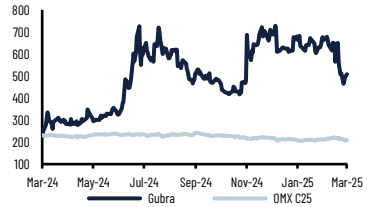
Gubra

Market: OMXC Mid Cap	Ticker GUBRA	Share price (DKK): 508	Market cap (DKK): 8.3bn	Net cash (DKK): 326m	Enterprise value (DKK): 8.0bn

Share information



Ytd	-18.6%	1 year:	119.0%
1 month:	-23.5%	Since IPO:	361.8%

Note: * Closing prices of 14 March 2025, have been used
IPO Subscription price DKK 110 on 30.03.2023

Financials

DKKm	2023	2024	2025E*
Revenue	205.0	265.7	240-265
Revenue growth	*2.8%*	*29.6%*	*N/A*
Gross profit	1,866	164.5	N/A
Gross profit margin	*56.1%*	*61.9%*	*N/A*
EBIT	-47.7	-50.0	60-80
EBIT margin	*-23.3%*	*-18.8%*	*N/A*
Net income	-44.5	-36.5	N/A
Net income margin	*-21.7%*	*-13.7%*	*N/A*
Net debt	18.0	-325.8	N/A

Note: *FY2025E Gubra own CRO guidance for 10-20% revenue growth and 25-31% EBIT margin; with 1-2 new D&P partnerships and D&P costs of DKK 230-250

Key pipeline assets

Indication	Partner	Development
Obesity x2	Boehringer Ingelheim	Phase I
Obesity (GUBamy)	AbbVie*	Phase I
Obesity (UCN2)	Gubra	Pre-clinical
Obesity x2	Boehringer Ingelheim	Drug discovery
PBH & rare diseases	Amylyx	Drug discovery
Bleeding	Hemab	Drug discovery
Other[1]	Gubra	Drug discovery

*AbbVie partnership pending final approval. [1] Other includes Obesity (GLP1R), Narcolepsy, Endocinology

Company description

Gubra is a Danish life-science company specialising in pre-clinical contract research (CRO) services, and peptide-based drug discovery. The company was founded in 2008 and listed on Nasdaq Copenhagen on 30th March 2023. Within CRO, Gubra helps clients to carry out their pre-clinical research services with a focus on metabolic and fibrotic diseases. Its Discovery & Partnerships (D&P) segment uses its streaMLine Platform with AI and machine learning to identify and develop new peptide-based drug candidates, especially within obesity.

Investment case

From an investment perspective, Gubra offers investors a unique risk and return profile by combining: 1) a high-risk high-reward traditional drug discovery activity in its D&P business and 2) a fast-growing, positive cash flow CRO business, leading to enhanced stability and synergies from knowledge and resource exchange.

The CRO division has grown revenue quickly (12.4% 3yr CAGR), servicing 16 of the top 20 pharma companies, and historically supporting the D&P business unit with positive cash flow. However, Gubra is shifting some resources towards its D&P pipeline, as it aims to always maintain 1-3 active clinical development projects, which has dropped following its recently announced major partnership with AbbVie (a top-five global pharma company by market cap) for GUBamy, its Phase I amylin-based obesity drug. The deal, worth USD 350m upfront with USD 1.875bn in milestones and additional royalties, underscores Gubra's ability to develop high-potential pipeline assets. The upfront payment will present large capital resources to accelerate the preclinical UCN2 "healthy weight loss" obesity candidate, set to initiate Phase I in late 2025/early 2026, and support the strategic shift towards more D&P discoveries.

The success of both the CRO and D&P business units has been underpinned by Gubra's "streaMline" technology platform, built upon Machine Learning and AI. Gubra also aims to develop one additional technology platform per year, to accelerate the proliferation of drug candidates across indications and support both business units in and outside of obesity, and is actively developing new models for its next platform within Women's health.

Our DCF scenario analysis based on assumptions described on p2-3 and company guided where possible, currently reflects a market implied probability of success (PoS) of around 27% in the base case. The implied PoS can be benchmarked against the historical likelihood of phase I obesity peptides passing through clinical trials to successful launch of around 26%[1]. The market is currently implying an around benchmark likelihood of success, which could suggest that the further clinical progress of GUBamy and/or UCN2 can be triggers towards increasing the market implied PoS.

Source: 1) GlobalData Inc. via Gubra's IPO prospectus

Key investment reasons

The obesity market is forecasted to reach USD 130bn by 2030, according to Goldman Sachs, with Gubra positioned with a strong obesity D&P pipeline and obesity-related CRO service business.

In the D&P business segment, the company will increase its focus on advancing more candidates into clinical development while simultaneously expanding its technological platform to cover additional disease areas, with women's health as the first addition. The strong and diversified obesity pipeline has already demonstrated its potential through multiple partnerships, most recently exemplified by the agreement with AbbVie on GUBamy.

Gubra's CRO business has high margins compared to peers and ongoing fast growth potential. Additional technology platform development can deepen Gubra's CRO penetration within the 16 of the top 20 pharma companies it already services. Solid cash flow from the CRO segment, combined with future milestone payments, will reduce the likelihood of potentially dilutive capital raises.

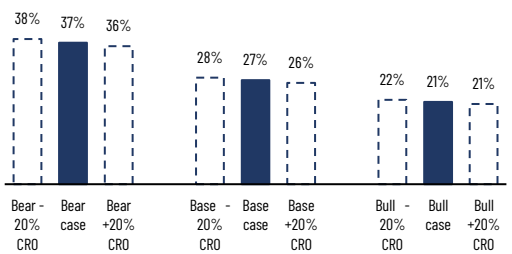
Key investment risks

The partnership with AbbVie is awaiting regulatory authorization, and until final approval is confirmed, there is a risk that the partner agreement could fall through, however, given the written agreement, we deem this risk as low.

There is no guarantee Gubra's pipeline candidates will realize their full milestone and royalty potential, as partners control continued development decisions. Projects may be terminated due to insufficient safety and efficacy results, delays, or partner sidelining. Generally, the probability of early-stage product candidates reaching the market is low. Gubra reduces clinical risk by partnering its assets by phase IIa at the latest

While CRO revenues are considered more stable than D&P revenues, significant volatility relating to market conditions still exists, as shown by historical topline and cash flow fluctuations.

PoS - Bear/Base/Bull Scenarios



Note: Probability of Success (PoS) model based on general market assumptions and HC Andersen Capital assumptions. CRO +/- 20% reflects PoS sensitivity to Gubra's CRO valuation relative to peer group multiples of +/- 20%.

Appendix – Discussion of assumptions in DCF-model

Value of Gubra CRO business

Using a peer group of established CRO companies, the value of Gubra's CRO business can be estimated by applying the peer group median one-year forward EV/EBIT multiple, which is currently 14.0x to Gubra's FY2025 guidance. Based on the latest CRO midpoint guidance for revenue growth and EBIT margin, Gubra's guidance suggests FY2025 EBIT of DKK 71m, reflecting an implied CRO business value of DKK 930m. This valuation serves as the basis for determining the market implied probability of success (PoS), for Gubra's pipeline, by adjusting the total company for the CRO value to isolate the implied D&P pipeline value. However, given Gubra's faster growth and higher margin, a higher value is likely fair.

The model

The objective of the one-pager is not to determine a price target for Gubra shares but rather provides investment perspectives regarding the market-implied PoS using a simplified Discounted Cash Flow (DCF) model across different scenarios. The model uses scenarios to indicate to which extent Gubra's market capitalization reflects the implied probability of achieving marketing authorization and global commercialization of its headline GUBamy amylin analogue (partnered with AbbVie), muscle-sparing obesity UCN2 programme (self-owned), and other partnered pipeline assets. The implied PoS can then be compared against historical probabilities of successful from Biostatistics or GlobalData Inc. to give investment perspectives.

Market size and market growth

The model is constructed based on company-communicated expectations (where possible) and publicly available information. The model assesses the discounted cash flow potential for the pipeline assets under assumptions including milestones, royalties, and development costs, as described below.

The overall obesity market size is assumed to be USD 130bn by 2030[2], as per leading estimates - more than twice the size guided in Gubra's prospectus. Following 2030, the market size is conservatively assumed to grow at 5% annually towards 2040, reflecting the uncertainty in predicting the combined positive effect of high obesity product demand with the negative effect on prices as patents expire, competition increases, and obesity treatment become a growing share of national healthcare budgets.

Milestones, market share, and royalties

Following the partner agreement with AbbVie, we apply the upfront payment of USD 350m, with milestones of USD 1,875m from 2025-2033 reflecting development, approval, and commercialization milestones. For UCN2 we see high potential given pre-clinical data demonstrating "healthy weight-loss", with potential to reduce fat mass while maintaining lean mass; however, due to the early stage, we apply 50% of the milestone potential from the GUBamy deal from 2027-2033. Milestones for the remaining pipeline candidates of DKK 4,500m are applied 2027-2031, roughly reflecting assumptions outlined in IPO prospectus.

In addition to milestones, Gubra's pipeline assets will earn royalties attached to its partners' sales of the drugs. The market assumes that Novo Nordisk and Eli Lilly will retain a large combined market share due to first-mover advantage of around 70%[3], with the remainder likely occupied by other large global pharma companies. Gubra's recent partner AbbVie, as a top five pharma company by market cap globally, has the scale to take a share of the market, but faces competition from other recent entrants such as Merck, AstraZeneca and others. We assume GUBamy will be AbbVie's leading candidate among a portfolio of obesity assets, and in combination with Gubra's expectations for GUBamy to be "widely-used" we project a peak market share of around 4% by 2035.

We also assess wide-use potential for UCN-2, given the very promising pre-clinical data, with lean mass increase alongside fat mass decrease. However, to adjust for the earlier clinical stage we assume a peak market share of 2% for UCN-2. We also assume other pipeline assets with partner agreements can, in combination, attain an additional 2% market share if they are progressed to commercial launch.

We assume varying royalty rates for the pipeline assets. For GUBamy we model a 15% royalty after launch, rising to 20% at peak market share, as the agreement communicates tiered royalties, and the obesity market has demonstrated relatively high royalty rates, despite early-stage projects. We model a flat 15% royalty rate for UCN-2, reflecting a partner agreement at a similar clinical stage, and we model an 8% royalty rate for the Boehringer Ingelheim partnerships, reflecting "high-single-digit" royalties as communicated in the IPO prospectus.

From a market penetration perspective, we model a smaller market share in each asset's year of launch with a 4-year linear scale up to peak market penetration, with a stable market share until our terminal period. We apply a terminal growth rate of -25% to reflect patent expiry and intense competition within the obesity space. The peak market share is the key variable between the base, bear, and bull case, as most other variables are held constant.

Discount rate

The model uses a discount rate of 15%, reflecting the generally high level of investment risk and uncertainty typically associated with forecasting future cash flows from biotech companies. The development of each pipeline candidate will reflect different levels of uncertainty, but the model uses the widely accepted industry discount rate of 15%.

EBIT-margin

According to S&P Capital IQ Financial System, five-year average EBIT margins within major pharmaceutical and biotech companies are approximately 30%. Looking at biotech companies specifically, the five-year average is approximately 50%, which has been used in the model, reflecting a generally more focused business model based on partnership deals. However, following the partnership agreement with AbbVie and the huge obesity market size, we expect that under successful commercialization Gubra can attain an 80% EBIT margin, especially considering the low comparative ongoing development costs, given that pipeline assets are only taken as far as Phase I under the current strategy.

Capital increases

Unlike most early stage biotech companies, Gubra is not constrained by capital and additional dilutive capital raises are highly unlikely. The strong capital position is due to a strong net cash position of DKK 326m following the FY2024 annual report. While closing the deal, AbbVie will generate a large upfront payment of USD 350m (around DKK 2,400). Gubra also has a profitable CRO business with cash flow which could support D&P operations if necessary. A more significant issue is how Gubra will allocate its large incoming upfront partnership payment and whether significant investment opportunities can be found.

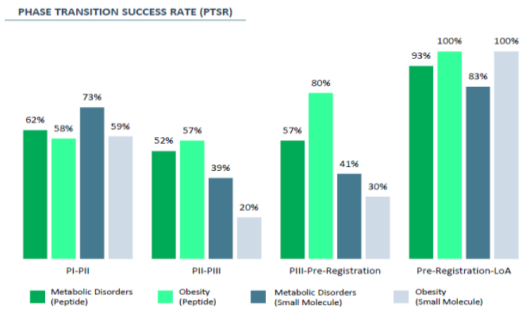
Source: 2) Bloomberg.com 3] Morningstar.com; 3) Nature, May 2019

Appendix – Results and Conclusion

Probability of success (PoS):

Based on historical data provided by GlobalData as published in the Gubra prospectus, the average likelihood for obesity drugs to move from phase I trials through to phase 3 and successful approval, registration, and launch is around 26%, as per Gubra's IPO prospectus. This is high compared to other drug indications.

Generally, a high PoS indicates that the market implicitly assesses there is a high possibility of success for a company and its given product candidates. In the case of Gubra, a PoS of around 27% indicates that the market attributes a similar likelihood for Gubra to successfully develop obesity drugs with its partners when compared to the industry average for obesity products.



Source: GlobalData Inc. via Gubra's IPO prospectus

Scenarios

Based on the previously mentioned assumptions regarding market size and growth, level of profitability, market share, and discount rate, different scenarios can be simulated to assess the probability of a successful launch and commercialization for GUBamy, UCN-2, and other partnered pipeline assets. As illustrated, the model has simulated the implicit likelihood in 3 scenarios; a bear-, base- and bull-case scenario using the indicated level of market size and growth by Gubra under different peak market share assumptions.

Base case scenario

In the base case scenario, the model uses the indicated market size by Goldman Sachs of, USD 130 billion, by 2030, growing 5% annually towards 2040. The model uses a higher than industry standard EBIT margin of 80%, reflecting the exceptionally large and valuable obesity market. The peak market share assumptions for GUBamy, UCN-2, other pipeline assets are: 5%, 2%, and 2%, respectively. Based on these assumptions and a discount rate of 15%, the market currently implicitly assumes there is PoS of 27% for Gubra's current pipeline to be fully commercialized.

Bear case scenario

In the bear case scenario, the peak market share assumptions for GUBamy, UCN-2, other pipeline assets are: 3%, 1%, and 1%, respectively. Based on these assumptions and a discount rate of 15%, the market currently implicitly assumes there is PoS of around 37% for Gubra's current pipeline to be fully commercialized.

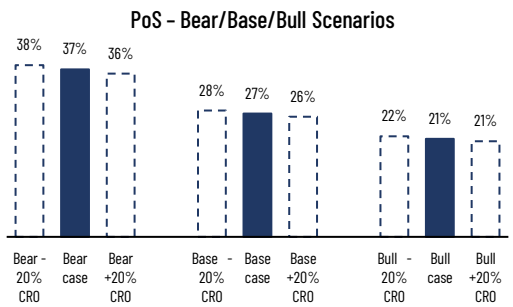
Bull case scenario

In the bull case scenario, the peak market share assumptions for GUBamy, UCN-2, other pipeline assets are: 7%, 3%, and 3%, respectively. Based on these assumptions and a discount rate of 15%, the market currently implicitly assumes there is PoS of around 21% for Gubra's current pipeline to be commercialized.

Conclusion

The base case scenario illustrates that when isolating the D&P business by adjusting for the CRO business, the market assesses that there is a PoS of around 27% which is roughly in-line with the GlobalData benchmark PoS for Phase I obesity pipeline assets to pass clinical trials and make it to market. The model suggests that under the outlined assumptions for market share and market penetration that key triggers for Gubra likely involve clinical progress in either GUBamy (its most valuable pipeline asset) and or other key assets such as UCN2 or its Boehringer Ingelheim partnered assets. A read out from the interim results, in the first two cohorts out of five in GUBamy's MAD (multiple ascending dose) study is expected in April 2025, while UCN2 is expected to commence its Phase I clinical trial in late 2025/early 2026. Additionally, final confirmation of the partnership deal with AbbVie may trigger a greater justified PoS than the benchmark, particularly given AbbVie's reputation for developing pipeline assets quickly and successfully, and considering the data read-out from the SAD (single ascending dose) phase I study.

A PoS above the benchmark may reflect a strong capital situation with low risk of dilution, which is the case for Gubra, it may also indicate strong clinical data and the market attributing an above average probability of successful marketing authorization and commercial launch. In addition to valuing the CRO segment on par with peer group multiples, PoS for the pipeline has been calculated based on valuing the CRO segment on either a 20% discount or 20% premium to the peer group multiples. A discount could reflect the smaller cap nature of Gubra relative to the peer group, while a premium, on the other hand, could be motivated by the much higher growth and profitability of the CRO Segment in Gubra relative to the industry and the peer group.



Note: Probability of Success (PoS) model based on general market assumptions and HC Andersen Capital assumptions.
CRO +/- 20% reflects PoS sensitivity to Gubra's CRO valuation relative to peer group multiples of +/- 20%.

Gubra CRO segment peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	EV (EURm)	EV/EBIT FY2024	EV/EBIT FY2025	P/E FY2024	P/E FY2025	EBIT margin 3-yr avg	EBIT margin LTM
Medpace Holdings, Inc.	USD 325	-2.2%	9,100	8,622	24.0	21.0	29.1	26.2	19.1%	21.2%
ICON Public Limited Company	USD 184.6	-12.0%	13,702	16,518	17.7	11.7	23.3	13.3	18.7%	14.7%
IQVIA Holdings Inc.	USD 185.2	-5.8%	30,014	41,633	22.1	14.0	25.8	15.6	14.8%	14.8%
Labcorp Holdings Inc.	USD 239.5	4.8%	18,429	23,802	22.6	13.2	44.7	14.9	8.7%	8.7%
Charles River Laboratories International, Inc.	USD 171	-7.3%	8,040	10,461	16.8	15.5	23.1	18.2	13.5%	13.5%
Evotec SE	EUR 6.3	-22.7%	1,123	1,290	NM	NM	NM	NM	-7.7%	-7.7%
Median		**-6.6%**	**11,401**	**2,453**	**22.1**	**14.0**	**25.8**	**15.6**	**14.1%**	**14.1%**
Gubra A/S	**DKK 508**	**-18.6%**	**1,110**	**1,070**	**158.4**	**112.2**	**NM**	**0.0**	**23.6%**	**28.2%**

Note: Data from 14/03/2025

Source: S&P Capital IQ