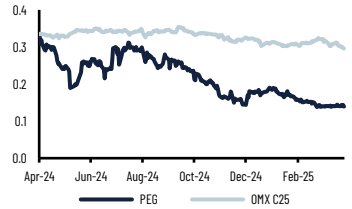
Pharma Equity Group

Market: OMXC Small Cap	Ticker: PEG	Share price (DKK): 0.144	Market cap (DKK): 171m	Net debt (DKK): 19.8m	Enterprise value (DKK): 191.1m

*Includes Jan debt increase of DKK 13m

Share information*



Ytd	-26.6%	1 year:	-61.3%
1 month:	0.7%	Since IPO:	-86.1%

Note: * Closing prices of 28.03.2025, have been used. IPO date 28.03.2023, subscription price DKK 1.0.

Financials

(DKKm)	2023	20243	2025E*
Revenue	0	0	11.0
Revenue growth	*0%*	*0%*	*n/a*
Research & Development	-9.1	-9.0	n/a
EBIT	-20.6	-21.3	n/a
EBT	-26.6	-26.2	-7.0 to -4.0
Total Cash flow	0.4	0.0	n/a
Cash position	4.2	4.2	n/a

Note: *Pharma Equity Group's own guidance, and reflects EBT, before any gains/losses relating to fair value adjustments of the Portinho S.A receivable.

Pipeline

Product Candidate	Phase I	Phase IIa	Phase III
RNX-011	Completed	Completed*	CTA Ph IIb/III submitted*
RNX-041	Completed	Ongoing	
RNX-051	Completed	Completed	CTA submission exp. Q2 2025*
RNX-021, RNX-022, RNX-023	Completed	On-hold	

Note: *possibly for read out of data available during Q2 2025

Company description

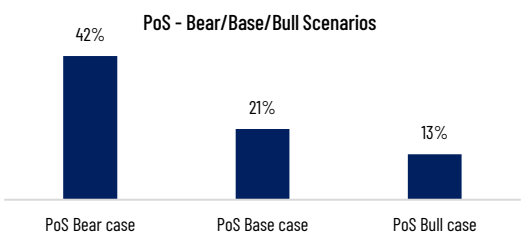
Pharma Equity Group (PEG) is a Danish biotech company based in Horsholm, north of Copenhagen, and listed on Nasdaq Copenhagen since March 2023. PEG has invested in Reponex Pharmaceutical, which has a pipeline of product candidates in Phase II within the following therapeutic areas: peritonitis, wound healing, pouchitis (Crohn's disease), and colorectal cancer. Based on a repositioning and reformulation strategy, PEG plans to out-license their product candidates to partners to minimize operational development and financial risk.

Investment Case

Revenue guidance of around DKK 11m in 2025 suggests management confidence in securing an attractive partnership agreement in 2025 as PEG continues clinical progress in its leading assets. The company submitted a clinical trial application for RNX-011 (Peritonitis) to the Danish Medicines Agency in February 2025 and expects to submit the application for RNX-051 (Colorectal cancer) at the beginning of Q2 2025, which our model suggests are PEG's two highest-value assets. Reponex has also recently been strengthened with the appointments of CEO Sebastian Bo Jakobsen and CMO Professor Lars Otto Uttenthal.

Pharma Equity Group strengthened its capital position in Q4 2024 following raising DKK 51m via direct share issues to downpay debt and secure cash for operations, which were further bolstered in Jan 2025 via an additional DKK 13m loan. PEG has further reduced its cost base, with a run rate of around DKK 5-6m per quarter, extending its run rate at least 12 months forward. The company focuses on continued development and securing partnership agreements for its prioritized projects: RNX-011 for peritonitis, RNX-041 for inflammatory bowel diseases, and RNX-051 for colorectal cancer, with expectations for partnership revenue of around DKK 11 (Q3 or Q4 2025) FY2025e, relating to an agreement for either RNX-011 or RNX-51.

From a valuation perspective, our base case assigns around 20% Probability of Success (PoS) to achieve approval and commercialize the pipeline through partnerships. This PoS is below the average success rate for Phase II complete products progressing through Phase III to approval, based on biostatistical data (see pages 2 and 3 for more).



Key investment reasons

Following a reformulation and repositioning strategy based on a broad and diversified pipeline, PEG provides an opportunity to invest in the typically high-reward biotech business model with a lower clinical risk. PEG will pursue these opportunities through partnerships, further reducing the operational and execution risk often experienced by small biotech companies.

PEG's pipeline of products has exposure to therapeutic areas with medical unmet needs, bringing new solutions to already established therapeutic areas or areas that are perhaps being neglected or de-prioritized by big pharmaceutical companies.

PEG will potentially require smaller capital raises as the business model typically relies on smaller publicly financed programs or trials at hospitals or scientific institutions. Cost-cutting has also reduced the run-rate and moved to a more variable cost model.

The market-implied PoS, based on the model assumptions for PEG successfully implementing its partner-based strategy, is currently below the historical average benchmark for drug candidates which have passed Phase II trials. This gap persists despite PEG's recent progress, including a newly granted patent and promising trial data for its cancer treatment candidate RNX-051.

Key investment risks

Drug development is generally high risk, and investing in PEG requires patience and a high risk-appetite as PEG has still not engaged in partnership arrangements that validate its reformulation and repositioning strategy.

Even if approved, some of PEG's pipeline candidates address therapeutic areas in large markets where there are already established treatment processes and competitors, which could materially affect the likelihood of commercial success.

If the pipeline development or entering partnership is delayed, PEG may have to raise capital, which could require investors to participate to avoid dilution. Such raises can also be challenged if markets are characterized by low risk-appetite.

If PEG fails to realize its receivable from Portinho, there could be a risk of future capital raises. Management has high confidence that the repayment of the receivables from Portinho will be attained during 2026 and is currently in an arbitration court process. However, there have been several delays to the receivable assumption, and the share price could be negatively impacted if the receivable is further written down.

Appendix – Discussion of assumptions in DCF-model

The model

This one-pager does not aim to determine a price target for Pharma Equity Group (PEG) shares but rather provides investment perspectives using a simplified Discounted Cash Flow (DCF) model across different scenarios. The model uses scenarios to indicate the extent to which PEG's current market capitalization reflects the implied probability of success (PoS) for its pipeline products to achieve marketing authority and successful commercialization, based on the model assumptions described below.

PEG currently has multiple pipeline product candidates around Phase II, ranging from pending Phase II initiation to Phase II completion. We include RNX-011, RNX-041, and RNX-051 assets in our model since PEG is focusing resources on these assets with the highest potential. We exclude RNX-021, RNX-022, and RNX-023. We estimate the larger share of the value (NPV) is derived from the RNX-011 and RNX-051 products, which have completed Phase II. We compare the market-implied PoS to the average historical likelihood (PoS) of a pipeline product that has completed Phase II reaching a successful launch of around 60%, based on biostatics.

Market size and market growth

The addressable market sizes of the different pipeline projects used in the model are company-guided by PEG, based on publicly available documents such as its IPO prospectus, presentations, or conference calls. We assume a midpoint market size of USD 1.5-2.0 billion for Bacterial Peritonitis (RNX-011), The market size for the Crohn's disease/pouchitis indication (RNX-041) is expected to grow to around USD 4.7 billion in 2025. Finally, the market size for the treatment and prevention of colorectal cancer (RNX-051) is currently around USD 10 billion. We apply a conservative growth rate of 2% to each market and a negative growth rate to PEG's market share of -50% following patent expiry for each indication to reflect increased competition and avoid an unrealistic compound effect in the value of future cash flows.

Market share and revenue

Various levels of peak market share are assumed to reflect factors such as the addressable share of the market, product strength (unmet need), market competition, patent protection, and more. Adjusting peak market share is our primary differentiating factor between the base, bear, and bull scenarios.

Our base case assumes a peak market share for Bacterial Peritonitis (RNX-011) of 10%, based on strong Phase II efficacy significantly improving patient discharge times following surgery. For the inflammatory bowel disease project (RNX-041), we assume a peak market share of 7.55%, as it initially targets only pouchitis, the smaller portion of the overall market. Lastly, for the treatment and prevention of colorectal cancer (RNX-051), we assume a 20% peak market share, reflecting strong Phase IIa (MEFO) study efficacy data to reduce bacterial biomass/biofilm and increase T-cell prevalence, which could significantly improve patient outcomes if successful.

Generally, a high market share is difficult to obtain immediately after product launch, however, for simplicity reasons, we model a linear penetration curve from the expected launch year. From a cash flow timing perspective, it is important to understand that the expected implementation of a partner strategy will bring forward cash flow to PEG before the partner obtains the expected peak market share due to milestones paid upfront.

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 the different indications probably reflects different levels of uncertainty, but the model uses the widely accepted 15% within the industry.

Probability of successful launch (PoS)

Based on historical data from Biostatistics research containing 5,764 pipeline projects across all indications in pharmaceutical and biotech companies, the average historical likelihood of a pipeline project passing through to launch after Phase 2 completion is around 60%. PEG's repositioning strategy may reflect a higher likelihood of clinical success. Alternatively, PEG's Phase II studies have primarily been Phase IIa, requiring Phase IIb/III studies during the final clinical stage acting as a counterbalance.

EBIT-margin and royalty rates

According to the 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%, reflecting generally more focused business models, which are often based on higher economies of scale and partnership or out-licensing deals, which is also the strategy for PEG. However, to be conservative, the model assumes an EBIT margin of 40%, which reflects that PEG will continue to have some development, sales, and administrative costs even when various partnership deals have been made.

In addition to an estimated EBIT margin of 40%, PEG has communicated expectations for an average royalty rate of 25% across partnership deals. We generally consider this high compared to industry standards and other assumptions in the market. While a 25% royalty rate may be attainable, we choose to model a 20% royalty rate to be conservative. The high royalty rate assumption compared to industry standards can represent a novel medical therapeutic approach offering high value to partners and lower risk for partners given considerable clinical progress. However, PEG expects to secure a partnership deal in 2025, which can provide greater clarity regarding the royalty rate and milestone potential of its agreements.

Capital increases

It is assumed that a combination of the current cash position, following the latest equity raise via a direct issue in Oct-2024, and realizing the receivable from Portinho before the end of 2025, will provide PEG sufficient capital to finance operating expenses and ongoing clinical progression until milestones from partners, followed by royalty revenue, are sufficient to sustain the company's operating expenses. PEG repaid most of its debt following its Q4 2024 equity raise; however raised an additional DKK 13m debt via a convertible loan in January 2025. The new convertible loan is in addition to the outstanding convertible debt of DKK 8.1m at year end 2024. The convertible debt reflects a possible dilution risk to shareholders if they are converted.

Appendix – Results and Conclusion

Scenarios

Based on the previously mentioned assumptions regarding market size and growth, level of profitability, royalty rates, market share and discount rate, different scenarios can be simulated to assess how much the market is implicitly discounting the successful likelihood of launch of the different pipeline projects in PEG. As illustrated, the model has simulated the implicit likelihood in 3 scenarios: a bear-, base- and bull-case scenario using the indicated level of peak market share levels as the main differentiator. Accordingly, the remaining criteria discussed are assumed to be the same in all scenarios.

Base case scenario

In the base case scenario we use an EBIT margin of 40%, maintain our royalty rate assumptions for 20%, with peak market shares of RNX-011: 10%, RNX-041: 7.5%, and RNX-051: 20%. Our base case model suggests that the market currently implicitly assumes there is around 20% probability of successful launch (PoS) for the product candidates. This compares to a historical average level of success of approximately 55% for drug development projects having completed Phase II across all types of indications, noting that not all of PEG's pipeline candidates have completed Phase II.

Bear case scenario

In the bear case scenario, our model estimates lower peak market shares of RNX-011: 5%, RNX-041: 5%, and RNX-051: 10%. The remaining model assumptions are maintained, including EBIT margin, royalty rates, launch date, and time to peak market share. Based on our bear case model, the market currently implicitly attributes around 40% probability of successful launch (PoS) of PEG's pipeline candidates.

Bull case scenario

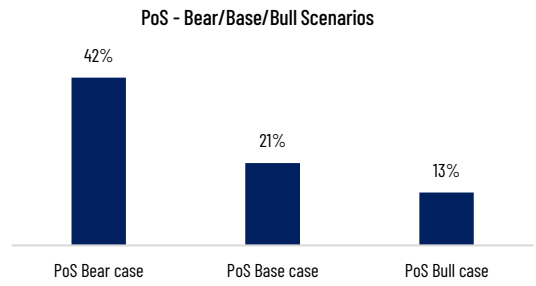
In the bull case scenario, our model estimates lower peak market shares of RNX-011: 15%, RNX-041: 15%, and RNX-051: 30%. The remaining model assumptions are maintained, including EBIT margin, royalty rates, launch date, and time to peak market share. Based on our bull case model, the market currently implicitly attributes around 15% probability of successful launch (PoS) of PEG's pipeline candidates.

Conclusion

The three scenario simulations all suggest a relatively low level of market confidence for PEG to successfully launch their six pipeline product candidates (through partnership) when compared to the average historical level in the biotech industry for product candidates having completed Phase 2 to go through Phase 3. In the base case scenario, the market assumes around half of the historical industry average likelihood, suggesting that the value potential for a successful approval and commercialization of PEG's pipeline is only partly reflected in the shares.

The PoS is below the historical average for all three scenarios, reflecting that even when relatively large changes are made in peak market share level assumptions, the PoS remains below the market average level. This may be partly explained by the Phase IIa studies not reflecting quite the same clinical progress as the benchmark but can also suggest that significant developments, such as a partnership announcement for its RNX-011 or RNX-051 pipeline assets, or further positive data read-outs can support market-implied PoS improvements.

Also, a low PoS is generally not uncommon for biotech companies still in their developing phase as it can also reflect that the market assesses there is a relatively high likelihood that the company in question, PEG, will need to raise additional – potentially diluting - capital. However, following the latest strengthening of the capital position and expected revenue from partner agreements in 2025, the likelihood of a large dilutive capital raise is reduced. One or more partnership agreements will also provide greater insights on the expected path towards break-even and profitability.



Note: Probability of success (PoS) model based on general market assumptions and HC Andersen Capital assumptions.