that HRO350 will be able to compete on efficacy with highly-efficacious biologics or JAK inhibitors, which typically use PASI 90 (90% PASI reduction) as their primary endpoint. Amgen's PDE4 inhibitor *Otezla* (Apremilast) has also demonstrated great efficacy by reducing pro-inflammatory TNF alpha production, but at a hefty list price of ~5,000 USD/month. Even if HRO350 wouldn't fully match the efficacy of e.g. Otezla, we believe that HRO350's clean safety profile and lower price could position the drug in the mid-market between cheap generic topical steroids and highly potent, but expensive, biologics.

At the same, we find it worrisome that Otezla is set to lose its US patent already in February 2028. Sandoz and Zydus have already developed Apremilast generics that saw their planned launches cancelled due to Amgen's successful patent appeal last year. The inevitable mid-term genericisation could potentially lower prices to a degree that significantly affects HRO350 competitiveness. Nonetheless, we still see a good potential for HRO350 being a supportive drug (i.e. taken in addition to another treatment) to minimise the base use of topical steroids.

We note that showing statistical significance in the mild psoriasis subpopulation might prove difficult, as small PASI changes in the low single digits are more difficult to detect and very subjective to judge. We believe that the drug could show a larger magnitude of benefit in moderate patients, which we regard as the largest target patient population for HRO350. The higher disease severity of moderate patients will also increase the willingness to pay for HRO350. Therefore, we model a higher penetration rate for moderate psoriasis across all sectors.

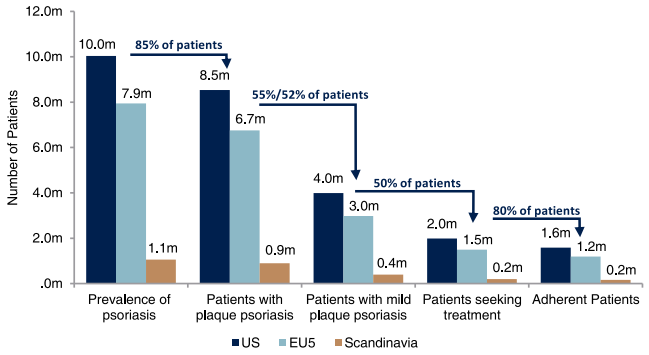
Taking all this into consideration, we model a list price of 400 USD/month in the US with a gross-to-net-discount of 50% and a net price of 200 USD/month in Europe for 2029, with 2.5% annual price increase thereafter in line with expected inflation rates.

Arctic Bioscience has also communicated that a study in the paediatric setting is planned to run in parallel, most likely commencing ~1 year after the adult study. The key points for the potential Ph 3 study in adults and children have already been cleared with the EMA. Drug administration will either be as smaller capsules or liquid. We are very positive towards

this decision for two reasons: 1) The sought-after advantageous side effect profile, which is particularly important in this patient population where e.g. topical steroids are unpopular. Thus, HRO350 actually has the potential to become the preferred choice in the paediatric setting, and 2) Approval in the paediatric setting brings a six-month patent extension.

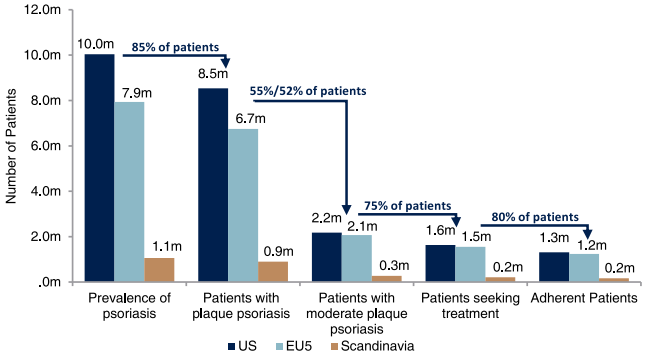
Furthermore, we account for the fact that not all patients with psoriasis will seek treatment. Studies show that ~50% of mild and ~25% of moderate patients do not seek treatment. Finally, we apply an adherence rate of 80%, matching Otezla's adherence level.

Mild psoriasis



Source: ABG Sundal Collier

Moderate psoriasis



Source: ABG Sundal Collier

Intellectual Property

Arctic Bioscience has two main patents for HRO350. The first protects the method of gently extracting phospholipids and proteins from herring roe. The second patent covers all phospholipid-based products from all fish species (not krill) for treatment of psoriasis. The patents ordinarily expire on 31 August 2032, but can be extended by five years. Market exclusivity in the US is five and 10 years in Europe with a possible extension of six months in case of a paediatric development. We assume loss of exclusivity and rapid sales erosion in 2037 in the US, 2039 in Europe and 2040 for paediatric.

LOA (Likelihood of Approval)

According to Wong et al. (Biostatistics, 2019), who looked at 15 years of clinical data (2000–2015) of more than 21,000 drugs and more than 400,000 entries of clinical data, autoimmune/inflammation lead assets have a mean LOA of 22.8% from Ph 2. Given minimal safety concerns due to the drug's nature and longtime use as Romega, the relatively large positive pilot study as well as the promising open-label extension study, we argue that HRO350's LOA is significantly higher. On the negative side, the primary endpoint in the pilot study was statistical significant *improvement* in PASI, while the secondary endpoint of PASI *50* (=primary endpoint in the Ph 2b) was not met. However, this is difficult to show in a pilot study, and management has assured that they, together with regulatory authorities, have powered the Ph 2b in such a manner, i.e. patient increase from 64 to 519, that the same PASI improvements seen in the pilot study, would result in statistically significant PASI 50. We believe that the isolated LOA is ~35%, though apply a risk-adjustment of 25% on royalties in order to account for the commercialisation risk as well. For milestone payments we apply a tiered risk adjustment of 50-25%, reflecting the lower risk of near-term milestones. The milestone risk adjustment averages out at 31%.

We believe that a positive Ph 2b readout in combination with the factors mentioned above would highly de-risk the case. For reference, Wong et al. (Biostatistics, 2019) found that autoimmune/inflammation lead assets have a LOA of 61.1% from Ph 3. Depending on the magnitude of effect and clinical significance, we would raise the risk adjustment to at least ~50%, including the commercialisation risk. This would imply a major upside from today's share price, i.e. ~40 NOK/share.

Table 1 - Model Estimates and Assumptions

Estimates & Assumptions	Adults			Paediatric
	US	EU5	Scandinavia	
Launch year	2029	2029	2029	2030
Loss of exclusivity	2037	2039	2039	2040
Net price per month (USD)	200	175	175	175
Prevalence Psoriasis	3.2%	2.5%	5.1%	1.0%
Penetration - mild	2.5%	2.5%	3.3%	10.0%
Penetration - moderate	7.5%	7.5%	10.0%	20.0%
Peak sales (USDm) non-risk-adj.	433	337	63	158
Risk-adjustment (%)	25.0%	25.0%	25.0%	25.0%
Peak sales (USDm) risk-adj.	152	118	22	55

Source: ABG Sundal Collier

Valuation

We value Arctic Bioscience using a SOTP approach that combines the estimated valuations of the Nutraceuticals and Pharmaceuticals businesses. For Nutraceuticals, we use a standard DCF with a WACC of 8%. As Nutraceuticals is likely to be a less cost- and revenue-accretive segment than Pharmaceuticals long-term, we split operating expenses as 30% and 70% for Nutraceuticals and Pharmaceuticals, respectively. We are concerned with Nutraceuticals' slower growth rate, future prospects as well as its current negative impact on earnings. Hence, our valuation shows a minor stand-alone value for Nutraceuticals of NOK 1/share.

For Pharmaceuticals, we apply a risk-adjusted DCF model assuming out-licensing of HRO350 after Ph 2b in mild-moderate plaque psoriasis. We have assumed that Arctic Bisocience will have to fund the factory itself, but that a partner will pay for the Ph 3 study as well as registration, sales and marketing expenses for HRO350. Arctic Bioscience would receive milestone payments and royalties based on end-user sales (on average 12%). We believe that the deal will be back-end loaded, i.e. most of the USD 285m in milestones will be related to sales milestones. The partner will also pay for manufacturing costs. For Pharmaceuticals, we apply a WACC of 10%.

The company has a vulnerable cash position at only ~NOK 20m at the end of H'24 in addition to an unused credit facility of NOK 20m. This constitutes an obvious liquidity risk. We assume that the company will have to raise equity within six months, but that this equity raise will be limited to ~NOK 100m due to debt financing in H2'24 (of which 68 NOKm already is secured) and upfront payment from a partner in e'25). We account for the following dilution by assuming an equity raise at current share price levels, adding ~7.1m shares. Lastly, we include cash and deferred tax asset.

The revenue stream, and thus the whole model, depends on the success of HRO350. If the trials are successful and the drug gets approved, we expect commercialisation to start in 2029. Currently, we arrive at a stand-alone value for Pharmaceuticals of NOK 10/share. However, a positive readout of Ph 2b would greatly de-risk the case, increasing the total valuation to ~NOK 40/share. Contrary, a potential negative readout of HRO350 will likely result in a share price drop of at least 50%. However, a negative readout at week 26 would not automatically mean a failure and zero value for Pharmaceuticals, as we in this case consider it very possible that slower onset of effect would be the reason and there still would be significant likelihood for a positive full study readout. All in all, we see a positive risk/reward of owning the share over the following readouts for risk-tolerant investors. We reiterate our BUY recommendation with an updated target price of NOK 17.

SOTP

SOTP Arctic Bioscience	Value, de-risked (NOKm)	Likelihood of success	Value (NOKm)	Value/share (diluted, 32.5 m shares)
Net cash H1'24e	18		18	1
Equity raise (7.1m shares)	100		100	3
Deferred tax asset	54		54	2
Discounted EV - Nutra	20	100%	20	1
Discounted EV - Pharma	3,332	25%	345	10
Fair value SOTP	3,524		537	17

Source: ABG Sundal Collier

Income Statement (NOKm)	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	25	30	21	22	34	34	38	153	54
COGS	-16	-18	-15	-16	-23	-24	-26	-16	-30
Gross profit	9	12	5	5	12	10	12	137	24
Other operating items	-10	-14	-26	-43	-46	-53	-54	-54	-64
EBITDA	**-1**	**-2**	**-20**	**-38**	**-34**	**-43**	**-42**	**83**	**-40**
Depreciation and amortisation	-1	-1	-1	-3	-4	-5	-7	-12	-12
of which leasing depreciation	0	0	0	0	0	0	0	0	0
EBITA	**-1**	**-3**	**-22**	**-41**	**-37**	**-49**	**-49**	**71**	**-52**
EO Items	0	0	0	0	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0
EBIT	**-1**	**-3**	**-22**	**-41**	**-37**	**-49**	**-49**	**71**	**-52**
Net financial items	-1	-1	-1	-2	3	3	0	1	0
Pretax profit	**-2**	**-4**	**-23**	**-43**	**-34**	**-46**	**-49**	**71**	**-52**
Tax	0	0	0	0	0	0	0	0	0
Net profit	**-2**	**-4**	**-23**	**-43**	**-34**	**-46**	**-49**	**71**	**-52**
Minority interest	0	0	0	0	0	0	0	0	0
Net profit discontinued	-2	-4	-23	-43	-34	-46	-49	71	-52
Net profit to shareholders	**-3**	**-8**	**-45**	**-85**	**-68**	**-91**	**-97**	**143**	**-105**
EPS	-3.21	-6.19	-35.04	-3.50	-2.79	-3.59	-3.83	4.39	-3.22
EPS adj.	-3.21	-6.19	-35.04	-3.50	-2.79	-3.59	-3.83	4.39	-3.22
Total extraordinary items after tax	0	0	0	0	0	0	0	0	0
Leasing payments	0	0	0	0	0	0	0	0	0
Tax rate (%)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Gross margin (%)	*37.2*	*40.9*	*26.3*	*24.0*	*34.4*	*29.0*	*32.3*	*89.6*	*45.2*
EBITDA margin (%)	*-2.5*	*-6.6*	*-99.5*	*-176.9*	*-97.6*	*-128.0*	*-110.5*	*54.3*	*-74.4*
EBITA margin (%)	*-4.6*	*-10.2*	*-105.3*	*-188.6*	*-108.5*	*-143.9*	*-128.7*	*46.2*	*-97.4*
EBIT margin (%)	*-4.6*	*-10.2*	*-105.3*	*-188.6*	*-108.5*	*-143.9*	*-128.7*	*46.2*	*-97.4*
Pre-tax margin (%)	*-6.9*	*-13.2*	*-109.7*	*-197.9*	*-98.7*	*-134.8*	*-128.5*	*46.7*	*-97.2*
Net margin (%)	*-6.9*	*-13.2*	*-109.7*	*-197.9*	*-98.7*	*-134.8*	*-128.5*	*46.7*	*-97.2*
Growth Rates y-o-y	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sales growth (%)	*35.2*	*20.8*	*-31.7*	*4.5*	*60.2*	*-2.1*	*12.1*	*304.1*	*-64.8*
EBITDA growth (%)	*-8.4*	*221.5*	*922.3*	*85.8*	*-11.6*	*28.3*	*-3.2*	*-298.7*	*-148.2*
EBITA growth (%)	*-9.8*	*168.2*	*602.9*	*87.2*	*-7.9*	*29.9*	*0.3*	*-245.2*	*-174.2*
EBIT growth (%)	*-9.8*	*NM*	*NM*	*87.2*	*-7.9*	*29.9*	*0.3*	*-245.2*	*-174.2*
Net profit growth (%)	*-1.1*	*133.3*	*466.2*	*88.5*	*-20.1*	*33.8*	*6.9*	*-246.8*	*-173.3*
EPS growth (%)	*--*	*93.0*	*nm*	*-90.0*	*-20.3*	*28.5*	*6.9*	*-214.6*	*-173.3*
Profitability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ROE (%)	*-16.9*	*-18.6*	*-70.7*	*-44.3*	*-22.4*	*-33.3*	*-34.3*	*42.2*	*-30.7*
ROE adj. (%)	*-16.9*	*-18.6*	*-70.7*	*-44.3*	*-22.4*	*-33.3*	*-34.3*	*42.2*	*-30.7*
ROCE (%)	*-3.7*	*-5.9*	*-30.2*	*-21.1*	*-9.6*	*-14.1*	*-14.5*	*16.3*	*-11.9*
ROCE adj. (%)	*-3.7*	*-5.9*	*-30.2*	*-21.1*	*-9.6*	*-14.1*	*-14.5*	*16.3*	*-11.9*
ROIC (%)	*-4.2*	*-7.7*	*-40.6*	*-53.0*	*-31.6*	*-30.0*	*-20.9*	*22.3*	*-14.9*
ROIC adj. (%)	*-4.2*	*-7.7*	*-40.6*	*-53.0*	*-31.6*	*-30.0*	*-20.9*	*22.3*	*-14.9*
Adj. earnings numbers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EBITDA adj.	*-1*	*-2*	*-20*	*-38*	*-34*	*-43*	*-42*	*83*	*-40*
EBITDA adj. margin (%)	*-2.5*	*-6.6*	*-99.5*	*-176.9*	*-97.6*	*-128.0*	*-110.5*	*54.3*	*-74.4*
EBITDA lease adj.	-1	-2	-20	-38	-34	-43	-42	83	-40
EBITDA lease adj. margin (%)	*-2.5*	*-6.6*	*-99.5*	*-176.9*	*-97.6*	*-128.0*	*-110.5*	*54.3*	*-74.4*
EBITA adj.	-1	-3	-22	-41	-37	-49	-49	71	-52
EBITA adj. margin (%)	*-4.6*	*-10.2*	*-105.3*	*-188.6*	*-108.5*	*-143.9*	*-128.7*	*46.2*	*-97.4*
EBIT adj.	-1	-3	-22	-41	-37	-49	-49	71	-52
EBIT adj. margin (%)	*-4.6*	*-10.2*	*-105.3*	*-188.6*	*-108.5*	*-143.9*	*-128.7*	*46.2*	*-97.4*
Pretax profit Adj.	-2	-4	-23	-43	-34	-46	-49	71	-52
Net profit Adj.	-2	-4	-23	-43	-34	-46	-49	71	-52
Net profit to shareholders adj.	-3	-8	-45	-85	-68	-91	-97	143	-105
Net adj. margin (%)	*-6.9*	*-13.2*	*-109.7*	*-197.9*	*-98.7*	*-134.8*	*-128.5*	*46.7*	*-97.2*

Source: ABG Sundal Collier, Company Data

Cash Flow (NOKm)	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	-1	-2	-20	-38	-34	-43	-42	83	-40
Net financial items	-1	-1	-1	-2	3	3	0	1	0
Paid tax	0	0	0	0	0	0	0	0	0
Non-cash items	0	0	0	0	0	0	-0	-13	0
Cash flow before change in WC	-1	-3	-21	-40	-30	-40	-42	71	-40
Change in working capital	-7	-7	-0	1	5	-0	-32	-10	-7

Cash Flow (NOKm)	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Operating cash flow	**-8**	**-10**	**-22**	**-39**	**-25**	**-40**	**-74**	**61**	**-47**
Capex tangible fixed assets	-0	0	-3	-10	-7	-7	-30	-50	-10
Capex intangible fixed assets	-5	-8	-10	-26	-51	-37	-49	-15	-5
Acquisitions and Disposals	0	0	0	0	0	0	0	0	0
Free cash flow	**-13**	**-18**	**-35**	**-76**	**-84**	**-85**	**-153**	**-4**	**-62**
Dividend paid	0	0	0	0	0	0	0	0	0
Share issues and buybacks	5	46	23	299	1	17	100	0	0
Leasing liability amortisation	0	0	0	0	0	0	0	0	0
Other non-cash items	0	-0	-0	-0	0	1	-0	0	0
Balance Sheet (NOKm)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Goodwill	0	0	0	0	0	3	3	3	3
Other intangible assets	18	25	34	59	107	138	183	194	194
Tangible fixed assets	3	3	6	16	22	26	54	96	98
Right-of-use asset	0	0	0	0	0	0	0	0	0
Total other fixed assets	0	0	0	0	0	0	0	0	0
Fixed assets	21	28	41	75	129	167	239	292	294
Inventories	16	17	26	29	35	33	38	46	55
Receivables	6	12	11	8	13	10	18	21	26
Other current assets	1	1	3	3	5	11	13	13	16
Cash and liquid assets	1	24	13	227	144	80	126	119	52
Total assets	**45**	**82**	**93**	**341**	**328**	**300**	**434**	**491**	**442**
Shareholders equity	22	64	64	321	287	259	309	368	315
Minority	0	0	0	0	0	0	0	0	0
Total equity	**22**	**64**	**64**	**321**	**287**	**259**	**309**	**368**	**315**
Long-term debt	8	7	7	0	0	2	102	94	89
Pension debt	0	0	0	0	0	0	-	-	-
Convertible debt	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	0	0	0	0
Total other long-term liabilities	0	0	0	0	0	0	0	0	0
Short-term debt	4	0	2	0	0	0	0	5	5
Accounts payable	6	6	10	8	18	18	6	7	16
Other current liabilities	6	5	11	13	22	21	17	17	17
Total liabilities and equity	**45**	**82**	**93**	**341**	**328**	**300**	**434**	**491**	**442**
Net IB debt	11	-17	-4	-227	-144	-78	-24	-20	42
Net IB debt excl. pension debt	11	-17	-4	-227	-144	-78	-24	-20	42
Net IB debt excl. leasing	11	-17	-4	-227	-144	-78	-24	-20	42
Capital employed	34	71	72	321	287	261	411	467	410
Capital invested	33	47	60	93	143	181	285	348	358
Working capital	12	19	19	19	14	14	46	56	63
EV breakdown	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Market cap. diluted (m)	14	17	17	328	329	342	342	439	439
Net IB debt adj.	11	-17	-4	-227	-144	-78	-24	-20	42
Market value of minority	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-
EV	**26**	**1**	**13**	**101**	**185**	**265**	**318**	**419**	**481**
Total assets turnover (%)	62.8	47.1	23.4	9.9	10.3	10.8	10.3	33.1	11.5
Working capital/sales (%)	32.9	50.6	92.2	88.0	47.0	41.0	79.2	33.4	110.9
Financial risk and debt service	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net debt/equity (%)	51.4	-26.3	-6.5	-70.9	-50.2	-30.0	-7.9	-5.4	13.4
Net debt / market cap (%)	78.1	-96.7	-23.8	-69.3	-43.8	-22.6	-7.1	-4.6	9.6
Equity ratio (%)	48.2	77.5	68.6	93.9	87.7	86.1	71.3	74.9	71.3
Net IB debt adj. / equity (%)	51.4	-26.3	-6.5	-70.9	-50.2	-30.0	-7.9	-5.4	13.4
Current ratio	1.57	4.74	2.32	12.76	4.91	3.36	8.55	6.88	3.94
EBITDA/net interest	1.1	2.2	22.4	31.4	6.9	6.3	--	--	--
Net IB debt/EBITDA (x)	-18.1	8.4	0.2	6.0	4.3	1.8	0.6	-0.2	-1.1
Net IB debt/EBITDA lease adj. (x)	-18.1	8.4	0.2	6.0	4.3	1.8	0.6	-0.2	-1.1
Interest coverage	2.1	3.4	23.7	33.5	7.7	7.1	--	--	--

Source: ABG Sundal Collier, Company Data

Share Data (NOKm)	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	1	1	1	24	24	25	25	33	33
Actual shares outstanding (avg)	1	1	1	24	24	25	25	33	33

Share Data (NOKm)	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	0	0	0	0	0	0	0	0	0
Issue month	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
Assumed dil. of shares from conv.	0	0	0	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	0	0	0	0	0	0	0	0	0
Conv. debt not assumed as equity	0	0	0	0	0	0	0	0	0
No. of warrants	0	0	0	0	0	0	0	0	0
Market value per warrant	0	0	0	0	0	0	0	0	0
Dilution from warrants	0	0	0	0	0	0	0	0	0
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reported earnings per share	-	-	-	-	-	-	-	-	-

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (NOKm)	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	1	1	1	24	24	25	25	33	33
Diluted shares adj.	1	1	1	24	24	25	25	33	33
EPS	-3.21	-6.19	-35.04	-3.50	-2.79	-3.59	-3.83	4.39	-3.22
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS adj.	-3.21	-6.19	-35.04	-3.50	-2.79	-3.59	-3.83	4.39	-3.22
BVPS	20.52	49.55	49.58	13.19	11.79	10.19	12.20	11.31	9.70
BVPS adj.	3.51	30.02	23.06	10.78	7.39	4.65	4.88	5.28	3.66
Net IB debt/share	10.55	-13.05	-3.21	-9.36	-5.91	-3.06	-0.96	-0.62	1.30
Share price	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Market cap. (m)	14	17	17	328	329	342	342	439	439
Valuation	-	-	-	-	-	-	-	-	-
P/E (x)	-4.2	-2.2	-0.4	-3.9	-4.8	-3.8	-3.5	3.1	-4.2
EV/sales (x)	1.03	0.02	0.64	4.68	5.36	7.85	8.41	2.74	8.93
EV/EBITDA (x)	-41.2	-0.3	-0.6	-2.6	-5.5	-6.1	-7.6	5.0	-12.0
EV/EBITA (x)	-22.3	-0.2	-0.6	-2.5	-4.9	-5.5	-6.5	5.9	-9.2
EV/EBIT (x)	-22.3	-0.2	-0.6	-2.5	-4.9	-5.5	-6.5	5.9	-9.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	-92.3	-102.9	-202.9	-23.2	-25.5	-24.7	-44.7	-1.0	-14.2
Le. adj. FCF yld. (%)	-92.3	-102.9	-202.9	-23.2	-25.5	-24.7	-44.7	-1.0	-14.2
P/BVPS (x)	0.66	0.27	0.27	1.02	1.15	1.32	1.11	1.19	1.39
P/BVPS adj. (x)	3.85	0.45	0.59	1.25	1.83	2.90	2.77	2.56	3.69
P/E adj. (x)	-4.2	-2.2	-0.4	-3.9	-4.8	-3.8	-3.5	3.1	-4.2
EV/EBITDA adj. (x)	-41.2	-0.3	-0.6	-2.6	-5.5	-6.1	-7.6	5.0	-12.0
EV/EBITA adj. (x)	-22.3	-0.2	-0.6	-2.5	-4.9	-5.5	-6.5	5.9	-9.2
EV/EBIT adj. (x)	-22.3	-0.2	-0.6	-2.5	-4.9	-5.5	-6.5	5.9	-9.2
EV/CE (x)	0.8	0.0	0.2	0.3	0.6	1.0	0.8	0.9	1.2
Investment ratios	-	-	-	-	-	-	-	-	-
Capex/sales (%)	19.9	26.7	65.2	169.6	169.9	131.7	207.8	42.5	27.8
Capex/depreciation	9.4	7.5	11.3	14.5	15.7	8.3	11.4	5.2	1.2
Capex tangibles / tangible fixed assets	7.7	0.0	54.1	62.7	32.7	28.1	55.8	52.2	10.2
Capex intangibles / definite intangibles	26.0	32.0	29.2	45.2	47.9	26.8	26.6	7.8	2.6
Depreciation on intang / def. intang	2	4	3	4	3	2	2	2	2
Depreciation on tangibles / tangibles	5.45	2.23	3.53	2.52	4.28	7.43	6.91	8.15	7.97

Source: ABG Sundal Collier, Company Data

Analyst Certification

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	Research Coverage	Investment Banking Clients (IBC)	
	% of	% of	% of
Total of Rating	Total Rating	Total IBC	Total Rating by Type
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SELL	3.83%	1%	7.14%

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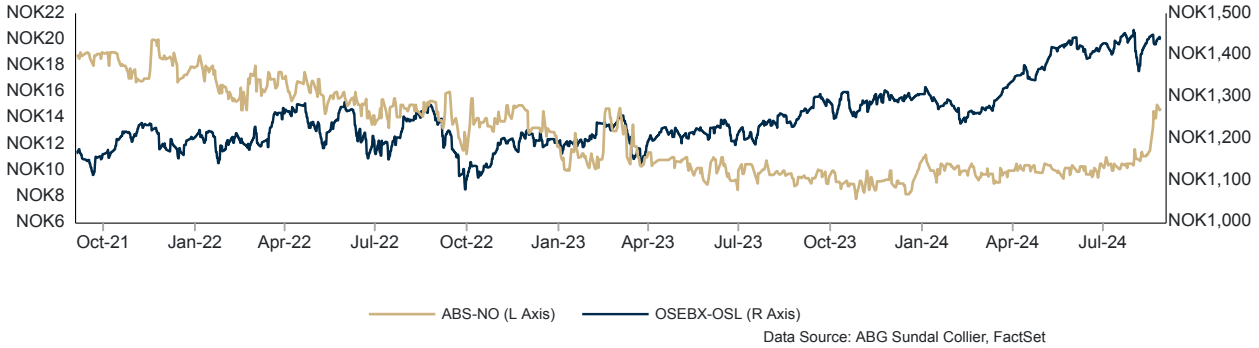
Stock price, company ratings and target price history

Company: Arctic Bioscience **Currency:** NOK **Current Recommandation:** BUY
Date: 30/8/2024 **Current Target price:** 17.0
Current Share price: 13.50



Data Source: ABG Sundal Collier, FactSet

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Production of recommendation: 9/2/2024 06:37.

All prices are as of market close on 30 August, 2024 unless otherwise noted.

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